

Cincinnati Bell
First Quarter 2015 Results
May 7, 2015



Today's Agenda

Highlights & Strategic Initiatives

Ted Torbeck, President & Chief Executive Officer

Financial Overview & Segment Results

Leigh Fox, Chief Financial Officer

Question & Answer

Safe Harbor

This presentation and the documents incorporated by reference herein contain forward-looking statements regarding future events and our future results that are subject to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “predicts,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “may,” variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned these forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially and adversely from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this release and those discussed in other documents we file with the Securities and Exchange Commission (SEC). More information on potential risks and uncertainties is available in our recent filings with the SEC, including Cincinnati Bell’s Form 10-K report, Form 10-Q reports and Form 8-K reports. Actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

Non GAAP Financial Measures

This presentation contains information about adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), Adjusted EBITDA margin, net debt and free cash flow. These are non-GAAP financial measures used by Cincinnati Bell management when evaluating results of operations and cash flow. Management believes these measures also provide users of the financial statements with additional and useful comparisons of current results of operations and cash flows with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. Detailed reconciliations of Adjusted EBITDA, net debt and free cash flow (including the Company's definition of these terms) to comparable GAAP financial measures can be found in the earnings release on our website at www.cincinnati-bell.com within the Investor Relations section.

Ted Torbeck

President & Chief Executive Officer

First Quarter 2015 Highlights



Q1 2015 Financial Results

- Revenue totaled \$293 million, up 4% year-over-year
- Strong Adjusted EBITDA of \$79 million



Closed Wireless operations

- No subscribers remaining on the network as of March 31, 2015
- Recognized \$113 million gain previously deferred
- Transfer of certain tower lease liabilities valued at approximately \$25 million (April 1, 2015)

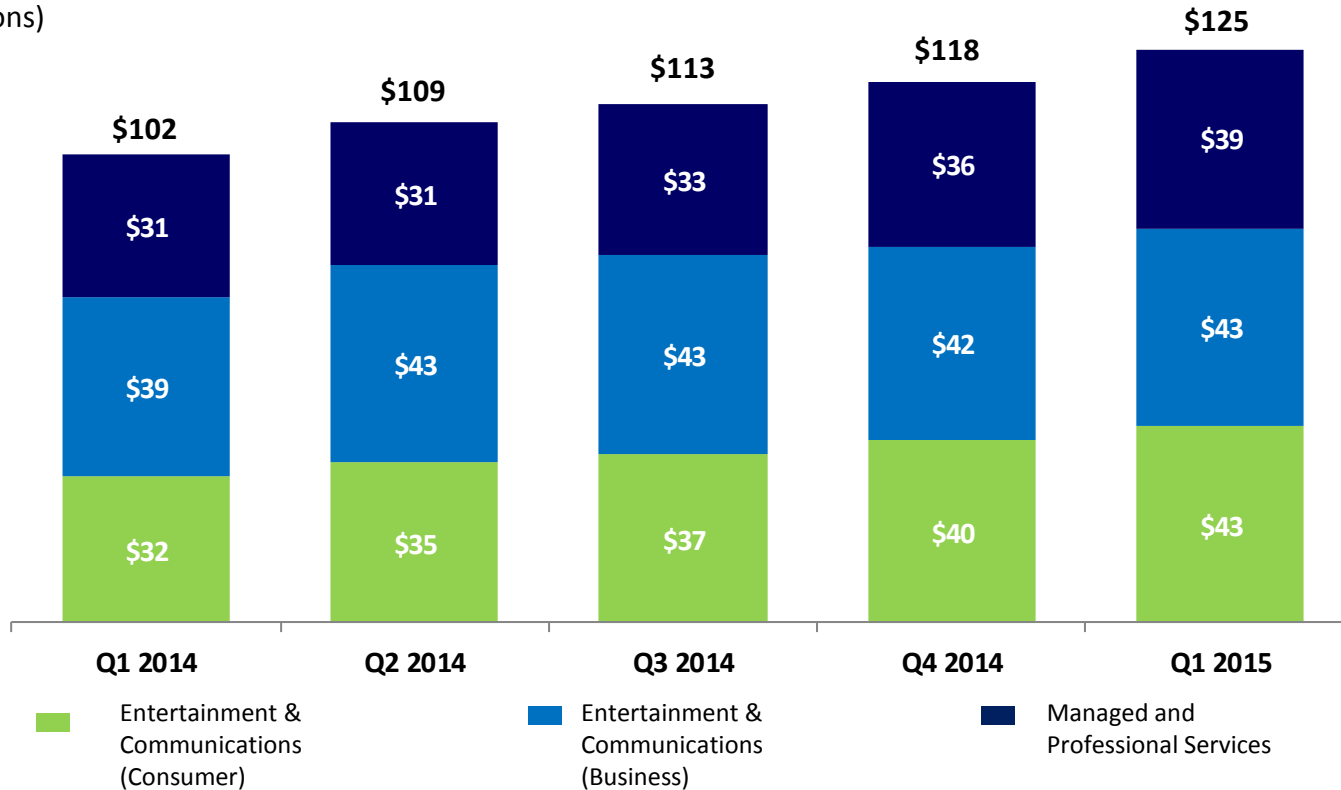


Announced agreement to sell 14 million CyrusOne partnership units

- Proceeds of \$426 million used to repay debt
- \$295 million gain to be recognized in the second quarter
- Remaining 22% ownership valued at approximately \$450 million

Quarterly Strategic Revenue Growth

(\$ in millions)

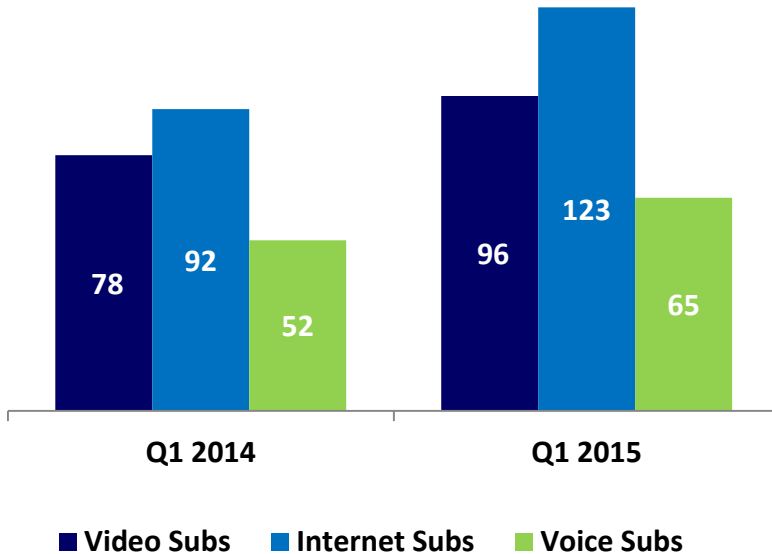


Strategic revenue has increased 22 percent year-over-year and accounts for more than 50 percent of our total recurring revenue

Fioptics Highlights

(in thousands)

Total Fioptics Subscribers



- **Fioptics subscribers increased on average approximately 28% compared to 2014**
 - 96K video subs; 4,400 net activations in the quarter
 - 123K internet subs; record-high 9,400 subs added in the quarter

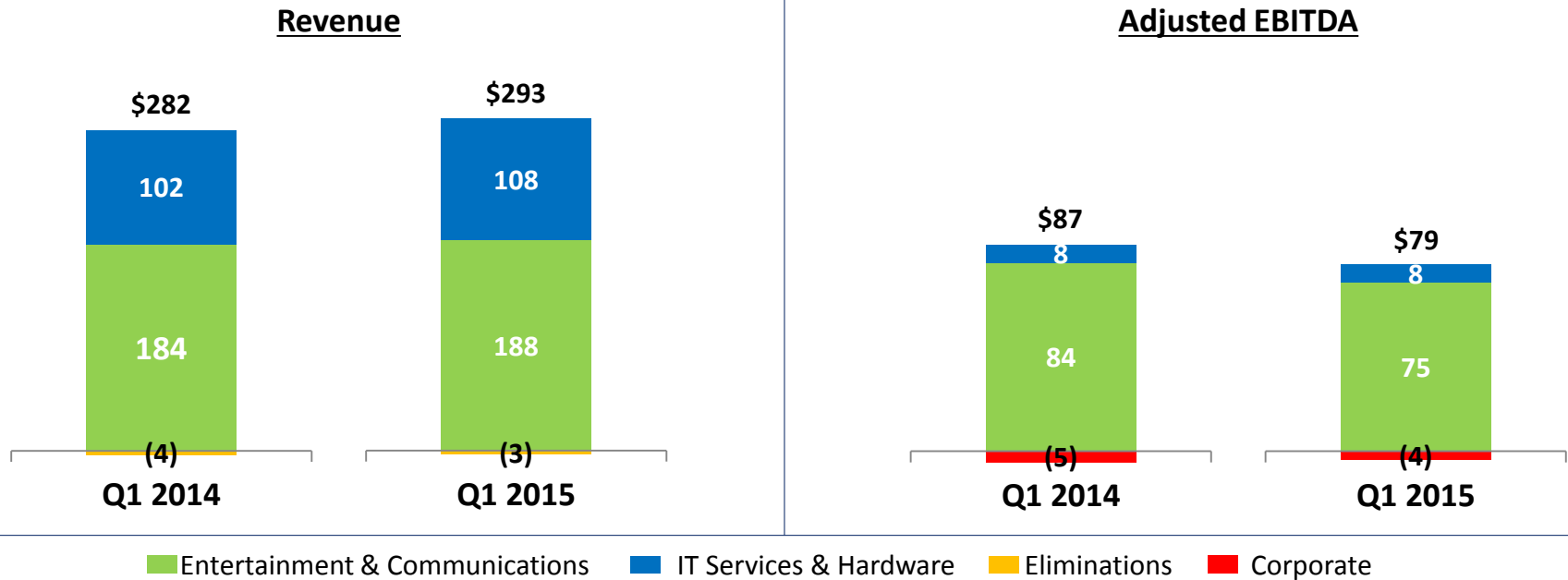
- **Fioptics revenue for the quarter totaled \$42 million, up 36% compared to the prior year**
- **Fioptics is available to 358k addresses, or 44% of Greater Cincinnati**
 - Passed 22,600 units new addresses in Q1 2015
- **Fioptics Penetration:**
 - Video – 27%
 - Internet – 34%
 - Voice – 18%
- **Fioptics monthly ARPU for the quarter was up approximately 6% from 2014. Q1 2015 ARPUs are as follows:**
 - Video – \$76
 - Internet – \$42
 - Voice – \$32
- **Total video churn was 2.5% for the quarter**
 - Single-family churn was 2.2%
 - Apartment churn was 4.6%

Leigh Fox

Chief Financial Officer

First Quarter Financial Summary

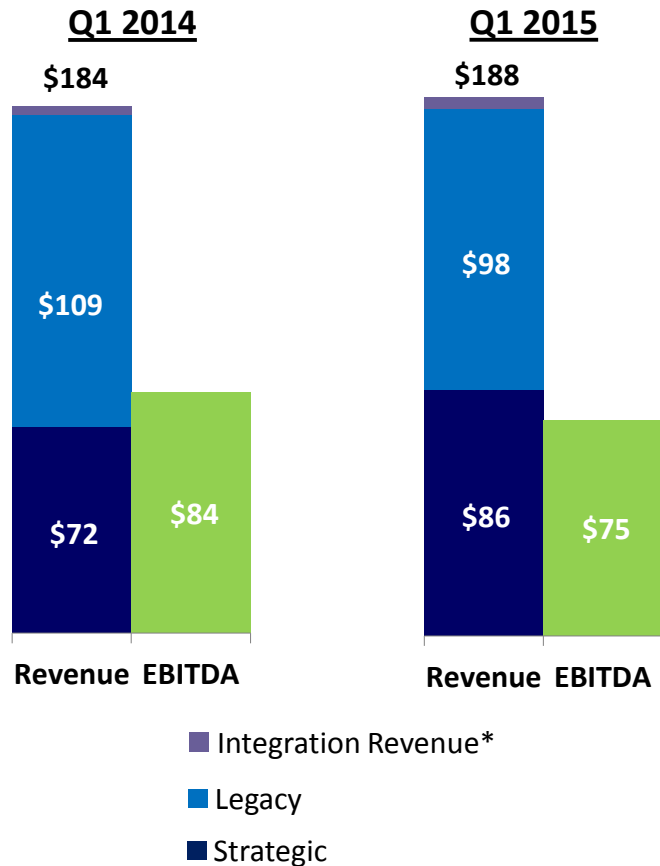
(\$ in millions, except per share amounts)



- Total revenue of \$293 million in the first quarter of 2015, up 4% from prior year
- Operating income for the quarter totaled \$37 million and net income was \$49 million, resulting in diluted earnings per share of \$0.22
- Strong first quarter Adjusted EBITDA of \$79 million

Entertainment & Communications Revenue and Adjusted EBITDA

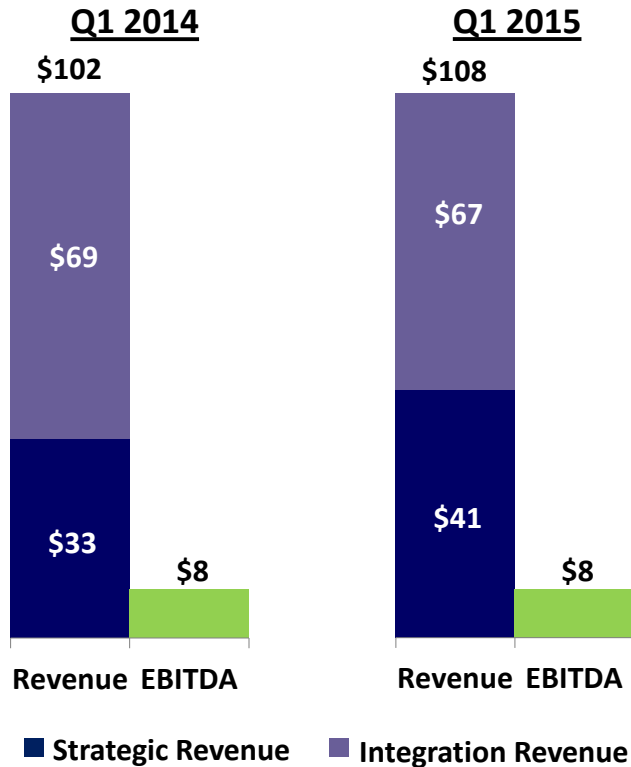
(\$ in millions)



- **Strategic revenue growth in Q1 2015 offset decline from legacy products**
 - Strategic consumer revenue totaled \$43 million in Q1 2015, up 34% from Q1 2014
 - Strategic revenue from business customers totaled \$43 million in Q1 2015, up 10% from Q1 2014
- **Adjusted EBITDA Margin for Q1 2015 was 40% - consistent with expectations**
- **Access line loss adjusted to include VoIP access line equivalents was 6% - consistent with the prior year**

IT Services & Hardware Revenue and Adjusted EBITDA

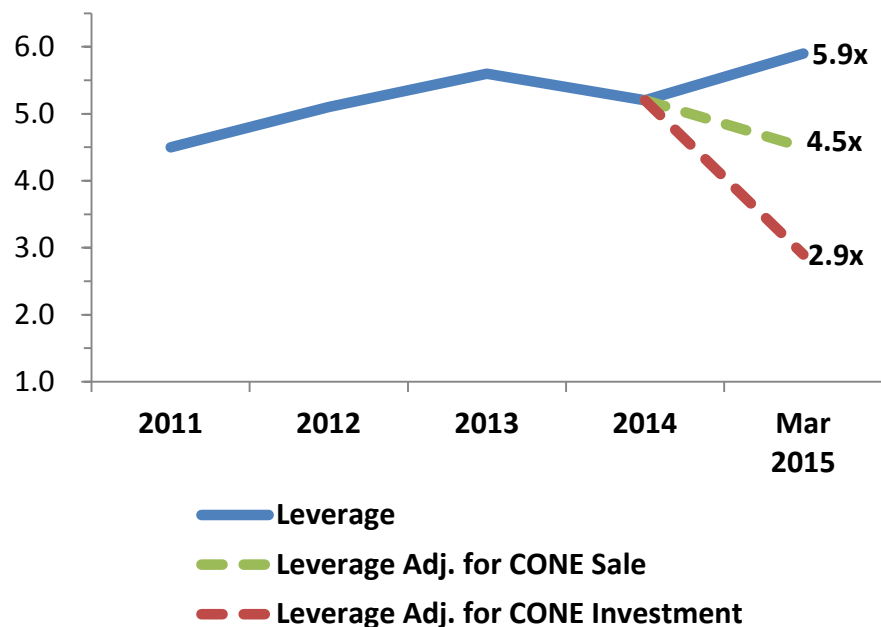
(\$ in millions)



- **Revenue of \$108 million for Q1 2015, up 6% from Q1 2014**
 - Strategic Managed and Professional Services revenue totaled \$41 million for Q1 2015, was up 24% from prior year
 - Telecom & IT Equipment revenue of \$65 million for Q1 2015 was down 4% from Q1 2014
- **Adjusted EBITDA totaled \$8 million, consistent with prior year**
- **Adjusted EBITDA margin was 7%, down slightly from Q1 2014**

Capital Structure

Leverage Ratio^[1]



Liquidity

Cash and Cash Equivalents
 Corporate Credit Facility
 Receivables Facility
 Liquidity (Mar 31, 2015)
 CyrusOne proceeds
 Required debt repayments^[2]
 Incremental Agreement
 Liquidity as Adjusted

Q1 2015

Cash and Cash Equivalents	\$ 13
Corporate Credit Facility	150
Receivables Facility	69
Liquidity (Mar 31, 2015)	232
CyrusOne proceeds	426
Required debt repayments ^[2]	(365)
Incremental Agreement	25
Liquidity as Adjusted	\$ 318

- Repaid remaining \$300 million balance outstanding on 8.75% Senior Sub Notes in second quarter of 2015 – decreasing interest payments by \$26 million annually
- Current leverage as adjusted for our remaining 22 percent investment in CyrusOne is well within a reasonable range

[1] 2015 leverage calculated based on Adjusted EBITDA guidance

[2] Corporate credit agreement requires 85 percent of CyrusOne proceeds be used to repay debt

Q1 2015 Free Cash Flow and Capital Expenditures

(\$ in millions)

Free Cash Flow

	Q1 2015
Adjusted EBITDA	\$ 79
Interest Payments	(21)
Capital Expenditures	(58)
Pension and OPEB Payments	(5)
Dividends from CyrusOne	6
Working Capital and Other	(37)
Free Cash Flow	\$ (36)

Capital Expenditures

	Q1 2015
Construction	\$ 17
Installation	5
Value added	13
Total Fioptics	\$ 35
Other Strategic	14
Total Strategic Investment	\$ 49
Maintenance	9
	\$ 58

Certain 2015 Free Cash Flow Items

- Interest payments ~ \$110 million
- Pension and OPEB payments ~ \$25 million
- CyrusOne dividends ~ \$24 million
- Capital Expenditures: \$270 - \$280 million

2015 Guidance

2015 Guidance	
Revenue	\$ 1.1 billion
Adjusted EBITDA	\$297 million*

** Plus or minus 2 percent*

Appendix

CBB Consolidated Results

(\$ in millions, except per share amounts)

	Three Months Ended March 31,		Change	
	2015	2014	\$	%
Revenue	\$ 292.9	\$ 282.2	\$ 10.7	4%
Costs and expenses				
Cost of services and products	166.2	150.7	15.5	10%
Selling, general and administrative	52.2	49.3	2.9	6%
Depreciation and amortization	32.6	31.1	1.5	5%
Restructuring charges	3.4	-	3.4	n/m
Loss on sale or disposal of assets, net	1.4	-	1.4	n/m
Transaction costs	-	0.7	(0.7)	n/m
Operating income	37.1	50.4	(13.3)	(26)%
Interest expense	32.7	38.8	(6.1)	(16)%
(Income) loss from CyrusOne equity method investment	3.1	(0.5)	3.6	n/m
Other expense, net	0.4	(0.3)	0.7	n/m
Income from continuing operations before income taxes	0.9	12.4	(11.5)	(93)%
Income tax expense	0.6	6.5	(5.9)	(91)%
Income from continuing operations	0.3	5.9	(5.6)	(95)%
Income from discontinued operations (net of tax)	48.9	1.1	47.8	n/m
Net income	49.2	7.0	42.2	n/m
Preferred stock dividends	2.6	2.6	-	0%
Net loss applicable to common shareowners	\$ 46.6	\$ 4.4	\$ 42.2	n/m
Basic and diluted net (loss) earnings per common share:				
(Loss) earnings from continuing operations	(0.01)	0.02		
Earnings from discontinued operations	0.23	-		
Basic and diluted net earnings per common share	0.22	0.02		

Revenue Classifications

	<u>STRATEGIC</u>	<u>LEGACY</u>	<u>INTEGRATION</u>
Voice	Fioptics Voice	Switched Access Digital Trunking	Maintenance Information Services
Data	Fioptics Internet DWDM DSL (> 10 meg) Metro-Ethernet Dedicated Internet	DSL (< 10 meg) Dial up Internet TDM DSO, DS1, DS3	
Long Distance/ VoIP	VoIP Private Line MPLS Audio Conferencing	Long Distance	
Entertainment	Fioptics Video		
Managed/ Professional Services	Managed Services <ul style="list-style-type: none"> - Monitoring/Management - Data Storage - Data Security - Virtual Data Center Professional Services <ul style="list-style-type: none"> - Staff Augmentation - IT Consulting 		
Telecom & IT Equipment			Hardware Installation Maintenance

Revenue – MD&A Q1 2015 Strategic, Legacy and Integration

(\$ in millions)

	Q1 2015				
	<u>Wireline</u>	<u>IT S&H</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
Strategic					
Data	\$ 42.6	\$ -			
Voice - local service	5.7	-			
Long distance and VoIP	15.8	-			
Entertainment	21.5	-			
Other	0.6	-			
Managed & Professional Services	-	40.7			
Hardware	-	-			
Total Strategic	86.2	40.7	126.9	(2.1)	124.8
Legacy					
Data	\$ 44.7	\$ -			
Voice - local service	40.2	-			
Long distance and VoIP	10.9	-			
Entertainment	-	-			
Other	1.8	-			
Managed & Professional Services	-	-			
Hardware	-	-			
Total Legacy	97.6	-	97.6	(0.2)	97.4
Integration					
Data	\$ -	\$ -			
Voice - local service	1.5	-			
Long distance and VoIP	0.5	-			
Entertainment	-	-			
Other	2.3	-			
Managed & Professional Services	-	1.6			
Hardware	-	65.3			
Total Integration	4.3	66.9	71.2	(0.5)	70.7
Total Revenue	\$ 188.1	\$ 107.6	\$ 295.7	\$ (2.8)	\$ 292.9
Eliminations	<u>0.3</u>	<u>2.5</u>	<u>2.8</u>		
	\$ 187.8	\$ 105.1	\$ 292.9		

Revenue – MD&A Q1 2014 Strategic, Legacy and Integration

(\$ in millions)

	Q1 2014				
	<u>Wireline</u>	<u>IT S&H</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
Strategic					
Data	\$ 35.1	\$ -			
Voice - local service	4.5	-			
Long distance and VoIP	13.8	-			
Entertainment	16.9	-			
Other	1.3	-			
Managed & Professional Services	-	32.9			
Hardware	-	-			
Total Strategic	71.6	32.9	104.5	(2.2)	102.3
Legacy					
Data	\$ 47.9	\$ -			
Voice - local service	46.9	-			
Long distance and VoIP	12.3	-			
Entertainment	-	-			
Other	2.1	-			
Managed & Professional Services	-	-			
Hardware	-	-			
Total Legacy	109.2	-	109.2	-	109.2
Integration					
Data	\$ -	\$ -			
Voice - local service	1.7	-			
Long distance and VoIP	0.8	-			
Entertainment	0.1	-			
Other	0.2	-			
Managed & Professional Services	-	1.1			
Hardware	-	67.9			
Total Integration	2.8	69.0	71.8	(1.1)	70.7
Total Revenue	\$ 183.6	\$ 101.9	\$ 285.5	\$ (3.3)	\$ 282.2
Eliminations	<u>0.2</u>	<u>3.1</u>	<u>3.3</u>		
	\$ 183.4	\$ 98.8	\$ 282.2		