UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2019

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from______ to ______

Commission File Number 1-8519

CINCINNATI BELL INC.

Ohio	**31-1056105**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**

221 East Fourth Street, Cincinnati, Ohio 45202
(Address of principal executive offices) (Zip Code)

(513) 397-9900
(Registrant's telephone number, including area code)

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares ($0.01 par value)	CBB	New York Stock Exchange
Depositary Shares, each representing 1/20 interest in a Share of 6 ¾% Cumulative Convertible Preferred Stock, without par value	CBB.PB	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
Securities Registered Pursuant to Section 12(b) of the Act:

At October 31, 2019, there were 50,420,700 common shares outstanding.

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PART I. Financial Information

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	$ 382.5	$ 386.7	$ 1,146.3	$ 979.2
Costs and expenses				
Cost of services and products, excluding items below	194.7	197.7	587.9	499.4
Selling, general and administrative, excluding items below	88.0	85.7	261.3	220.2
Depreciation and amortization	75.5	75.5	229.1	177.6
Restructuring and severance related charges	1.3	-	6.4	4.9
Transaction and integration costs	0.2	13.3	3.8	18.2
Total operating costs and expenses	359.7	372.2	1,088.5	920.3
Operating income	22.8	14.5	57.8	58.9
Interest expense	35.0	33.7	105.0	96.3
Loss on extinguishment of debt	-	-	-	1.3
Other components of pension and postretirement benefit plans expense	2.8	3.0	8.4	9.5
Other expense (income), net	0.5	(1.2)	(0.4)	(2.4)
Loss before income taxes	(15.5)	(21.0)	(55.2)	(45.8)
Income tax benefit	(1.9)	(3.3)	(9.2)	(6.0)
Net loss	(13.6)	(17.7)	(46.0)	(39.8)
Preferred stock dividends	2.6	2.6	7.8	7.8
Net loss applicable to common shareowners	$ (16.2)	$ (20.3)	$ (53.8)	$ (47.6)
Basic and diluted net loss per common share	$ (0.32)	$ (0.41)	$ (1.07)	$ (1.06)

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Dollars in millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss	$ (13.6)	$ (17.7)	$ (46.0)	$ (39.8)
Other comprehensive income (loss), net of tax:				
Foreign currency translation (loss) gain	(1.0)	1.7	2.1	(2.6)
Cash flow hedges:				
Unrealized (loss) gain on cash flow hedges arising during the period, net of tax of ($0.9), $0.3, ($4.2), ($0.1)	(3.0)	1.1	(13.9)	(0.4)
Reclassification adjustment for net losses included in net income, net of tax of $0.2, $0.2, $0.3, $0.2	0.4	0.5	0.8	0.5
Defined benefit plans:				
Net benefit arising from remeasurement during the period, net of tax of $0.0	—	—	0.1	—
Amortization of prior service benefits included in net income, net of tax of ($0.2), ($0.1), ($0.5), ($0.5)	(0.4)	(0.6)	(1.4)	(1.8)
Amortization of net actuarial loss included in net income, net of tax of $1.0, $1.1, $2.7, $3.5	2.9	4.1	8.9	12.3
Total other comprehensive (loss) income	(1.1)	6.8	(3.4)	8.0
Total comprehensive loss	$ (14.7)	$ (10.9)	$ (49.4)	$ (31.8)

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREOWNERS' DEFICIT
(Dollars in millions)
(Unaudited)

	6 3/4 % Cumulative Convertible Preferred Shares		Common Shares		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Deficit**	**Loss**	**Total**
Balance at June 30, 2019	3.1	$ 129.4	50.4	$ 0.5	$ 2,677.4	$ (2,741.8)	$ (177.8)	$ (112.3)
Net loss	—	—	—	—	—	(13.6)	—	(13.6)
Other comprehensive loss	—	—	—	—	—	—	(1.1)	(1.1)
Stock-based compensation	—	—	—	—	2.0	—	—	2.0
Dividends on preferred stock	—	—	—	—	(2.6)	—	—	(2.6)
Balance at September 30, 2019	3.1	$ 129.4	50.4	$ 0.5	$ 2,676.8	$ (2,755.4)	$ (178.9)	$ (127.6)

Balance at June 30, 2018	3.1	$ 129.4	42.4	$ 0.4	$ 2,561.0	$ (2,661.7)	$ (172.5)	$ (143.4)
Net loss	—	—	—	—	—	(17.7)	—	(17.7)
Other comprehensive income	—	—	—	—	—	—	6.8	6.8
Shares issued under employee plans	—	—	0.1	—	—	—	—	—
Shares purchased under employee plans and other	—	—	—	—	(0.1)	—	—	(0.1)
Stock-based compensation	—	—	—	—	1.9	—	—	1.9
Dividends on preferred stock	—	—	—	—	(2.6)	—	—	(2.6)
Stock consideration for acquisition of Hawaiian Telcom	—	—	7.7	0.1	121.1	—	—	121.2
Balance at September 30, 2018	3.1	$ 129.4	50.2	$ 0.5	$ 2,681.3	$ (2,679.4)	$ (165.7)	$ (33.9)

	6 3/4 % Cumulative Convertible Preferred Shares		Common Shares		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Deficit**	**Loss**	**Total**
Balance at December 31, 2018	3.1	$ 129.4	50.2	$ 0.5	$ 2,680.0	$ (2,709.4)	$ (175.5)	$ (75.0)
Net loss	—	—	—	—	—	(46.0)	—	(46.0)
Other comprehensive loss	—	—	—	—	—	—	(3.4)	(3.4)
Shares issued under employee plans	—	—	0.2	—	—	—	—	—
Shares purchased under employee plans and other	—	—	—	—	(0.8)	—	—	(0.8)
Stock-based compensation	—	—	—	—	5.4	—	—	5.4
Dividends on preferred stock	—	—	—	—	(7.8)	—	—	(7.8)
Balance at September 30, 2019	3.1	$ 129.4	50.4	$ 0.5	$ 2,676.8	$ (2,755.4)	$ (178.9)	$ (127.6)

Balance at December 31, 2017	3.1	$ 129.4	42.2	$ 0.4	$ 2,565.6	$ (2,639.6)	$ (173.7)	$ (117.9)
Net loss	—	—	—	—	—	(39.8)	—	(39.8)
Other comprehensive income	—	—	—	—	—	—	8.0	8.0
Shares issued under employee plans	—	—	0.3	—	—	—	—	—
Shares purchased under employee plans and other	—	—	—	—	(2.1)	—	—	(2.1)
Stock-based compensation	—	—	—	—	4.5	—	—	4.5
Dividends on preferred stock	—	—	—	—	(7.8)	—	—	(7.8)
Stock consideration for acquisition of Hawaiian Telcom	—	—	7.7	0.1	121.1	—	—	121.2
Balance at September 30, 2018	3.1	$ 129.4	50.2	$ 0.5	$ 2,681.3	$ (2,679.4)	$ (165.7)	$ (33.9)

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except share amounts)
(Unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 6.5	$ 15.4
Receivables, less allowances of $14.3 and $13.0	253.2	342.8
Inventory, materials and supplies	49.6	46.5
Prepaid expenses	29.3	30.7
Other current assets	11.0	10.5
Total current assets	349.6	445.9
Property, plant and equipment, net	1,796.1	1,844.0
Operating lease right-of-use assets	35.9	-
Goodwill	159.6	157.0
Intangible assets, net	158.2	168.1
Deferred income tax assets	59.5	47.5
Other noncurrent assets	60.1	67.7
Total assets	$ 2,619.0	$ 2,730.2
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	$ 23.4	$ 20.2
Accounts payable	248.7	331.9
Unearned revenue and customer deposits	50.8	55.9
Accrued taxes	22.8	24.8
Accrued interest	24.6	26.8
Accrued payroll and benefits	49.5	42.9
Other current liabilities	44.5	39.2
Total current liabilities	464.3	541.7
Long-term debt, less current portion	1,904.0	1,909.6
Operating lease liabilities	32.2	-
Pension and postretirement benefit obligations	220.1	230.6
Pole license agreement obligation	38.3	39.1
Deferred income tax liability	12.2	11.4
Other noncurrent liabilities	75.5	72.8
Total liabilities	2,746.6	2,805.2
Shareowners' deficit		
Preferred stock, 2,357,299 shares authorized, 155,250 shares (3,105,000 depositary shares) of 6 3/4% Cumulative Convertible Preferred Stock issued and outstanding at September 30, 2019 and December 31, 2018; liquidation preference $1,000 per share ($50 per depositary share)	129.4	129.4
Common shares, $.01 par value; 96,000,000 shares authorized; 50,420,449 and 50,184,114 shares issued and outstanding at September 30, 2019 and December 31, 2018	0.5	0.5
Additional paid-in capital	2,676.8	2,680.0
Accumulated deficit	(2,755.4)	(2,709.4)
Accumulated other comprehensive loss	(178.9)	(175.5)
Total shareowners' deficit	(127.6)	(75.0)
Total liabilities and shareowners' deficit	$ 2,619.0	$ 2,730.2

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities		
Net loss	$ (46.0)	$ (39.8)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	229.1	177.6
Loss on extinguishment of debt	—	1.3
Provision for loss on receivables	9.1	5.2
Noncash portion of interest expense	4.8	3.7
Deferred income taxes	(8.4)	(7.9)
Pension and other postretirement payments in excess of expense	(0.2)	(7.4)
Stock-based compensation	5.4	4.5
Other, net	(3.4)	(3.3)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Decrease (increase) in receivables	82.4	(20.2)
(Increase) decrease in inventory, materials, supplies, prepaid expenses and other current assets	(0.6)	1.5
(Decrease) increase in accounts payable	(76.4)	16.4
Decrease in accrued and other current liabilities	(12.1)	(7.7)
Decrease (increase) in other noncurrent assets	7.7	(1.1)
Decrease in other noncurrent liabilities	(2.5)	-
Net cash provided by operating activities	188.9	122.8
Cash flows from investing activities		
Capital expenditures	(167.3)	(140.7)
Acquisitions of businesses, net of cash acquired	—	(216.8)
Other, net	0.3	(0.1)
Net cash used in investing activities	(167.0)	(357.6)
Cash flows from financing activities		
Net (decrease) increase in corporate credit and receivables facilities with initial maturities less than 90 days	(8.1)	194.2
Repayment of debt	(13.4)	(324.3)
Debt issuance costs	(0.8)	(11.0)
Dividends paid on preferred stock	(7.8)	(7.8)
Other, net	(0.8)	(2.1)
Net cash used in financing activities	(30.9)	(151.0)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	0.1	(0.1)
Net decrease in cash, cash equivalents and restricted cash	(8.9)	(385.9)
Cash, cash equivalents and restricted cash at beginning of period	15.4	396.5
Cash, cash equivalents and restricted cash at end of period	$ 6.5	$ 10.6
Noncash investing and financing transactions:		
Stock consideration for merger of Hawaiian Telcom	$ —	$ 121.2
Acquisition of property by assuming debt and other noncurrent liabilities	$ 13.4	$ 6.8
Acquisition of property on account	$ 26.1	$ 36.6

The accompanying notes are an integral part of the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Description of Business and Accounting Policies

Description of Business — Cincinnati Bell Inc. and its consolidated subsidiaries ("Cincinnati Bell", "we", "our", "us" or the "Company") provide diversified telecommunications and technology services. The Company generates a large portion of its revenue by serving customers in Cincinnati, Ohio, Dayton, Ohio and the islands of Hawaii. An economic downturn or natural disaster occurring in these, or a portion of these, limited operating territories could have a disproportionate effect on our business, financial condition, results of operations and cash flows compared to similar companies of a national scope and similar companies operating in different geographic areas.

The Company had receivables with one customer, Verizon Communications Inc., which made up 18% of the outstanding accounts receivable balance at December 31, 2018. At September 30, 2019, no individual customer exceeded 10% of the outstanding accounts receivable balance. Revenue derived from foreign operations was approximately 5% of consolidated revenue for the three and nine months ended September 30, 2019. Revenue derived from foreign operations was approximately 5% and 6% of consolidated revenue for the three and nine months ended September 30, 2018, respectively.

Basis of Presentation — The Condensed Consolidated Financial Statements of the Company have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and, in the opinion of management, include all adjustments necessary for a fair presentation of the results of operations, other comprehensive income, financial position and cash flows for each period presented.

The adjustments referred to above are of a normal and recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to SEC rules and regulations for interim reporting.

The Condensed Consolidated Balance Sheet as of December 31, 2018 was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. These Condensed Consolidated Financial Statements should be read in conjunction with the Company’s 2018 Annual Report on Form 10-K. Operating results for the three and nine months ended September 30, 2019 are not necessarily indicative of the results expected for the full year or any other interim period.

Use of Estimates — Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates. In the normal course of business, the Company is subject to various regulatory and tax proceedings, lawsuits, claims and other matters. The Company believes adequate provision has been made for all such asserted and unasserted claims in accordance with U.S. GAAP. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance.

Business Combinations — In accounting for business combinations, we apply the accounting requirements of Accounting Standards Codification ("ASC") 805, “Business Combinations,” which requires the recording of net assets of acquired businesses at fair value. In developing fair value estimates for acquired assets and assumed liabilities, management analyzes a variety of factors including market data, estimated future cash flows of the acquired operations, industry growth rates, current replacement cost for fixed assets, and market rate assumptions for contractual obligations. Such a valuation requires management to make significant estimates and assumptions, particularly with respect to the intangible assets. The Company reports in its consolidated financial statements provisional amounts for the items for which accounting is incomplete. Goodwill is adjusted for any changes to provisional amounts made within the measurement period. See Note 4 for disclosures related to mergers and acquisitions.

Leases - The Company determines if an arrangement is a lease at inception based on the facts and circumstances present. In lease transactions where the Company acts as the lessor, the lease component is accounted for in accordance with ASC 842, and the non-lease component is accounted for in accordance with ASC 606. Although separation of lease and non-lease components is required, certain practical expedients are available that release the Company from this requirement. Adoption of the practical expedient allows the Company to account for each lease component and the related non-lease component together as a single component provided that the timing and patterns of revenue recognition for the components are the same and the combined, single unit of account would be classified as an operating lease. The Company's operating leases for certain services that include Customer Premise Equipment, including handsets and set-top boxes, have lease and non-lease components. In these arrangements, management has concluded that the non-lease components are the predominant characteristic, and, as a result, the Company has elected to account for these arrangements as one single non-lease component recorded as "Revenue" on the Condensed Consolidated Statements of Operations in accordance with ASC 606.

Right-of-use assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received.

The Company's lease terms include options to extend, terminate or buyout the lease when it is reasonably certain that we will exercise that option. Leases that have contract prices based on variable factors, such as power usage, are recognized as variable lease expense in the period in which the obligation for those payments are incurred. Lease expense for variable lease payments is recognized on a straight-line basis over the lease term.

Income and Operating Taxes

Income taxes — In accordance with ASC 740-270, the Company’s income tax provision for interim periods is determined through the use of an estimated annual effective tax rate applied to year-to-date ordinary income/loss plus or minus the tax effects of discrete items. The Company expects its annual effective tax rate benefit to be lower than statutory rates as a result of permanent items such as meals and entertainment expenses that are not fully deductible for tax.

Operating taxes — The Company elected to record certain operating taxes such as property, sales, use, and gross receipts taxes including telecommunications surcharges as expenses, primarily within cost of services and products. These taxes are not included in income tax expense because the amounts to be paid are not dependent on our level of income. Liabilities for audit exposures are established based on management's assessment of the probability of payment. The provision for such liabilities is recognized as either property, plant and equipment, operating tax expense, or depreciation expense depending on the nature of the audit exposure. Upon resolution of an audit, any remaining liability not paid is released against the account in which it was originally recorded. Certain telecommunication taxes and surcharges that are collected from customers are also recorded as revenue; however, in accordance with ASC 606, revenue associated with these charges is excluded from the transaction price.

Derivative Financial Instruments — The Company accounts for derivative financial instruments by recognizing derivative instruments as either assets or liabilities in the Condensed Consolidated Balance Sheets at fair value and recognizing the resulting gains or losses as adjustments to the Condensed Consolidated Statements of Operations or "Accumulated Other Comprehensive Loss." The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated and qualify as cash flow hedges, the gain or loss on the derivative instrument is reported as a component of "Accumulated Other Comprehensive Loss" in stockholder's equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. Derivatives that do not qualify as hedges are adjusted to fair value through earnings in the current period.

Recently Issued Accounting Standards

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15, Intangibles-Goodwill and Other-Internal-Use Software, which aligns the accounting for implementation costs incurred in a hosting arrangement that is a service contract with the requirements in ASC 350-40 for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendments in this ASU also require the entity to present the expense related to the capitalized implementation costs in the same line item in the statement of income as the fees associated with the hosting element of the arrangement and classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Early adoption is permitted in any interim period after issuance of the update. The Company early adopted this standard prospectively effective January 1, 2019. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which represents a wholesale change to lease accounting. Since that date, the FASB has issued additional ASUs clarifying certain aspects of ASU 2016-02 but did not change the core principal. The standard introduces a lessee model that brings most leases onto the balance sheet, as well as aligns certain underlying principles of the new lessor model with those in ASC 606. The ASU is effective for public entities for fiscal years beginning after December 15, 2018. The Company adopted the standard and all subsequent amendments effective January 1, 2019, using the modified retrospective transition method, which did not require the Company to adjust comparative periods.

The Company elected the package of practical expedients permitted under the transition guidance, which allowed the Company to carryforward its historical assessments of: (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. In addition to the package of practical expedients, the Company elected the practical expedients of using hindsight in determining the lease term and in assessing impairment of the entity’s right-of-use assets as well as not to assess whether existing or expired land easements that were not previously accounted for as leases under ASC 840 are or contain a lease under ASC 842.

Upon adoption of this standard, the Company recognized operating lease right-of-use assets of $38.3 million and operating lease liabilities of $46.2 million in the Condensed Consolidated Balance Sheets. The Company elected the practical expedient outlined in ASU 2018-11 allowing entities to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The adoption of ASU 2016-02 had no impact to accumulated deficit.

The Company implemented internal controls and procured a third-party lease accounting software solution to facilitate the ongoing accounting and financial reporting requirements of the ASU. The standard did not have a material impact on our Condensed Consolidated Statement of Operations. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged. See Note 7 for required disclosures as a result of adopting ASC 842.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's condensed consolidated financial statements upon adoption.

2. Earnings Per Common Share

Basic earnings per common share ("EPS") is based upon the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that would occur upon issuance of common shares for awards under stock-based compensation plans or conversion of preferred stock, but only to the extent that they are considered dilutive.

The following table shows the computation of basic and diluted EPS:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	2019	2018	2019	2018
Numerator:				
Net loss	$ (13.6)	$ (17.7)	$ (46.0)	$ (39.8)
Preferred stock dividends	2.6	2.6	7.8	7.8
Net loss applicable to common shareowners - basic and diluted	$ (16.2)	$ (20.3)	$ (53.8)	$ (47.6)
Denominator:				
Weighted average common shares outstanding - basic	50.4	50.1	50.4	45.0
Stock-based compensation arrangements	-	-	-	-
Weighted average common shares outstanding - diluted	50.4	50.1	50.4	45.0
Basic and diluted net loss per common share	$ (0.32)	$ (0.41)	$ (1.07)	$ (1.06)

For the three and nine months ended September 30, 2019 and 2018, the Company had a net loss available to common shareholders and, as a result, all common stock equivalents were excluded from the computation of diluted EPS as their inclusion would have been anti-dilutive. For all periods presented, preferred stock convertible into 0.9 million common shares was excluded as it was anti-dilutive.

3. Revenue

The Entertainment and Communications segment provides products and services to both residential and commercial customers that can be categorized as either Fioptics in Cincinnati or Consumer/SMB in Hawaii (collectively, "Consumer/SMB"), Enterprise Fiber or Legacy. The products and services within these three categories can be further categorized as either Data, Voice, Video or Other. Consumer/SMB and Legacy revenue include both residential and commercial customers. Enterprise Fiber revenue includes ethernet and dedicated internet access services that are provided to enterprise customers, as well as revenue associated with the trans-Pacific submarine cable ("SEA-US").

Residential customers have implied month-to-month contracts. Commercial customers, with the exception of contracts associated with the SEA-US, typically have contracts with a duration of one to five years and automatically renew on a month-to-month basis. Customers are invoiced on a monthly basis for services rendered. Contracts for projects that are included within the Other revenue stream are typically short in duration and less than one year. Contracts associated with the SEA-US typically range from 15 to 25 years and payment is prepaid.

The IT Services and Hardware segment provides a full range of Information Technology ("IT") solutions, including Communications, Cloud and Consulting services. IT Services and Hardware customers enter into contracts that have a typical duration of one to five years, with varied renewal options at the end of the term. Customers are invoiced on a monthly basis for services rendered. The IT Services and Hardware segment also provides enterprise customers with Infrastructure Solutions, which includes the sale of hardware and maintenance contracts. These contracts are typically satisfied in less than twelve months and revenue is recognized at a point in time.

The Company has elected the practical expedient described in ASC 606-10-32-18 that allows an entity to not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects that the period of time between the transfer of a promised good or service to the customer and when the customer pays for such good or service will be one year or less. Customers are typically billed immediately upon the rendering of services or the delivery of products. Payment terms for customers are between 30 and 180 days. Subsequent to the acquisition of Hawaiian Telcom Holdco., Inc. ("Hawaiian Telcom"), the Company began recognizing a financing component associated with the up-front payments for services to be delivered under indefeasible right of use ("IRU") contracts for fiber circuit capacity. The IRU contracts are primarily associated with the SEA-US. The IRU contracts typically have a duration ranging from 15 to 25 years.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, or a series of distinct goods or services, and is the unit of account defined in ASC Topic 606. The transaction price identified in the contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Contract modifications for changes to services provided are routine throughout the term of our contracts. In most instances, contract modifications are for the addition or reduction of services that are distinct, and price changes are based on the stand-alone selling price of the service and, as such, are accounted for on a prospective basis as a new contract.

Goods and services are sold individually, or a contract may include multiple goods or services. For contracts with multiple goods and services, the transaction price identified in the contract is allocated to each performance obligation using the stand-alone selling price of each distinct good or service in the contract.

Certain customers of the Company may receive cash-based rebates based on volume of sales, which are accounted for as variable consideration. Potential rebates are considered at contract inception in our estimate of transaction price based on the estimated projection of sales volume. Estimates are reassessed quarterly.

Performance obligations are satisfied either over time as services are performed or at a point in time. Substantially all of our service revenue is recognized over time. For services transferred over time, the Company has elected the practical expedient to recognize revenue based on amounts invoiced to the customer as the Company has concluded that the invoice amount directly corresponds with the value of services provided to the customer. Management considers this a faithful depiction of the transfer of control as services are provided evenly over the month and are substantially the same over the life of the contract. As the Company has elected the practical expedients detailed at ASC 606-10-50-13, revenue for these unsatisfied performance obligations that will be billed in future periods has not been disclosed.

As of September 30, 2019, our estimated revenue, including a financing component, expected to be recognized in the future related to performance obligations associated with customer contracts that are unsatisfied (or partially unsatisfied) is $38.1 million. Approximately 80% of this revenue is related to IRU contracts associated with the SEA-US. Certain IRU contracts extend for periods of up to 30 years and are invoiced at the beginning of the contract term. The revenue from such contracts is recognized over time as services are provided over the contract term. The expected revenue to be recognized for existing IRU contracts is as follows:

(dollars in millions)		
Three months ended December 31, 2019	$	0.8
2020		2.6
2021		2.5
2022		2.6
2023		2.5
Thereafter		27.1

Entertainment and Communications

The Company has identified four distinct performance obligations in the Entertainment and Communications segment, namely Data, Voice, Video and Other. For each of the Data, Voice and Video services, service is delivered to the customer continuously and in a substantially similar manner for each period of the agreement, the customer takes full control over the services as the service is delivered, and as such Data, Voice and Video are identified to be a series of distinct services. Services provided by the Entertainment and Communications segment can be categorized into three main categories that include Consumer/SMB, Enterprise Fiber and Legacy, each of which may include one or more of the aforementioned performance obligations. Data services include high-speed internet access, digital subscriber lines, ethernet, routed network services, SONET (Synchronous Optical Network), dedicated internet access, wavelength, digital signal and IRU revenue. Voice services include traditional and fiber voice lines, switched access, digital trunking and consumer long distance calling. Video services are offered through our fiber network to residential and commercial customers based on various standard plans with the opportunity to add premium channels. To receive video services, customers are required to use the Company's set top boxes that are billed as part of the monthly recurring service. Set top boxes are not considered a separate performance obligation from video because the equipment is necessary for the service to operate and the customer has no alternative use for the equipment.

Services and products not included in Data, Voice or Video are included in Other revenue and are comprised of wire care, wire time and materials projects and advertising. Transfer of control of these services and products is evaluated on an individual project basis and can occur over time or at a point in time.

The Company uses multiple methods to determine stand-alone selling prices in the Entertainment and Communications segment. For Data, Video and Voice products in Consumer/SMB, market rate is the primary method used to determine stand-alone selling prices. For Data performance obligations under the Enterprise Fiber category, and Voice, Data and Other performance obligations under the Legacy category, stand-alone selling prices are determined based on a list price, discount off of list price, a tariff rate, a margin percentage range, or a minimum margin percentage.

IT Services and Hardware

The Company has identified four distinct performance obligations in the IT Services and Hardware segment. These performance obligations are Communications, Cloud, Consulting and Infrastructure Solutions. Communications services are monthly services that include data and VoIP services, tailored solutions that include converged IP communications of data, voice, video and mobility applications, enterprise long distance, MPLS (Multi-Protocol Label Switching) and conferencing services. Cloud services include storage, backup, disaster recovery, SLA-based monitoring and management, cloud computing and cloud consulting. Consulting services provide customers with IT staffing, consulting and emerging technology solutions. Infrastructure Solutions includes the sale of hardware and maintenance contracts as well as installation projects.

For the sale of hardware, the Company evaluated whether it is the principal or the agent. The Company has concluded it acts as an agent because it does not control the inventory before it is transferred to customers, it does not have the ability to direct the product to anyone besides the purchasing customer, and it does not integrate the hardware with any of its own goods or services. In the instance where there is an issue with the hardware, the Company coordinates with the manufacturer to facilitate a return in accordance with the standard manufacturer warranty. Hardware returns are not significant to the Company.

Within the IT Services and Hardware segment, stand-alone selling prices for the four performance obligations are determined based on either a margin percentage range, minimum margin percentage or standard price list.

For hardware sales, revenue is recognized net of the cost of product and is recognized when the hardware is either shipped or delivered in accordance with the terms of the contract. For certain projects within Communications and Consulting, revenue is recognized when the customer communicates acceptance of the services performed. For contracts with freight on board shipping terms, management has elected to account for shipping and handling as activities to fulfill the promise to transfer the good, and therefore, has not evaluated whether shipping and handling activities are promised services to its customers.

Contract Balances

The Company recognizes incremental fulfillment costs as an asset when installation expenses are incurred as part of performing the agreement for Voice, Video and Data product offerings in the Entertainment and Communications segment in which the contract life is longer than one year. These fulfillment costs are amortized ratably over the expected life of the customer, which is representative of the expected period of benefit of the asset capitalized. The expected life of the customer is determined utilizing the average churn rate for each product. The Company calculates average churn based on the historical average customer life. We also recognize an asset for incremental fulfillment costs for certain Communications services in the IT Services and Hardware segment that require us to incur installation and provisioning expenses. The asset recognized for Communication services is amortized over the average contract life. Churn rates and average contract life are reviewed on an annual basis. Fulfillment costs are capitalized to “Other noncurrent assets.” The related amortization expense is recorded to “Cost of services and products.”

The Company recognizes an asset for the incremental costs of acquiring a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain sales incentive programs related to Voice, Video, Data and certain Communications and Cloud services meet the requirements to be capitalized. The contract asset established for the costs of acquiring a contract is recorded to “Other noncurrent assets.” Sales incentives are amortized ratably over the period that services are delivered using either an average churn rate or average contract term, both representative of the expected period of benefit of the asset capitalized. Customer churn rates and average contract term assumptions are reviewed on an annual basis. The related amortization expense is recorded to “Selling, general and administrative.”

Management has elected to use the practical expedient detailed in ASC 340-40-25-4 to expense any costs to fulfill a contract and costs to obtain a contract as they are incurred when the amortization period would have been one year or less. This practical expedient has been applied to fulfillment costs that include installation costs associated with wiring projects and certain Cloud services. In addition, this practical expedient has been applied to acquisition costs associated with revenue from certain Communications projects.

The following table presents the activity for the Company’s contract assets:

	Fulfillment Costs			Cost of Acquisition			Total Contract Assets		
(dollars in millions)	Entertainment and Communications	IT Services and Hardware	Total Company	Entertainment and Communications	IT Services and Hardware	Total Company	Entertainment and Communications	IT Services and Hardware	Total Company
Balance as of December 31, 2018	$ 14.5	$ 2.5	$ 17.0	$ 13.0	$ 2.0	$ 15.0	$ 27.5	$ 4.5	$ 32.0
Additions	0.9	0.7	1.6	2.5	0.4	2.9	3.4	1.1	4.5
Amortization	(2.9)	(0.4)	(3.3)	(2.1)	(0.3)	(2.4)	(5.0)	(0.7)	(5.7)
Balance as of March 31, 2019	12.5	2.8	15.3	13.4	2.1	15.5	25.9	4.9	30.8
Additions	0.9	0.9	1.8	2.5	0.6	3.1	3.4	1.5	4.9
Amortization	(3.3)	(0.4)	(3.7)	(1.5)	(0.3)	(1.8)	(4.8)	(0.7)	(5.5)
Balance as of June 30, 2019	10.1	3.3	13.4	14.4	2.4	16.8	24.5	5.7	30.2
Additions	0.9	1.1	2.0	2.5	0.3	2.8	3.4	1.4	4.8
Amortization	(1.7)	(0.5)	(2.2)	(2.6)	(0.3)	(2.9)	(4.3)	(0.8)	(5.1)
Balance as of September 30, 2019	$ 9.3	$ 3.9	$ 13.2	$ 14.3	$ 2.4	$ 16.7	$ 23.6	$ 6.3	$ 29.9

The Company recognizes a liability for cash received upfront for IRU contracts. At September 30, 2019 and December 31, 2018, $1.5 million and $1.4 million, respectively, of contract liabilities were included in "Other current liabilities." At September 30, 2019 and December 31, 2018, $27.1 million and $28.0 million, respectively, of contract liabilities were included in "Other noncurrent liabilities."

Disaggregated Revenue

The following table presents revenues disaggregated by product and service lines:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2019	2018	2019	2018
Data	$ 119.5	$ 116.0	$ 356.5	$ 285.3
Video	50.2	52.4	153.5	131.3
Voice	70.7	76.8	215.4	169.8
Other	8.1	8.2	23.9	15.1
Total Entertainment and Communications	248.5	253.4	749.3	601.5
Consulting	37.6	35.9	114.6	100.7
Cloud	22.6	26.2	69.8	71.8
Communications	51.3	47.0	147.0	129.1
Infrastructure Solutions	29.0	32.0	85.6	95.4
Total IT Services and Hardware	140.5	141.1	417.0	397.0
Intersegment revenue	(6.5)	(7.8)	(20.0)	(19.3)
Total revenue	$ 382.5	$ 386.7	$ 1,146.3	$ 979.2

In the first quarter of 2019, the Company determined that certain revenue in the IT Services and Hardware segment associated with nonrecurring projects is better aligned with Infrastructure Solutions, rather than Consulting, where it was previously reported. As a result, the Company reclassed revenue of $6.2 million and $19.3 million from Consulting to Infrastructure Solutions for the three and nine months ended September 30, 2018, respectively. This reclassification of revenue had no impact on the Condensed Consolidated Statements of Operations.

The following table presents revenues disaggregated by contract type:

(dollars in millions)	Three Months Ended September 30,							
	Entertainment and Communications		IT Services and Hardware		Intersegment revenue elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Products and Services transferred at a point in time	$ 7.7	$ 7.9	$ 33.5	$ 33.0	$ -	$ -	$ 41.2	$ 40.9
Products and Services transferred over time	235.5	239.0	105.8	106.8	-	-	341.3	345.8
Intersegment revenue	5.3	6.5	1.2	1.3	(6.5)	(7.8)	-	-
Total revenue	$ 248.5	$ 253.4	$ 140.5	$ 141.1	$ (6.5)	$ (7.8)	$ 382.5	$ 386.7

(dollars in millions)	Nine Months Ended September 30,							
	Entertainment and Communications		IT Services and Hardware		Intersegment revenue elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Products and Services transferred at a point in time	$ 23.6	$ 18.3	$ 95.2	$ 100.4	$ -	$ -	$ 118.8	$ 118.7
Products and Services transferred over time	709.2	566.8	318.3	293.7	-	-	1,027.5	860.5
Intersegment revenue	16.5	16.4	3.5	2.9	(20.0)	(19.3)	-	-
Total revenue	$ 749.3	$ 601.5	$ 417.0	$ 397.0	$ (20.0)	$ (19.3)	$ 1,146.3	$ 979.2

4. Mergers and Acquisitions

Acquisition of Hawaiian Telcom Holdco, Inc.

On July 2, 2018, the Company acquired Hawaiian Telcom Holdco, Inc. for cash consideration of $218.3 million, stock consideration of $121.2 million and debt repayments, including accrued interest, of $318.2 million. Hawaiian Telcom is the ILEC for the State of Hawaii and the largest full service provider of communication services and products in the state. With the acquisition, the Company gains access to both Honolulu, a well-developed, fiber-rich city, as well as the growing neighbor islands. The companies' combined fiber networks are approximately 17,000 fiber route miles.

The purchase price for Hawaiian Telcom consisted of the following:

(dollars in millions)	
Cash consideration plus debt assumed	$ 536.5
Cincinnati Bell Inc. stock issued	121.2
Debt repayment	(318.2)
Total purchase price	$ 339.5

In order to fund the acquisition, the Company utilized proceeds of $350.0 million from the 8% Senior Notes due 2025 ("8% Notes"), $16.5 million of the cash that was previously restricted to fund interest payments on the 8% Notes, drew $35.0 million on the revolving credit facility and $154.0 million on the accounts receivable securitization facility. In conjunction with the acquisition, the Company issued 7.7 million Common Shares at a price of $15.70 per share as stock consideration. The Company recorded a total of $28.1 million in acquisition expenses related to the acquisition of Hawaiian Telcom, of whichno expense was recorded in the three months ended September 30, 2019 and $0.9 million was recorded in the nine months ended September 30, 2019. Acquisition expenses for the three and nine months ended September 30, 2018 were $13.3 million and $16.9 million, respectively. These expenses are recorded in "Transaction and integration costs" on the Condensed Consolidated Statements of Operations.

Purchase Price Allocation and Other Items

The determination of the purchase price allocation to specific assets acquired and liabilities assumed is final for the Hawaiian Telcom transaction.The purchase price for Hawaiian Telcom has been allocated to individual assets acquired and liabilities assumed as follows:

(dollars in millions)	Hawaiian Telcom
Assets acquired	
Cash	$ 4.3
Receivables	24.8
Inventory, materials and supplies	6.7
Prepaid expenses and other current assets	5.9
Property, plant and equipment	697.6
Goodwill	10.2
Intangible assets	52.0
Deferred income tax asset	45.6
Other noncurrent assets	2.1
Total assets acquired	849.2
Liabilities assumed	
Accounts payable	60.0
Current portion of long-term debt	10.2
Unearned revenue and customer deposits	13.5
Accrued expenses and other current liabilities	21.8
Long-term debt, less current portion	304.5
Pension and postretirement benefit obligations	68.9
Other noncurrent liabilities	30.8
Total liabilities assumed	509.7
Net assets acquired	$ 339.5

During 2019, the Company recorded immaterial measurement period adjustments for Hawaiian Telcom. The offset of these adjustments were recorded as increases to "Goodwill."

The estimated fair value of identifiable intangible assets and their estimated useful lives are as follows:

	Hawaiian Telcom	
(dollars in millions)	Fair Value	Useful Lives
Customer relationships	$ 26.0	15 years
Trade name	26.0	15 years
Total identifiable intangible assets	$ 52.0	

Identifiable intangible assets are amortized over their useful lives based on a number of assumptions including the estimated period of economic benefit and utilization.

Pro Forma Information (Unaudited)

The following table provides the unaudited pro forma results of operations for the three and nine months ended September 30, 2018 as if the acquisition of Hawaiian Telcom had taken place as of the beginning of fiscal year 2017. These pro forma results include adjustments related to the financing of the acquisition, an increase to depreciation and amortization associated with the higher values of property, plant and equipment and intangible assets, an increase to interest expense for the additional debt incurred to complete the acquisition, and other various related income tax effects.

The pro forma information does not necessarily reflect the actual results of operations had the acquisition been consummated at the beginning of the annual reporting period indicated, nor is it necessarily indicative of future operating results. The pro forma information does not include any (i) potential revenue enhancements, cost synergies or other operating efficiencies that could result from the acquisition or (ii) transaction or integration costs relating to the acquisition.

(dollars in millions, except per share amounts)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Revenue	$ 386.7	$ 1,157.5
Net loss applicable to common shareholders	(20.3)	(57.0)
Earnings per share:		
Basic and diluted loss per common share	$ (0.41)	$ (1.27)

5. Goodwill and Intangible Assets

Goodwill

The changes in the Company's goodwill consisted of the following:

(dollars in millions)	IT Services and Hardware	Entertainment and Communications	Total Company
Goodwill, balance as of December 31, 2018	$ 146.0	$ 11.0	$ 157.0
Activity during the year:			
Adjustments to prior year acquisitions	-	1.4	1.4
Currency translations	1.2	-	1.2
Goodwill, balance as of September 30, 2019	$ 147.2	$ 12.4	$ 159.6

No impairment losses were recognized in goodwill for the three and nine months ended September 30, 2019 and 2018.

Intangible Assets

The Company’s intangible assets consisted of the following:

	September 30, 2019			December 31, 2018		
(dollars in millions)	Gross Carrying Amount (a)	Accumulated Amortization	Net Amount	Gross Carrying Amount (a)	Accumulated Amortization	Net Amount
Customer relationships	$ 140.1	$ (25.7)	$ 114.4	$ 139.4	$ (17.8)	$ 121.6
Trade names	41.1	(5.2)	35.9	40.7	(2.8)	37.9
Technology	9.9	(2.0)	7.9	9.9	(1.3)	8.6
Total	$ 191.1	$ (32.9)	$ 158.2	$ 190.0	$ (21.9)	$ 168.1

(a) Change in gross carrying amounts is due to foreign currency translation on certain intangible assets.

Amortization expense for intangible assets was $3.7 million and $11.0 million for the three and nine months ended September 30, 2019, respectively. Amortization expense for intangible assets was $3.8 million and $8.7 million for the three and nine months ended September 30, 2018, respectively.No impairment losses were recognized for the three and nine months ended September 30, 2019 and 2018.

The estimated useful lives for each intangible asset class are as follows:

Customer relationships	8 to 15 years
Trade names	10 to 15 years
Technology	10 years

The annual estimated amortization expense for future years is as follows:

(dollars in millions)		
Three months ended December 31, 2019	$	3.7
2020		14.4
2021		14.2
2022		13.9
2023		13.5
Thereafter		98.5
Total	$	158.2

6. Debt and Other Financing Arrangements

The Company's debt consists of the following:

(dollars in millions)		September 30, 2019		December 31, 2018
Current portion of long-term debt:				
Credit Agreement - Tranche B Term Loan due 2024	$	6.0	$	6.0
Other financing arrangements		2.0		0.8
Finance lease liabilities		15.4		13.4
Current portion of long-term debt		23.4		20.2
Long-term debt, less current portion:				
Receivables Facility		141.5		176.6
Credit Agreement - Revolving Credit Facility		45.0		18.0
Credit Agreement - Tranche B Term Loan due 2024		588.0		592.5
7 1/4% Senior Notes due 2023		22.3		22.3
7% Senior Notes due 2024		625.0		625.0
8% Senior Notes due 2025		350.0		350.0
Various Cincinnati Bell Telephone notes		87.9		87.9
Other financing arrangements		3.4		2.3
Finance lease liabilities		63.5		60.5
		1,926.6		1,935.1
Net unamortized premium		1.4		1.7
Unamortized note issuance costs		(24.0)		(27.2)
Long-term debt, less current portion		1,904.0		1,909.6
Total debt	$	1,927.4	$	1,929.8

Credit Agreement

The Company had $45.0 million of outstanding borrowings on the Revolving Credit Facility, leaving $155.0 million available for borrowings as of September 30, 2019. The Credit Agreement expires in October 2022.

Accounts Receivable Securitization Facility

As of September 30, 2019, the Company had $141.5 million in borrowings and $10.1 million of letters of credit outstanding under the accounts receivable securitization facility ("Receivables Facility"), leaving no remaining availability on the total borrowing capacity of $151.6 million. In the second quarter of 2019, the Company executed amendments to its Receivables Facility, which replaced, amended and added certain provisions and definitions to increase the credit availability and renew the facility, which is subject to renewal every 364 days, until May 2020. The facility's termination date is May 2021 and was not changed by these amendments. The maximum borrowing limit for loans and letters of credit under the Receivables Facility is $225.0 million in the aggregate. The available borrowing capacity is calculated monthly based on the quantity and quality of outstanding accounts receivable, and thus may be lower than the maximum borrowing limit.

Under the agreement, certain U.S. and Canadian subsidiaries, as originators, sell their respective trade receivables on a continuous basis to Cincinnati Bell Funding LLC ("CBF") or Cincinnati Bell Funding Canada Ltd. ("CBFC"), wholly-owned consolidated subsidiaries of the Company. Although CBF and CBFC are wholly-owned consolidated subsidiaries of the Company, CBF and CBFC are legally separate from the Company and each of the Company's other subsidiaries. Upon and after the sale or contribution of the accounts receivable to CBF or CBFC, such accounts receivable are legally assets of CBF and CBFC and, as such, are not available to creditors of other subsidiaries or the parent company. The Receivables Facility includes an option for CBF to sell, rather than borrow against, certain receivables on a non-recourse basis. As of September 30, 2019, the outstanding balance of certain accounts receivable sold was $20.2 million.

Other Installment Financing Arrangements

The Company has other installment financing arrangements that are recorded in "Other current liabilities" and "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets.

The IT Services and Hardware segment entered into a lease in June 2018 for a building to use in its data center operations. Structural improvements were made to the leased facility in excess of normal tenant improvements and, as such, the Company was deemed the accounting owner of this facility. As of September 30, 2019 and December 31, 2018, the liability related to this financing arrangement was $4.4 million and $4.5 million, respectively, and is included in "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets.

Prior to the acquisition of Hawaiian Telcom in July 2018, Hawaiian Telcom had an open dispute related to jointly-owned utility poles. In October 2018, the Company entered into the Pole License Agreement that provided for the transfer of the Company's ownership responsibility of the utility poles to Hawaiian Electric Company ("HEC") and for the Company to pay a fixed annual fee to HEC for continued use of the poles. Due to the continuing involvement by the Company, this transaction did not meet the requirements to be accounted for as a sale-leaseback, and therefore it has been treated as a financing obligation. As of September 30, 2019, the Company has a liability recorded of $39.3 million, of which $1.0 million is included in "Other current liabilities" in the Condensed Consolidated Balance Sheets. As of December 31, 2018, the Company has a liability recorded of $40.1 million, of which $1.0 million is included in "Other current liabilities" in the Condensed Consolidated Balance Sheets.

7. Leases

Lessee Disclosures

The Company primarily leases real estate for offices, retail stores and central offices, as well as equipment, cell towers and fleet vehicles. The Company leases its real estate for terms between 1 and 55 years, its equipment for terms between 2 and 6 years, its cell towers for terms between 4 and 21 years and its vehicles for terms of 5 years. Our leases have various expiration dates through 2066, some of which include options to extend the leases for up to 15 years, and some of which include options to terminate the leases within one year.

Upon adoption, the Company elected not to recognize leases with terms of one-year or less on the balance sheet. The Company's leases generally do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease.

Supplemental unaudited balance sheet information related to the Company's leases was as follows:

(dollars in millions)	Balance Sheet Location	September 30, 2019
Operating lease assets, net of amortization	Operating lease right-of-use assets	$ 35.9
Finance lease assets, net of amortization	Property, plant and equipment, net	35.1
Operating lease liabilities:		
Current operating lease liabilities	Other current liabilities	11.0
Noncurrent operating lease liabilities	Operating lease liabilities	32.2
Total operating lease liabilities		43.2
Finance lease liabilities:		
Current finance lease liabilities	Current portion of long-term debt	15.4
Noncurrent finance lease liabilities	Long-term debt, less current portion	63.5
Total finance lease liabilities		$ 78.9

The components of lease expense were as follows:

(dollars in millions)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 3.4	$ 9.8
Short-term lease cost	0.1	0.2
Variable lease cost	0.5	1.6
Finance lease cost:		
Depreciation on leased assets	2.6	6.3
Interest on lease liabilities	1.4	3.9
Total lease cost	$ 8.0	$ 21.8

Under ASC 840, the Company recorded lease expense of $5.0 million and $13.1 million for the three and nine months ended September 30, 2018, respectively.

Other information related to leases was as follows:

(dollars in millions)		Nine Months Ended September 30, 2019
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$	3.9
Operating cash flows from operating leases	$	8.3
Financing cash flows from finance leases	$	8.2
Right-of-use assets obtained in exchange for lease obligations:		
New operating leases	$	5.1
New finance leases	$	13.4
Weighted Average Remaining Lease Term		
Operating leases		7.92 years
Finance leases		7.16 years
Weighted Average Discount Rate		
Operating leases		7.01%
Finance leases		6.97%

Future minimum lease payments under non-cancellable leases as of September 30, 2019 are as follows:

(dollars in millions)	Operating Leases		Finance Leases	
Three months ended December 31, 2019	$	3.3	$	5.5
2020		12.7		18.3
2021		7.7		14.1
2022		5.4		9.8
2023		4.5		8.0
Thereafter		23.9		47.2
Total future minimum lease payments		57.5		102.9
Less imputed interest		(14.3)		(24.0)
Total	$	43.2	$	78.9

Lessor Disclosures

The Company has operating leases related to its dark fiber arrangements for terms between 3 and30 years. Our leases have various expiration dates through 2048, some of which include options to extend the lease. The Company recorded $0.8 million and $2.4 million in lease income related to operating lease payments during the three and nine months ended September 30, 2019, respectively.

The Company owns the underlying assets associated with its operating leases and records them in "Property, plant and equipment, net" on the Condensed Consolidated Balance Sheets.

Future minimum lease payments to be received under non-cancellable leases as of September 30, 2019 are as follows:

(dollars in millions)	Operating Leases	
Three months ended December 31, 2019	$	0.7
2020		2.7
2021		2.3
2022		1.7
2023		1.7
Thereafter		18.8
Total future minimum lease payments		27.9
Less imputed interest		(10.2)
Total	$	17.7

8. Financial Instruments and Fair Value Measurements

Fair Value Measurements

The Company defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements, the Company uses a three-level hierarchy that prioritizes the use of observable inputs. The three levels are:

Level 1 — Quoted market prices for identical instruments in an active market;

Level 2 — Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs); and

Level 3 — Unobservable inputs that reflect management's determination of assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including our own data.

The determination of where an asset or liability falls in the hierarchy requires significant judgment.

Interest Rate Swaps

The Company uses interest rate swap agreements to minimize its exposure to interest rate fluctuations on variable rate debt borrowings. Interest rate swaps involve the exchange of fixed and variable rate interest payments and do not represent an actual exchange of the underlying notional amounts between parties.

In the second quarter of 2018, the Company entered into one forward starting non-amortizing interest rate swap with a notional amount of $300.0 million to convert variable rate debt to fixed rate debt. The interest rate swap became effective in June 2018 and expires in June 2023. The interest rate swap results in interest payments based on an average fixed rate of 2.938% plus the applicable margin per the requirements in the Credit Agreement.

In the first quarter of 2019, the Company entered into three forward starting non-amortizing interest rate swaps, with a notional amount of $89.0 million each, to convert variable rate debt to fixed rate debt. The interest rate swaps became effective in March 2019 and expire in March 2024. The interest rate swaps result in interest payments based on an average fixed rate per swap of 2.275%, 2.244% and 2.328% plus the applicable margin per the requirements in the Credit Agreement.

During the next twelve months, the Company estimates that $5.6 million will be reclassified as an increase to interest expense.

The fair value of the Company's interest rate swaps are impacted by the credit risk of both the Company and its counterparties. The Company has agreements with its derivative financial instrument counterparties that contain provisions providing that if the Company defaults on the indebtedness associated with its derivative financial instruments, then the Company could also be declared in default on its derivative financial instruments obligations. In addition, the Company minimizes nonperformance risk on its derivative instruments by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions.

Upon inception, the interest rate swaps were designated as cash flow hedges under ASC 815, with gains and losses, net of tax, measured on an ongoing basis recorded in accumulated other comprehensive loss. The fair value of the interest rate swaps are categorized as Level 2 in the fair value hierarchy as they are based on well-recognized financial principles and available market data.

As of September 30, 2019, the fair value of the interest rate swaps was $22.0 million and is recorded in the Condensed Consolidated Balance Sheets as of September 30, 2019 as follows:

(dollars in millions)	Balance Sheet Location	September 30, 2019	Quoted Prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Liabilities:					
Interest Rate Swap	Other current liabilities	$ 5.3	$ -	$ 5.3	$ -
Interest Rate Swap	Other noncurrent liabilities	$ 16.7	$ -	$ 16.7	$ -

As of December 31, 2018, the fair value of the interest rate swap liability was $5.0 million and is recorded in the Condensed Consolidated Balance Sheets as of December 31, 2018 as follows:

(dollars in millions)	Balance Sheet Location	December 31, 2018	Quoted Prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Liabilities:					
Interest Rate Swap	Other current liabilities	$ 1.2	$ -	$ 1.2	$ -
Interest Rate Swap	Other noncurrent liabilities	$ 3.8	$ -	$ 3.8	$ -

The amount of (losses) gains recognized in Accumulated Other Comprehensive Income ("AOCI") net of reclassifications into earnings is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2019	2018	2019	2018
Interest Rate Swap	$ (3.3)	$ 2.1	$ (17.0)	$ 0.2

The amount of losses reclassified from AOCI into earnings is as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	Statement of Operations Location	2019	2018	2019	2018
Interest Rate Swap	Interest expense	$ (0.6)	$ (0.6)	$ (1.1)	$ (0.6)

Disclosure on Financial Instruments

The carrying values of the Company's financial instruments approximate the estimated fair values as of September 30, 2019 and December 31, 2018, except for the Company's long-term debt and other installment financing arrangements. The carrying and fair values of these items are as follows:

	September 30, 2019		December 31, 2018	
(dollars in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion*	$ 1,867.1	$ 1,779.8	$ 1,880.0	$ 1,673.6
Other installment financing arrangements	43.7	45.3	44.6	43.6

*Excludes capital leases, other financing arrangements and note issuance costs.

The fair value of our long-term debt was based on closing or estimated market prices of the Company's debt at September 30, 2019 and December 31, 2018, which is considered Level 2 of the fair value hierarchy. The fair value of the other installment financing arrangements was calculated using a discounted cash flow model that incorporates current borrowing rates for obligations of similar duration, which is considered Level 3 of the fair value hierarchy. As of September 30, 2019, the current borrowing rate was estimated by applying the Company's credit spread to the risk-free rate for a similar duration borrowing.

9. Pension and Postretirement Plans

As of September 30, 2019, the Company sponsors three noncontributory defined benefit plans and a postretirement health and life insurance plan in Cincinnati (collectively the "Cincinnati Plans"), and one noncontributory defined benefit plan for union employees, one cash balance pension plan for nonunion employees, and two postretirement health and life insurance plans for Hawaiian Telcom employees (collectively the "Hawaii Plans").

In accordance with ASC 715, only the service cost component of net benefit cost is eligible for capitalization, which was immaterial for the three and nine months ended September 30, 2019 and 2018.

For the three and nine months ended September 30, 2019 and 2018, pension and postretirement costs (benefits) were as follows:

	Three Months Ended September 30,			
	2019	2018	2019	2018
(dollars in millions)	Pension Benefits		Postretirement and Other Benefits	
Service cost	$ -	$ -	$ 0.2	$ 0.3
Other components of pension and postretirement benefit plans expense:				
Interest cost on projected benefit obligation	5.9	5.9	1.3	1.3
Expected return on plan assets	(7.7)	(8.7)	-	-
Amortization of:				
Prior service benefit	-	-	(0.6)	(0.7)
Actuarial loss	3.5	4.2	0.4	1.0
Total amortization	3.5	4.2	(0.2)	0.3
Pension / postretirement costs	$ 1.7	$ 1.4	$ 1.3	$ 1.9

	Nine Months Ended September 30,			
	2019	2018	2019	2018
(dollars in millions)	Pension Benefits		Postretirement and Other Benefits	
Service cost	$ -	$ -	$ 0.5	$ 0.4
Other components of pension and postretirement benefit plans expense:				
Interest cost on projected benefit obligation	17.9	14.2	3.8	2.9
Expected return on plan assets	(23.0)	(21.1)	-	-
Amortization of:				
Prior service benefit	-	-	(1.9)	(2.3)
Actuarial loss	10.3	12.7	1.3	3.1
Total amortization	10.3	12.7	(0.6)	0.8
Pension / postretirement costs	$ 5.2	$ 5.8	$ 3.7	$ 4.1

Amortizations of prior service benefit and actuarial loss represent reclassifications from accumulated other comprehensive income.

Based on current assumptions, contributions are expected to be approximately $3 million to both the qualified and non-qualified pension plans in 2019. Management expects to make cash payments of approximately $8 million related to its postretirement health plans in 2019.

For the nine months ended September 30, 2019, contributions to the pension plans were $1.4 million and contributions to the postretirement plans were $4.6 million. For the nine months ended September 30, 2018, contributions to the pension plans were $11.0 million and contributions to the postretirement plan were $6.2 million.

10. Restructuring and Severance

Liabilities have been established for employee separations and lease abandonment. A summary of activity in the restructuring and severance liability is shown below:

(dollars in millions)	Employee Separation	Lease Abandonment	Total
Balance as of December 31, 2018	$ 9.5	$ 0.7	$ 10.2
Hawaiian Telcom opening balance sheet adjustment	0.1	-	0.1
Charges	3.3	-	3.3
Utilizations	(6.7)	(0.1)	(6.8)
Balance as of March 31, 2019	6.2	0.6	6.8
Charges	1.8	-	1.8
Utilizations	(3.9)	(0.1)	(4.0)
Balance as of June 30, 2019	4.1	0.5	4.6
Charges	1.3	-	1.3
Utilizations	(2.3)	(0.1)	(2.4)
Balance as of September 30, 2019	$ 3.1	$ 0.4	$ 3.5

Restructuring and severance charges recorded in each of the first three quarters of 2019 in the Entertainment and Communications segment are related to a severance program for certain management employees as the Company continues its efforts to realize synergies that can be achieved due to the acquisition of Hawaiian Telcom. Restructuring and severance charges recorded in the IT Services and Hardware segment in the second and third quarters of 2019 are associated with initiatives to reduce and contain costs as well as headcount reductions as a result of insourcing initiatives by one of our significant customers.

Lease abandonment costs represent future minimum lease obligations, net of expected sublease income, for abandoned facilities. Lease payments on abandoned facilities will continue through 2020.

A summary of restructuring activity by business segment is presented below:

(dollars in millions)	Entertainment and Communications	IT Services and Hardware	Corporate	Total
Balance as of December 31, 2018	$ 8.6	$ 1.3	$ 0.3	$ 10.2
Hawaiian Telcom opening balance sheet adjustment	0.1	-	-	0.1
Charges	3.3	-	-	3.3
Utilizations	(6.3)	(0.5)	-	(6.8)
Balance as of March 31, 2019	5.7	0.8	0.3	6.8
Charges	0.9	0.9	-	1.8
Utilizations	(2.8)	(1.0)	(0.2)	(4.0)
Balance as of June 30, 2019	3.8	0.7	0.1	4.6
Charges	0.7	0.6	-	1.3
Utilizations	(1.6)	(0.7)	(0.1)	(2.4)
Balance as of September 30, 2019	$ 2.9	$ 0.6	$ -	$ 3.5

At September 30, 2019, $3.5 million of the restructuring liabilities were recorded in “Other current liabilities” in the Condensed Consolidated Balance Sheets. At December 31, 2018, $9.6 million and $0.6 million of the restructuring liabilities were recorded in “Other current liabilities”and "Other noncurrent liabilities," respectively, in the Condensed Consolidated Balance Sheets.

11. Shareowners' Deficit

Accumulated Other Comprehensive Loss

For the three and nine months ended September 30, 2019 and 2018, the changes in accumulated other comprehensive loss by component were as follows:

(dollars in millions)	Unrecognized Net Periodic Pension and Postretirement Benefit Cost		Unrealized (Loss) Gain on Cash Flow Hedges, Net		Foreign Currency Translation Loss	Total
Balance as of June 30, 2019	$ (159.4)		$ (14.4)		$ (4.0)	$ (177.8)
Reclassifications, net	2.5	(a)	0.4	(b)	—	2.9
Unrealized loss on cash flow hedges arising during the period, net	—		(3.0)	(c)	—	(3.0)
Foreign currency loss	—		—		(1.0)	(1.0)
Balance as of September 30, 2019	$ (156.9)		$ (17.0)		$ (5.0)	$ (178.9)
Balance as of June 30, 2018	$ (166.1)		$ (1.5)		$ (4.9)	$ (172.5)
Reclassifications, net	3.5	(a)	0.5	(b)	—	4.0
Unrealized gain on cash flow hedge arising during the period, net	—		1.1	(c)	—	1.1
Foreign currency gain	—		—		1.7	1.7
Balance as of September 30, 2018	$ (162.6)		$ 0.1		$ (3.2)	$ (165.7)

(dollars in millions)	Unrecognized Net Periodic Pension and Postretirement Benefit Cost		Unrealized (Loss) Gain on Cash Flow Hedges, Net		Foreign Currency Translation Loss	Total
Balance as of December 31, 2018	$ (164.5)		$ (3.9)		$ (7.1)	$ (175.5)
Remeasurement of benefit obligations	0.1		—		—	0.1
Reclassifications, net	7.5	(a)	0.8	(b)	—	8.3
Unrealized loss on cash flow hedges arising during the period, net	—		(13.9)	(c)	—	(13.9)
Foreign currency gain	—		—		2.1	2.1
Balance as of September 30, 2019	$ (156.9)		$ (17.0)		$ (5.0)	$ (178.9)
Balance as of December 31, 2017	$ (173.1)		$ —		$ (0.6)	$ (173.7)
Reclassifications, net	10.5	(a)	0.5	(b)	—	11.0
Unrealized loss on cash flow hedge arising during the period, net	—		(0.4)	(c)	—	(0.4)
Foreign currency loss	—		—		(2.6)	(2.6)
Balance as of September 30, 2018	$ (162.6)		$ 0.1		$ (3.2)	$ (165.7)

(a) These reclassifications are included in the other components of net periodic pension and postretirement benefit plans expense and represent amortization of prior service benefit and actuarial loss, net of tax. The other components of net periodic pension and postretirement benefit plans expense are recorded in "Other components of pension and postretirement benefit plans expense" on the Condensed Consolidated Statements of Operations. See Note 9 for further disclosures.

(b) These reclassifications are reported within "Interest expense" on the Condensed Consolidated Statements of Operations when the hedged transactions impact earnings.

(c) The unrealized (loss) gain, net on cash flow hedges represents the change in the fair value of the derivative instruments that occurred during the period, net of tax. The unrealized loss on cash flow hedges is recorded in "Other current liabilities" and "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets. See Note 8 for further disclosures.

12. Business Segment Information

The Company's segments are strategic business units that offer distinct products and services and are aligned with the Company's internal management structure and reporting. The Company operates two business segments identified as Entertainment and Communications and IT Services and Hardware.

The Entertainment and Communications segment provides products and services that can be categorized as Data, Video, Voice or Other. Data products include high-speed internet access, digital subscriber lines, ethernet, SONET, dedicated internet access, wavelength, digital signal and IRU. Video services provide our customers access to over 400 entertainment channels, over 140 high-definition channels, parental controls, HD DVR, Video On-Demand and access to a live TV streaming application. Voice represents traditional voice lines as well as fiber voice lines, consumer long distance, switched access and digital trunking. Other services consists of revenue generated from wiring projects for enterprise customers, advertising, directory assistance, maintenance and information services.

The IT Services and Hardware segment provides end-to-end solutions from consulting to implementation to ongoing optimization. These solutions include Cloud, Communications and Consulting services along with the sale, installation and maintenance of major branded Telecom and IT hardware reported as Infrastructure Solutions.

Certain corporate administrative expenses have been allocated to the segments based upon the nature of the expense and the relative size of the segment. Intercompany transactions between segments have been eliminated.

Selected financial data for the Company's business segment information is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2019	2018	2019	2018
Revenue				
Entertainment and Communications	$ 248.5	$ 253.4	$ 749.3	$ 601.5
IT Services and Hardware	140.5	141.1	417.0	397.0
Intersegment	(6.5)	(7.8)	(20.0)	(19.3)
Total revenue	$ 382.5	$ 386.7	$ 1,146.3	$ 979.2
Intersegment revenue				
Entertainment and Communications	$ 5.3	$ 6.5	$ 16.5	$ 16.4
IT Services and Hardware	1.2	1.3	3.5	2.9
Total intersegment revenue	$ 6.5	$ 7.8	$ 20.0	$ 19.3
Operating income (loss)				
Entertainment and Communications	$ 27.7	$ 25.0	$ 81.2	$ 79.1
IT Services and Hardware	0.6	7.3	(5.1)	8.5
Corporate	(5.5)	(17.8)	(18.3)	(28.7)
Total operating income	$ 22.8	$ 14.5	$ 57.8	$ 58.9
Expenditures for long-lived assets*				
Entertainment and Communications	$ 51.3	$ 276.3	$ 150.3	$ 335.7
IT Services and Hardware	5.4	7.4	16.9	21.8
Corporate	-	-	0.1	-
Total expenditures for long-lived assets	$ 56.7	$ 283.7	$ 167.3	$ 357.5
Depreciation and amortization				
Entertainment and Communications	$ 64.4	$ 65.6	$ 190.5	$ 147.5
IT Services and Hardware	11.1	9.9	38.5	30.0
Corporate	-	-	0.1	0.1
Total depreciation and amortization	$ 75.5	$ 75.5	$ 229.1	$ 177.6

* Includes cost of acquisitions

(dollars in millions)	September 30, 2019	December 31, 2018
Assets		
Entertainment and Communications	$ 1,859.2	$ 1,898.8
IT Services and Hardware	485.3	468.1
Corporate and eliminations	274.5	363.3
Total assets	$ 2,619.0	$ 2,730.2

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated by reference herein contain forward-looking statements regarding future events and 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," or variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of future financial performance, anticipated growth and trends in 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 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 Quarterly Report on Form 10-Q and, in particular, the risks discussed under the caption "Risk Factors" in Part II, Item 1A, and those discussed in other documents the Company filed with the Securities and Exchange Commission ("SEC"). Actual results may differ materially and adversely from those expressed in any forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statements for any reason.

Introduction

This Management's Discussion and Analysis section provides an overview of Cincinnati Bell Inc.'s financial condition as of September 30, 2019 and the results of operations for the three and nine months ended September 30, 2019 and 2018. This discussion should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and accompanying notes as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Results for interim periods may not be indicative of results for the full year or any other interim period.

Executive Summary

Segment results described in the Executive Summary and Consolidated Results of Operations sections are net of intercompany eliminations.

Cincinnati Bell Inc. and its consolidated subsidiaries ("Cincinnati Bell", "we", "our", "us" or the "Company") provide integrated communications and IT solutions that keep consumer and enterprise customers connected with each other and with the world. Through its Entertainment and Communications segment, the Company provides Data, Video, and Voice solutions to consumer and enterprise customers over an expanding fiber network and a legacy copper network. In addition, enterprise customers across the United States, Canada and Europe rely on the IT Services and Hardware segment for the sale and service of efficient, end-to-end communications and IT systems and solutions.

On July 2, 2018, the Company acquired Hawaiian Telcom Holdco, Inc. ("Hawaiian Telcom"). The Unified Communications as a Service ("UCaaS"), hardware, and enterprise long distance products and services provided by the Hawaiian Telcom business are included within the IT Services and Hardware Segment. The Entertainment and Communications segment includes products delivered by Hawaiian Telcom such as high-speed internet access, digital subscriber lines, ethernet, dedicated internet access, indefeasible right of use ("IRU") contracts, video, voice lines, consumer long distance and digital trunking.

Consolidated revenue totaling $382.5 million for the three months ended September 30, 2019 decreased $4.2 million compared to the same period in 2018 primarily due to declines in Legacy revenue exceeding the growth in revenue from our fiber offerings. Consumer/SMB revenue increased $2.8 million while Legacy revenue decreased $9.5 million in the three months ended September 30, 2019 compared to the comparable period in 2018.

Consolidated revenue totaling $1,146.3 million for the nine months ended September 30, 2019 increased $167.1 million compared to the same period in the prior year primarily due to the acquisition of Hawaiian Telcom. The acquisition of Hawaiian Telcom contributed $260.1 million and $87.1 million of revenue in the nine months ended September 30, 2019 and 2018, respectively. Revenue growth from the acquisition was partially offset by the decline in Legacy revenue exceeding the growth in revenue from our fiber offerings in Cincinnati as well as the decline of higher margin revenue contributed by General Electric Company ("GE") of $15.2 million in the Cloud practice. Fioptics revenue in Cincinnati increased $10.0 million while Legacy revenue in Cincinnati decreased $19.6 million in the nine months ended September 30, 2019 compared to the same period in the prior year.

Operating income was $22.8 million for the three months ended September 30, 2019, up $8.3 million compared to the same period in the prior year. The increase in operating income was primarily due to lower transaction and integration charges incurred in the third quarter of 2019 compared to the same period in 2018 that were incurred as a result of the Company's acquisitions and continued integration of Hawaiian Telcom and OnX Holdings LLC ("OnX"). Operating income was $57.8 million for the nine months ended September 30, 2019, down $1.1 million compared to the same period in 2018. The contribution from Hawaiian Telcom in addition to the decrease in transaction and integration charges associated with the Company's acquisition were more than offset by declines in Legacy revenue and increases in depreciation, amortization and SG&A costs.

Loss before income taxes totaled $15.5 million for the three months ended September 30, 2019, resulting in a decrease in the loss as compared to the comparable period in 2018 primarily due to the increase in operating income. For the nine months ended September 30, 2019, loss before income taxes totaled $55.2 million resulting in an increase in the loss compared to the same period in 2018. In addition to the items impacting operating income, the increased loss before income taxes is primarily due to increased interest expense related to additional debt acquired to fund the acquisition of Hawaiian Telcom.

Consolidated Results of Operations

Revenue

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions)	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
Revenue								
Entertainment and Communications	$ 243.2	$ 246.9	$ (3.7)	(1)%	$ 732.8	$ 585.1	$ 147.7	25%
IT Services and Hardware	139.3	139.8	(0.5)	0%	413.5	394.1	19.4	5%
Total revenue	$ 382.5	$ 386.7	$ (4.2)	(1)%	$ 1,146.3	$ 979.2	$ 167.1	17%

Entertainment and Communications revenue decreased for the three months ended September 30, 2019 as the growth in Consumer/SMB revenue was more than offset by the declines experienced in Legacy revenue. IT Services and Hardware revenue decreased due to lower revenue in the Cloud and Infrastructure Solutions practices more than offsetting increases in the Communications and Consulting practices. Cloud revenue decline is primarily due to lower revenue contributed by GE of $6.5 million due to GE insourcing certain cloud services.

Entertainment and Communications revenue increased in the nine months ended September 30, 2019 primarily due to the acquisition of Hawaiian Telcom. Hawaiian Telcom contributed revenue of $230.6 million and $77.5 million in the nine months ended September 30, 2019 and 2018, respectively. The increase in revenue from Hawaiian Telcom along with the growth in Fioptics in Cincinnati offset the decline in Legacy revenue in Cincinnati. IT Services and Hardware increased primarily due to the acquisition of Hawaiian Telcom, which contributed revenue of $29.5 million and $9.6 million in the nine months ended September 30, 2019 and 2018, respectively. In addition to the impact of the acquisition on year to date revenue compared to the prior year, similar trends impacting the quarter for each of the practices also impacted the nine months ended September 30, 2019 including lower revenue contributed by GE of $15.2 million.

Operating Costs

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions)	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
Cost of services and products								
Entertainment and Communications	$ 110.2	$ 117.5	$ (7.3)	(6)%	$ 334.8	$ 271.7	$ 63.1	23%
IT Services and Hardware	84.5	80.2	4.3	5%	253.1	227.7	25.4	11%
Total cost of services and products	$ 194.7	$ 197.7	$ (3.0)	(2)%	$ 587.9	$ 499.4	$ 88.5	18%

Entertainment and Communications costs decreased for the three months ended September 30, 2019 compared to the same period in the prior year due to lower payroll related costs and contract services costs. Lower payroll related costs are related to headcount reductions made during restructuring initiatives that were executed in 2017 and 2018 in addition to efficiencies realized in the installation process. IT Services and Hardware costs increased for the three months ended September 30, 2019 compared to the comparable period in 2018 due to increases in payroll related costs for additional headcount and regulatory fees which were partially offset by lower contractor costs.

Entertainment and Communications costs increased for the nine months ended September 30, 2019 primarily due to the acquisition of Hawaiian Telcomwhich contributed costs of $113.4 million and $40.9 million in the nine months ended September 30, 2019 and 2018, respectively. The increased costs as a result of the acquisition are partially offset by lower payroll related costs and contract services costs. IT Services and Hardware costs increased due to increased payroll related and contractor costs associated with resources utilized to support the revenue growth in the Communications and Consulting practices for the nine months ended September 30, 2019 as compared to the same period in the prior year. In addition, Hawaiian Telcom contributed $16.4 million and $4.7 million to cost of services and products in the nine months ended September 30, 2019 and 2018, respectively.

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions)	**2019**	**2018**	**$ Change**	**% Change**	**2019**	**2018**	**$ Change**	**% Change**
Selling, general and administrative								
Entertainment and Communications	$ 44.2	$ 44.0	$ 0.2	0%	$ 133.9	$ 100.1	$ 33.8	34%
IT Services and Hardware	38.5	37.3	1.2	3%	113.0	109.8	3.2	3%
Corporate	5.3	4.4	0.9	20%	14.4	10.3	4.1	40%
Total selling, general and administrative	$ 88.0	$ 85.7	$ 2.3	3%	$ 261.3	$ 220.2	$ 41.1	19%

Entertainment and Communications SG&A costs increased in the nine months ended September 30, 2019 compared to the comparable period in the prior year primarily due to the acquisition of Hawaiian Telcom, which contributed SG&A expense of $47.6 million and $16.0 million in the nine months ended September 30, 2019 and 2018, respectively. In addition, SG&A costs also increased due to an increase in advertising expense and the bad debt reserve for certain receivables with a wholesale customer that filed for bankruptcy in the first quarter of 2019 whose collectability is uncertain. IT Services and Hardware SG&A costs increased compared to the prior year due to additional expense contributed by Hawaiian Telcom. Hawaiian Telcom contributed SG&A costs of $7.2 million and $2.9 million in the nine months ended September 30, 2019 and 2018, respectively. This increase was partially offset by lower payroll costs in the nine months ended September 30, 2019 resulting from headcount reductions carried out in 2018.

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions)	**2019**	**2018**	**$ Change**	**% Change**	**2019**	**2018**	**$ Change**	**% Change**
Depreciation and amortization expense								
Entertainment and Communications	$ 64.4	$ 65.6	$ (1.2)	(2)%	$ 190.5	$ 147.5	$ 43.0	29%
IT Services and Hardware	11.1	9.9	1.2	12%	38.5	30.0	8.5	28%
Corporate	-	-	-	n/m	0.1	0.1	-	0%
Total depreciation and amortization expense	$ 75.5	$ 75.5	$ 0.0	0%	$ 229.1	$ 177.6	$ 51.5	29%

Entertainment and Communications depreciation and amortization expense increased in the nine months ended September 30, 2019 compared to the same period in 2018 due to increased property, plant, and equipment and intangible assets obtained in the acquisition of Hawaiian Telcom. The increase in IT Services and Hardware depreciation and amortization expense is primarily related to accelerated depreciation for certain network assets that were determined in the first quarter of 2019 to have a shorter useful life due to a change in customer requirements. Hawaiian Telcom also contributed $3.1 million to depreciation expense in the nine months ended September 30, 2019.

(dollars in millions)	Three Months Ended September 30, 2019	2018	$ Change	% Change	Nine Months Ended September 30, 2019	2018	$ Change	% Change
Other operating costs								
Restructuring and severance related charges	$ 1.3	$ -	$ 1.3	n/m	$ 6.4	$ 4.9	$ 1.5	31%
Transaction and integration costs	0.2	13.3	(13.1)	(98)%	3.8	18.2	(14.4)	(79)%
Total other operating costs	$ 1.5	$ 13.3	$ (11.8)	(89)%	$ 10.2	$ 23.1	$ (12.9)	(56)%

Restructuring and severance charges recorded in the three and nine months ended September 30, 2019 in the Entertainment and Communications segment are related to a severance program for certain management employees as the Company continues its efforts to realize synergies that can be achieved due to the acquisition of Hawaiian Telcom. Restructuring and severance charges in the IT Services and Hardware segment recorded in the second and third quarters of 2019 are associated with initiatives to reduce and contain costs as well as headcount reductions as a result of insourcing initiatives by one of our significant customers. In the second quarter of 2018, the Company recorded restructuring and severance charges of $3.8 million in order to recognize future synergies with the integration of OnX.

Transaction and integration costs incurred in 2019, recorded as a Corporate expense, are primarily due to the continued integration of Hawaiian Telcom. Transaction and integration costs incurred in 2018, recorded as a Corporate expense, are due to the acquisition of OnX that closed in the fourth quarter of 2017 as well as costs related to the acquisition and integration of Hawaiian Telcom.

Non-operating Costs

(dollars in millions)	Three Months Ended September 30, 2019	2018	$ Change	% Change	Nine Months Ended September 30, 2019	2018	$ Change	% Change
Non-operating costs								
Interest expense	$ 35.0	$ 33.7	$ 1.3	4%	$ 105.0	$ 96.3	$ 8.7	9%
Loss on extinguishment of debt	-	-	-	n/m	-	1.3	(1.3)	n/m
Other components of pension and postretirement benefit plans expense	2.8	3.0	(0.2)	(7)%	8.4	9.5	(1.1)	(12)%
Other expense (income), net	0.5	(1.2)	1.7	n/m	(0.4)	(2.4)	2.0	(83)%
Income tax benefit	(1.9)	(3.3)	1.4	(42)%	(9.2)	(6.0)	(3.2)	53%

Interest expense increased for the nine months ended September 30, 2019 compared to the same period in the prior year primarily due to interest incurred on the amounts outstanding on the Receivables Facility and the Revolving Credit Facility used to partially fund the cash portion of the acquisition of Hawaiian Telcom.

Income tax benefit decreased for the three months ended September 30, 2019 compared to the same period in the prior year primarily due to the decreased loss before taxes. Income tax benefit increased in the nine months ended September 30, 2019 compared to the same period in 2018 primarily due to the increased loss before taxes.

Entertainment and Communications

The Entertainment and Communications segment provides products and services that can be categorized as either Fioptics in Cincinnati or Consumer/SMB Fiber in Hawaii (collectively, "Consumer/SMB Fiber"), Enterprise Fiber or Legacy. Cincinnati Bell Telephone Company LLC ("CBT"), a subsidiary of the Company, is the incumbent local exchange carrier ("ILEC") for a geography that covers a radius of approximately 25 miles around Cincinnati, Ohio, and includes parts of northern Kentucky and southeastern Indiana. CBT has operated in this territory for over 145 years. Voice and data services in the Enterprise Fiber and Legacy categories that are delivered beyond the Company's ILEC territory, particularly in Dayton and Mason, Ohio, are provided through the operations of Cincinnati Bell Extended Territories LLC ("CBET"), a subsidiary of CBT. On July 2, 2018, the Company acquired Hawaiian Telcom. Hawaiian Telcom is the ILEC for the State of Hawaii and the largest full service provider of communications services and products in the state. Originally incorporated in Hawaii in 1883 as Mutual Telephone Company, Hawaiian Telcom has a strong heritage of over 135 years as Hawaii's communications carrier. Its services are offered on all of Hawaii's major islands, except its video service, which currently is only available on the island of Oahu.

Consumer/SMB Fiber products include high-speed internet access, voice lines and video. The Company is able to deliver speeds of up to 30 megabits or more to approximately 75% of Greater Cincinnati and up to 20 megabits or more to approximately 50% of Hawaii's total addressable market.

Enterprise Fiber products include metro-ethernet, dedicated internet access, wavelength, IRU contracts, and small cell. As enterprise customers migrate from legacy products and copper-based technology, our metro-ethernet product becomes the preferred method of transport due to its ability to support multiple applications on a single physical connection.

Legacy products include traditional voice lines, consumer long distance, switched access, digital trunking, DSL, DS0, DS1, DS3 and other value-added services such as caller identification, voicemail, call waiting and call return.

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions)	2019	2018	Change	% Change	2019	2018	Change	% Change
Revenue:								
Data	$ 119.5	$ 116.0	$ 3.5	3%	$ 356.5	$ 285.3	$ 71.2	25%
Video	50.2	52.4	(2.2)	(4)%	153.5	131.3	22.2	17%
Voice	70.7	76.8	(6.1)	(8)%	215.4	169.8	45.6	27%
Other	8.1	8.2	(0.1)	(1)%	23.9	15.1	8.8	58%
Total Revenue	248.5	253.4	(4.9)	(2)%	749.3	601.5	147.8	25%
Operating costs and expenses:								
Cost of services and products	111.5	118.8	(7.3)	(6)%	338.8	274.8	64.0	23%
Selling, general and administrative	44.2	44.0	0.2	0%	133.9	100.1	33.8	34%
Depreciation and amortization	64.4	65.6	(1.2)	(2)%	190.5	147.5	43.0	29%
Restructuring and severance charges	0.7	—	0.7	n/m	4.9	—	4.9	n/m
Total operating costs and expenses	220.8	228.4	(7.6)	(3)%	668.1	522.4	145.7	28%
Operating income	$ 27.7	$ 25.0	$ 2.7	11%	$ 81.2	$ 79.1	$ 2.1	3%
Operating margin	11.1%	9.9%		1.2pts	10.8%	13.2%		(2.4) pts
Capital expenditures	$ 51.3	$ 62.3	(11.0)	(18)%	$ 150.3	$ 121.7	28.6	24%

Entertainment and Communications, continued

Metrics information (in thousands):	September 30, 2019	2018	Change	% Change
Cincinnati				
Fioptics				
Data				
Internet FTTP*	214.6	196.8	17.8	9%
Internet FTTN*	32.5	39.8	(7.3)	(18)%
Total Fioptics Internet	247.1	236.6	10.5	4%
Video				
Video FTTP*	113.5	115.6	(2.1)	(2)%
Video FTTN*	23.0	25.9	(2.9)	(11)%
Total Fioptics Video	136.5	141.5	(5.0)	(4)%
Voice				
Fioptics Voice Lines	108.0	107.0	1.0	1%
Fioptics Units Passed				
Units passed FTTP*	482.0	459.1	22.9	5%
Units passed FTTN*	138.6	139.5	(0.9)	(1)%
Total Fioptics units passed	620.6	598.6	22.0	4%
Enterprise Fiber				
Data				
Ethernet Bandwidth (Gb)	5,006	4,331	675	16%
Legacy				
Data				
DSL	65.9	74.1	(8.2)	(11)%
Voice				
Legacy Voice Lines	202.9	232.7	(29.8)	(13)%

*Fiber-to-the-Premise (FTTP), Fiber-to-the-Node (FTTN)

Entertainment and Communications, continued

Metrics information (in thousands):	September 30, 2019	2018	Change	% Change
Hawaii				
Consumer / SMB Fiber				
Data				
Internet FTTP*	54.6	49.5	5.1	10%
Internet FTTN*	13.2	14.5	(1.3)	(9)%
Total Consumer / SMB Fiber Internet	67.8	64.0	3.8	6%
Video				
Video FTTP*	31.8	33.3	(1.5)	(5)%
Video FTTN*	13.2	15.3	(2.1)	(14)%
Total Consumer / SMB Fiber Video	45.0	48.6	(3.6)	(7)%
Voice				
Consumer / SMB Fiber Voice Lines	30.1	29.9	0.2	1%
Consumer / SMB Fiber Units Passed**				
Units passed FTTP*	170.6	163.6	7.0	4%
Units passed FTTN*	72.8	73.3	(0.5)	(1)%
Total Consumer / SMB Fiber units passed	243.4	236.9	6.5	3%
Enterprise Fiber				
Data				
Ethernet Bandwidth (Gb)	3,424	1,948	1,476	76%
Legacy				
Data				
DSL	44.3	50.4	(6.1)	(12)%
Voice				
Legacy Voice Lines	183.0	203.4	(20.4)	(10)%

* Fiber-to-the-Premise (FTTP), Fiber-to-the-Node (FTTN)

** Includes units passed for both consumer and business on Oahu and neighboring islands.

Entertainment and Communications, continued

Revenue

	Three Months Ended September 30,					
	2019			2018		
	Cincinnati	Hawaii	Total	Cincinnati	Hawaii	Total
Revenue						
Consumer / SMB Fiber *						
Data	$ 39.3	$ 8.0	$ 47.3	$ 36.0	$ 6.3	$ 42.3
Video	39.5	10.7	50.2	40.7	11.7	52.4
Voice	9.2	2.7	11.9	9.4	2.7	12.1
Other	0.4	0.2	0.6	0.3	0.1	0.4
	88.4	21.6	110.0	86.4	20.8	107.2
Enterprise Fiber						
Data	21.6	9.9	31.5	21.0	8.7	29.7
Legacy						
Data	26.1	14.6	40.7	27.5	16.5	44.0
Voice	31.5	27.3	58.8	35.0	29.7	64.7
Other	3.2	4.3	7.5	3.8	4.0	7.8
	60.8	46.2	107.0	66.3	50.2	116.5
Total Entertainment and Communications revenue	$ 170.8	$ 77.7	$ 248.5	$ 173.7	$ 79.7	$ 253.4

	Nine Months Ended September 30,					
	2019			2018		
	Cincinnati	Hawaii	Total	Cincinnati	Hawaii	Total
Revenue						
Consumer / SMB Fiber *						
Data	$ 115.5	$ 23.8	$ 139.3	$ 106.0	$ 6.3	$ 112.3
Video	120.3	33.2	153.5	119.6	11.7	131.3
Voice	27.6	8.2	35.8	28.0	2.7	30.7
Other	1.1	0.5	1.6	0.9	0.1	1.0
	264.5	65.7	330.2	254.5	20.8	275.3
Enterprise Fiber						
Data	63.8	29.3	93.1	62.8	8.7	71.5
Legacy						
Data	78.4	45.7	124.1	85.0	16.5	101.5
Voice	96.3	83.3	179.6	109.4	29.7	139.1
Other	10.2	12.1	22.3	10.1	4.0	14.1
	184.9	141.1	326.0	204.5	50.2	254.7
Total Entertainment and Communications revenue	$ 513.2	$ 236.1	$ 749.3	$ 521.8	$ 79.7	$ 601.5

* Represents Fioptics in Cincinnati

<u>Entertainment and Communications, continued</u>

<u>Cincinnati Fioptics and Hawaii Consumer/SMB Fiber (collectively, "Consumer/SMB Fiber")</u>

Consumer/SMB Fiber revenue increased by $2.8 million for the three months ended September 30, 2019 compared to the same period in the prior year primarily due to an increase in the subscriber base for internet. The internet subscriber base continues to increase as we focus our attention on growing the internet FTTP subscriber base. In addition, the Average Revenue Per User ("ARPU") for the three months ended September 30, 2019 increased for internet and video in Cincinnati by 5% and 2%, respectively, and for internet in Hawaii by 17%, compared to the same period in 2018 partially offsetting the decline in video subscribers in both Cincinnati and Hawaii. ARPU increases are related to price increases for internet and video as well as the change in the mix of subscribers for video.

Consumer/SMB Fiber revenue increased $54.9 million for the nine months ended September 30, 2019 compared to the same period in the prior year primarily due to increased revenue contributed by Hawaiian Telcom of $44.9 million. Hawaiian Telcom adds 45,000 video subscribers, 67,800 internet subscribers and 30,100 voice subscribers to the existing base of subscribers. The increase is also a result of the growing internet FTTP subscriber base and ARPU increases for internet and video in Cincinnati of 4% and 5%, respectively, for the nine months ended September 30, 2019 as compared to the prior year. These increases more than offset the decline in video subscribers.

<u>Enterprise Fiber</u>

Enterprise Fiber revenue increased primarily due to increased revenue of $20.6 million from Hawaiian Telcom for the nine months ended September 30, 2019 compared to the same period in the prior year. Hawaiian Telcom Enterprise Fiber includes revenue from the SEA-US cable, metro-ethernet and dedicated internet access. In addition, enterprise customers are migrating from legacy product offerings to higher bandwidth fiber solutions, as evidenced by the 16% and 76% increases in Ethernet Bandwidth in Cincinnati and Hawaii, respectively. The increase to revenue from additional customers is offset by pricing pressures.

<u>Legacy</u>

Legacy revenue decreased for the three months ended September 30, 2019 compared to the same period in the prior year due to the decline in voice lines and DSL subscribers. Voice lines declined 13% and 10% in Cincinnati and Hawaii, respectively, as the traditional voice lines become less relevant. DSL subscribers decreased by 11% and 12% in Cincinnati and Hawaii, respectively, as subscribers demand the higher speeds that can be provided by fiber. In addition, declines in DS1, DS3 and digital trunking have contributed to the revenue decline for these products in 2019 compared to the same period in the prior year as customers migrate away from these solutions to fiber-based solutions.

Legacy revenue increased for the nine months ended September 30, 2019 compared to the same period a year ago due to increased revenue from Hawaiian Telcom of $90.9 million. Hawaiian Telcom adds 44,300 DSL subscribers and 183,000 voice subscribers to the existing base of subscribers. Increased revenue generated by Hawaiian Telcom was partially offset by declines in revenue from both voice lines and DSL subscribers in addition to declines in DS1, DS3 and digital trunking as customers migrate away from these solutions to fiber-based solutions.

Operating Costs and Expenses

Cost of services and products decreased $7.3 million in the three months ended September 30, 2019 compared to the same period in the prior year primarily due to a decrease in contract services costs and lower payroll costs due to reduced headcount and lower overtime driven by lower activations as well as efficiencies in the installation process. The reduced headcount is a result of the restructuring that took place in the prior two years.

Cost of services and products increased for the nine months ended September 30, 2019 compared to the same period in 2018 primarily due to the acquisition of Hawaiian Telcom. Hawaiian Telcom contributed $113.5 million and $40.9 million to cost of services and products in the nine months ended September 30, 2019 and 2018, respectively. Excluding the increase associated with the acquisition of Hawaiian Telcom, cost of services and products decreased by $8.6 million for the nine months ended September 30, 2019 due to the same trends impacting the quarter as well as savings realized associated with the Company's call center.

SG&A expenses for the three months ended September 30, 2019 were nearly flat compared to the same period in the prior year as the segment continues to focus on cost containment and realizing synergies with Hawaiian Telcom. SG&A expense increased $33.8 million in the nine months ended September 30, 2019 compared to the same period in the prior year primarily due to the acquisition of Hawaiian Telcom. Hawaiian Telcom contributed $47.6 million and $16.0 million of SG&A expense in the nine months ended September 30, 2019 and 2018, respectively. The remaining increase to SG&A expense in the nine months ended September 30, 2019 is primarily due to increases in bad debt expense and advertising expense. The increase in bad debt expense is primarily due to a reserve for certain receivables with a wholesale customer that filed for bankruptcy in the first quarter of 2019. The increase in advertising expense is due to additional media spending. These increases were partially offset by savings in software development costs related to synergies realized as a result of the acquisition of Hawaiian Telcom.

Entertainment and Communications, continued

Depreciation and amortization expense decreased $1.2 million in the three months ended September 30, 2019 compared to the same period in the prior year due to certain property, plant and equipment reaching the end of its useful life. Depreciation and amortization expense increased for the nine months ended September 30, 2019 as compared to the same period in the prior year due to the acquisition of Hawaiian Telcom. Hawaiian Telcom contributed $68.4 million and $23.9 million of depreciation and amortization expense in the nine months ended September 30, 2019 and 2018, respectively. Excluding the increase associated with the acquisition of Hawaiian Telcom, depreciation and amortization expense decreased $1.5 million due to the same trends impacting the quarter.

Restructuring and severance charges recorded in the three and nine months ended September 30, 2019are related to a severance program for certain management employees as the Company continues its efforts to realize synergies that can be achieved due to the acquisition of Hawaiian Telcom.

Capital Expenditures

	Three Months Ended September 30,					
	2019			2018		
	Cincinnati	Hawaii	Total	Cincinnati	Hawaii	Total
Consumer / SMB Fiber capital expenditures *						
Construction	$ 4.8	$ 2.4	$ 7.2	$ 10.1	$ 2.1	$ 12.2
Installation	10.7	3.4	14.1	15.8	7.7	23.5
Other	2.9	0.8	3.7	2.7	0.6	3.3
Total Consumer / SMB Fiber	18.4	6.6	25.0	28.6	10.4	39.0
Enterprise Fiber	4.9	2.1	7.0	3.9	3.2	7.1
Other	10.4	8.9	19.3	8.9	7.3	16.2
Total Entertainment and Communications capital expenditures	$ 33.7	$ 17.6	$ 51.3	$ 41.4	$ 20.9	$ 62.3

	Nine Months Ended September 30,					
	2019			2018		
	Cincinnati	Hawaii	Total	Cincinnati	Hawaii	Total
Consumer / SMB Fiber capital expenditures *						
Construction	$ 21.4	$ 6.2	$ 27.6	$ 25.5	$ 2.1	$ 27.6
Installation	36.8	11.5	48.3	33.3	7.7	41.0
Other	7.2	2.1	9.3	7.9	0.6	8.5
Total Consumer / SMB Fiber	65.4	19.8	85.2	66.7	10.4	77.1
Enterprise Fiber	8.4	5.4	13.8	11.6	3.2	14.8
Other	24.8	26.5	51.3	22.5	7.3	29.8
Total Entertainment and Communications capital expenditures	$ 98.6	$ 51.7	$ 150.3	$ 100.8	$ 20.9	$ 121.7

* Represents Fioptics in Cincinnati

Capital expenditures in Cincinnati are incurred to expand our Fioptics product suite, upgrade and increase capacity for our networks, and to extend the life of our fiber and copper networks. In the third quarter of 2019, we passed an additional 1,900 FTTP addresses in Cincinnati. As of September 30, 2019, the Company is able to deliver its Fioptics services with speeds of up to 30 megabits or more to 620,600 residential and commercial addresses, or approximately 75% of our operating territory in Cincinnati. Cincinnati construction capital expenditures decreased $5.3 million and $4.1 million in the three and nine months ended September 30, 2019, respectively, compared to the same periods in 2018 due to passing fewer addresses in 2019 and the timing of capital expenditures, which does not necessarily coincide with the timing of when addresses become available. Cincinnati installation capital expenditures are primarily related to the timing of expenditures for customer premise equipment utilized for installations. In the three months ended September 30, 2019, Cincinnati installation capital expenditures decreased $5.1 million compared to the same period in 2018 while Cincinnati installation capital expenditures increased $3.5 million in the nine months ended September 30, 2019 compared to the same period in the prior year.

Enterprise Fiber capital expenditures in Cincinnati are related to success-based fiber builds, including associated equipment, for enterprise and carrier projects to provide ethernet services. Other capital expenditures are related to IT projects, cable and equipment maintenance and capacity additions, real estate upgrades and maintenance, plus other minor capital purchases.

Hawaii construction capital expenditures increased $0.3 million and $4.1 million for the three and nine months ended September 30, 2019, respectively, compared to the same periods in the prior year due to building out 1,300 new addresses in the third quarter of 2019, primarily in rural areas and on the neighbor islands, and 2,900 new addresses in the nine months ended September 30, 2019. Hawaii installation capital expenditures decreased $4.3 million due to less video and internet installations in the three months ended September 30, 2019 compared to the same period in the prior year. Installation capital expenditures in Hawaii increased in the nine months ended September 30, 2019, compared to the same period in the prior year which only includes three months of activity subsequent to the acquisition close date. Enterprise fiber capital in Hawaii is primarily driven by new ethernet customers. Hawaii capital expenditures classified as other include IT projects, real estate projects, road jobs or plant damage projects, and network upgrades or optimization projects.

IT Services and Hardware

The IT Services and Hardware segment provides end-to-end IT solutions ranging from consulting to implementation to ongoing optimization of existing technology. These solutions include Cloud, Communications and Consulting services along with the sale and maintenance of major branded Telecom and IT hardware reported as Infrastructure Solutions. These services and products are provided through the Company's subsidiaries in various geographic areas throughout the United States, Canada and Europe. By offering a full range of equipment and strategic services in conjunction with the Company's fiber and copper networks, the IT Services and Hardware segment provides our customers personalized solutions designed to meet their business objectives.

Cloud services include the design, implementation and on-going management of the customer's infrastructure. This includes on-premise, public cloud and private cloud solutions. The Company assists customers with the risk assessment phase through an in-depth understanding of the customer's business as well as building and designing a solution, using either the customer's existing infrastructure or new cloud based options that transforms the way that the customer does business.

Communications solutions help to transform the way our customers do business by connecting employees, customers, and business partners. By upgrading legacy technologies through customized build projects and reducing customer costs, the Company helps to transform the customer's business. These services include Unified Communications as a Service ("UCaaS"), Software-Defined Wide Area Network ("SD-WAN"), Network as a Service ("NaaS"), Contact Center and Collaboration.

Using our experience and expertise, Infrastructure Solutions are tailored to our customers' organizational goals. We offer a complete portfolio of services that provide customers with efficient and optimized IT solutions that are agile and responsive to their business and are integrated, simplified and manageable. Through consulting with customers, the Company will build a solution using standard manufacturer equipment to meet our customers' specific requirements.

Consulting services help customers assess their business and technology needs and provide the talent needed to ensure success. The Company is a premier provider of application services and IT staffing.

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions)	2019	2018	Change	% Change	2019	2018	Change	% Change
Revenue:								
Consulting	$ 37.6	$ 35.9	$ 1.7	5%	$ 114.6	$ 100.7	$ 13.9	14%
Cloud	22.6	26.2	(3.6)	(14)%	69.8	71.8	(2.0)	(3)%
Communications	51.3	47.0	4.3	9%	147.0	129.1	17.9	14%
Infrastructure Solutions	29.0	32.0	(3.0)	(9)%	85.6	95.4	(9.8)	(10)%
Total revenue	140.5	141.1	(0.6)	0%	417.0	397.0	20.0	5%
Operating costs and expenses:								
Cost of services and products	89.4	86.4	3.0	3%	268.3	243.1	25.2	10%
Selling, general and administrative	38.8	37.5	1.3	3%	113.8	110.5	3.3	3%
Depreciation and amortization	11.1	9.9	1.2	12%	38.5	30.0	8.5	28%
Restructuring and severance related charges	0.6	-	0.6	n/m	1.5	4.9	(3.4)	(69)%
Total operating costs and expenses	139.9	133.8	6.1	5%	422.1	388.5	33.6	9%
Operating income (loss)	$ 0.6	$ 7.3	$ (6.7)	(92)%	$ (5.1)	$ 8.5	$ (13.6)	n/m
Operating margin	0.4%	5.2%		(4.8) pts	(1.2)%	2.1%		(3.3) pts
Capital expenditures	$ 5.4	$ 7.4	$ (2.0)	(27)%	$ 16.9	$ 19.0	$ (2.1)	(11)%

	September 30,			
Metrics information (in thousands):	2019	2018	Change	% Change
Consulting				
Billable Resources	1,007	999	8	1%
Communications				
NaaS Locations	3,492	1,101	2,391	n/m
SD - WAN Locations	1,849	488	1,361	n/m
Hosted UCaaS Profiles*	270,335	223,311	47,024	21%

* Includes Hawaii Hosted UCaaS Profiles

IT Services and Hardware, continued

Revenue

IT Services and Hardware segment revenue decreased $0.6 million for the three months ended September 30, 2019 as compared to the same period in the prior year. Communications revenue increased as a result of customers migrating to newer technologies which has increased the Company's Hosted UCaaS profiles, NaaS locations and SD - WAN locations. This increase was partially offset by the decline in one-time Communications projects. In addition, Consulting revenue increased compared to the prior year due to obtaining significant new customers and projects throughout 2018. These increases were more than offset by the decline in Cloud and Infrastructure Solutions revenue. Cloud revenue decreased due to lower revenue contributed by GE of $6.5 million due to GE insourcing certain cloud services partially offset with increased revenue from one-time projects.

IT Services and Hardware revenue increased $20.0 million for the nine months ended September 30, 2019 as compared to the same period in the prior year. Consulting and Communications are the main contributors to this revenue increase in 2019. Consulting revenue increased compared to the prior year due to obtaining significant new customers and projects throughout 2018. Communications revenue increased primarily due to the acquisition of Hawaiian Telcom, which contributed $17.6 million and $5.6 million of revenue in the nine months ended September 30, 2019 and 2018, respectively. In addition to the contribution from Hawaiian Telcom, similar trends impacting the revenue increase in Communications for the quarter also impacted the nine months ended September 30, 2019. Cloud revenue decreased compared to the prior year as increased revenue from one-time projects was more than offset by lower revenue contributed by GE of $15.2 million. In addition, Infrastructure Solutions revenue decreased due to a decline in one-time projects and hardware sales.

Operating Costs and Expenses

IT Services and Hardware cost of services and products increased $3.0 million for the three months ended September 30, 2019 as compared to the same period in the prior year due to increases in payroll related costs and regulatory fees. The increase in payroll related costs is primarily due to increased internal headcount to support the communications and consulting practices partially offset by a decline in contractor costs.

Cost of services and products increased $25.2 million for the nine months ended September 30, 2019 as compared to the same period in 2018. Hawaiian Telcom contributed $22.4 million and $6.9 million of expense to cost of services and products in the nine months ended September 30, 2019 and 2018, respectively. The remaining increase in cost of services and products is primarily due to payroll and contractor costs associated with additional headcount to support the incremental communications and consulting revenue in the nine months ended September 30, 2019.

SG&A expenses increased $1.3 million for the three months ended September 30, 2019, as compared to the same period in 2018 primarily due to increased bonus and employee benefit related costs. SG&A expenses increased $3.3 million for the nine months ended September 30, 2019, as compared to the same period in the prior year, primarily driven by the acquisition of Hawaiian Telcom. Hawaiian Telcom contributed $7.2 million and $2.9 million of SG&A expense in the nine months ended September 30, 2019 and 2018, respectively. This increase was partially offset by lower payroll related costs as a result of the restructuring that took place in the prior two years.

Depreciation and amortization expenses increased $1.2 million and $8.5 million for the three and nine months ended September 30, 2019, respectively, as compared to the same periods in the prior year, primarily due to accelerated depreciation expense for certain network assets designated for use by a specific customer. The network assets for which accelerated depreciation expense was incurred were determined to have a shorter useful life due to a change in the customer's requirements in the first quarter of 2019. In addition to the accelerated depreciation, Hawaiian Telcom contributed increased depreciation expense of $0.7 million and $3.1 million for the three and nine months ended September 30, 2019, respectively, as compared to the same periods in the prior year.

Restructuring and severance related charges of $0.6 million and $1.5 million for the three and nine months ended September 30, 2019, respectively, are associated with initiatives to reduce and contain costs as well as headcount reductions as a result of insourcing initiatives by one of our significant customers. In the second quarter of 2018, the Company recorded charges of $3.8 million in order to recognize future synergies with the integration of OnX in addition to lease abandonment charges of $0.8 million associated with office space that would no longer be utilized.

Capital Expenditures

Capital expenditures are dependent on the timing of success-based projects. Capital expenditures for the three and nine months ended September 30, 2019, were primarily related to projects supporting the Cloud and Communications practices. In addition to success-based projects, the Company incurred $1.1 million for implementation work associated with internal software projects in the second quarter of 2019 contributing to capital expenditures for the nine months ended September 30, 2019.

Financial Condition, Liquidity, and Capital Resources

As of September 30, 2019, Company had $1,927.4 million of outstanding indebtedness and an accumulated deficit of $2,755.4 million. A significant amount of the Company's accumulated deficit resulted from the purchase and operation of a national broadband business, which was sold in 2003.

The Company’s primary source of cash is generated by operations. The Company generated $188.9 million and $122.8 million of cash flows from operations during the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019, the Company had $161.5 million of short-term liquidity, comprised of $6.5 million of cash and cash equivalents and $155.0 million of undrawn capacity on our Revolving Credit Facility.

The Receivables Facility permits maximum borrowings of up to $225.0 million and is subject to annual renewal. As of September 30, 2019, the Company had borrowings of $141.5 million and $10.1 million of letters of credit outstanding under the Receivables Facility on a borrowing capacity of $151.6 million. While we expect to continue to renew this facility, we would be required to use cash, our Revolving Credit Facility, or other sources to repay any outstanding balance on the Receivables Facility if it was not renewed.

The Company’s primary uses of cash are for capital expenditures and debt service and, to a lesser extent, to fund pension and retiree medical obligations and preferred stock dividends. In 2018, cash was also utilized to fund acquisition activity. The Company believes that its cash on hand, cash generated from operations, and available funding under its credit facilities will be adequate to meet its cash requirements for the next twelve months. In addition, management expects that the Company will continue to have access to the capital markets to refinance debt and other obligations should such a need arise in the near future.

Cash Flows

Cash provided by operating activities during the nine months ended September 30, 2019 totaled $188.9 million, an increase of $66.1 million compared to the same period in 2018. Hawaiian Telcom contributed operating cash flow of approximately $62.0 million in the nine months ended September 30, 2019 compared to $1.0 million in the three months September 30, 2018, subsequent to the acquisition date. The remaining increase in operating cash flows is due primarily to lower restructuring and severance payments, lower cash interest payments and improved working capital.

Cash flows used in investing activities during the nine months ended September 30, 2019 totaled $167.0 million, a decrease of $190.6 million compared to the same period in 2018. The decrease in cash flows used in investing activities was primarily driven by the acquisition of Hawaiian Telcom that closed in the third quarter of 2018 partially offset by the increase in capital expenditures.

Cash flows used in financing activities during the nine months ended September 30, 2019 totaled $30.9 million, a decrease of $120.1 million compared to the same period in the prior year. The decrease in cash flows used in financing activities was primarily due to the debt repayments, including accrued interest, of $318.2 million as part of the consideration to acquire Hawaiian Telcom. Debt repayments were partially offset by the increase in borrowings on the Credit Agreement and the Receivables Facility which were also used to fund the acquisition of Hawaiian Telcom.

Indentures

The Company’s Senior Notes are governed by indentures which contain covenants that, among other things, limit the Company’s ability to incur additional debt or liens, pay dividends or make other restricted payments, sell, transfer, lease or dispose of assets and make investments or merge with another company. The Company is in compliance with all of its debt indentures as of September 30, 2019.

Share Repurchase Plan

In 2010, the Board of Directors approved a plan for the repurchase of the Company's outstanding common stock in an amount up to $150.0 million. In prior years, the Company repurchased and retired a total of 1.7 million shares at a total cost of $25.6 million dollars. As of September 30, 2019, the Company has the authority to repurchase its common stock with a value of up to $124.4 million under the plan approved by its Board of Directors, subject to satisfaction of the requirements under its bond indentures.

Regulatory Matters

Universal Service

At its August 2019 meeting, the FCC opened a proceeding under which it proposes to distribute up to $20.4 billion in high cost support under a newly created Rural Digital Opportunity Fund (“RDOF”). The funds would be distributed via two reverse auctions targeting areas that remain unserved at the conclusion of the CAF II price cap support program. Because the Phase I auction likely would not conclude prior to the end of the CAF II price cap support at year end 2020, the proposal also contemplates the possibility of a mechanism whereby price cap carrier support might be extended until the RDOF awards begin. The outcome of this proceeding may present opportunities for both Cincinnati Bell and Hawaiian Telcom.

Special Access/Business Data Services

In July 2019, the FCC adopted an Order in response to the US Court of Appeals for the Eighth Circuit’s 2018 remand of the FCC’s Business Data Services Order relative to the ex ante deregulation of DS1 and DS3 transport services. In its latest Order, the FCC reaffirmed its previous conclusion that DS1 and DS3 transport services are competitive nationwide. As a result, price cap carriers must remove these services from their Special Access tariffs by August 1, 2020.

Unbundled Network Elements

Under rules adopted pursuant to the Telecommunications Act of 1996, ILECs have been required to unbundle the components of their network and provide the unbundled network elements ("UNE's") to requesting competitive local exchange carriers at cost-based rates set by state public utility commissions in the 1990’s. The rules also required ILECs to resell their voice service to requesting competitive carriers at wholesale rates set by state regulators. In May 2018, USTelecom – The Broadband Association (“USTelecom”) filed a petition with the FCC seeking forbearance from the unbundling and resale rules for all ILECs. On July 10, 2019, the FCC granted the requested forbearance for unbundled DS1 and DS3 transport and on August 2, 2019, it granted forbearance from UNE loop and resale requirements. Specifically, it granted forbearance from the unbundling requirements for DS1 and DS3 transport along routes where competitive fiber is present within a half mile of the ILEC wire center endpoints that trigger the unbundling obligation. As it relates to UNE loops and resale, forbearance was granted for analog voice-grade copper loops and the avoided-cost resale requirements. While Cincinnati Bell’s ILECs may benefit from the ability to charge competitive commercially negotiated prices for these facilities and services following the three-year transition period required by the Order, the Company’s competitive carrier operations will likely see increased prices for such facilities currently purchased from other ILECs. As a result, the Company is reviewing its current UNE purchases to determine where to transition to commercial agreements for these facilities versus deploying its own facilities and will pursue the most cost effective solution in each market.

Hawaii Voice Services Regulatory Relief

In May 2019, the Hawaii State Legislature granted nearly full pricing flexibility to telecommunications carriers for intrastate telecommunications services. Rate changes for retail telecommunications services no longer need to be filed with and approved by the Hawaii Public Utilities Commission (“HPUC”) except for any price increase greater than $6.50 on an annual basis for basic exchange services in counties with a population of less than 500,000. In addition, the traditional cost-of-service regulatory framework that required cost support for retail telecommunications service offerings and pricing above a service’s long run incremental cost are no longer applicable; however, the HPUC retains the ability to investigate any offering. The legislation also eliminated the requirements for providers of fully competitive retail telecommunications services to obtain HPUC approval for financing and the sale or encumbrance of regulated property and assets, except when such sale or encumbrance occurs as part of a merger or consolidation with any other public utility. Additional relief was also granted on reporting affiliated transactions and accidents. Based on these regulatory reforms, the Company can now compete more effectively in Hawaii by making decisions based on marketplace dynamics and other economic information.

Refer to the Company’s Annual Report on Form 10-K for the year ended 2018 for a complete description of regulatory matters.

Contingencies

In the normal course of business, the Company is subject to various regulatory and tax proceedings, lawsuits, claims and other matters. The Company believes adequate provision has been made for all such asserted and unasserted claims in accordance with accounting principles generally accepted in the United States. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance.

Future Operating Trends

Refer to the Company’s Annual Report on Form 10-K for the year ended 2018 for a complete description of future operating trends for our business.

Critical Accounting Policies

The Company’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Application of these principles requires management to make estimates or judgments that affect the amounts reported in the accompanying Condensed Consolidated Financial Statements and information available as of the date of the financial statements. As this information changes, the financial statements could reflect different estimates or judgments. The Company’s most critical accounting policies and estimates are described in its Annual Report on Form 10-K for the year ended December 31, 2018.

Recently Issued Accounting Standards

Refer to Note 1 of the Condensed Consolidated Financial Statements for further information on recently issued accounting standards and the impact to the Condensed Consolidated Financial Statements as a result of adopting ASU 2016-02 effective January 1, 2019.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 for a description of the Company's market risks.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Cincinnati Bell Inc.’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in SEC Rule 13a-15(e)) as of the end of the period covered by this report. Based on this evaluation, Cincinnati Bell Inc.’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, such controls and procedures were effective.

(b) Changes in internal control over financial reporting.

Cincinnati Bell Inc.’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated any changes in the Company’s internal control over financial reporting that occurred during the second quarter of 2019 and have concluded that there were no changes to Cincinnati Bell Inc.’s internal control over financial reporting during the second quarter of 2019 that materially affect, or are reasonably likely to materially affect, Cincinnati Bell Inc.’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Cincinnati Bell and its subsidiaries are involved in a number of legal proceedings. Liabilities are established for legal claims when losses associated with the claims are judged to be probable and the loss can be reasonably estimated. In many lawsuits and arbitrations, including most class action lawsuits, it is not possible to determine whether a liability has been incurred or to estimate the amount of the liability until the case is close to resolution, in which case a liability will not be recognized until that time. Based on information currently available, consultation with counsel, available insurance coverage and recognized liabilities, the Company believes that the eventual outcome of all claims will not, individually or in the aggregate, have a material effect on the Company's financial position or results of operations.

Item 1A. Risk Factors

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for a comprehensive listing of the Company's risk factors. There are no material changes for the three months ending September 30, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the nine month period ended September 30, 2019, the Company had no unregistered sales of equity securities. The Company also had no purchases of its common stock for the nine months ended September 30, 2019.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosure

None.

Item 5. Other Information

No reportable items.

Item 6. Exhibits

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	Filing Date	Exhibit No.	SEC File No.	Filed Herewith
3.1	Amended and Restated Articles of Incorporation of Cincinnati Bell Inc.	8-K	4/30/2008	3.1	1-8519	
3.2	Amendment to the Amended and Restated Articles of Incorporation of Cincinnati Bell Inc.	8-K	10/5/2016	3.1	1-8519	
3.3	Amended and Restated Regulations of Cincinnati Bell Inc.	10-Q	8/8/2018	3.3	1-8519	
31.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					+
31.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					+
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					+
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					+
101	The following financial statements from Cincinnati Bell Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 were formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Shareholders' Deficit, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.					
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).					

The Company's reports on Form 10-K, 10-Q, and 8-K are available free of charge in the Investor Relations section of the Company's website: http://www.cincinnatibell.com. The Company will furnish any other exhibit at cost.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Cincinnati Bell Inc.
Date: November 7, 2019	/s/ Andrew R. Kaiser
	Andrew R. Kaiser
	Chief Financial Officer
Date: November 7, 2019	/s/ Suzanne E. Maratta
	Suzanne E. Maratta
	Chief Accounting Officer

Exhibit 31.1

Certifications

I, Leigh R. Fox, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cincinnati Bell Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:November 7, 2019

/s/ Leigh R. Fox
Leigh R. Fox
Chief Executive Officer

Exhibit 31.2

Certifications

I, Andrew R. Kaiser, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cincinnati Bell Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Andrew R. Kaiser
Andrew R. Kaiser
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cincinnati Bell Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Leigh R. Fox, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Leigh R. Fox
Leigh R. Fox
Chief Executive Officer
November 7, 2019

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cincinnati Bell Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Andrew R. Kaiser, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrew R. Kaiser
Andrew R. Kaiser
Chief Financial Officer
November 7, 2019