



COMPANY UPDATE

Key Metrics

CBB - NYSE (Price as of 11/1/17)	\$18.75
Price Target	NA
52-Week Range	\$16.05 - \$24.45
Shares Outstanding (mm)	42.2
Market Cap. (\$mm)	\$791
3-Mo. Average Daily Volume	412,500
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	\$305	\$300	\$340

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$1,185	--	\$1,400	--	\$1,650

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 solid third quarter results; company completes acquisition of OnX

Investment Highlights

- **Cincinnati Bell reported third quarter revenue of \$289 million, down 7% compared to \$312 million the prior year.** The decrease in revenues was primarily due to the decline of Telecom and IT hardware sales and legacy declines. However, this was partially offset by continued strength in its strategic services segments. The company’s Fioptics business continues to be CBB’s strongest growing business, with revenue of \$79 million, up 21% from a year ago. Fioptics is available to over 564,000 addresses, which equates to approximately 70% of the Greater Cincinnati area. Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) totaled \$76 million in the quarter and declined modestly from \$78 million over the same time period in 2016.
- **Company completes acquisition of OnX in early October.** The addition of OnX ramps up CBB’s technology services business exposure, doubling the number of markets the company operates in. CBB is positioning itself as an IT service provider for next-generation cloud-based services. The acquisition is also expected to help boost both revenue and EBITDA.
- **Management raises 2017 guidance to reflect the OnX acquisition.** Cincinnati Bell now expects revenue of \$1.35 to \$1.4 billion, up from \$1.2 billion previously. CBB raised its EBITDA guidance to \$305 million from \$295 million.
- **We maintain our Neutral rating on Cincinnati Bell.** We are encouraged by continued strength and development of the company’s fiber business. This is important as the legacy telecom business and IT hardware segments remain under pressure. In addition, we believe the company’s acquisition of OnX and proposed purchase of Hawaiian Telecom have the potential to strengthen CBB’s long-term fundamental outlook.

**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 or make acquisitions such as the recent one of OnX and proposed purchase of Hawaiian Telecom. 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: Hawaiian Telecom (HCOM-\$29.86).

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



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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