

FRONTIER COMMUNICATIONS CORP

Form 10-Q

November 05, 2014

FRONTIER COMMUNICATIONS CORPORATION

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014



UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

or

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: 001-11001

FRONTIER COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

3 High Ridge Park  
Stamford, Connecticut

06-0619596  
(I.R.S. Employer Identification No.)

06905

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(Address of principal executive offices) (Zip Code)

(203) 614-5600

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's Common Stock as of October 24, 2014 was 1,002,081,000.

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FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Index

	Page No.
Part I. Financial Information (Unaudited)	
Item 1. Financial Statements	
Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013	2
Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013	3
Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013	3
Consolidated Statements of Equity for the nine months ended September 30, 2013, the three months ended December 31, 2013 and the nine months ended September 30, 2014	4
Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures about Market Risk	42
Item 4. Controls and Procedures	43
Part II. Other Information	
Item 1. Legal Proceedings	44
Item 1A. Risk Factors	44
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	44

Item 4. Mine Safety Disclosure	44
Item 6. Exhibits	45
Signature	46

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(\$ in thousands)

	(Unaudited) September 30, 2014	December 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 808,518	\$ 880,039
Accounts receivable, less allowances of \$65,868 and \$71,362, respectively	462,299	479,210
Restricted cash	1,519,000	11,411
Prepaid expenses	70,745	68,573
Income taxes and other current assets	66,787	179,606
Total current assets	2,927,349	1,618,839
Property, plant and equipment, net	7,152,461	7,255,762
Goodwill	6,337,719	6,337,719
Other intangibles, net	997,297	1,214,932
Other assets	224,862	208,232
Total assets	\$ 17,639,688	\$ 16,635,484
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Long-term debt due within one year	\$ 262,534	\$ 257,916
Accounts payable	282,796	327,256
Advanced billings	132,848	137,319
Accrued taxes	154,570	66,276
Accrued interest	199,023	188,639
Pension and other postretirement benefits	120,154	111,713
Other current liabilities	186,444	212,468



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Total current liabilities	1,338,369	1,301,587
Deferred income taxes	2,306,326	2,417,108
Pension and other postretirement benefits	676,564	725,333
Other liabilities	240,307	262,308
Long-term debt	9,185,603	7,873,667
Equity:		
Common stock, \$0.25 par value (1,750,000,000 authorized shares, 1,002,081,000 and 999,462,000 outstanding, respectively, and 1,027,986,000 issued, at September 30, 2014 and December 31, 2013)	256,997	256,997
Additional paid-in capital	3,991,589	4,321,056
Retained earnings	195,055	76,108
Accumulated other comprehensive loss, net of tax	(252,141)	(260,530)
Treasury stock	(298,981)	(338,150)
Total equity	3,892,519	4,055,481
Total liabilities and equity	\$ 17,639,688	\$ 16,635,484

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## PART I. FINANCIAL INFORMATION (Continued)

## FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(\$ in thousands, except for per-share amounts)

(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Revenue	\$ 1,140,874	\$ 1,185,278	\$ 3,442,185	\$ 3,581,207
Operating expenses:				
Network access expenses	107,866	103,955	321,182	320,467
Other operating expenses	533,469	549,141	1,585,780	1,624,655
Depreciation and amortization	260,897	285,701	815,767	887,225
Pension settlement costs	-	40,309	-	40,309
Acquisition and integration costs	41,611	-	72,058	-
Total operating expenses	943,843	979,106	2,794,787	2,872,656
Gain on sale of Mohave partnership interest	-	-	-	14,601
Operating income	197,031	206,172	647,398	723,152
Investment and other income, net	25,106	1,524	26,484	9,134
Losses on early extinguishment of debt	-	-	-	159,780
Interest expense	170,371	163,835	508,939	501,802
Income before income taxes	51,766	43,861	164,943	70,704
Income tax expense	9,773	8,461	45,996	22,981
Net income	41,993	35,400	118,947	47,723
Less: Income attributable to the noncontrolling interest in a partnership	-	-	-	2,643

Net income attributable to common shareholders of Frontier	\$ 41,993	\$ 35,400	\$ 118,947	\$ 45,080
Basic and diluted net income per common share attributable to common shareholders of Frontier	\$ 0.04	\$ 0.04	\$ 0.12	\$ 0.04

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(\$ in thousands)

(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Net income	\$ 41,993	\$ 35,400	\$ 118,947	\$ 47,723
Pension settlement costs, net of tax (see Notes 14 and 15)	-	24,992	-	24,992
Other comprehensive income, net of tax (see Note 14)	2,460	6,313	8,389	19,805
Comprehensive income	44,453	66,705	127,336	92,520

Less: Income attributable to the noncontrolling interest in a partnership