

FRONTIER COMMUNICATIONS CORP

Form 10-Q

May 07, 2015

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 March 31, 2015

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)

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

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3 High Ridge Park  
Stamford, Connecticut 06905  
(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 May 1, 2015 was 1,003,308,000.

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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, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 509	\$ 682
Accounts receivable, less allowances of \$59 and \$72, respectively	526	614
Prepaid expenses	62	61
Income taxes and other current assets	311	129
Total current assets	1,408	1,486
Property, plant and equipment, net	8,478	8,566
Goodwill	7,213	7,205
Other intangibles, net	1,408	1,500
Other assets	214	217
Total assets	\$ 18,721	\$ 18,974
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Long-term debt due within one year	\$ 193	\$ 298
Accounts payable	260	379
Advanced billings	176	179
Accrued other taxes	71	80
Accrued interest	208	214
Pension and other postretirement benefits	86	124
Other current liabilities	446	238
Total current liabilities	1,440	1,512
Deferred income taxes	2,930	2,939
Pension and other postretirement benefits	1,173	1,141
Other liabilities	207	238

Long-term debt	9,464	9,486
Equity:		
Common stock, \$0.25 par value (1,750,000 authorized shares, 1,027,986 issued and 1,002,872 and 1,002,469 outstanding, respectively, at March 31, 2015 and December 31, 2014)	257	257
Additional paid-in capital	3,877	3,990
Retained earnings	58	109
Accumulated other comprehensive loss, net of tax	(401)	(404)
Treasury stock	(284)	(294)
Total equity	3,507	3,658
Total liabilities and equity	\$ 18,721	\$ 18,974

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, 2015 AND 2014

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

(Unaudited)

	2015	2014
Revenue	\$ 1,371	\$ 1,154
Operating expenses:		
Network access expenses	155	107
Network related expenses	325	263
Selling, general and administrative expenses	330	266
Depreciation and amortization	341	281
Acquisition and integration costs	57	11
Total operating expenses	1,208	928
Operating income	163	226
Investment and other income, net	1	1
Interest expense	245	171
Income (loss) before income taxes	(81)	56
Income tax expense (benefit)	(30)	17
Net income (loss)	\$ (51)	\$ 39
Basic and diluted net income (loss) per common share	\$ (0.05)	\$ 0.04



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

(\$ in millions)

(Unaudited)

	2015	2014
Net income (loss)	\$ (51)	\$ 39
Other comprehensive income, net of tax (see Note 12)	3	3
Comprehensive income (loss)	\$ (48)	\$ 42

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

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## PART I. FINANCIAL INFORMATION (Continued)

## FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2015

(\$ in millions and shares in thousands)

(Unaudited)

	Equity of Frontier			Retained Earnings	Accumulated	Treasury Shares	Stock Amount	Total Equity
	Common Shares	Stock Amount	Additional Paid-In Capital		Other Comprehensive Loss			
Balance January 1, 2015	1,027,986	257	3,990	109	(404)	(25,517)	(294)	3,658
Stock plans	-	-	(8)	-	-	403	10	2
Dividends on common stock	-	-	(105)	-	-	-	-	(105)
Net loss	-	-	-	(51)	-	-	-	(51)
Other comprehensive income, net of tax	-	-	-	-	3	-	-	3
Balance March 31, 2015	1,027,986	\$ 257	\$ 3,877	\$ 58	\$ (401)	(25,114)	\$ (284)	\$ 3,507