



COMPANY UPDATE / ESTIMATE CHANGE

**Key Metrics**

CBB - NYSE (Price as of 5/9/17)	\$16.45
Price Target	NA
52-Week Range	\$25.65 - \$16.05
Shares Outstanding (mm)	42.1
Market Cap. (\$mm)	\$693
3-Mo. Average Daily Volume	298,000
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**

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$305	\$295	\$292		\$300

**Revenue (\$mm)**

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$1,185	--	\$1,175	--	\$1,205

**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**

CBB -- NYSE -- Neutral -- 4

**CBB reports mixed first quarter results; company reaffirms 2017 guidance**

**Investment Highlights**

- Cincinnati Bell reported first quarter revenue of \$278 million, down 4% compared to the prior year.** The decrease in revenues was primarily due to the decline of Telecom and IT hardware sales, which declined 25%. This segment was pressured by the cyclical nature of these types of transactions and consumers shifting to the cloud. However, CBB’s Entertainment and Communications segment posted a 3% increase in revenue to \$195 million, led by the ongoing strength in its Fioptics segment. Fioptics revenue rose by 26% to \$74 million in the first quarter. This helped offset a 15% decline in CBB’s consumer legacy data and voice segments. First quarter adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) totaled \$71 million in the quarter and consistent with last year’s first quarter result.
- Management reaffirms 2017 guidance.** Cincinnati Bell continues to expect revenue of \$1.2 billion in 2017 and adjusted EBITDA of \$295 million. We are trimming our 2017 EBITDA estimate to \$292 million and initiating a 2018 EBITDA estimate of \$300 million. The company anticipates capital expenditures in 2017 to be in a range of \$180 million to \$210 million.
- Company sells remaining stake in CyrusOne.** CBB sold 2.8 million shares for proceeds of \$141 million, which will be applied toward debt reduction. By monetizing its stake in CyrusOne the company has been able to reduce its total debt load from \$2.7 billion to \$1.1 billion at the end of the first quarter.
- We maintain our Neutral rating on Cincinnati Bell.** Our primary reason for this rating is the ongoing mixed performance of the company’s business segments. Quite simply, some are growing, some are not. Moreover, this has been the case for some time. We would like to see the potential for sustainable revenue and EBITDA growth before becoming more positive on the name.

**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. Stock buybacks also appear unlikely for now as the company appears more inclined to invest in its business. 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- \$53.85).

*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.

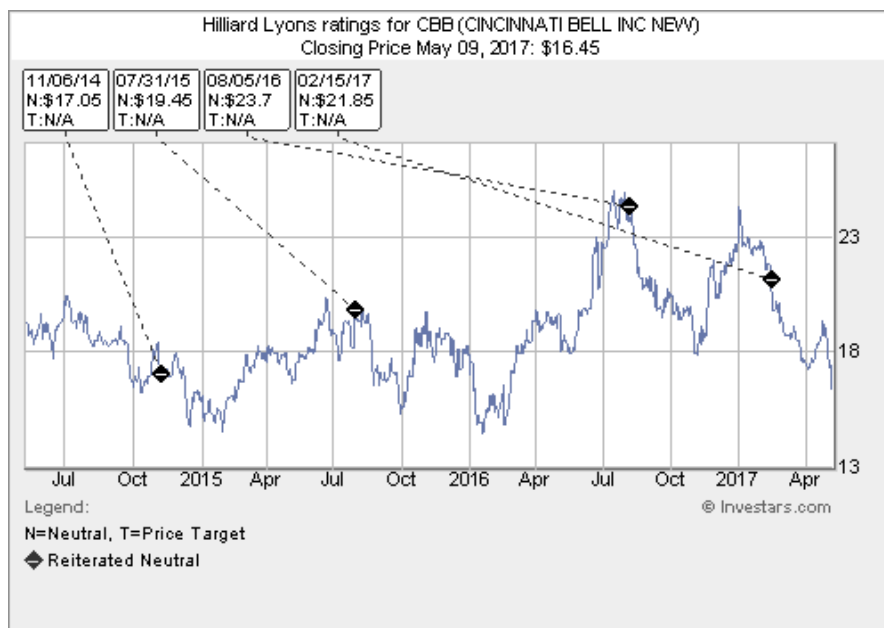
**Suitability Ratings**

**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.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
<b>Rating</b>				
<b>Buy</b>	32	26%	13%	88%
<b>Hold/Neutral</b>	79	64%	8%	92%
<b>Sell</b>	12	10%	0%	100%

As of 8 May 2017

### Other Disclosures

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