

Cincinnati Bell
Second Quarter 2015 Results
July 30, 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

Second Quarter 2015 Highlights



Q2 2015 Financial Results

- Consolidated revenue totaled \$286 million, up \$3 million year-over-year
- Revenue from strategic and consumer business products was \$130 million, up 20% from a year ago
- Strong Adjusted EBITDA of \$75 million



Impressive Metrics

- Fioptics video subscribers now exceed 100,000
- Fioptics internet subscribers increased to 132,400, adding 9,300 new customers in the quarter
- Total internet subscribers reached a record-high 275,100 as of the end of the quarter



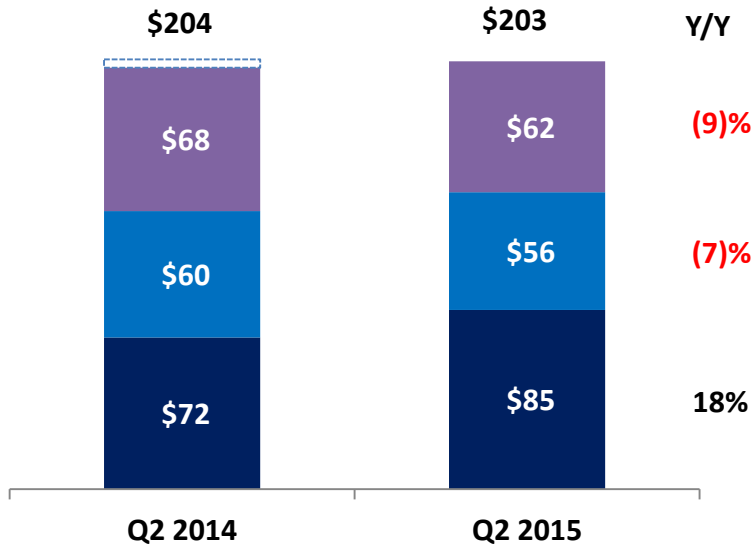
Sold 14 million CyrusOne partnership units

- Proceeds totaling \$426 million were primarily used to repay debt
- Announced agreement to sell additional 6 million partnership units in July for proceeds of \$170 million
- Remaining 11% ownership valued at approximately \$250 million

Business Market Update

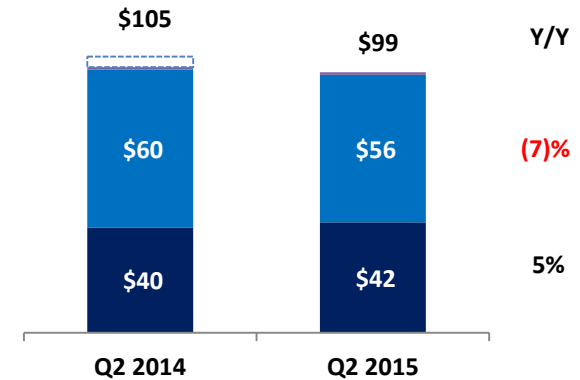
(\$ in millions)

Total Business Market Revenue ^[1]

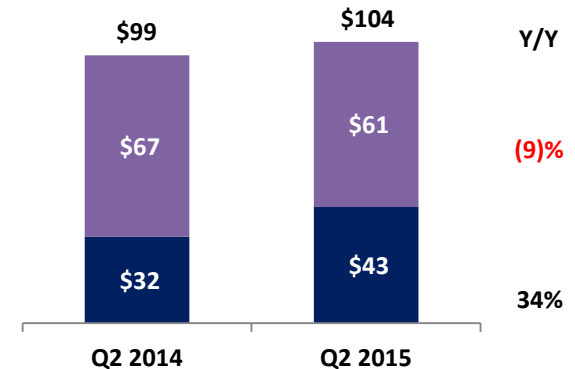


- Revenue from business customers accounts for approximately 70% of consolidated revenue
- Strategic revenue accounts for approximately 60% of recurring revenue

Entertainment & Communications Revenue ^[1]



IT Services & Hardware Revenue ^[1]



■ Strategic
 ■ Legacy
 ■ Integration
 Backhaul ^[2] ^[3]

^[1] Net of intercompany eliminations

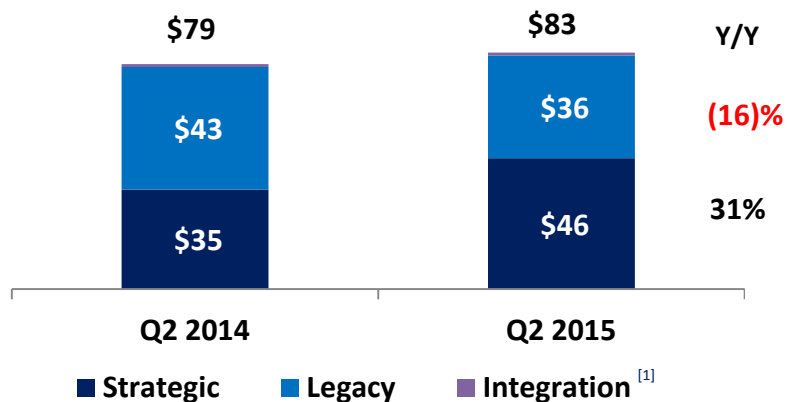
^[2] Entertainment & Communications Integration revenue totaled \$1 million in Q2 2014 and 2015

^[3] Revenue for backhaul services provided to our discontinued wireless operations totaled \$4 million in Q2 2014

Consumer Market Update

Entertainment & Communications Revenue

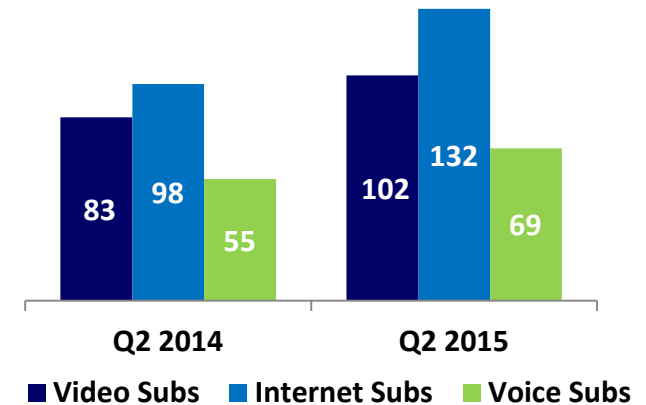
(\$ in millions)



- Total Fioptics revenue for the quarter totaled \$45 million, up 32% compared to the prior year^[2]
- Fioptics is available to 382k addresses, or 47% of Greater Cincinnati
 - Passed 24,700 new addresses in Q2 2015

Total Fioptics Subscribers

(in thousands)



- Fioptics Penetration:
 - Video – 27%, Internet – 35%, Voice – 18%
- Fioptics monthly ARPU for the quarter was up approximately 3% from 2014. Q2 2015 ARPUs are as follows:
 - Video – \$77, Internet – \$43, Voice – \$30
- Total video churn was 2.5% for the quarter
 - Single-family churn was 2.1%
 - Apartment churn was 5.1%

^[1] Integration revenue totaled \$1 million Q2 2014 and 2015

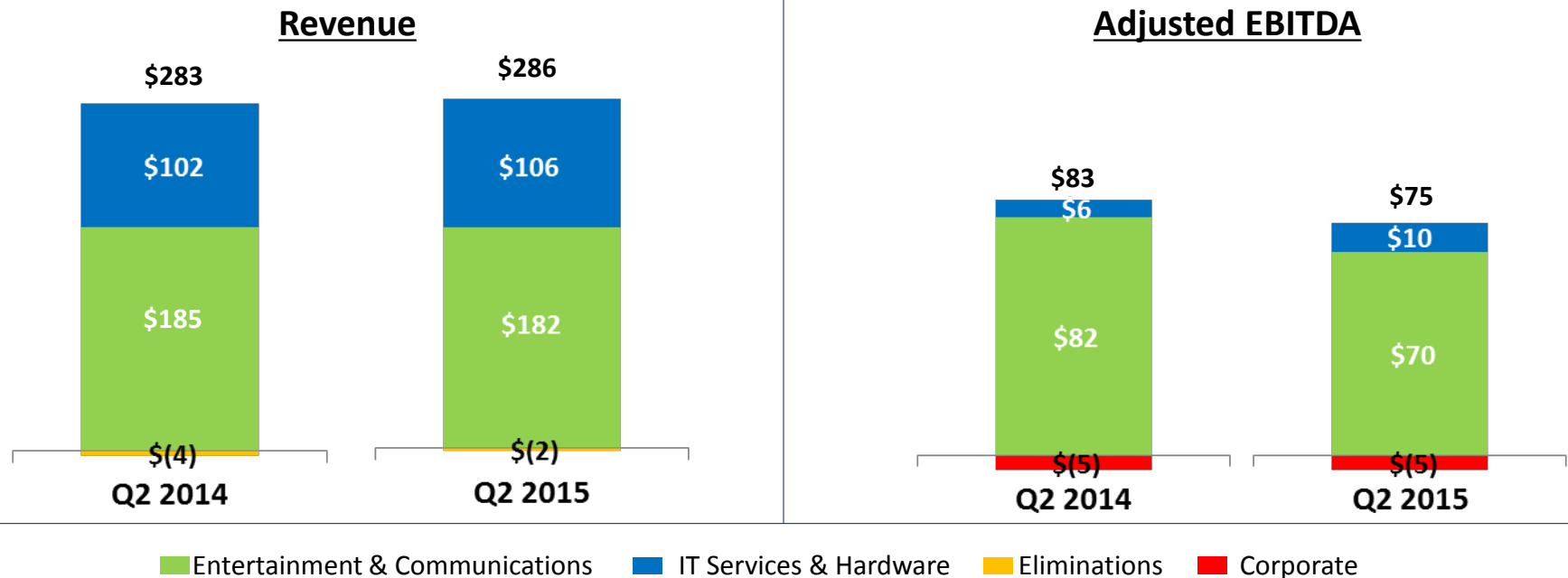
^[2] Total Fioptics revenue includes \$2 million from business customers

Leigh Fox

Chief Financial Officer

Second Quarter Financial Summary

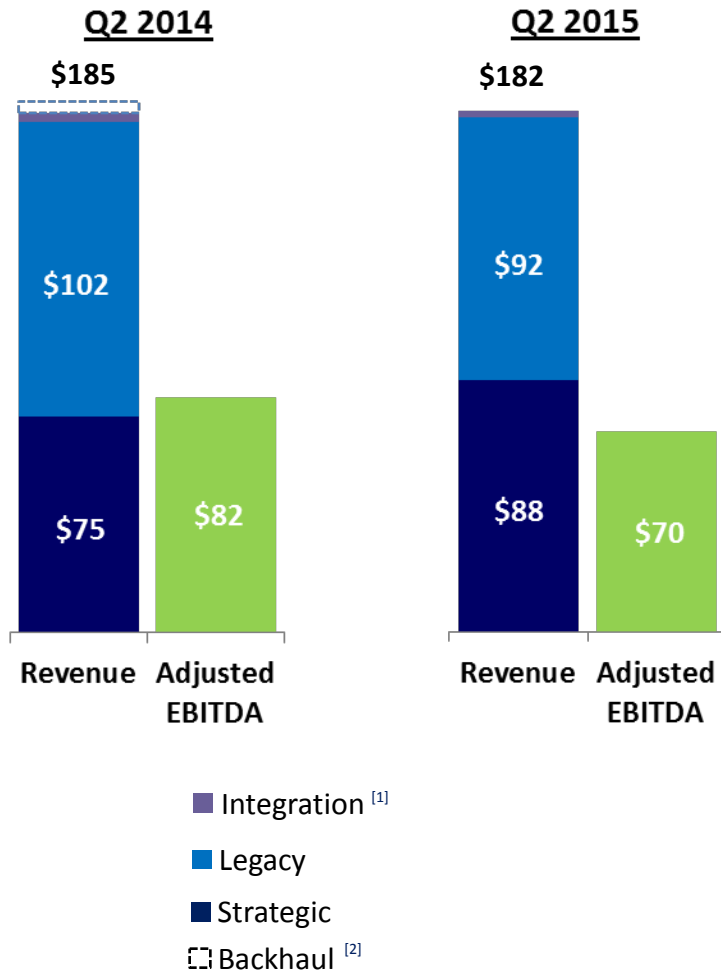
(\$ in millions)



- Total revenue of \$286 million in the second quarter of 2015, up \$3 million from prior year
- Income from continuing operations totaled \$181 million – including the gain on the sale of CyrusOne partnership units and a loss on extinguishment of debt
- Strong second quarter Adjusted EBITDA of \$75 million

Entertainment & Communications Revenue and Adjusted EBITDA

(\$ in millions)



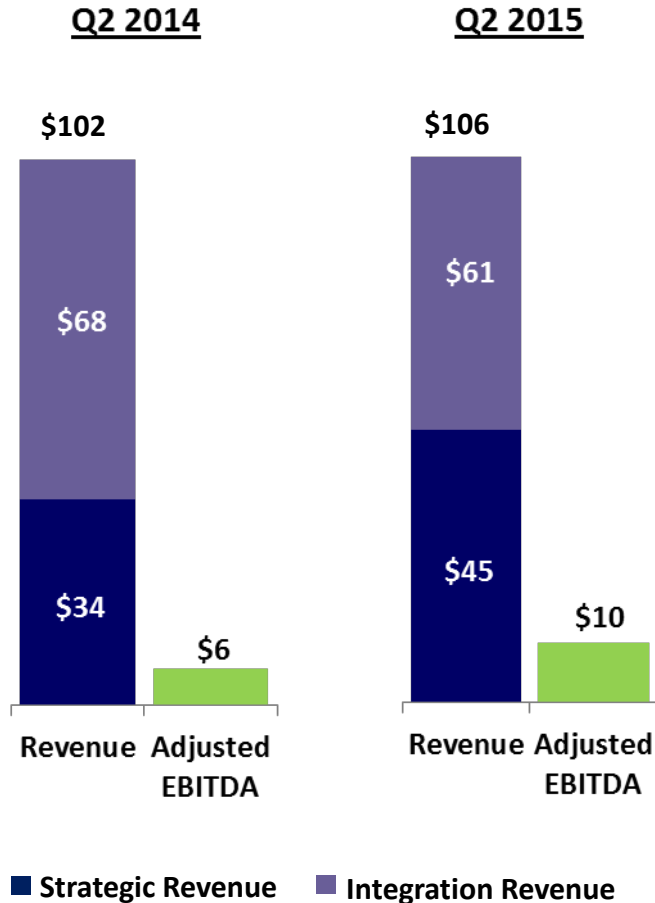
- Strategic revenue growth in Q2 2015 offset decline from legacy products
- Adjusted EBITDA Margin for Q2 2015 was 39% - consistent with expectations
- Voice line loss was 5% – consistent with prior year
 - Business lines increased 1%
 - Residential line decreased 12%

^[1] Integration revenue totaled \$2 million in Q2 2014 and Q2 2015

^[2] Revenue for backhaul services provided to our discontinued wireless operations totaled \$4 million in Q2 2014

IT Services & Hardware Revenue and Adjusted EBITDA

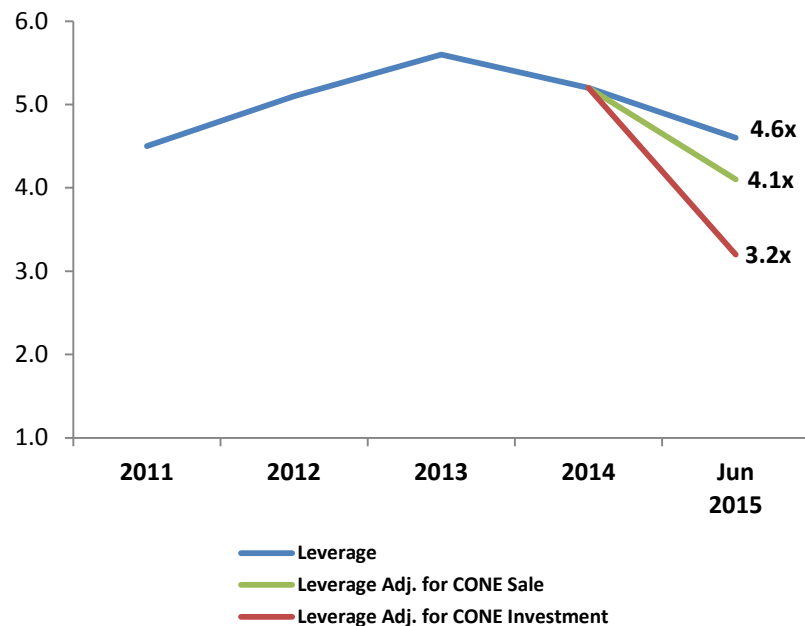
(\$ in millions)



- Revenue of \$106 million for Q2 2015, up 5% from Q2 2014
 - Strategic Managed and Professional Services increased 32% compared to the prior year
 - Telecom & IT Equipment revenue of \$60 million for Q2 2015 was down from the prior year due to the cyclical nature of these sales
- Adjusted EBITDA totaled \$10 million, up \$4 million from the prior year
- Adjusted EBITDA margin was 9%, up from 6% a year ago

Capital Structure

Leverage Ratio ^[1]



Liquidity

Cash and Cash Equivalents
 Corporate Credit Facility
 Receivables Facility
 Liquidity (June 30, 2015)
 CyrusOne proceeds
 Required debt repayments ^[2]
 Liquidity as Adjusted

Q2 2015

Cash and Cash Equivalents	\$ 15
Corporate Credit Facility	175
Receivables Facility	110
Liquidity (June 30, 2015)	300
CyrusOne proceeds	170
Required debt repayments ^[2]	(145)
Liquidity as Adjusted	<u>\$ 325</u>

- Debt repayments totaled \$382 million in the quarter – decreasing interest payments by approximately \$30 million annually
- Repaid approximately \$110 million of our outstanding 8.375% Senior Notes in third quarter of 2015 at an average redemption rate of 105% (as of July 30, 2015)
- Current leverage as adjusted for our remaining 11 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

Q2 2015 Free Cash Flow and Capital Expenditures

(\$ in millions)

Free Cash Flow

	Q2 2015	YTD 2015
Adjusted EBITDA	\$ 75	154
Interest Payments	(44)	(65)
Capital Expenditures	(75)	(133)
Pension and OPEB Payments	(10)	(15)
Dividends from CyrusOne	9	15
Working Capital and Other	10	(27)
Free Cash Flow	<u>\$ (35)</u>	<u>\$ (71)</u>

Capital Expenditures

	Q2 2015	YTD 2015
Construction	\$ 20	37
Installation	16	21
Value added	12	25
Total Fioptics	<u>\$ 48</u>	<u>83</u>
Other Strategic	14	28
Total Strategic Investment	<u>\$ 62</u>	<u>111</u>
Maintenance	13	22
	<u>\$ 75</u>	<u>133</u>

Certain 2015 Free Cash Flow Items

- Interest payments ~ \$110 million
- Pension and OPEB payments ~ \$20 million
- CyrusOne dividends ~ \$22 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue	\$ 285.8	\$ 283.0	\$ 578.7	\$ 565.2
Costs and expenses				
Cost of services and products	162.2	154.1	328.4	304.8
Selling, general and administrative	57.0	49.5	109.2	98.8
Depreciation and amortization	34.0	31.0	66.6	62.1
Restructuring charges	2.3	1.2	5.7	1.2
Loss (gain) on sale or disposal of assets, net	0.3	(0.1)	1.7	(0.1)
Curtailment Loss	0.3	-	0.3	-
Transaction costs	-	-	-	0.7
Operating income	29.7	47.3	66.8	97.7
Interest expense	28.0	39.5	60.7	78.3
Loss on extinguishment of debt	13.5	-	13.5	-
Loss from CyrusOne equity method investment	1.3	2.4	4.4	1.9
Gain on sale of CyrusOne equity method investment	(295.2)	(192.8)	(295.2)	(192.8)
Other expense (income), net	-	(0.9)	0.4	(1.2)
Income from continuing operations before income taxes	282.1	199.1	283.0	211.5
Income tax expense	101.4	75.4	102.0	81.9
Income from continuing operations	180.7	123.7	181.0	129.6
Income (loss) from discontinued operations (net of tax)	10.9	(9.5)	59.8	(8.4)
Net income	191.6	114.2	240.8	121.2
Preferred stock dividends	2.6	2.6	5.2	5.2
Net income applicable to common shareowners	<u>\$ 189.0</u>	<u>\$ 111.6</u>	<u>\$ 235.6</u>	<u>\$ 116.0</u>
Basic net earnings per common share				
Earnings from continuing operations	\$ 0.85	\$ 0.58	\$ 0.84	\$ 0.60
Earnings (loss) from discontinued operations	0.05	(0.04)	0.29	(0.04)
Basic net earnings per common share	<u>\$ 0.90</u>	<u>\$ 0.54</u>	<u>\$ 1.13</u>	<u>\$ 0.56</u>
Diluted net earnings per common share				
Earnings from continuing operations	\$ 0.84	\$ 0.58	\$ 0.84	\$ 0.59
Earnings (loss) from discontinued operations	0.05	(0.05)	0.28	(0.04)
Diluted net earnings per common share	<u>\$ 0.89</u>	<u>\$ 0.53</u>	<u>\$ 1.12</u>	<u>\$ 0.55</u>

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 Q2 2015 Strategic, Legacy and Integration

(\$ in millions)

	Q2 2015				
	Entertainment and Communications	IT Services and Hardware	Total	Eliminations	Total
Strategic					
Data	\$ 42.3	\$ -			
Voice - local service	5.6	-			
Long distance and VoIP	16.3	-			
Entertainment	23.0	-			
Other	0.6	-			
Managed & Professional Services	-	44.6			
Hardware	-	-			
Total Strategic	87.8	44.6	132.4	(2.2)	130.2
Legacy					
Data	\$ 42.3	\$ -			
Voice - local service	37.5	-			
Long distance and VoIP	10.7	-			
Entertainment	-	-			
Other	1.8	-			
Managed & Professional Services	-	-			
Hardware	-	-			
Total Legacy	92.3	-	92.3	(0.1)	92.2
Integration					
Data	\$ -	\$ -			
Voice - local service	1.6	-			
Long distance and VoIP	0.5	-			
Entertainment	-	-			
Other	0.2	-			
Managed & Professional Services	-	1.3			
Hardware	-	60.4			
Total Integration	2.3	61.7	64.0	(0.6)	63.4
Total Revenue	\$ 182.4	\$ 106.3	\$ 288.7	\$ (2.9)	\$ 285.8
Eliminations	0.4	2.5	2.9		
	\$ 182.0	\$ 103.8	\$ 285.8		

Revenue – MD&A Q2 2014 Strategic, Legacy and Integration

(\$ in millions)

	Q2 2014				
	Entertainment and Communications	IT Services and Hardware	Total	Eliminations	Total
Strategic					
Data	\$ 37.5	\$ -			
Voice - local service	5.7	-			
Long distance and VoIP	14.4	-			
Entertainment	18.3	-			
Other	1.2	-			
Managed & Professional Services	-	33.8			
Hardware	-	-			
Total Strategic	77.1	33.8	110.9	(2.0)	108.9
Legacy					
Data	\$ 46.7	\$ -			
Voice - local service	44.5	-			
Long distance and VoIP	12.0	-			
Entertainment	-	-			
Other	2.0	-			
Managed & Professional Services	-	-			
Hardware	-	-			
Total Legacy	105.2	-	105.2	-	105.2
Integration					
Data	\$ -	\$ -			
Voice - local service	1.7	-			
Long distance and VoIP	0.4	-			
Entertainment	0.1	-			
Other	0.2	-			
Managed & Professional Services	-	1.9			
Hardware	-	65.9			
Total Integration	2.4	67.8	70.2	(1.3)	68.9
Total Revenue	\$ 184.7	\$ 101.6	\$ 286.3	\$ (3.3)	\$ 283.0
Eliminations	0.3	3.0	3.3		
	\$ 184.4	\$ 98.6	\$ 283.0		

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

(\$ in millions)

	YTD Q2 2015				
	Entertainment and Communications	IT Services and Hardware	Total	Eliminations	Total
Strategic					
Data	\$ 84.9	\$ -			
Voice - local service	11.3	-			
Long distance and VoIP	32.1	-			
Entertainment	44.5	-			
Other	1.2	-			
Managed & Professional Services	-	85.3			
Hardware	-	-			
Total Strategic	174.0	85.3	259.3	(4.3)	255.0
Legacy					
Data	\$ 87.0	\$ -			
Voice - local service	77.7	-			
Long distance and VoIP	21.6	-			
Entertainment	-	-			
Other	3.6	-			
Managed & Professional Services	-	-			
Hardware	-	-			
Total Legacy	189.9	-	189.9	(0.3)	189.6
Integration					
Data	\$ -	\$ -			
Voice - local service	3.1	-			
Long distance and VoIP	1.0	-			
Entertainment	-	-			
Other	2.5	-			
Managed & Professional Services	-	2.9			
Hardware	-	125.7			
Total Integration	6.6	128.6	135.2	(1.1)	134.1
Total Revenue	\$ 370.5	\$ 213.9	\$ 584.4	\$ (5.7)	\$ 578.7
Eliminations	0.7	5.0	5.7		
	\$ 369.8	\$ 208.9	\$ 578.7		

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

(\$ in millions)

	YTD Q2 2014				
	Entertainment and Communications	IT Services and Hardware	Total	Eliminations	Total
Strategic					
Data	\$ 72.6	\$ -			
Voice - local service	10.2	-			
Long distance and VoIP	28.2	-			
Entertainment	35.2	-			
Other	2.5	-			
Managed & Professional Services	-	66.7			
Hardware	-	-			
Total Strategic	148.7	66.7	215.4	(4.2)	211.2
Legacy					
Data	\$ 94.6	\$ -			
Voice - local service	91.4	-			
Long distance and VoIP	24.3	-			
Entertainment	-	-			
Other	4.1	-			
Managed & Professional Services	-	-			
Hardware	-	-			
Total Legacy	214.4	-	214.4	-	214.4
Integration					
Data	\$ -	\$ -			
Voice - local service	3.4	-			
Long distance and VoIP	1.2	-			
Entertainment	0.2	-			
Other	0.4	-			
Managed & Professional Services	-	3.0			
Hardware	-	133.8			
Total Integration	5.2	136.8	142.0	(2.4)	139.6
Total Revenue	\$ 368.3	\$ 203.5	\$ 571.8	\$ (6.6)	\$ 565.2
Eliminations	0.5	6.1	6.6		
	\$ 367.8	\$ 197.4	\$ 565.2		