

FRONTIER COMMUNICATIONS CORP

Form 10-Q

August 08, 2013

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 JUNE 30, 2013

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 June 30, 2013

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.)

3 High Ridge Park
Stamford, Connecticut
(Address of principal executive
offices)

06905
(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).

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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 July 26, 2013 was 999,723,000.

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 thousands)

	(Unaudited) June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 548,630	\$ 1,326,532
Accounts receivable, less allowances of \$85,494 and \$93,267, respectively	486,495	533,704
Restricted cash	9,260	15,408
Prepaid expenses	69,954	66,972
Income taxes and other current assets	162,602	144,587
Total current assets	1,276,941	2,087,203
Restricted cash	11,611	27,252
Property, plant and equipment, net	7,361,756	7,504,896
Goodwill	6,337,719	6,337,719
Other intangibles, net	1,368,935	1,542,739
Other assets	243,104	233,822
Total assets	\$ 16,600,066	\$ 17,733,631
LIABILITIES AND EQUITY		
Current liabilities:		
Long-term debt due within one year	\$ 257,905	\$ 560,550
Accounts payable	271,942	338,148
Advanced billings	140,005	146,317
Accrued other taxes	65,337	66,342
Accrued interest	188,548	209,327
Other current liabilities	224,423	232,836
Total current liabilities	1,148,160	1,553,520
Deferred income taxes	2,317,113	2,357,210
Pension and other postretirement benefits	1,045,978	1,055,058
Other liabilities	252,888	266,625
Long-term debt	7,900,922	8,381,947
Equity:		
Shareholders' equity of Frontier:		
Common stock, \$0.25 par value (1,750,000,000 authorized shares, 1,000,523,000 and 998,410,000 outstanding, respectively, and 1,027,986,000 issued, at June 30, 2013 and December 31, 2012)	256,997	256,997
Additional paid-in capital	4,408,652	4,639,563
Retained earnings	72,885	63,205
Accumulated other comprehensive loss, net of tax	(470,084)	(483,576)
Treasury stock	(333,445)	(368,593)

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Total shareholders' equity of Frontier	3,935,005	4,107,596
Noncontrolling interest in a partnership	-	11,675
Total equity	3,935,005	4,119,271
Total liabilities and equity	\$ 16,600,066	\$ 17,733,631

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 SIX MONTHS ENDED JUNE 30, 2013 AND 2012

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

(Unaudited)

	For the three months ended		For the six months ended	
	June 30, 2013	2012	June 30, 2013	2012
Revenue	\$1,190,533	\$1,258,777	\$2,395,929	\$2,526,831
Operating expenses:				
Network access expenses	107,114	115,433	216,512	231,002
Other operating expenses	534,015	539,911	1,075,514	1,091,494
Depreciation and amortization	297,849	307,047	601,524	664,347
Integration costs	-	28,602	-	63,746
Total operating expenses	938,978	990,993	1,893,550	2,050,589
Gain on sale of Mohave partnership interest	14,601	-	14,601	-
Operating income	266,156	267,784	516,980	476,242
Investment income	231	9,991	3,293	12,094
Losses on early extinguishment of debt	(159,780)	(70,818)	(159,780)	(70,818)
Other income (loss), net	2,725	(1,187)	4,317	2,298
Interest expense	166,547	172,054	337,967	336,916
Income (loss) before income taxes	(57,215)	33,716	26,843	82,900
Income tax expense (benefit)	(18,755)	11,717	14,520	30,411
Net income (loss)	(38,460)	21,999	12,323	52,489
Less: Income attributable to the noncontrolling interest in a partnership	-	4,010	2,643	7,732
Net income (loss) attributable to common shareholders of Frontier	\$(38,460)	\$17,989	\$9,680	\$44,757
Basic and diluted net income (loss) per common share attributable to common shareholders of Frontier	\$(0.04)	\$0.02	\$0.01	\$0.04

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(\$ in thousands)

(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Net income (loss)	\$ (38,460)	\$ 21,999	\$ 12,323	\$ 52,489

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Other comprehensive income, net of tax (see Note 15)	6,746	5,567	13,492	9,834
Comprehensive income (loss)	(31,714)	27,566	25,815	62,323
Less: Income attributable to the noncontrolling interest in a partnership	-	(4,010)	(2,643)	(7,732)
Comprehensive income (loss) attributable to the common shareholders of Frontier	\$ (31,714)	\$ 23,556	\$ 23,172	\$ 54,591

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 EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2012, THE SIX MONTHS ENDED DECEMBER 31, 2012 AND THE
 SIX MONTHS ENDED JUNE 30, 2013

(\$ and shares in thousands)

(Unaudited)

Shareholders' Equity of Frontier

Common Stock Shares	Additional Paid-In Capital	Accumulated		Treasury Stock Shares	Noncontrolling Interest	Total Equity
		Retained Earnings	Other Comprehensive Loss			
Amount	Capital	Earnings	Loss	Amount	Interest	Equity