

***Cincinnati Bell***<sup>SM</sup>

# Cincinnati Bell Investor Presentation

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May 13, 2010



# Safe Harbor

Certain of the statements and predictions contained in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Statements that are not historical facts, including statements about the beliefs, expectations and future plans and strategies of the Company, are forward-looking statements. These include any statements regarding: future revenue, operating income, profit percentages, income tax refunds, realization of deferred tax assets, earnings per share or other results of operations; the continuation of historical trends; the sufficiency of cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs; the effect of legal and regulatory developments; and the economy in general or the future of the communications services industries. Actual results may differ materially from those expressed or implied in forward-looking statements. The following important factors, among other things could cause or contribute to actual results being materially different from those described or implied by such forward-looking statements including, but not limited to: changing market conditions and growth rates within the telecommunications industry or generally within the overall economy; changes in competition in markets in which the Company operates; pressures on the pricing of the Company's products and services; advances in telecommunications technology; the ability to generate sufficient cash flow to fund the Company's business plan, repay debt and interest obligations, and maintain our networks; the ability to refinance the Company's indebtedness when required on commercially reasonable terms; changes in the telecommunications regulatory environment; changes in the demand for the services and products of the Company; the demand for particular products and services within the overall mix of products sold, as the Company's products and services have varying profit margins; the Company's ability to introduce new service and product offerings on a timely and cost effective basis; work stoppages caused by labor disputes; restrictions imposed under various credit facilities and debt instruments; the Company's ability to attract and retain highly qualified employees; the Company's ability to access capital markets and the successful execution of restructuring initiatives; changes in the funded status of the Company's retiree pension and healthcare plans; disruption in operations caused by a health pandemic, such as the H1N1 influenza virus; changes in the Company's relationships with current large customers, a small number of whom account for a significant portion of Company revenue; and disruption in the Company's back-office information technology systems, including its billing system. More information on potential risks and uncertainties is available in recent filings with the Securities and Exchange Commission, including Cincinnati Bell's Form 10-K reports, Form 10-Q reports and Form 8-K reports. The forward-looking statements included in this presentation represent estimates as of May 13, 2010. It is anticipated that subsequent events and developments will or may cause estimates to change.

# *Non-GAAP Financial Measures*

This presentation contains information about adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). This is a non-GAAP financial measure used by Cincinnati Bell management when evaluating results of operations. Management believes this measure also provides users of the financial statements with additional and useful comparisons of current results of operations with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. A detailed reconciliation of Adjusted EBITDA (including the Company's definition of this term) to comparable GAAP financial measures have been included in the tables appearing in the Appendix to this presentation.

## Overview of Transaction

- Cincinnati Bell is acquiring CyrusOne for \$525M (11.8x 2010E EBITDA)
- Cincinnati Bell has obtained fully committed financing of \$970M to:
  - Fund purchase price with 100% cash consideration
  - Refinance existing term loan with later maturity
  - Refinance existing revolver with new 4-year revolver
- CyrusOne will remain headquartered and operated out of Texas
  - Management team has been retained to generate future growth at the company
- The transaction is expected to close by the end of Q2 subject to customary closing conditions and regulatory approvals

# Data Center Investment Thesis

## ➤ Attractive Industry Dynamics

- Strong financial model
  - Recurring revenues with contracted installed base, growing year to year
  - Success-based capital investment
- Demand continues to outpace supply
- Significant growth prospects
  - Increased internet usage
  - Increased regulation
  - Increased adoption of data center outsourcing

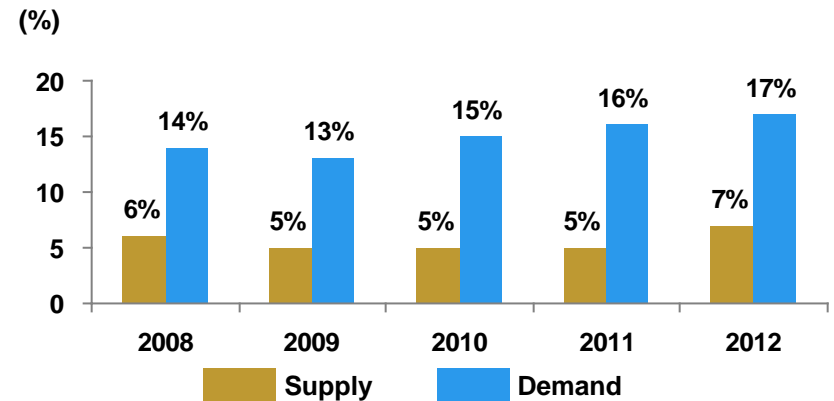
## ➤ Well Positioned Within Industry

- Proven capabilities and track record
- Existing in-market reputation with customers
- “Early mover” in an industry in its nascency

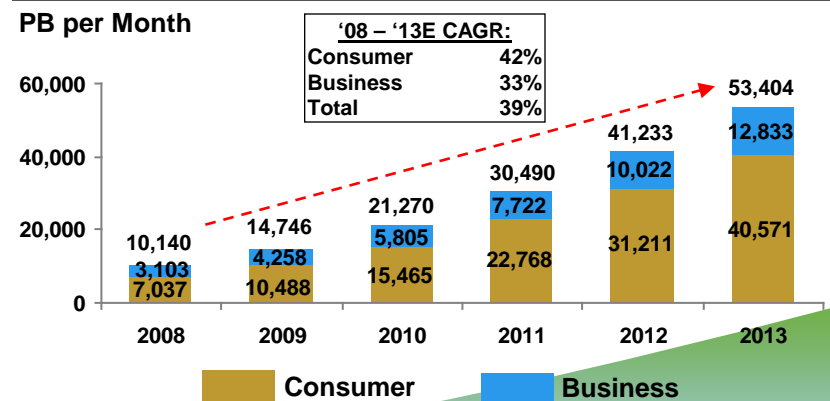
## ➤ Natural Extension of Core Competencies

- Expand geographically outside traditional territory
- Reduce reliance on wireline and wireless businesses in local markets

Global Data Center Supply / Demand Growth Rates



Global IP Traffic Volume



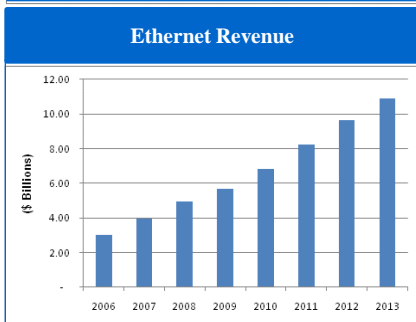
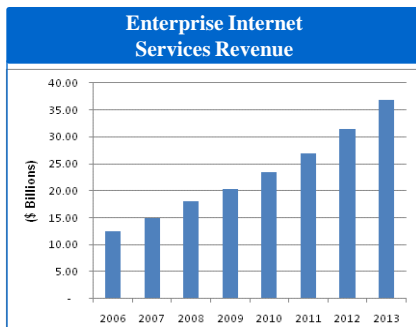
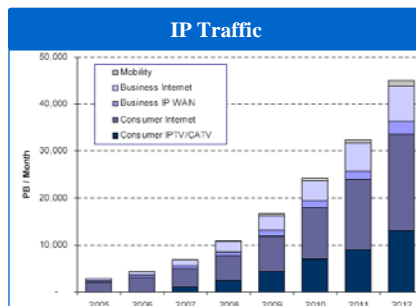
Sources: Tier 1 Research, Cisco VNI, 2009

# Demand - Broad Demand Drivers

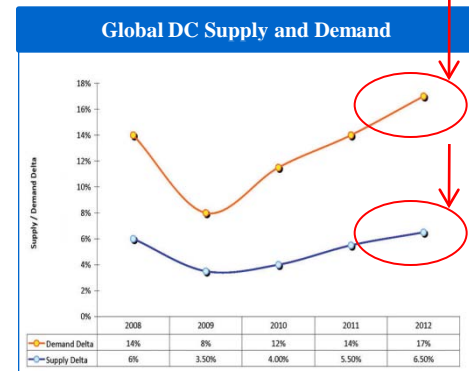
## Applications



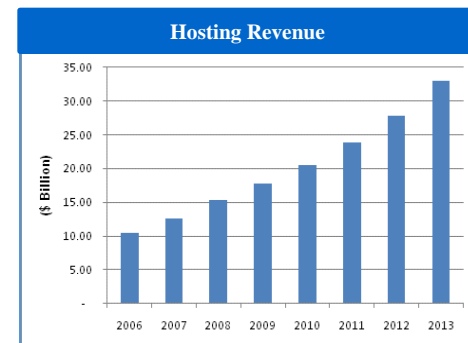
## Industries



## Increasing DC Demand vs. Supply



## Increasing demand increases results



Sources:  
 Gartner – G00167790 April 2009  
 Tier 1 – DC Supply/Demand 2009 Midyear  
 Can accord/Adams – Equity Research June 2009

Drivers

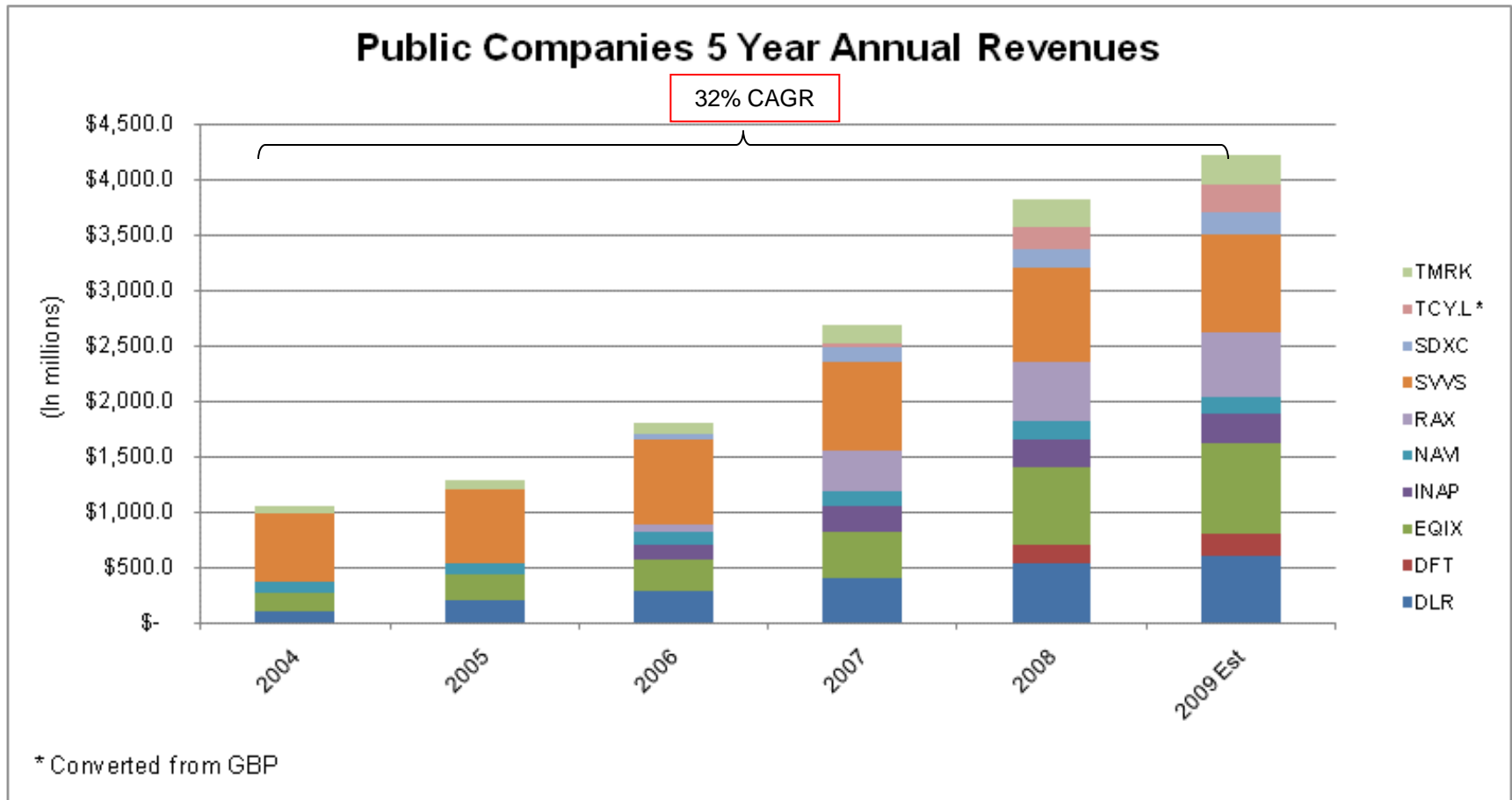
increase

Consumption

which fuels

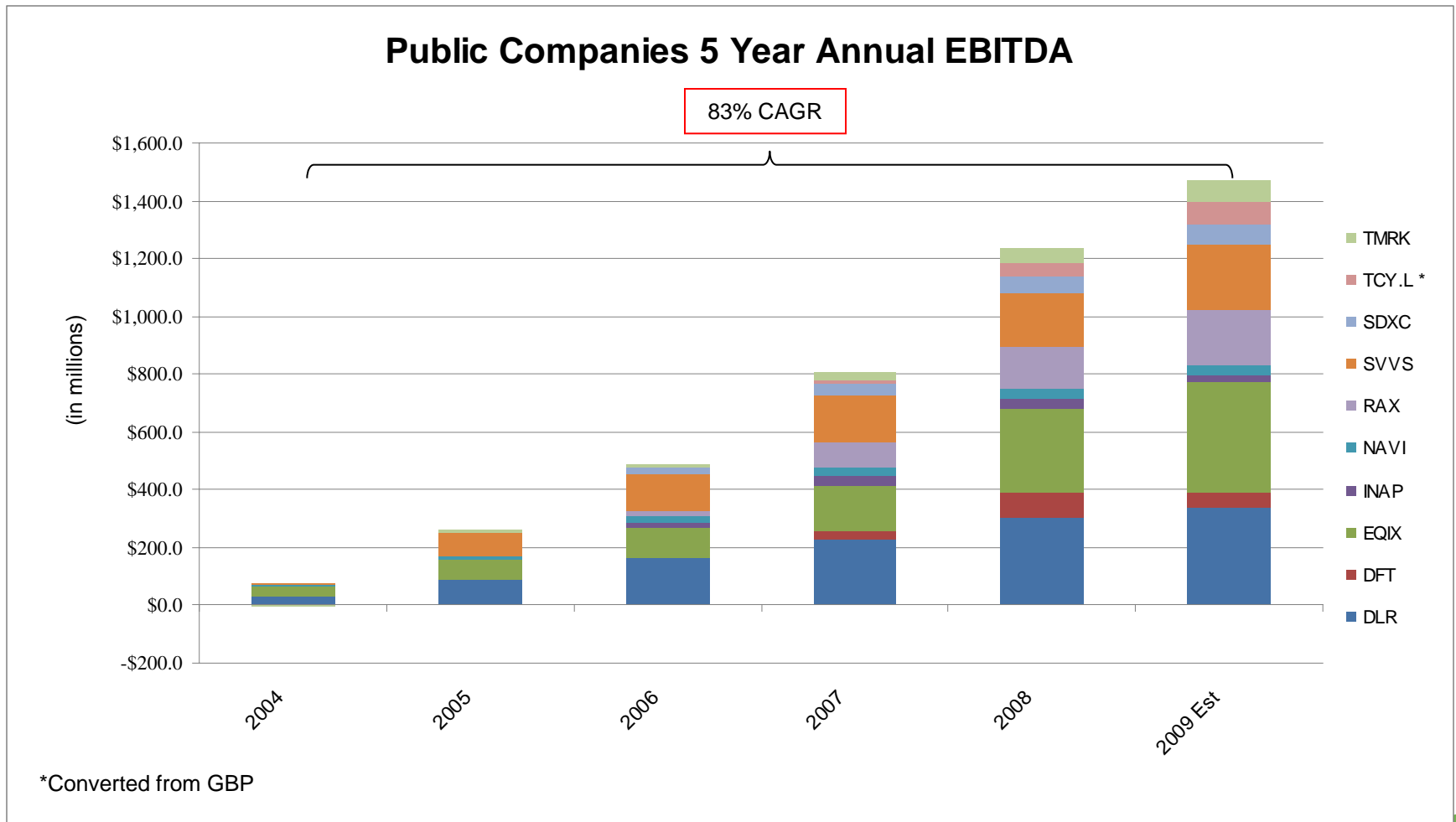
Demand

# Competitors – Total Revenue less than \$5 Billion



Source: DH Capital – Sept 2009

# Competitors – Total EBITDA less than \$2 Billion

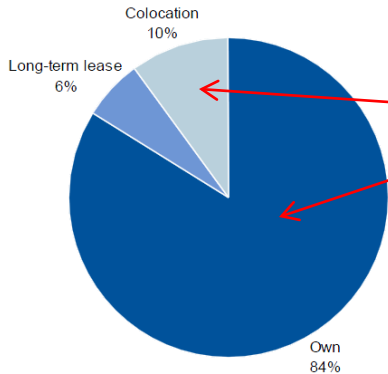


Source: DH Capital – Sept 2009



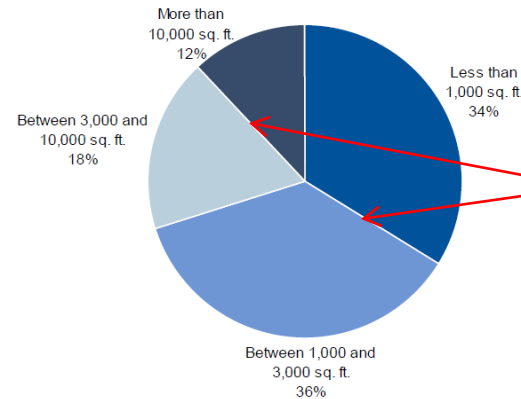
# Demand – Only 10% of market is outsourced and most will run out of space in 3 years

## How do you Obtain DC Space?



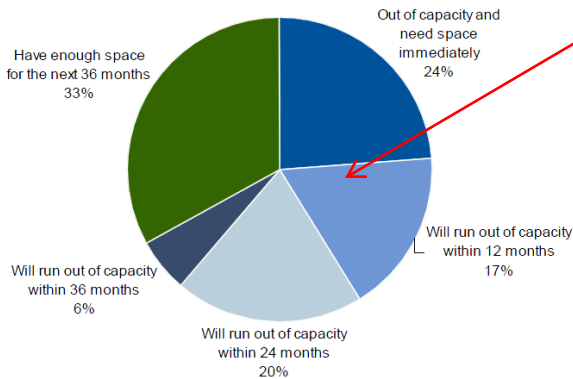
10% of companies have outsource relationship  
84% currently do not

## How much Space will you Need?



70% of companies will need at least 3K Sq Ft of Space – Mid Range Companies  
30% will need greater than 3K – Enterprise Range

## What is Your Expected Need?



67% of companies will need space within 36 mo's

Source: Gartner – Jan 2009

# Overview of CyrusOne

## ➤ **Leading Data Center Operator With Premium Data Center Facilities**

- Largest and most prominent Texas-based carrier-neutral colocation provider to large enterprises
- Dominant position in Texas, with 7 best-in-class facilities in Houston, Dallas and Austin markets
- High availability (2N power infrastructure) / high power density (200+ watts per sq. ft.)

## ➤ **Loyal, Reputable Enterprise-Class Customer Base**

- 98% of revenue base is recurring with monthly churn ~0.3%
- Long-term “take-or-pay” service agreements with average contract 3-5 years
- Over 220 enterprise customers, including some of world’s largest companies
- Particular strength and market share in oil & gas, power, energy and financial verticals

## ➤ **Proven And Disciplined Business Model**

- Strong organic growth with ~50% of new sales coming from existing customers
- Highly experienced and proven management team with over 100 years of relevant experience

## ➤ **Strong Financial Results**

- Last Quarter Annualized (unaudited) <sup>(1)</sup>: Revenue \$73M; Adjusted EBITDA \$42M (Adjusted EBITDA margin 57%)
- 2009 Revenue of \$58M and Adjusted EBITDA of \$32M
- Annual revenue growth rate during past 4 years of approximately 60%

(1) For the quarter ended March 31, 2010

# Overview of Key Facilities

- 7 geographically diverse premium data centers throughout Texas (Houston, Dallas & Austin)
- Tier III+ equivalent, SAS 70 Type II compliant data centers
- 2N redundant power and carrier-neutral network connections
- Engineered for dense power configurations (+200 watts/sq. ft)
- Currently, 16.8 megawatts of critical load power capacity is in place and deployable
- Hurricane resistant with fire detection, protection, suppression and alarms
- 24 x 365 NOCC and facilities staff provide for high security externally and internally
- Modular builds – most expansions are less than three years old
- Current utilization rate of ~76% on space and ~60% on power

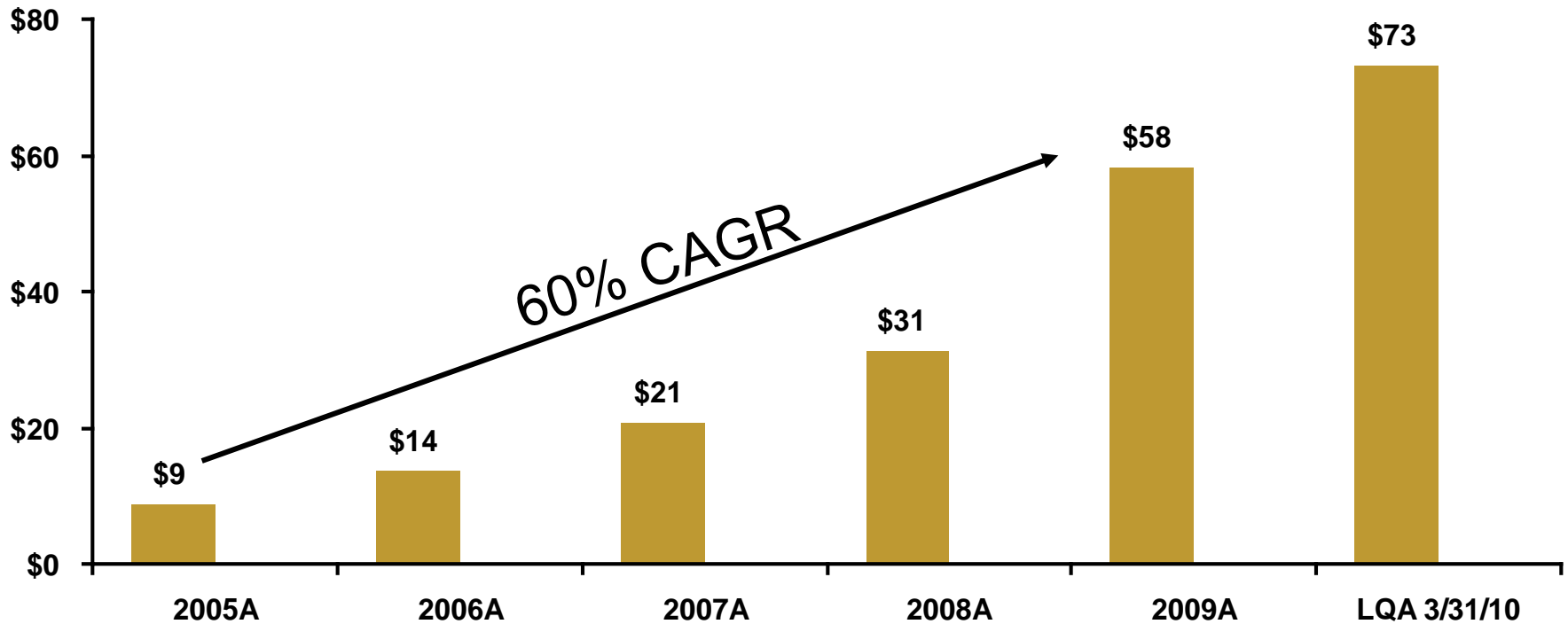
## Data Center Space (Sq. ft.) as of February 28, 2010

	Houston	Dallas	Austin	Total	%
Sold Space	79,000	42,000	3,000	124,000	55%
Built-Out Space (Ready for Sale)	16,000	14,000	9,000	39,000	17%
Space Under Construction	11,000	–	–	11,000	5%
Available for Future Space <sup>(1)</sup>	22,000	23,000	6,000	51,000	23%
<b>Total Data Center Space</b>	<b>128,000</b>	<b>79,000</b>	<b>18,000</b>	<b>225,000</b>	<b>100%</b>

Note: (1) Excludes right of first refusal space

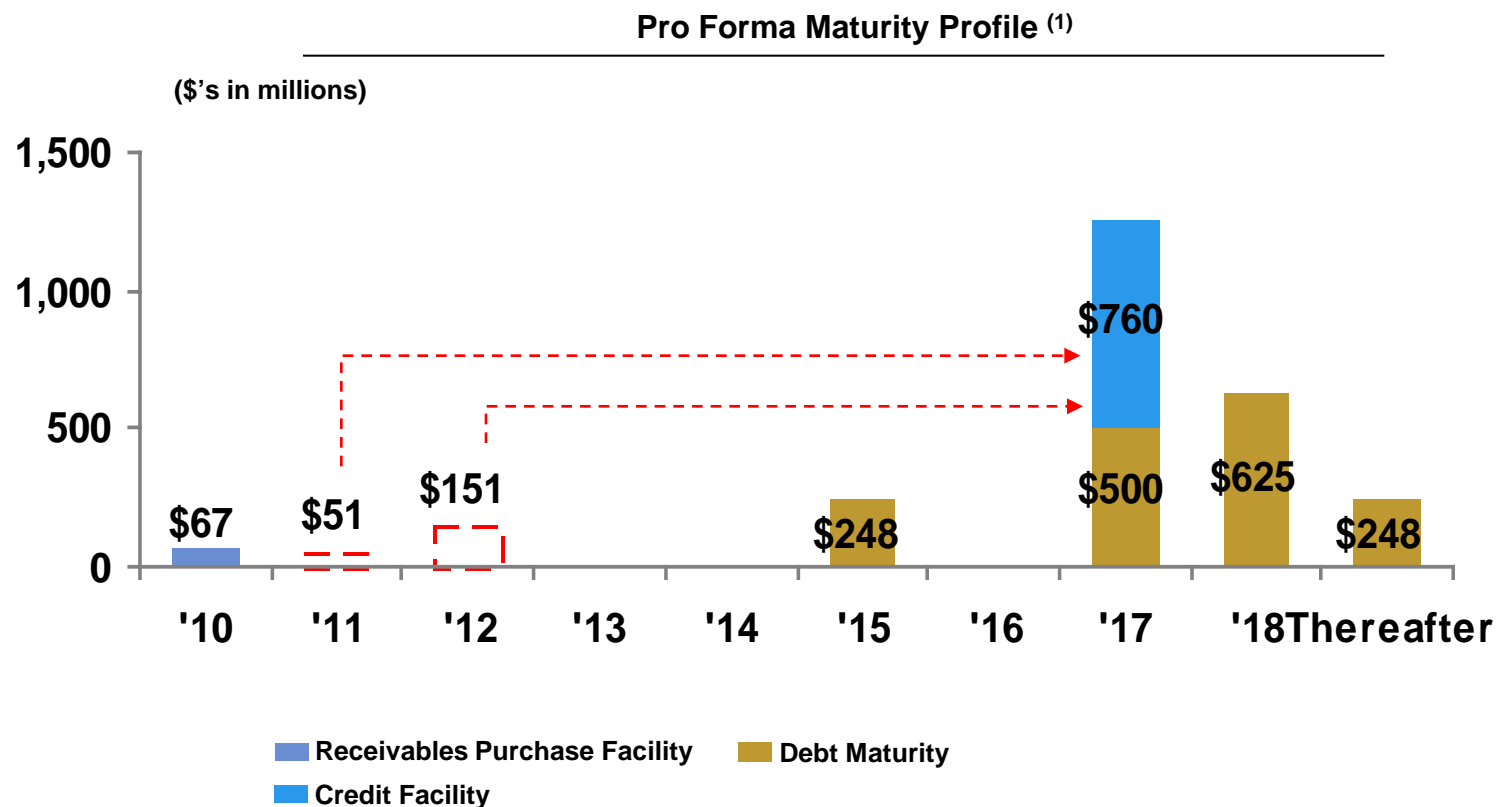
# Strong Revenue Growth

(\$'s in millions)



# Ample Liquidity and No Near Term Maturities

- No significant maturities until 2015
- Pro forma LTM leverage increases to approx 5.1x



Note: (1) Excludes undrawn revolver and capital leases and other debt

# CyrusOne Management

- Seasoned management team with over 100 years of relevant experience with a proven track record of growing revenue and EBITDA

Name	Position	Years With CyrusOne	Relevant Experience
David Ferdman	President & CEO	9	17
Blake McLane	SVP, Strategic Development	5	15
Paul Marvin	VP, CFO	3	23
Kenneth Wolverton	VP, Data Center Operations	5	20
Dan Vasquez	VP, Technology	9	30
<b>Total</b>		<b>31</b>	<b>105</b>
<b>Average</b>		<b>6</b>	<b>21</b>

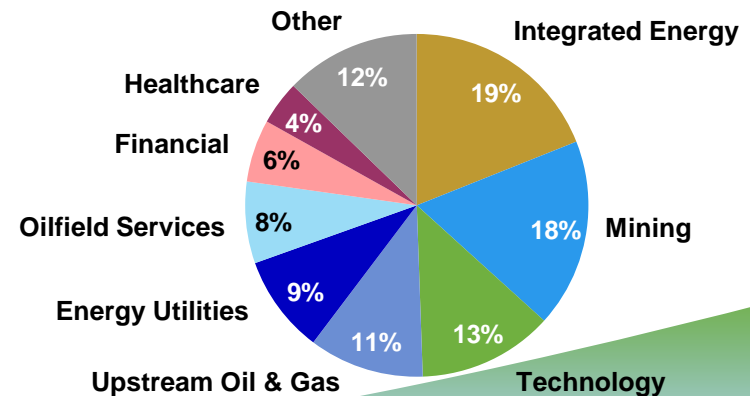
# Customer Base and Contract Terms

## Representative Customers



- Take-or-pay contracts with 3-5 year average contract life and renewal periods
  - High renewal rates with monthly churn of ~0.3%
- Blue chip customer base
  - 220+ customers with 5 of the top 10 global companies
- High average monthly recurring revenues per customer of approx \$25K (as of 3/31/10)

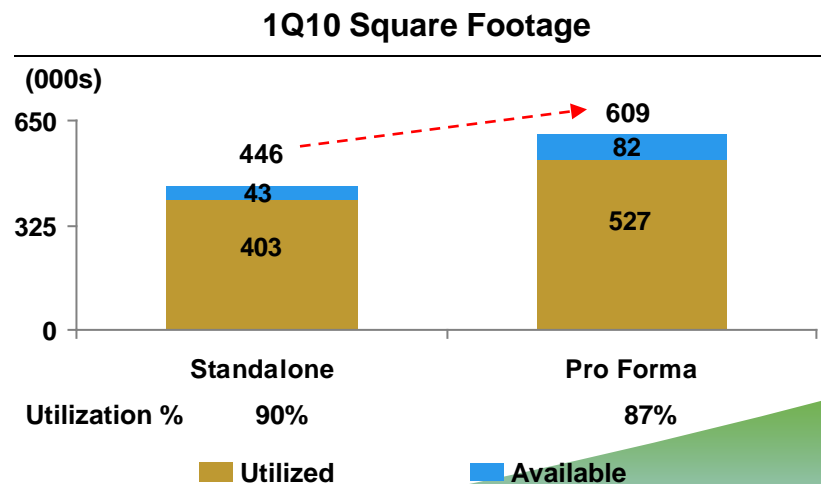
## % Total Recurring Revenue by Industry Vertical



# Enhancing the Technology Solutions Business

- Greater exposure to attractive industry with significant growth prospects
- Increasing geographical footprint beyond traditional territory
  - Houston, Dallas and Austin
- Diversify revenue stream beyond wireline and wireless businesses

\$, in millions (unaudited)			
	<u>Tech Sol</u>	<u>CyrusOne</u>	<u>Pro Forma Combined</u>
<u>LQA 3/31/2010</u>			
Revenue	\$ 286	\$ 73	\$ 360
Adj EBITDA	52	42	94
Margin %	18%	57%	26%





# Sizable Footprint with Significant Upside Opportunities

- Majority of data center capacity located in the Top 25 Metropolitan Statistical Areas
- Approximately 13,000 firms with more than 500 employees

## Markets Served

Entity	Market	Facilities (#)	Data		# Firms > 500 employees <sup>(1)</sup>	Fortune 1000 Company HQ <sup>(2)</sup>
			Center Capacity	Top 50 MSA Rank <sup>(1)</sup>		
CBTS	Cincinnati, OH	6	426,000	24	1,831	15
CyrusOne	Houston, TX	3	95,000	6	2,795	55
CyrusOne	Dallas, TX	2	56,000	4	3,386	45
CyrusOne	Austin, TX	2	12,000	35	1,644	3
CBTS	Chicago, IL	1	7,000	3	3,794	58
CBTS	Other markets	3	13,000	n/a	-	-
		<u>17</u>	<u>609,000</u>		<u>13,450</u>	

(1) Population and rankings as of 2009; firms as of 2006

(2) Fortune, April 2009

# Building a Strong Platform to Launch Global Growth



- Significant Fortune 500 customers in Cincinnati and Texas markets provide platform for future customer driven global expansion

Existing Markets      Future Markets

# Strategic Summary

- Significant demand drivers
- CyrusOne is proven leader in the industry
- Significant opportunity in combined enterprise customer base
- Achieving scale economies and fueling growth by access to internally generated capital
- Expand relationships with several other Fortune 500 customers

## Pro Forma Data Center Customer Base



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# *Question and Answers*

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## *Appendix – Non-GAAP Reconciliations*

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# *Non-GAAP Financial Measure*

## *Use of Non-GAAP Financial Measures*

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- **Adjusted EBITDA** provides a useful measure of operational performance. The company defines Adjusted EBITDA as GAAP operating income plus depreciation, amortization, restructuring charges, asset impairments, and other special items. Adjusted EBITDA should not be considered as an alternative to comparable GAAP measures of profitability and may not be comparable with the measure as defined by other companies.

# Reconciliation of Operating Income to Adjusted EBITDA

(\$ in millions, unaudited)

**Operating Income (GAAP) for the first quarter 2010**

Add:

Depreciation and amortization

**Adjusted EBITDA (Non-GAAP) for the first quarter 2010**

**Annualized Adjusted EBITDA based on the first quarter 2010**

Three months ended March 31, 2010	
<b>CBTS</b>	<b>CyrusOne</b>
\$ 7	\$ 7
6	4
<u>\$ 13</u>	<u>\$ 11</u>
\$ 52	\$ 42

**Operating Income (GAAP) for the year ended Dec. 31, 2009**

Add:

Depreciation and amortization

**Adjusted EBITDA (Non-GAAP) for the year ended Dec. 31, 2009**

Twelve months ended Dec., 31 2009
<b>CyrusOne</b>
\$ 23
9
<u>\$ 32</u>