

CINCINNATI BELL INC
Form 10-Q
August 06, 2009
[Table of Contents](#)

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2009

**“ 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.

Edgar Filing: CINCINNATI BELL INC - Form 10-Q

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)

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 and posted on its corporate website, if any, 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 or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At July 15, 2009, there were 211,958,561 common shares outstanding and 155,250 shares of 6³/₄% Cumulative Convertible Preferred Stock outstanding.

Table of Contents

Form 10-Q Part I

Cincinnati Bell Inc.

TABLE OF CONTENTS

Description	Page
PART I. Financial Information	
Item 1. Financial Statements	
<u>Condensed Consolidated Statements of Operations (Unaudited)</u> <u>Three Months and Six Months Ended June 30, 2009 and 2008</u>	1
<u>Condensed Consolidated Balance Sheets (Unaudited)</u> <u>June 30, 2009 and December 31, 2008</u>	2
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u> <u>Six Months Ended June 30, 2009 and 2008</u>	3
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	29
Item 4. <u>Controls and Procedures</u>	30
PART II. Other Information	
Item 1A. <u>Risk Factors</u>	31
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
Item 3. <u>Defaults Upon Senior Securities</u>	31
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	31
Item 5. <u>Other Information</u>	31
Item 6. <u>Exhibits</u>	32
<u>Signatures</u>	33

Table of Contents

Form 10-Q Part I

Cincinnati Bell Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenue				
Services	\$ 294.3	\$ 300.0	\$ 587.4	\$ 597.2
Products	33.3	51.2	65.7	102.5
Total revenue	327.6	351.2	653.1	699.7
Costs and expenses				
Cost of services, excluding items below	101.8	106.3	202.9	212.8
Cost of products sold, excluding items below	37.3	53.7	75.2	106.0
Selling, general and administrative	70.8	72.2	144.7	142.3
Depreciation	40.5	36.4	78.7	72.5
Amortization	1.0	1.3	2.1	2.5
Restructuring charges (gains)	0.6	1.4	(6.4)	25.4
Asset impairment				1.2
Total operating costs and expenses	252.0	271.3	497.2	562.7
Operating income	75.6	79.9	155.9	137.0
Interest expense	31.3	34.8	63.1	71.1
Other expense (income)	0.3	(0.2)	0.3	(1.4)
Income before income taxes	44.0	45.3	92.5	67.3
Income tax expense	17.7	19.7	37.4	28.8
Net income	26.3	25.6	55.1	38.5
Preferred stock dividends	2.6	2.6	5.2	5.2
Net income applicable to common shareowners	\$ 23.7	\$ 23.0	\$ 49.9	\$ 33.3
Basic earnings per common share	\$ 0.11	\$ 0.10	\$ 0.23	\$ 0.14
Diluted earnings per common share	\$ 0.11	\$ 0.09	\$ 0.23	\$ 0.13
Weighted average common shares outstanding (in millions)				
Basic	213.8	240.9	219.0	244.0
Diluted	215.6	248.4	220.4	250.8

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

Table of Contents

Form 10-Q Part I

Cincinnati Bell Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except share amounts)

(Unaudited)

	June 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 2.6	\$ 6.7
Receivables, less allowances of \$17.2 and \$18.0	149.7	164.9
Inventory, materials and supplies	32.1	28.9
Deferred income taxes, net	90.1	96.8
Prepaid expenses and other current assets	12.4	23.8
Total current assets	286.9	321.1
Property, plant and equipment, net	1,076.4	1,044.3
Goodwill	71.9	71.8
Intangible assets, net	123.8	126.0
Deferred income taxes, net	398.3	466.2
Other noncurrent assets	52.6	57.3
Total assets	\$ 2,009.9	\$ 2,086.7
Liabilities and Shareowners Deficit		
Current liabilities		
Current portion of long-term debt	\$ 12.5	\$ 10.2
Accounts payable	102.7	110.8
Unearned revenue and customer deposits	44.6	44.5
Accrued taxes	17.5	17.7
Accrued interest	44.2	45.9
Accrued payroll and benefits	41.8	49.7
Other current liabilities	43.5	45.0
Total current liabilities	306.8	323.8
Long-term debt, less current portion	1,916.5	1,950.5
Pension and postretirement benefit obligations	324.6	434.6
Other noncurrent liabilities	85.7	87.1
Total liabilities	2,633.6	2,796.0
Shareowners deficit		
Preferred stock, 2,357,299 shares authorized, 155,250 shares (3,105,000 depository shares) of 6 ³ / ₄ % Cumulative Convertible Preferred Stock issued and outstanding at June 30, 2009 and December 31, 2008; liquidation preference \$1,000 per share (\$50 per depository share)	129.4	129.4
Common shares, \$.01 par value; 480,000,000 shares authorized; 212,632,279 and 228,496,896 shares issued; 211,958,561 and 227,881,835 outstanding at June 30, 2009 and December 31, 2008	2.1	2.3
Additional paid-in capital	2,658.6	2,695.3
Accumulated deficit	(3,301.4)	(3,356.5)

Edgar Filing: CINCINNATI BELL INC - Form 10-Q

Accumulated other comprehensive loss	(109.7)	(177.1)
Common shares in treasury, at cost: 673,718 and 615,061 shares at June 30, 2009 and December 31, 2008	(2.7)	(2.7)
Total shareowners' deficit	(623.7)	(709.3)
Total liabilities and shareowners' deficit	\$ 2,009.9	\$ 2,086.7

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

Table of Contents

Form 10-Q Part I

Cincinnati Bell Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities		
Net income	\$ 55.1	\$ 38.5
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	78.7	72.5
Amortization	2.1	2.5
Provision for loss on receivables	11.7	8.6
Noncash interest expense	3.4	2.4
Deferred income tax expense, including valuation allowance change	34.8	27.1
Pension and other postretirement expense in excess of (less than) payments	(3.5)	47.9
Other, net	2.6	2.5
Changes in operating assets and liabilities, net of effects of acquisitions		
Decrease (increase) in receivables	3.7	(12.6)
Decrease in inventory, materials, supplies, prepaids and other current assets	8.0	0.1
Decrease in accounts payable	(13.7)	(4.6)
Decrease in accrued and other current liabilities	(16.3)	(5.2)
Decrease in other long-term assets	2.1	1.4
Increase in other long-term liabilities	1.8	6.8
Net cash provided by operating activities	170.5	187.9
Cash flows from investing activities		
Capital expenditures	(94.2)	(103.2)
Acquisitions of businesses	(3.4)	(21.6)
Other, net	1.0	1.0
Net cash used in investing activities	(96.6)	(123.8)
Cash flows from financing activities		
Increase in receivables facility, net	14.0	
Increase (decrease) in corporate credit facility, net	(42.4)	31.0
Repayment of debt	(5.0)	(44.6)
Debt issuance costs	(4.4)	
Preferred stock dividends	(5.2)	(7.8)
Common stock repurchase	(34.4)	(47.0)
Other, net	(0.6)	(0.4)
Net cash used in financing activities	(78.0)	(68.8)
Net decrease in cash and cash equivalents	(4.1)	