

FRONTIER COMMUNICATIONS CORP

Form 10-Q

May 04, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2018

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

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

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incorporation or organization)

401 Merritt 7

Norwalk, Connecticut

06851

(Address of principal executive offices) (Zip Code)

(203) 614-5600

(Registrant's telephone number, including area code)

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, a smaller reporting company, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act

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 May 1, 2018 was 80,138,000.

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FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

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

	(Unaudited)	
	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 201	\$ 362
Accounts receivable, less allowances of \$99 and \$69, respectively	778	819
Contract acquisition costs	91	-
Prepaid expenses	78	78
Income taxes and other current assets	54	64
Total current assets	1,202	1,323
Property, plant and equipment, net	14,321	14,377
Goodwill	7,024	7,024
Other intangibles, net	1,903	2,063
Other assets	228	97
Total assets	\$ 24,678	\$ 24,884
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Long-term debt due within one year	\$ 1,060	\$ 656
Accounts payable	537	564
Advanced billings	271	270

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Accrued content costs	105	102
Accrued other taxes	156	156
Accrued interest	167	401
Pension and other postretirement benefits	29	29
Other current liabilities	334	330
Total current liabilities	2,659	2,508
Deferred income taxes	1,217	1,139
Pension and other postretirement benefits	1,656	1,676
Other liabilities	280	317
Long-term debt	16,470	16,970
Equity:		
Preferred stock, \$0.01 par value (50,000 authorized shares, 11.125%, Series A, 19,250 shares issued and outstanding)	-	-
Common stock, \$0.25 par value (175,000 authorized shares, 80,367 and 79,532 issued and 80,251 and 78,441 outstanding, at March 31, 2018 and December 31, 2017, respectively)	20	20
Additional paid-in capital	4,847	5,034
Accumulated deficit	(2,089)	(2,263)
Accumulated other comprehensive loss, net of tax	(367)	(366)
Treasury common stock	(15)	(151)
Total equity	2,396	2,274
Total liabilities and equity	\$ 24,678	\$ 24,884

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 MONTHS ENDED MARCH 31, 2018 AND 2017

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

(Unaudited)

	For the three months ended March 31,	
	2018	2017
Revenue	\$ 2,199	\$ 2,356
Operating expenses:		
Network access expenses	372	411
Network related expenses	483	493
Selling, general and administrative expenses	469	542
Depreciation and amortization	505	579
Acquisition and integration costs	-	2
Restructuring costs and other charges	4	12
Total operating expenses	1,833	2,039
Operating income	366	317
Investment and other income, net	8	-
Pension settlement costs	-	43
Gain on extinguishment of debt	33	-
Interest expense	374	388
Income (loss) before income taxes	33	(114)
Income tax expense (benefit)	13	(39)

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Net income (loss)	20	(75)
Less: Dividends on preferred stock	53	54
Net loss attributable to Frontier common shareholders	\$ (33)	\$ (129)

Basic and diluted net loss per share attributable to Frontier common shareholders	\$ (0.44)	\$ (1.67)
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Total weighted average shares outstanding - basic and diluted