



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

FTR - NYSE (Price as of (5/2/17)	\$1.93
Price Target	NA
52-Week Range	\$5.53 - \$1.81
Shares Outstanding (mm)	1,164.0
Market Cap. (\$mm)	\$2,246
3-Mo. Average Daily Volume	44,985,000
Institutional Ownership	71.0%
Debt/Total Capital	73.3%
ROE	4.1%
Book Value/Share	\$3.21
Price/Book Value	0.6x
Dividend Yield	\$0.16 8.3%
LTM EBITDA Margin	36.1%

Pro forma EBITDA (MM) FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$3,545	\$3,740	\$3,670		\$3,690
P/E	NM		NM		NM

Pro forma Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q					
2Q					
3Q					
4Q					
Year	\$8,896		\$9,200		\$8,900

Note: Pro forma numbers to reflect purchase of Verizon wireline assets in California, Texas and Florida on April 1, 2016.

Company Description: Frontier Communications is a leader in providing communications services to urban, suburban, and rural communities in 29 states. Frontier offers a variety of services to residential customers over its fiber-optic and copper networks, including video, high speed Internet, advanced voice and digital protection services.

Frontier Communications

FTR -- NYSE -- Neutral -- 4

Persistent revenue pressure forces dividend cut

Investment Highlights

- **Frontier reported challenging first quarter results and cut their dividend.** In light of ongoing revenue pressure and a need to reduce its leverage, FTR cut its quarterly dividend to \$0.04 from \$0.105 per share previously. While total first quarter revenue of \$2.35 billion was in line with expectations, it still declined by \$53 million from the fourth quarter of 2016, although FTR indicated \$16 million of the decline was due to one-time impacts. The company lost 155,000 residential customers in the first quarter and 18,000 business customers. There was continued weakness in broadband and video, which lost 107,000 and 80,000 customers, respectively. Moreover, the company's acquired properties in California, Florida, and Texas from Verizon continue to be negatively impacted by a high churn rate. While revenue remains a headwind, the company's EBITDA (earnings before interest, taxes, and depreciation) margin dipped only slightly to 39.2%.
- **Company reaffirms 2017 guidance.** Frontier continues to expect 2017 free cash flow to be in the range of \$800 million to \$1.00 billion. Capital expenditures are anticipated to be in a range of \$1.00 billion to \$1.25 billion. We have lowered our 2017 EBITDA estimate to \$3.67 billion from \$3.74 billion, previously.
- **FTR to implement a 1-for-15 reverse stock split.** There is a proposal before Frontier shareholders that would reduce the number of authorized shares from 1.75 billion to 175,000,000.
- **We maintain our Neutral rating on Frontier.** We continue to remain on the sidelines with FTR because of its inability to stem revenue declines. This has been an ongoing issue for years and the newly acquired assets have not helped address the problem. Losses in these customers have been higher than with their legacy customers. While the stock still has a high yield, we do not believe any FTR dividend should be viewed as secure after three dividend cuts this decade.

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

Suitability

We assign a 4 suitability rating to Frontier Communications. We believe FTR warrants a 4 rating due to its continuous revenue struggles and highly leveraged balance sheet. In addition, with this latest dividend cut, the company has now cut its dividend three times in the past seven years.

Annual yield is calculated by dividing the distribution amount by the current market price of the security. For US income tax purposes, the Company may classify all or a portion of its distributions as dividends or other non-dividend distributions. Note that for some investors, for US income tax purposes all or a portion of the Company's 2016 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2016 tax year. The Company generally makes a final determination regarding the proper tax treatment of distributions after calendar year end. We urge each shareholder to consult with his or her own tax advisor to determine the tax consequences of the distributions received, including any state, local or foreign tax considerations.

Price of other stocks mentioned: Verizon (VZ-\$45.91).

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.

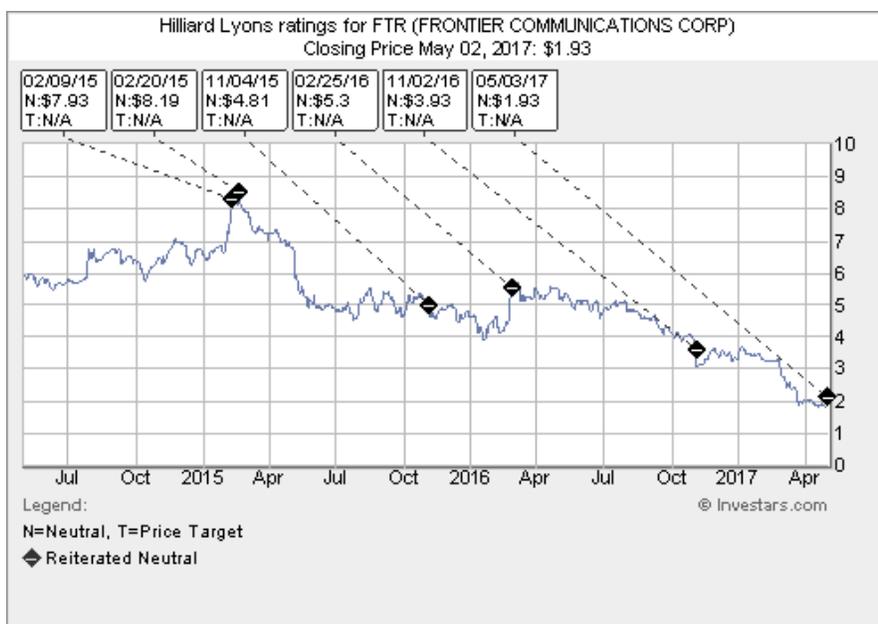
Suitability Ratings

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
Rating				
Buy	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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