

Cincinnati Bell Second Quarter 2014 Results

August 7, 2014



Today's Agenda

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.cincinnatiBell.com within the Investor Relations section.

Ted Torbeck

President & Chief Executive Officer



Formula for Success

- 1. Manage Wireless Cash Flows and Profitability**
- 2. Evaluate Opportunities to Monetize CyrusOne Investment**
- 3. Continue to Invest in High Demand Strategic Products**
- 4. Strengthen Balance Sheet**

Wireless Spectrum Sale

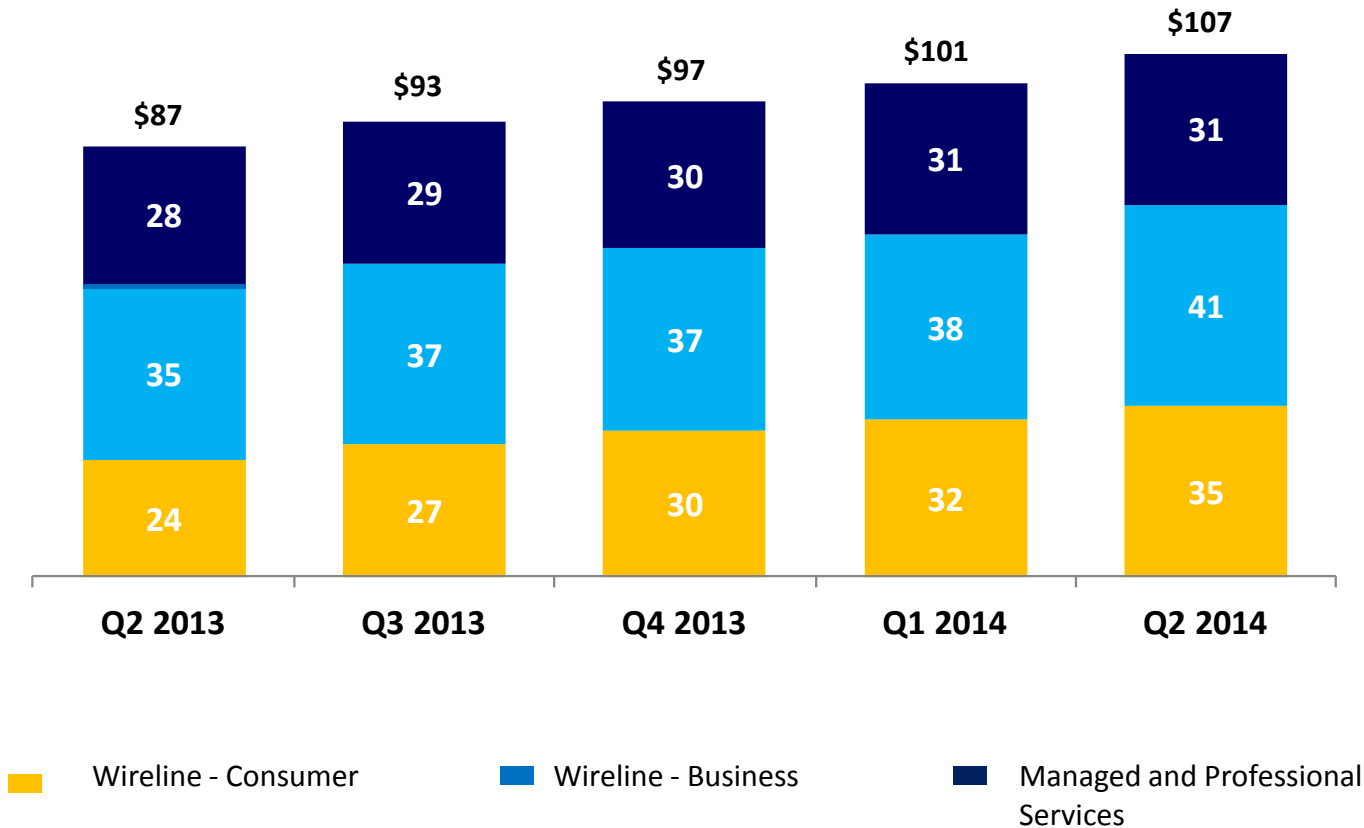
- **Sale of spectrum license and certain assets valued at approximately \$210 million (subject to FCC approval)**
 - Cash proceeds of \$194 million
 - Assumed tower lease liabilities of \$16 million
 - Reduces interest payments by approximately \$15 million annually
 - Expected to close prior to the end of the year

- **Broadens our relationship with Verizon**

- **Wireless Adjusted EBITDA expectations for 2014 remain unchanged**

Quarterly Strategic Revenue Growth

(\$ in millions)



* Revenue results are presented net of intercompany

CyrusOne Monetization

- **Sold 16 million CyrusOne Partnership units with proceeds totaling \$356 million**
 - Sale resulted in a gain of \$193 million
 - Proceeds will be used to repay debt, reducing interest payments \$28 million annually
 - Remaining 44% ownership valued at \$709 million (as of June 30, 2014)

- **Why Now?**
 - S&P 500 at an all-time high
 - CyrusOne near a 52-week high
 - Increased liquidity and float of CyrusOne stock
 - Alleviated perceived overhang from significant CBB ownership
 - Limited windows for monetization in 2014

- **Next Steps?**
 - Continue to execute a well-timed and thoughtfully developed monetization strategy to maximize shareholder value
 - Success of initial sell down extends our ability to be a patient investor

Leigh Fox

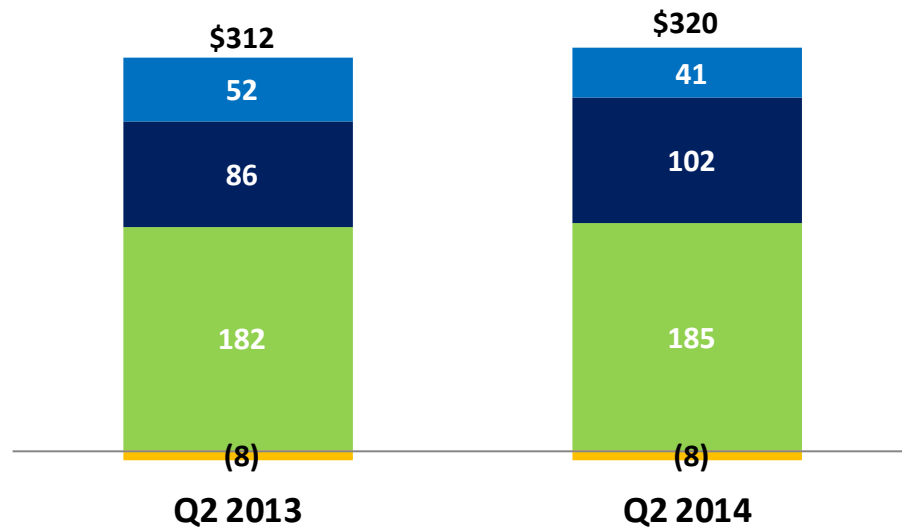
Chief Financial Officer



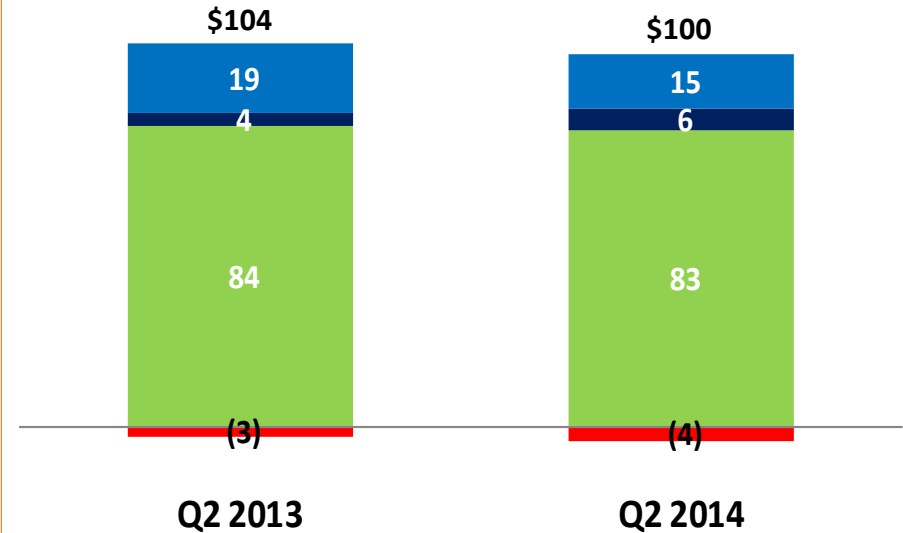
Second Quarter Financial Summary

(\$ in millions)

Revenue



Adjusted EBITDA

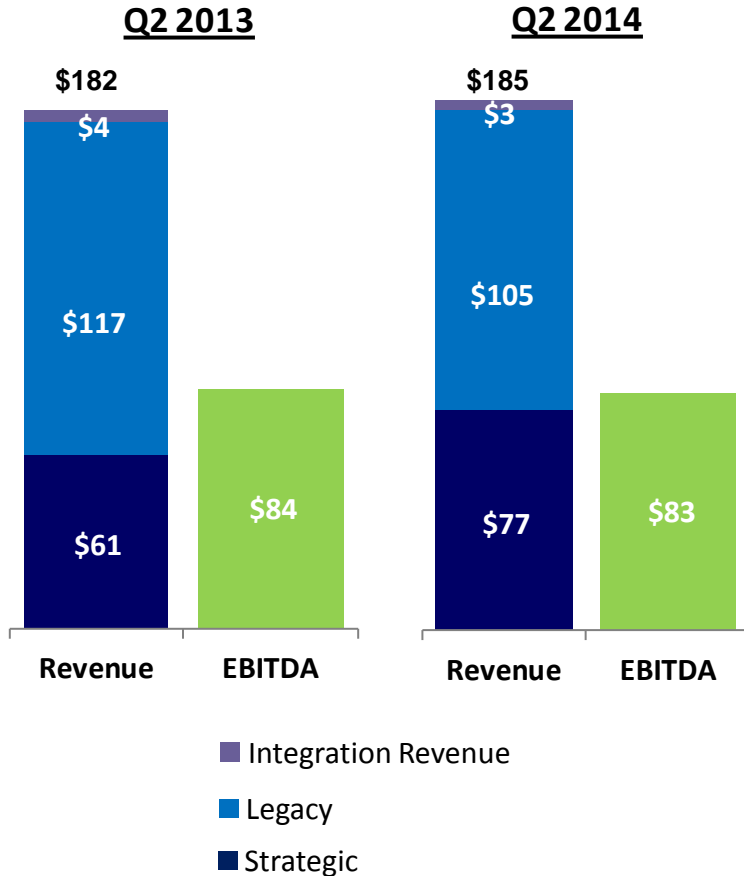


■ Wireline
 ■ IT Services & Hardware
 ■ Wireless
 ■ Eliminations
 ■ Corporate

- Total revenue of \$320 million for Q2 2014, up 3% from prior year
- Operating income totaled \$36 million, down \$11 million a year ago
 - Increased Wireless depreciation and amortization
- Adjusted EBITDA of \$100 million for Q2 2014, down \$ 4 million
 - Decrease due to declining Wireless subscriber base
- Net income for Q2 2014 totaled \$114 million resulting in diluted EPS of \$0.53

Wireline Revenue and Adjusted EBITDA

(\$ in millions)



- Strategic revenue growth in Q2 2014 offset decline from legacy products
 - Revenue from Fioptics for Q2 2014 totaled \$34 million, up 44% from Q2 2013
 - Strategic revenue from business customers totaled \$42 million (including \$2 million of Fioptics revenue) in Q2 2014, up 16% from prior year

- Adjusted EBITDA totaled \$83 million in Q2 2014, down \$1 million from prior year

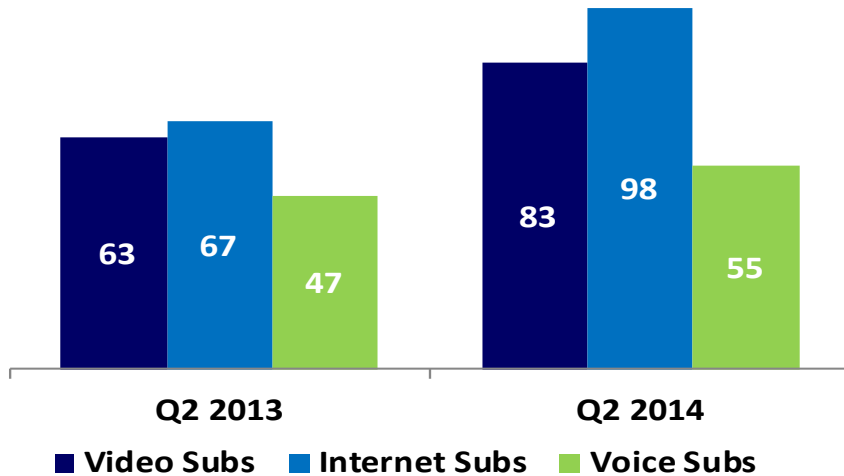
- Adjusted EBITDA Margin for Q2 2014 remained solid at 45%

- Access line loss was 8.0% year-over-year

Fioptics Highlights

(in thousands)

Total Fioptics Subscribers

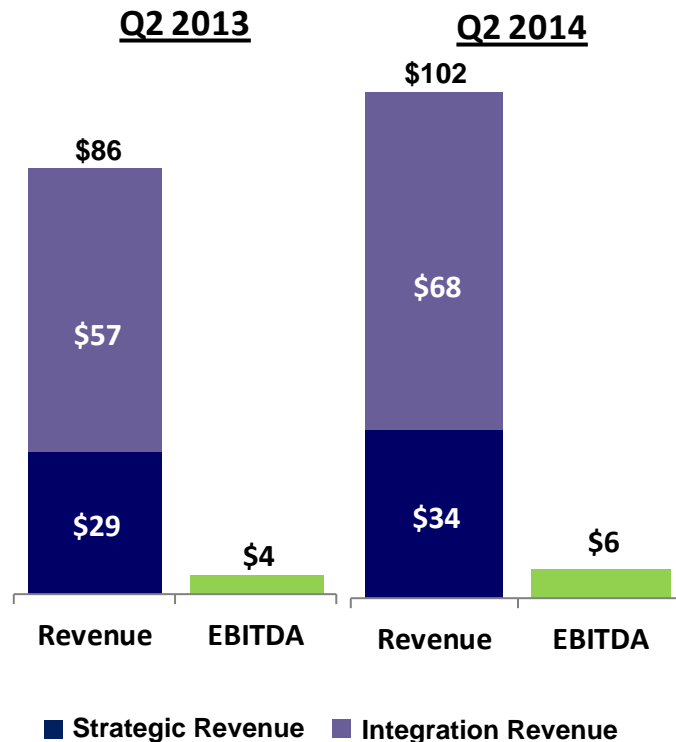


- Fioptics subscribers increased by 33% compared to 2013
 - 83K video subs; 5,000 net activations in the quarter
 - 98K internet subs; 6,700 subs added in the quarter

- 307,100 addresses passed with Fioptics - approximately 38% of Greater Cincinnati
- Fioptics Penetration:
 - Video – 27%
 - Internet – 32%
 - Voice – 18%
- Fioptics monthly ARPU was up approximately 6% from Q2 2013. 2014 ARPUs are as follows:
 - Video – \$76
 - Internet – \$38
 - Voice – \$32
- Total video churn was 2.8% for the quarter
 - Single-family churn was 2.4% for Q2 2014
 - Apartment churn was 4.6% for Q2 2014

IT Services & Hardware Revenue and Adjusted EBITDA

(\$ in millions)

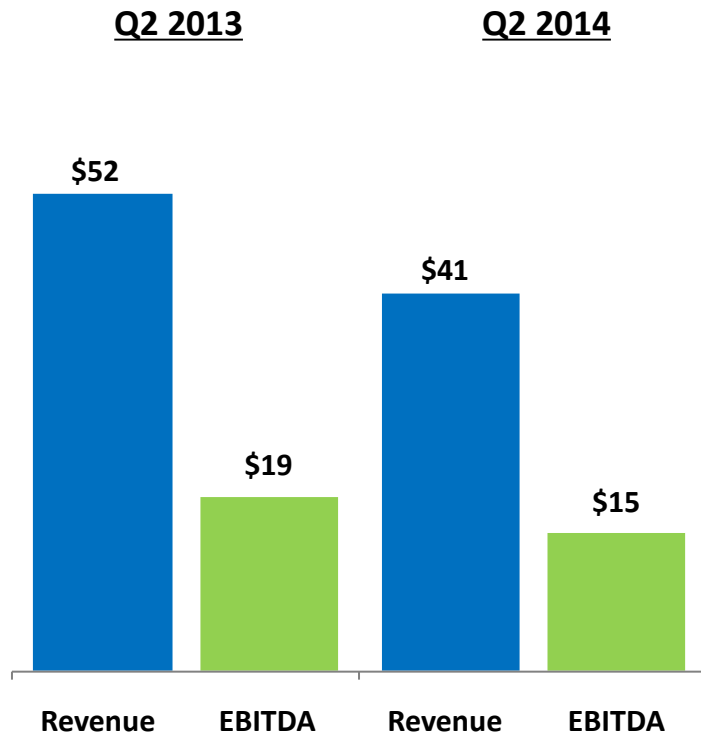


- Revenue of \$102 million for Q2 2014, up 18% from Q2 2013
 - Telecom & IT Equipment revenue of \$66 million for Q2 2014 was up 17% from Q2 2013
 - Strategic Managed and Professional Services revenue totaled \$34 million for Q2 2014, was up 16% from prior year

- Adjusted EBITDA margin was 6%, up from 4% a year ago

Wireless Revenue & Adjusted EBITDA

(\$ in millions)



- Postpaid revenue totaled \$28 million, down 21% from Q2 2013 due to declining subscriber base
 - Churn was 3.9% for Q2 2014
- Prepaid revenue decreased by \$2 million or 14% in Q2 2014 from a year ago
 - Churn was 8.1% for Q2 2014
- Adjusted EBITDA margin was 36% for Q2 2014, down from 37% in prior year
- Restructuring charges totaled \$5 million to account for costs associated with winding down operations
- Cost leakage to be absorbed by the remaining core business once wireless operations shut down is expected to range between \$25 – \$30 million.

Free Cash Flow

(\$ in millions)

	Q2 2014	YTD 2014
Adjusted EBITDA	\$ 100	\$ 206
Interest Payments	(42)	(78)
Capital Expenditures	(41)	(75)
Pension and OPEB Payments	(8)	(16)
Dividends from CyrusOne	9	16
Working Capital and Other	-	(26)
Free Cash Flow	<u>\$ 18</u>	<u>\$ 27</u>

Free cash flow results are in-line with management's expectation and components are consistent with previous communication.

Q2 2014 Capital Expenditures and Full Year 2014

(\$ in millions)

	Q2	YTD	% of YTD	Full Year 2014	
	2014	2014	Spend	Low	High
Construction	\$ 11	\$ 17	23%	\$ 42	\$ 42
Installation	5	8	10%	25	27
Value added	3	5	7%	8	11
Strategic Fioptics	\$ 19	\$ 30	40%	\$ 75	\$ 80
Strategic Other	9	18	24%	45	50
Total Strategic Investment	\$ 28	\$ 48	64%	\$ 120	\$ 130
Maintenance	13	21	28%	50	50
Wireless	-	6	8%	10	10
Total	\$ 41	\$ 75	100%	\$ 180	\$ 190

Reaffirming 2014 Financial Guidance

Category	2014 Guidance	Wireless Segment	2014 Guidance (excluding Wireless)
Revenue	\$1.2 billion	\$0.2 billion	\$1.0 billion
Adjusted EBITDA	\$383 million*	\$50 million*	\$333 million*

*Plus or minus 2 percent

Appendix



CBB Consolidated Results

(\$ in millions, except per share amounts)

	Three Months				Six Months			
	Ended June 30,		Change		Ended June 30,		Change	
	2014	2013	\$	%	2014	2013	\$	%
Revenue	\$ 319.9	\$ 312.0	\$ 7.9	3%	\$ 642.4	\$ 637.7	\$ 4.7	1%
Costs and expenses								
Cost of services and products	169.7	158.2	11.5	7%	335.9	320.6	15.3	5%
Selling, general and administrative	54.5	54.7	(0.2)	0%	109.9	107.8	2.1	2%
Depreciation and amortization	60.3	37.2	23.1	62%	107.2	87.8	19.4	22%
Transaction-related compensation	-	7.1	(7.1)	n/m	-	42.6	(42.6)	n/m
Restructuring charges	6.4	8.2	(1.8)	(22)%	6.4	10.8	(4.4)	(41)%
Curtailed gain	-	(0.6)	0.6	n/m	-	(0.6)	0.6	n/m
(Gain) loss on sale or disposal of assets, net	(0.1)	0.3	(0.4)	n/m	(0.1)	2.8	(2.9)	n/m
Amortization of deferred gain	(6.5)	(0.6)	(5.9)	n/m	(10.1)	(1.2)	(8.9)	n/m
Transaction costs	-	0.7	(0.7)	n/m	0.7	1.1	(0.4)	(36)%
Operating income	35.6	46.8	(11.2)	(24)%	92.5	66.0	26.5	40%
Interest expense	40.7	45.4	(4.7)	(10)%	81.0	93.3	(12.3)	(13)%
Loss from CyrusOne equity method investment	2.4	4.7	(2.3)	(49)%	1.9	6.6	(4.7)	(71)%
Gain on sale of CyrusOne equity method investment	(192.8)	-	(192.8)	n/m	(192.8)	-	(192.8)	n/m
Other expense (income), net	0.1	0.1	-	0%	0.7	(0.2)	0.9	n/m
Income (loss) before income taxes	185.2	(3.4)	188.6	n/m	201.7	(33.7)	235.4	n/m
Income tax expense (benefit)	71.0	(4.2)	75.2	n/m	80.5	2.2	78.3	n/m
Net income (loss)	114.2	0.8	113.4	n/m	121.2	(35.9)	157.1	n/m
Preferred stock dividends	2.6	2.6	-	0%	5.2	5.2	-	0%
Net income (loss) applicable to common shareowners	\$ 111.6	\$ (1.8)	\$ 113.4	n/m	\$ 116.0	\$ (41.1)	\$ 157.1	n/m
Basic earnings (loss) per common share	\$ 0.54	\$ (0.01)			\$ 0.56	\$ (0.20)		
Diluted earnings (loss) per common share	\$ 0.53	\$ (0.01)			\$ 0.55	\$ (0.20)		

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 2014 Strategic, Legacy and Integration

(\$ in millions)

	Q2 2014					
	Wireline	IT S&H	Wireless	Total	Eliminations	Total
Strategic						
Voice - local service	\$ 5.7	\$ -	\$ -			
Entertainment	18.3	-	-			
Data	37.5	-	-			
Long distance and VoIP	14.4	-	-			
Other	1.2	-	-			
Managed & Professional Services	-	33.8	-			
Hardware	-	-	-			
Total Strategic	77.1	33.8	-	110.9	(4.4)	106.5
Legacy						
Voice - local service	\$ 44.5	\$ -	\$ -			
Entertainment	-	-	-			
Data	46.7	-	-			
Long distance and VoIP	12.0	-	-			
Other	2.0	-	-			
Managed & Professional Services	-	-	-			
Hardware	-	-	-			
Total Legacy	105.2	-	-	105.2	(1.2)	104.0
Integration						
Voice - local service	\$ 1.7	\$ -	\$ -			
Entertainment	0.1	-	-			
Data	-	-	-			
Long distance and VoIP	0.4	-	-			
Other	0.2	-	-			
Managed & Professional Services	-	1.9	-			
Hardware	-	65.9	-			
Total Integration	2.4	67.8	-	70.2	(1.4)	68.8
Wireless	-	-	41.2	41.2	(0.6)	40.6
Total Revenue	\$ 184.7	\$ 101.6	\$ 41.2	\$ 327.5	\$ (7.6)	\$ 319.9
Eliminations	4.0	3.0	0.6	7.6		
	\$ 180.7	\$ 98.6	\$ 40.6	\$ 319.9		

Revenue – MD&A

Q2 2013 Strategic, Legacy and Integration

(\$ in millions)

Q2 2013

	<u>Wireline</u>	<u>IT S&H</u>	<u>Wireless</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
Strategic						
Voice - local service	\$ 4.4	\$ -	\$ -			
Entertainment	12.6	-	-			
Data	29.2	-	-			
Long distance and VoIP	12.5	-	-			
Other	2.0	-	-			
Managed & Professional Services	-	29.1	-			
Hardware	-	-	-			
Total Strategic	60.7	29.1	-	89.8	(2.8)	87.0
Legacy						
Voice - local service	\$ 52.0	\$ -	\$ -			
Entertainment	-	-	-			
Data	50.0	-	-			
Long distance and VoIP	13.1	-	-			
Other	2.3	-	-			
Managed & Professional Services	-	-	-			
Hardware	-	-	-			
Total Legacy	117.4	-	-	117.4	(3.0)	114.4
Integration						
Voice - local service	\$ 1.9	\$ -	\$ -			
Entertainment	0.4	-	-			
Data	-	-	-			
Long distance and VoIP	1.2	-	-			
Other	-	-	-			
Managed & Professional Services	-	0.8	-			
Hardware	-	56.1	-			
Total Integration	3.5	56.9	-	60.4	(0.9)	59.5
Wireless	-	-	51.7	51.7	(0.6)	51.1
Total Revenue	\$ 181.6	\$ 86.0	\$ 51.7	\$ 319.3	\$ (7.3)	\$ 312.0
Eliminations	<u>4.2</u>	<u>2.5</u>	<u>0.6</u>	<u>7.3</u>		
	<u>\$ 177.4</u>	<u>\$ 83.5</u>	<u>\$ 51.1</u>	<u>\$ 312.0</u>		

Revenue – MD&A

YTD 2014 Strategic, Legacy and Integration

(\$ in millions)

	YTD Q2 2014					
	<u>Wireline</u>	<u>IT S&H</u>	<u>Wireless</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
Strategic						
Voice - local service	\$ 10.2	\$ -	\$ -			
Entertainment	35.2	-	-			
Data	72.6	-	-			
Long distance and VoIP	28.2	-	-			
Other	2.5	-	-			
Managed & Professional Services	-	66.7	-			
Hardware	-	-	-			
Total Strategic	148.7	66.7	-	215.4	(7.1)	208.3
Legacy						
Voice - local service	\$ 91.4	\$ -	\$ -			
Entertainment	-	-	-			
Data	94.6	-	-			
Long distance and VoIP	24.3	-	-			
Other	4.1	-	-			
Managed & Professional Services	-	-	-			
Hardware	-	-	-			
Total Legacy	214.4	-	-	214.4	(4.6)	209.8
Integration						
Voice - local service	\$ 3.4	\$ -	\$ -			
Entertainment	0.2	-	-			
Data	-	-	-			
Long distance and VoIP	1.2	-	-			
Other	0.4	-	-			
Managed & Professional Services	-	3.0	-			
Hardware	-	133.8	-			
Total Integration	5.2	136.8	-	142.0	(2.5)	139.5
Wireless	-	-	85.9	85.9	(1.1)	84.8
Total Revenue	\$ 368.3	\$ 203.5	\$ 85.9	\$ 657.7	\$ (15.3)	\$ 642.4
Eliminations	8.1	6.1	1.1	15.3		
	\$ 360.2	\$ 197.4	\$ 84.8	\$ 642.4		

Revenue – MD&A

YTD 2013 Strategic, Legacy and Integration

(\$ in millions)

	YTD Q2 2013					
	<u>Wireline</u>	<u>IT S&H</u>	<u>Wireless</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
Strategic						
Voice - local service	\$ 8.5	\$ -	\$ -			
Entertainment	24.6	-	-			
Data	56.7	-	-			
Long distance and VoIP	24.9	-	-			
Other	3.1	-	-			
Managed & Professional Services	-	56.2	-			
Hardware	-	-	-			
Total Strategic	117.8	56.2	-	174.0	(5.7)	168.3
Legacy						
Voice - local service	\$ 105.6	\$ -	\$ -			
Entertainment	-	-	-			
Data	100.6	-	-			
Long distance and VoIP	26.5	-	-			
Other	4.0	-	-			
Managed & Professional Services	-	-	-			
Hardware	-	-	-			
Total Legacy	236.7	-	-	236.7	(6.1)	230.6
Integration						
Voice - local service	\$ 3.7	\$ -	\$ -			
Entertainment	0.4	-	-			
Data	-	-	-			
Long distance and VoIP	2.3	-	-			
Other	0.4	-	-			
Managed & Professional Services	-	1.3	-			
Hardware	-	113.0	-			
Total Integration	6.8	114.3	-	121.1	(1.3)	119.8
Wireless	-	-	105.0	105.0	(1.2)	103.8
Total Revenue	\$ 361.3	\$ 170.5	\$ 105.0	\$ 636.8	\$ (14.3)	\$ 622.5
Eliminations	8.6	4.5	1.2	14.3		
	\$ 352.7	\$ 166.0	\$ 103.8	\$ 622.5		