

# **Cincinnati Bell 1st Quarter 2009 Review**

**May 5, 2009**

# Agenda

## 1. Performance Highlights

*Jack Cassidy, President & CEO*

## 2. Operational Overview

*Brian Ross, Chief Operating Officer*

## 3. Financial Overview

*Gary Wojtaszek, Chief Financial Officer*

## 4. Q & A

# Safe Harbor

**Certain of the statements and predictions contained in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. In particular, any statements, projections or estimates that include or reference the words “believes,” “anticipates,” “plans,” “intends,” “expects,” “will,” or any similar expression fall within the safe harbor for forward-looking statements contained in the Reform Act. Actual results or outcomes may differ materially from those indicated or suggested by any such forward-looking statement for a variety of reasons, including but not limited to, Cincinnati Bell’s ability to maintain its market position in communications services, including wireless, wireline and internet services; general economic trends affecting the purchase or supply of communication services; world and national events that may affect the ability to provide services; changes in the regulatory environment; any rulings, orders or decrees that may be issued by any court or arbitrator; restrictions imposed under various credit facilities and debt instruments; work stoppages caused by labor disputes; adjustments resulting from year-end audit procedures; and Cincinnati Bell’s ability to develop and launch new products and services. More information on potential risks and uncertainties is available in recent filings with the Securities and Exchange Commission, including Cincinnati Bell’s Form 10-K report, Form 10-Q reports and Form 8-K reports. The forward-looking statements included in this presentation represent estimates as of May 5, 2009. It is anticipated that subsequent events and developments will cause estimates to change.**

# *Performance Highlights*

**Jack Cassidy**

**President & CEO**

# Cincinnati Bell 1Q09 Highlights

## Overview

- Economic impacts felt
- Earnings per share up
- Bought back 5% of shares
- Reduced pension & post retirement costs

## Technology Solutions

- Opened 62K sq ft of new data center space
- Impacted by economy on equipment revenues
- Data center & mgd svcs revenue up 24% y/y

## Wireless

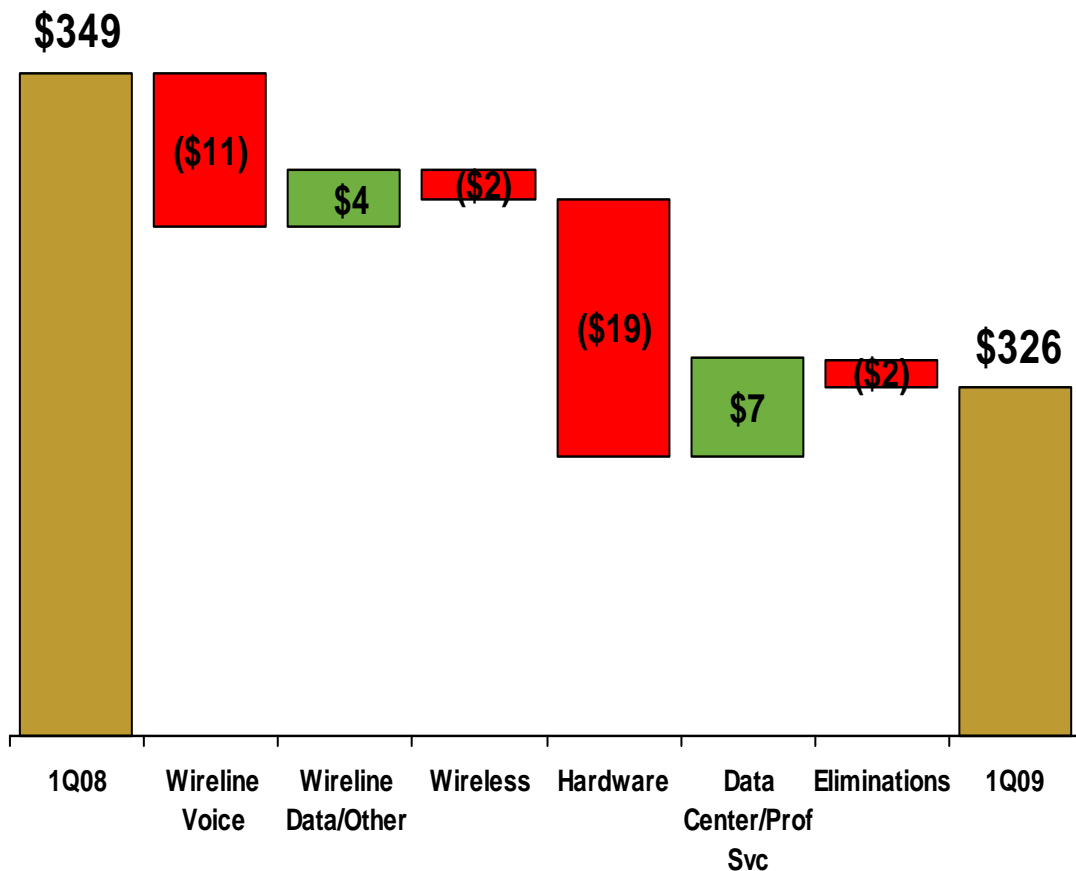
- Postpaid churn improved 70 basis points vs. 4Q 08
- Data ARPU up 26%
- Named best area network for 3<sup>rd</sup> year

## Wireline

- Launched Priced for Life Campaign in March
- Wireline data up 4%
- Adjusted EBITDA margins stable y/y

# 1Q09 Y/Y Change in Revenue

(\$'s in millions)

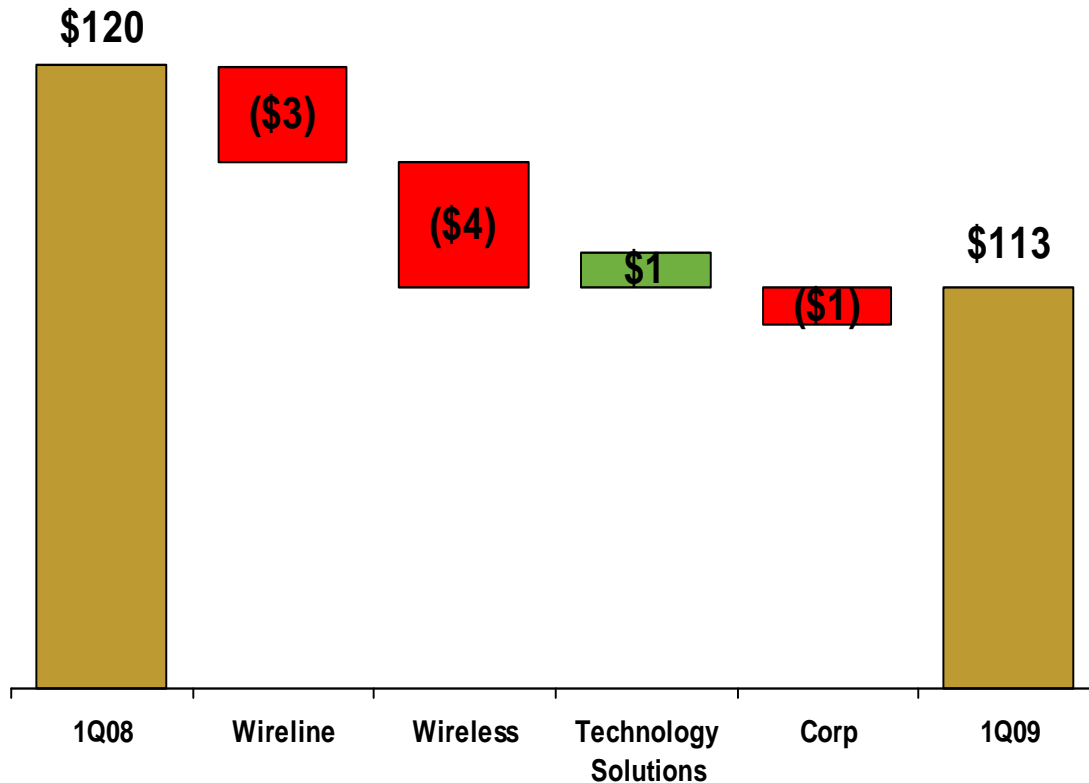


- 1% decrease in Wireless service revenue
  - +\$0.3M, 1% postpaid
  - (\$1M), (8%) prepaid
- Wireline Data/Other
  - +4% data growth, due to data transport
- 16% decrease in Technology Solutions
  - (\$19M) / (37%) telecom and IT equipment
  - +\$5M / 24% data center and managed services

\* May not foot due to rounding

# 1Q09 Y/Y Change in Adjusted EBITDA

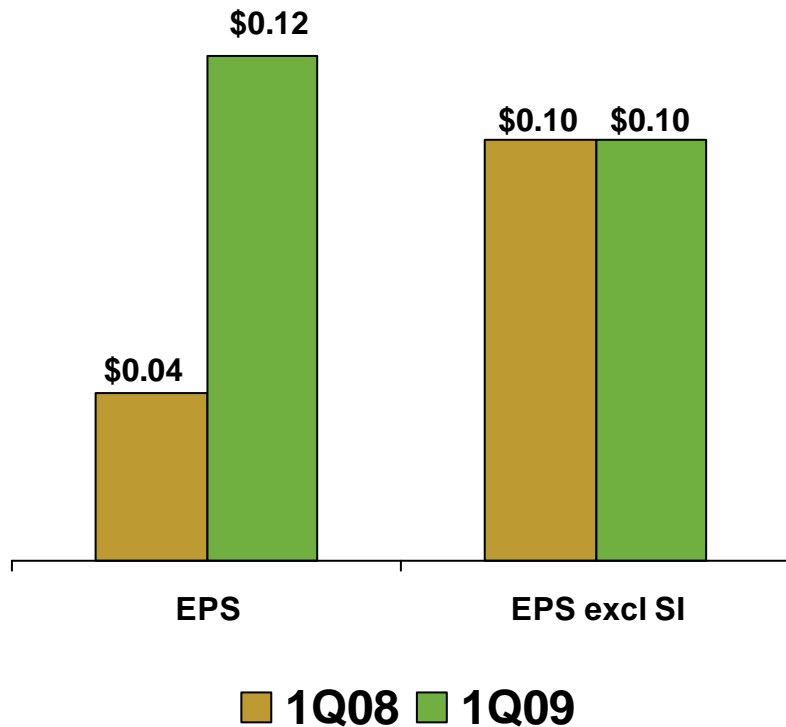
(\$'s in millions)



- 3% Decrease in Wireline
  - Driven by local voice revenue decline
- 18% Decrease in Wireless
  - (\$1.46) Voice postpaid ARPU
  - (\$3M) Handset subsidies
  - (22k) Prepaid subs
  - (\$1M) Bad debt
- 16% Increase in Technology Solutions
  - +\$5M data center and managed services revenue growth
  - 12.4% Adjusted EBITDA margin (3.4 pts improvement vs. prior year)

\* May not foot due to rounding

# Earnings Per Share Growth



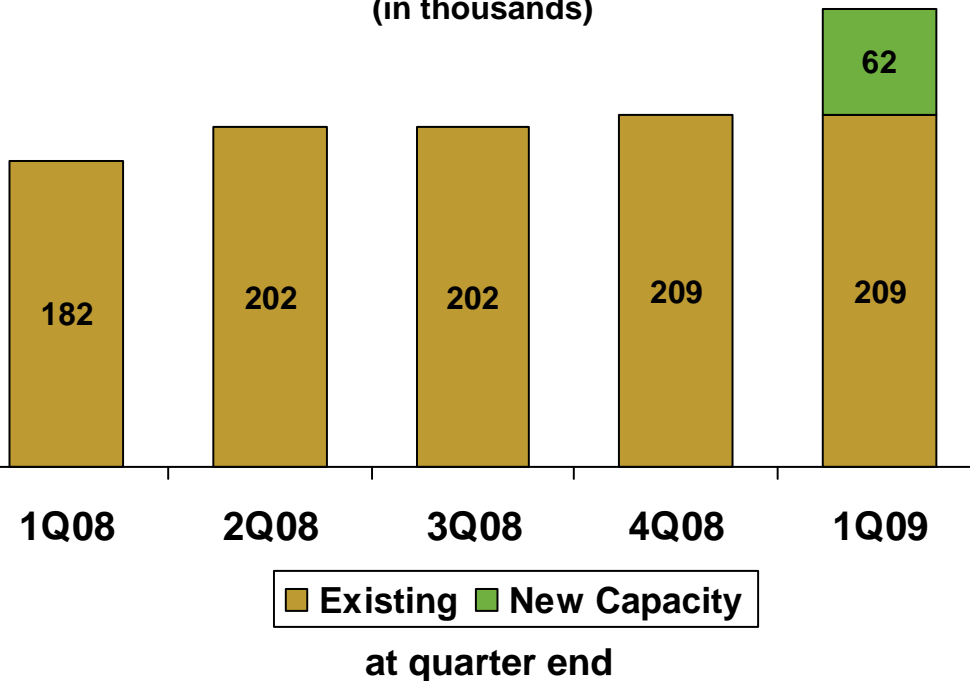
(on a diluted basis)

- **Diluted earnings per share up 183% y/y**
  - \$32M reduction in restructuring and asset impairment charges y/y
  - Purchased 32M shares of common stock under program authorized in February 2008
    - 13% of shares outstanding at the end of 2007
  - Interest expense down \$5M; lower rates and debt balances
- **EPS flat year over year excluding special items**



# Data Center Build Out Update

**Data Center Capacity (sq ft)**  
(in thousands)



➤ 62K sq ft capacity added  
1Q 09

- Opened new Lebanon facility and added space at downtown Cincinnati W 7<sup>th</sup> St. location

➤ Space utilization of 77%

- +25k sq ft billing to 208k sq ft in total

➤ Sales funnel strong

- 15k sq ft in negotiations

\* May not foot due to rounding

# Cool & Current Are Back at Cincinnati Bell!

## Nokia 5800 Xpress Music



- First North American carrier to launch
- Music optimized smartphone
- 3.2" touch display
- 3.2 megapixel camera
- Wi-Fi and GPS

## Blackberry 8220 Pearl Flip



- Fusion Wi-Fi compatible smartphone
- 2.0 megapixel camera
- Media Player
- GPS

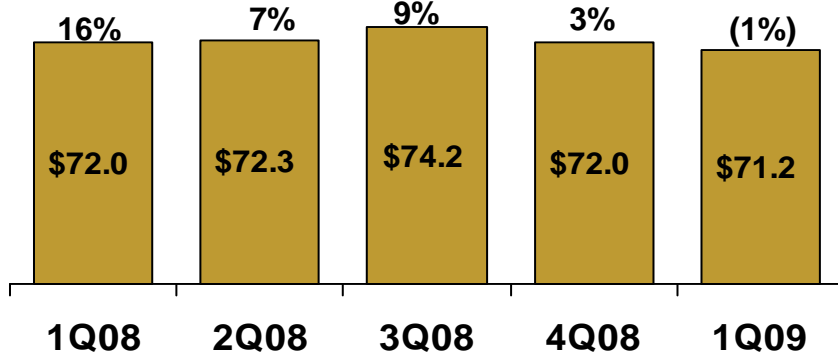
# *Operational Overview*

**Brian Ross**

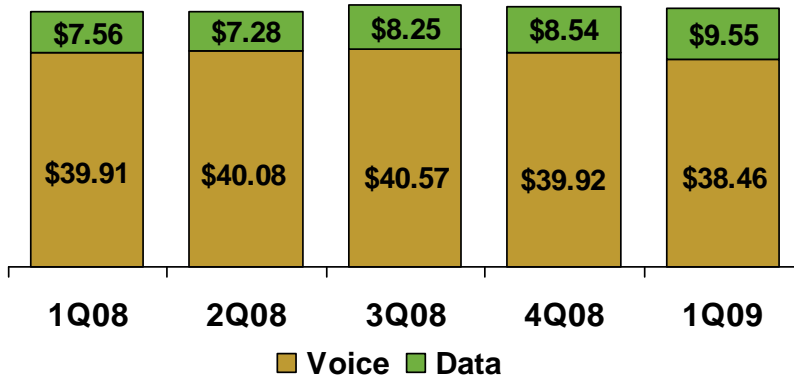
**Chief Operating Officer**

# Wireless Revenue and Postpaid ARPU

**Total Service Revenue  
Year-over-Year Growth Rates**



**Postpaid ARPU**

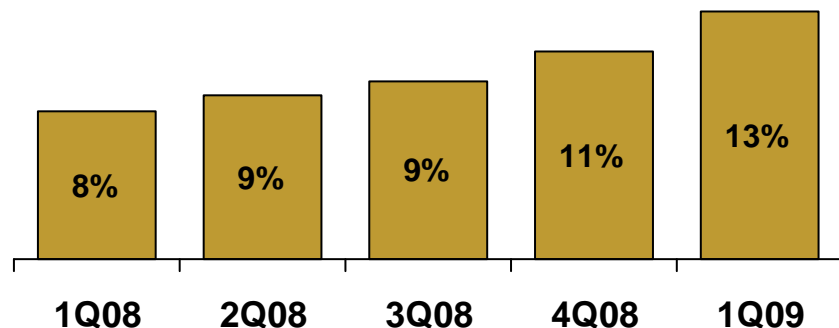


- 1% Postpaid service revenue increase
  - 2% subscriber decline
    - (7K) net Q109 postpaid subscribers
    - Q1 09 Postpaid churn of 2.3%
  - 1% growth in ARPU
  
- 8% Prepaid service revenue decrease y/y
  - 6% growth in ARPU offset by drop in subscribers
  
- 1% Postpaid ARPU growth
  - +\$2 smartphone and SMS plan driven data ARPU
  - (\$1.46) voice ARPU driven by lower usage

(\$'s in millions)

# Smartphone Penetration and EBITDA Results

Smartphone Penetration



➤ Strong smartphone growth

- Up 62% from 1Q 08, now 13% of subscribers
- 175% consumer subscriber growth

Total Adjusted EBITDA  
Year-over-Year Growth Rates

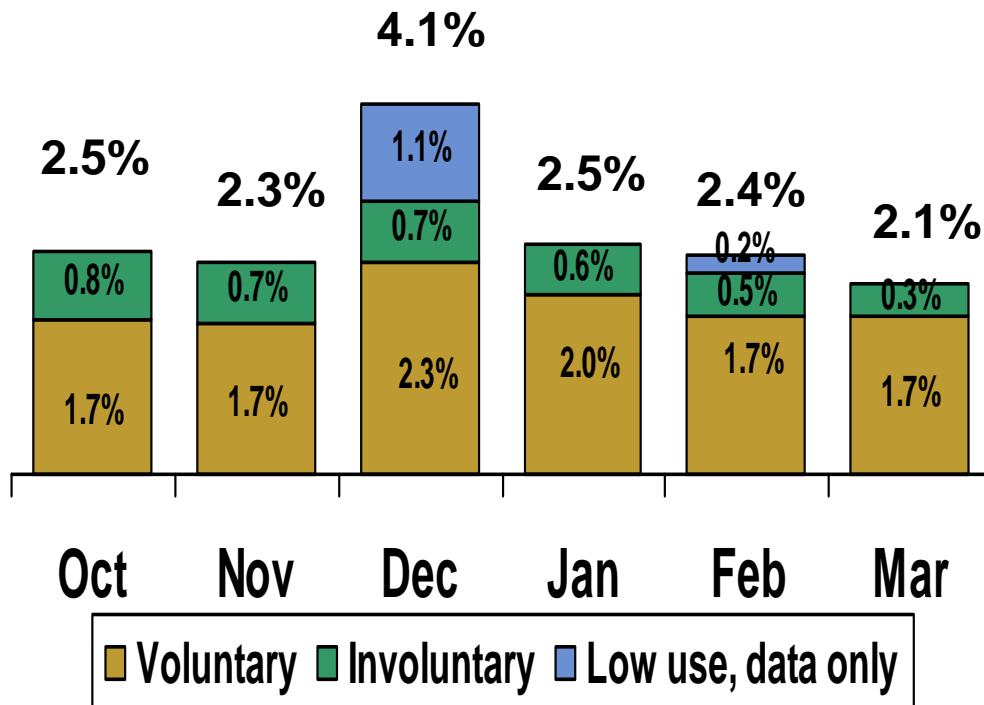


➤ Adjusted EBITDA y/y decline of 18%

- (\$1M) service revenue
- (\$3M) increased handset subsidies
- (\$1M) increased bad debt

# 1Q Postpaid Churn Shows Improvement

Postpaid Churn %

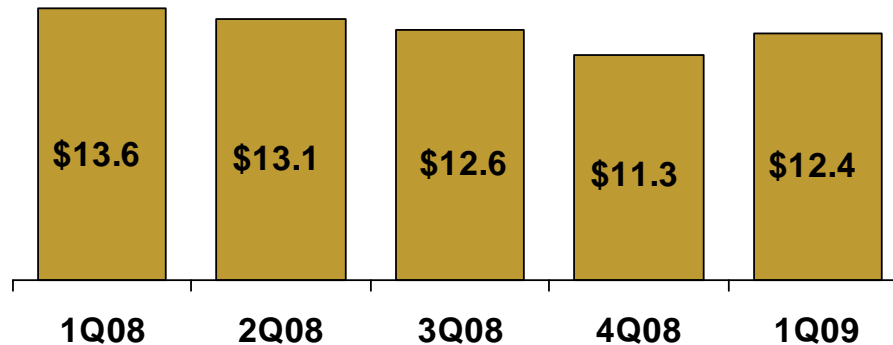


- 2.3% 1Q09 Postpaid Churn
  - 2.2% excluding 1k low ARPU, no usage, data only subscribers
- 0.3% involuntary (non-pay) churn at historical trend
  - March reflects impact of credit policy tightening
- 1.7% voluntary approaching 1.3% historical trend
  - February/March back to October/November levels
  - New in April from Blackberry:
    - Curve 8900 and Pearl Flip
  - May 1 launch new Nokia 5800 touch screen

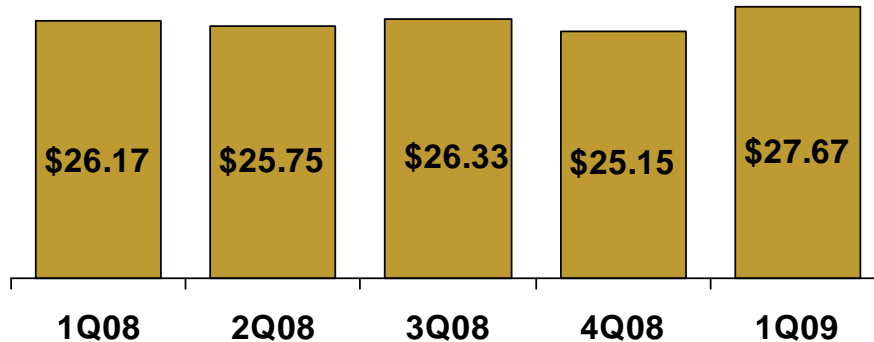
\* May not foot due to rounding

# Prepaid Wireless

Prepaid Service Revenue  
(\$'s in millions)



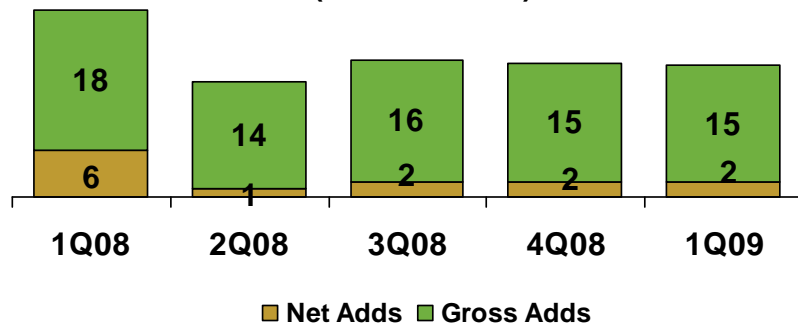
Prepaid ARPU



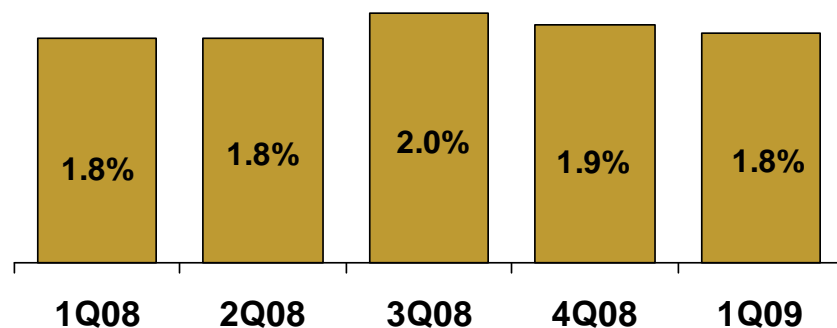
- Service revenue up 10% sequentially
- Defended share against renewed competition
  - Subscribers increased 4% sequentially
  - 80 basis point churn improvement from 1Q 08 to 6.6%
- 6% ARPU growth y/y
  - ARPU increased 10% sequentially

# DSL Subscriber Activity

DSL Gross Adds  
(in thousands)



DSL Churn %



➤ 3% subscriber base growth y/y

- 235k subscribers at the end of 1Q09

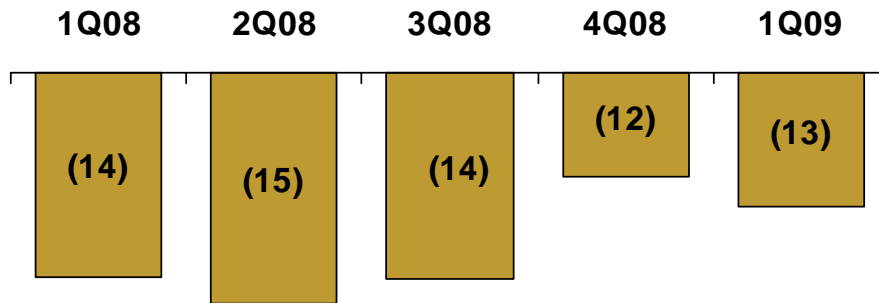
➤ 2K net adds in 1Q 09

- Down 4K y/y primarily due to lower gross activations
- 7 basis points churn worse than 1Q 08, 6 basis point improvement sequentially

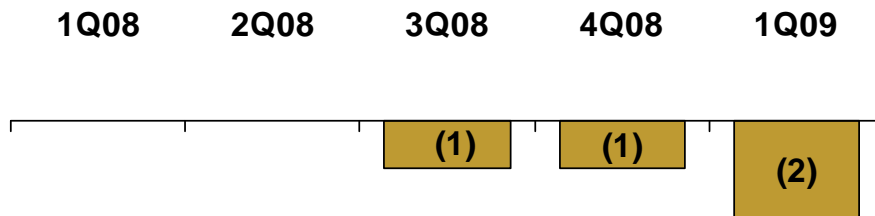


# Access Line Loss – Consumer & Business

ILEC Consumer Access Line Net Adds



Business Access Line Net Adds

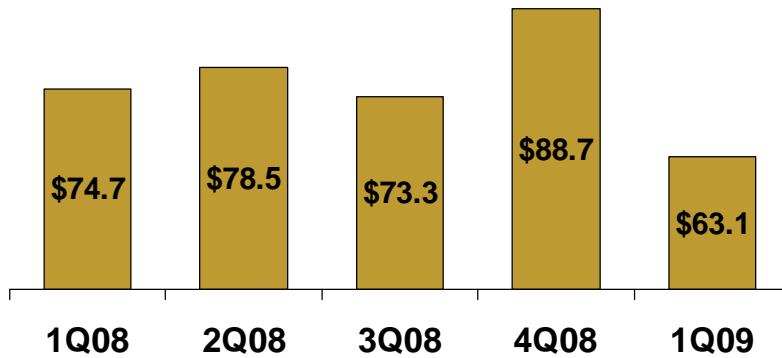


(in thousands)

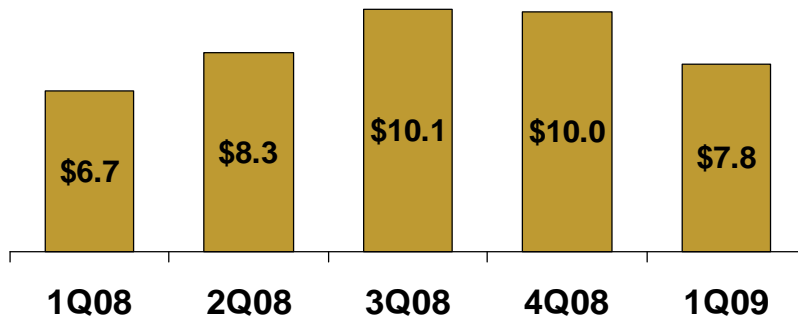
- 6.7% Access line loss
  - 8.5% ILEC access line loss
- 1,400 Consumer ILEC line loss improvement y/y
- Business lines remain down
  - Optimization, bankruptcies, moves, and VoIP drive line loss
  - Well positioned for VoIP with eVolve T1 and IP Centrex
- Churn remains well below 2%

# Technology Solutions Revenue and EBITDA

Total Revenue



Adjusted EBITDA



(\$'s in millions)

- 16% revenue decline y/y due primarily to telecom and IT equipment
  - \$19M decrease in telecom and IT equipment
- Revenue decline partially offset by growth in data center and managed services
  - \$5M increase or 24% y/y
- +16% Adjusted EBITDA y/y driven by +55k increase in sold data center sq ft

# *Financial Overview*

**Gary Wojtaszek**

**Chief Financial Officer**

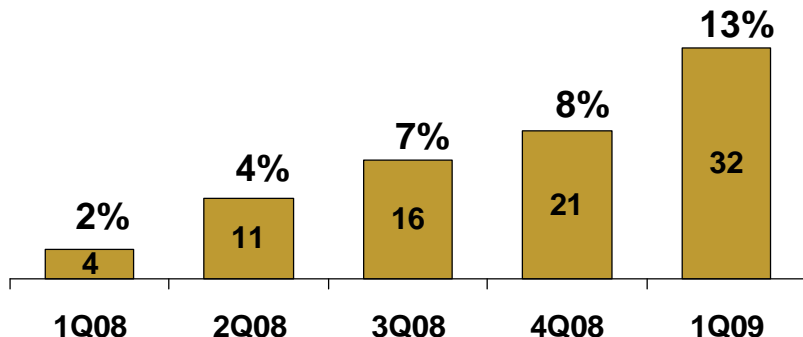
# GAAP Results

(Unaudited, \$ in millions except per share amounts)

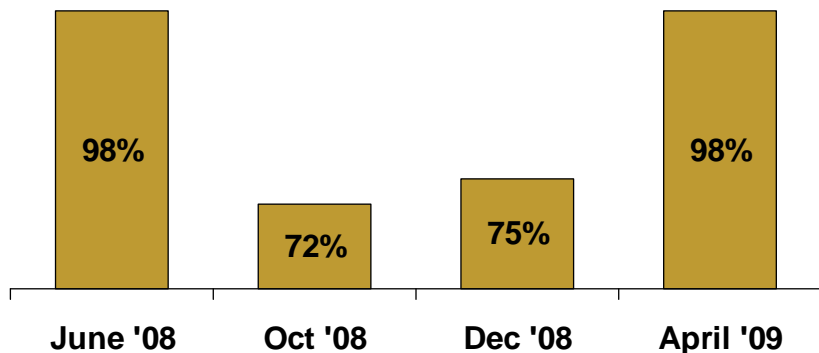
	Three months Ended March 31,		Change	
	2009	2008	\$	%
<b>Revenue</b>	\$ 325.5	\$ 348.5	\$(23.0)	(7%)
<b>Costs and expenses</b>				
Cost of services and products	139.0	158.8	(19.8)	(12%)
Selling, general and administrative	73.9	70.1	3.8	5%
<b>Adjusted EBITDA</b>	<b>112.6</b>	<b>119.6</b>	<b>(7.0)</b>	<b>(6%)</b>
Depreciation and amortization	39.3	37.3	2.0	5%
Restructuring charges (gains) and asset impairment	(7.0)	25.2	(32.2)	n/m
<b>Operating income</b>	<b>80.3</b>	<b>57.1</b>	<b>23.2</b>	<b>41%</b>
Interest expense	31.8	36.3	(4.5)	(12%)
Other income, net	-	(1.2)	1.2	n/m
Income before income taxes	48.5	22.0	26.5	120%
Income tax expense	19.7	9.1	10.6	116%
<b>Net income</b>	<b>28.8</b>	<b>12.9</b>	<b>15.9</b>	<b>123%</b>
Preferred stock dividends	2.6	2.6	-	0%
<b>Net income applicable to common shareowners</b>	<b>\$ 26.2</b>	<b>\$ 10.3</b>	<b>\$ 15.9</b>	<b>154%</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.12</b>	<b>\$ 0.04</b>		

# In Q1 We Bought Back 5% of Shares Outstanding

Cumulative Shares Repurchased  
(in millions)



% of Par - 8 3/8 Notes Due 2014\*

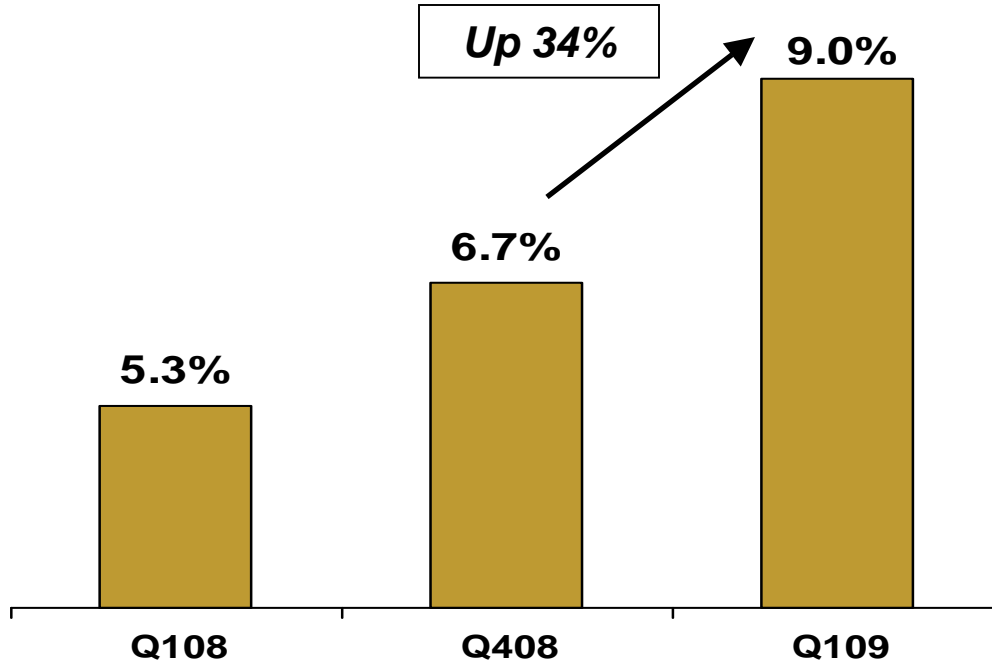


- Share repurchase program has bought back 13% of shares outstanding at the end of 2007
  - 11 million shares purchased in Q1 or 5% of shares outstanding at the end of 2008
  - Average purchase price of \$1.86/share for the quarter
- Bond prices have recovered from their Q4 08 lows, consistent with trading levels from Q2 08

\*Based on selected trade price during the period

# Softness in Results Due to the Local Economy

## Cincinnati MSA Unemployment Rate



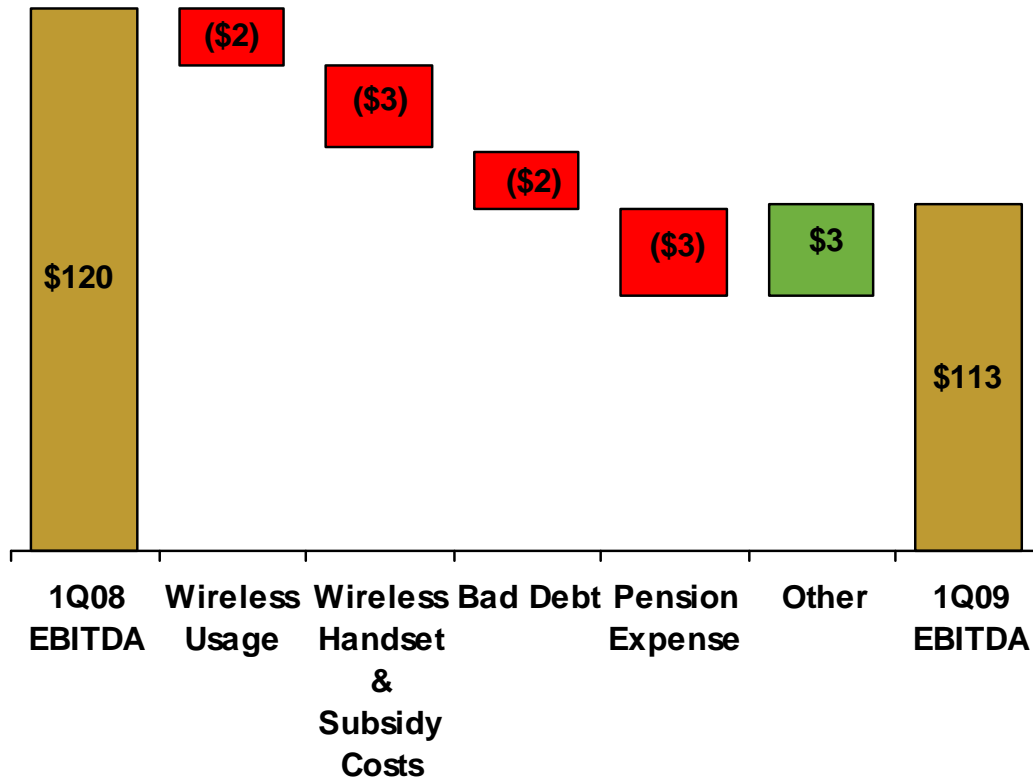
- Technology Solutions hardware sales \$19M y/y decline
- Increased bad debt
- Reduced wireless postpaid voice minutes of use per subscriber
- Other usage sensitive areas like long distance impacted

Source: Ohio Jobs & Family Services data

# Adjusted EBITDA Was Impacted by the Economy

(\$'s in millions)

## Adjusted EBITDA



- Wireless voice service revenue down \$2M y/y
- Wireless handset & subsidy costs up \$3M y/y
- Bad debt expense up \$2M y/y
- Incremental pension & benefits expense up \$3M y/y before impact of Feb plan changes
- Impact of drop in IT and telecom equipment offset by growth in data center revenues

\* May not foot due to rounding

# 2009 Guidance

	<b>2008 Actual</b>	<b>2009 Guidance</b>
<b>Revenue</b>	\$1.4B	Approx. \$1.4B
<b>Adjusted EBITDA</b>	\$480M	Approx. \$480M*
<b>Free Cash Flow</b>	\$164M	Approx. \$150M*

\* Plus or Minus 2 percent



# **Cincinnati Bell 1st Quarter 2009 Review**

**May 5, 2009**

## **Non-GAAP Reconciliations**

(please refer to the Earnings Financials)