



COMPANY UPDATE

**Key Metrics**

CBB - NYSE (Price as of 2/14/17)	\$21.85
Price Target	NA
52-Week Range	\$25.65 - \$14.20
Shares Outstanding (mm)	42.1
Market Cap. (\$mm)	\$919
3-Mo. Average Daily Volume	224,000
Institutional Ownership	77.0%
Debt/Total Capital	95.7%
ROE	NM
Book Value/Share	NM
Price/Book Value	NM
Dividend Yield	Nil
LTM EBITDA Margin	NM

**EBITDA (MM) FY 12/31**

	2015	Prior 2016E	2016A	Prior 2017E	Curr. 2017E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$302.1	--	\$305.0	--	\$295

**Revenue (\$mm)**

	2015	Prior 2016E	2016A	Prior 2017E	Curr. 2017E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$1,167	--	\$1,185	--	\$1,195

**Company Description:** Headquartered in Cincinnati, Ohio, Cincinnati Bell provides integrated communications solutions – including local, long distance, data, high-speed Internet and video to both residential and business customers in Greater Cincinnati and Dayton. In addition, its wholly-owned subsidiary, CBTS, provides office communications systems and end-to-end IT solutions. Cincinnati Bell continues to have an equity position in the common stock of CyrusOne.

**Cincinnati Bell**

CBB -- NYSE -- Neutral -- 4

**CBB reports solid fourth quarter results; company introduces 2017 guidance**

**Investment Highlights**

- Cincinnati Bell reported fourth quarter revenue of \$285 million, down 1% compared to the prior year.** Fourth quarter adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) rose by \$3 million to \$74 million. For the year, CBB had total revenue of \$1.2 billion, up 2% from 2015. Adjusted EBITDA for the year was \$305 million, up \$3 million year-over-year. The company was successful in meeting its previous financial guidance. CBB’s revenue growth was led by strength in strategic revenues, which increased by more than \$100 million during 2016 to \$638 million. This business continues to see strong demand for fiber products and IT services. Total internet subscribers rose by 15,800 to now exceed 300,000. Fioptics video subscribers rose by 20% in 2016 to finish the year at 137,600. The strength in this sector was partially offset by continued weakness in CBB’s entertainment and communications legacy data and voice revenues. The company’s IT services and hardware segment revenues rose by nearly 10% in 2016.
- Management introduces 2017 guidance.** Cincinnati Bell expects revenue of \$1.2 billion in 2017 and adjusted EBITDA of \$290 million. Both figures are expected to be comparable to 2016 results. The company anticipates capital expenditures in 2017 to be in a range of \$180 million to \$210 million. This would represent a significant reduction from 2016’s \$286 million in capital expenditures.
- We maintain our Neutral rating on Cincinnati Bell.** Revenue and adjusted EBITDA could be essentially flat this year. While we believe CBB’s strategic services’ growth may continue, the company expects ongoing pressure in its legacy business in the entertainment and communications division. The company is expected to become free cash flow positive this year, however, which could lead to potential future stock buybacks.

**Note Important Disclosures on Pages 2 - 3.  
Note Analyst Certification on Page 2.**

**Suitability**

We assign a 4 suitability rating to Cincinnati Bell. The company has a large amount of debt and weaker balance sheet than many of its peers, although it has been reducing its debt load the past few years. CBB has not generated consistent earnings nor does it pay a dividend. CBB management indicated while its cash flow situation is improving, it does not anticipate paying a dividend. The company also operates in a competitive environment. Thus, we regard the stock as a suitable holding only for more risk oriented investors.

Prices of other stocks mentioned: CyrusOne (CONE- \$47.75).

*Additional information is available upon request.*

**Analyst Certification**

I, David B. Burks, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

**Important Disclosures**

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

**Investment Ratings**

**Buy** - We believe the stock has significant total return potential in the coming 12 months.

**Long-term Buy** - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

**Neutral** - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

**Underperform** - We believe the stock is vulnerable to a price set back in the next 12 months.

**Suitability Ratings**

**1** - A large cap, core holding with a solid history

**2** - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

**3** - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

**4** - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.		
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

### Other Disclosures

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