

FRONTIER COMMUNICATIONS CORP
Form 10-Q
May 05, 2016

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, 2016

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

06-0619596

Edgar Filing: FRONTIER COMMUNICATIONS CORP - Form 10-Q

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

401 Merritt 7

Norwalk, Connecticut

(Address of principal executive offices)

06851

(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

Edgar Filing: FRONTIER COMMUNICATIONS CORP - Form 10-Q

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 2, 2016 was 1,173,076,000.

FRONTIER COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Index

	Page No.
Part I. Financial Information (Unaudited)	
Item 1. Financial Statements	
Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015	2
Consolidated Statements of Operations for the three months ended March 31, 2016 and 2015	3
Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2016 and 2015	3
Consolidated Statement of Equity for the three months ended March 31, 2016	4
Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2015	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	34
Item 4. Controls and Procedures	35
Part II. Other Information	
Item 1. Legal Proceedings	36
Item 1A. Risk Factors	36

Edgar Filing: FRONTIER COMMUNICATIONS CORP - Form 10-Q

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 4. Mine Safety Disclosure	37
Item 6. Exhibits	38
Signature	39

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, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 500	\$ 936
Accounts receivable, less allowances of \$53 and \$57, respectively	544	571
Restricted cash	8,352	8,444
Prepaid expenses	129	100
Income taxes and other current assets	51	80
Total current assets	9,576	10,131
Property, plant and equipment, net	8,495	8,493
Goodwill	7,166	7,166
Other intangibles, net	1,067	1,143
Other assets	150	151
Total assets	\$ 26,454	\$ 27,084
LIABILITIES AND EQUITY		
Current liabilities:		
Long-term debt due within one year	\$ 370	\$ 384
Accounts payable	474	467
Advanced billings	158	160
Accrued other taxes	87	87
Accrued interest	233	403
Pension and other postretirement benefits	29	33
Other current liabilities	383	359
Total current liabilities	1,734	1,893

Edgar Filing: FRONTIER COMMUNICATIONS CORP - Form 10-Q

Deferred income taxes	2,551	2,666
Pension and other postretirement benefits	1,178	1,163
Other liabilities	241	240
Long-term debt	15,496	15,508
Equity:		
Preferred stock, \$0.01 par value (50,000 authorized shares, 11.125%, Series A, 19,250 shares issued and outstanding at March 31, 2016 and December 31, 2015)	-	-
Common stock, \$0.25 par value (1,750,000 authorized shares, 1,192,986 issued and 1,172,658 and 1,168,200 outstanding, at March 31, 2016 and December 31, 2015, respectively)	298	298
Additional paid-in capital	5,801	6,034
Retained deficit	(273)	(87)
Accumulated other comprehensive loss, net of tax	(347)	(353)
Treasury stock	(225)	(278)
Total equity	5,254	5,614
Total liabilities and equity	\$ 26,454	\$ 27,084

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, 2016 AND 2015

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

(Unaudited)

	2016	2015
Revenue	\$ 1,355	\$ 1,371
Operating expenses:		
Network access expenses	160	155
Network related expenses	326	325
Selling, general and administrative expenses	357	330
Depreciation and amortization	316	341
Acquisition and integration costs	138	57
Total operating expenses	1,297	1,208
Operating income	58	163
Investment and other income, net	11	1
Interest expense	373	245
Loss before income taxes	(304)	(81)
Income tax benefit	(118)	(30)
Net loss	(186)	(51)
Less: Dividends on preferred stock	54	-
Net loss attributable to Frontier common shareholders	\$ (240)	\$ (51)