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Cincinnati Bell, Inc Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions). We'll go first to Jason Armstrong with Goldman Sachs.

Jason Armstrong - Goldman Sachs

Morning, guys. This is actually (inaudible) on for Jason. Thanks for taking the question. So, I just want to touch on CapEx. Can you just help us size the big pieces of (inaudible) of CapEx in 2009, such as 3J expansion on data center builds? And then on free cash flow, looks like the emphasis is in debt paid on 4q08. Now that the (inaudible) have come in from their highs, will share buy backs shift back the focus? Or is that type of leverage you guys are working to it? Thanks.

Gary Wojtaszek

Well, I think the overall cash flow guidance for the year basically assumes that our CapEx for 2009 is going to be consistent with our 2008 performance. We've no provided the same granularity, in terms of where we're spending that within each of the businesses, but you'll see on one of the charts that I provided, what the overall breakdown in CapEx is between the wire line, wireless, and technology solutions segments.

We believe that's going to be consistent with 2008's performance. However, as I mentioned, to the extent that we see less demand for our data center business, we intend to scale back our investment in that portion of our business.

I wasn't sure about the second part of your question concerning the free cash flow, can you repeat that?

Jason Armstrong - Goldman Sachs

It looks like the focus is on debt paid off in 4q08, with the free cash flow generated.

Gary Wojtaszek

Right

Jason Armstrong - Goldman Sachs

But now that the (inaudible) have come in from their highs, do you expect to focus the shift back to share buy backs? Or is that target leverage you are looking for?

Gary Wojtaszek

We had—We did a really nice job in taking out a lot of the bonds available to us at roughly 24% discount in the fourth quarter. Our bonds have traded up nicely over the last two months and now, I think, are all above 90%, as opposed to some of the low periods in the quarter. They were down to about 65% in the quarter. Right now, relative to our equity, the bonds are less attractive than they were to us in the fourth quarter to the extent that the opportunities present themselves, we'd like to retire some of our debt in that quarter. However, the equity is going to be much more attractive at the current levels and we would continue to repurchase those selectively, as we go throughout the year. We're not going to spend a lot of money on that and we aren't going to—We're going to wait to see how the year plays out before we complete the full buyback. But, we do intend to repurchase some of the equity over the course of the year.

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