

FRONTIER COMMUNICATIONS CORP

Form 425

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**Welcome to the New Frontier**

**Maggie Wilderotter, Chairman & Chief Executive Officer**

**Donald Shassian, EVP & Chief Financial Officer**

**May, 2009**

**Frontier Communications**

**Barclays Capital - Worldwide Wireless and Wireline Conference**

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**Safe Harbor Statement**

3

Forward-Looking Language

This presentation contains forward-looking statements that are made pursuant to the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. These statements speak only as of the date of this presentation and are made on the basis of management's views and assumptions regarding future events and business performance. Words such as believe, anticipate, expect and similar expressions are intended to identify forward-looking statements. Forward-looking statements (including oral representations) involve risks and uncertainties that may cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. These risks and uncertainties are based on a number of factors, including but not limited to: our ability to complete the acquisition of access lines from Verizon; our ability to successfully integrate the Verizon operations and to realize the synergies from the acquisition; failure to obtain, delays in obtaining or adverse conditions contained in any required regulatory approvals for the merger; the failure to obtain our stockholders' approval; the receipt of an IRS ruling approving the tax-free status of the transaction; reductions in the number of our access lines and high-speed internet subscribers; the effects of competition from cable, wireless and other wireline carriers (through voice over internet protocol (VOIP) or otherwise); reductions in switched access revenues as a result of regulation, competition and/or technology substitutions; the effects of greater than anticipated competition requiring new pricing, marketing strategies or new product offerings and the risk that we will not respond on a timely or profitable basis; the effects of changes in both general and local economic conditions on the markets we serve, which can impact demand for our products and services, customer purchasing decisions, collectability of revenue and required levels of capital expenditures related to new construction of residences and businesses; our ability to effectively manage service quality; our ability to successfully introduce new product offerings, including our ability to offer bundled service packages on terms that are both profitable to us and attractive to our customers; our ability to sell enhanced and data services in order to offset ongoing declines in revenue from local services, switched access services and subsidies; changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles or regulators; the effects of ongoing changes in the regulation of the communications industry as a result of federal and state legislation and regulation, including potential changes in state rate of return limitations on our earnings, access charges and subsidy payments, and regulatory network upgrade and reliability requirements; our ability to effectively manage our operations, operating expenses and capital expenditures, to pay dividends and to reduce or refinance our debt; adverse changes in the credit markets and/or in the ratings given to our debt securities by nationally accredited ratings organizations, which could limit or restrict the availability, and/or increase the cost, of financing; the effects of bankruptcies and home foreclosures, which could result in increased bad debts; the effects of technological changes and competition on our capital expenditures and product and service offerings, including the lack of assurance that our ongoing network improvements will be sufficient to meet or exceed the capabilities and quality of competing networks; the effects of increased medical, retiree and pension expenses and related funding requirements; changes in income tax rates, tax laws, regulations or rulings, and/or federal or state tax assessments; further declines in the value of our pension plan assets, which could require us to make contributions to the pension plan beginning in 2010, at the earliest; the effects of state regulatory cash management policies on our ability to transfer cash among our subsidiaries and to the parent company; our ability to successfully renegotiate union contracts expiring in 2009 and thereafter; our ability to pay dividends in respect of our common shares, which may be affected by our cash flow from operations, amount of capital expenditures, debt service requirements, cash paid for income taxes (which will increase in 2009) and our liquidity; the effects of increased cash taxes in 2009 and thereafter; the effects of any unfavorable outcome with respect to any of our current or future legal,

governmental, or regulatory proceedings, audits or disputes; the possible impact of adverse changes in political or other external factors over which we have no control; and the effects of hurricanes, ice storms or other severe weather. These and other uncertainties related to our business are described in greater detail in our filings with the Securities and Exchange Commission (SEC), including our reports on Forms 10-K and 10-Q. There also can be no assurance that the proposed transaction will in fact be consummated. We undertake no obligation to publicly update or revise any forward-looking statement or to make any other forward-looking statements, whether as a result of new information, future events or otherwise unless required to do so by securities laws.

#### Additional Information and Where to Find it

This material is not a substitute for the prospectus/proxy statement the Company will file with the SEC. We urge investors to read the prospectus/proxy statement, which will contain important information, including detailed risk factors, when it becomes available. The prospectus/proxy statement and other documents which will be filed by the Company with the SEC will be available free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov), or by directing a request when such a filing is made to Frontier Communications Corporation, 3 High Ridge Park, Stamford, CT 06905-1390, Attention: Investor Relations.

This material shall not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

The Company and certain of its directors, executive officers and other members of management and employees may, under SEC rules, be deemed to be participants in the solicitation of proxies in connection with the proposed transactions. Information about the directors and executive officers of the Company is set forth in the proxy statement for the Company's 2009 annual meeting of stockholders filed with the SEC on April 6, 2009.

This material shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act.

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**Frontier Communications is**

**Frontier Communications Corporation (NYSE: FTR) is one of the nation's largest rural local exchange carriers, offering local and long-distance telephone service, Internet access, wireless Internet access, DISH satellite TV and more ..**

**Key Metrics <sup>1</sup>**

States

24

Access Lines

2,254,333

High Speed Internet Subscribers

579,943

2008 Revenue (\$ in 000s)

\$2,237,018

2008 EBITDA<sup>2</sup> (\$ in 000s)

\$1,213,967

2008 Free Cash Flow (\$ in 000s)

\$493,197

1.

Metrics are as of December 31, 2008

2.

Represents EBITDA (Operating Cash Flow), as adjusted

**Geographic Footprint**

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**Key Value Drivers**

**Unique Customer Experience**

**Robust Local & National Network**

**Consistent Execution of Operational Goals**

**Consistent Execution of Financial Goals**

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**Customer**

**Value Added Services**

Full High Speed Installation

Price Protection / Auto Renewal

Web Content and Services

Personalized Portal

Wireless Modems

Peace of Mind Services

**Integrated Product Offers**

*Frontier Connections*

Digital Phone, HSI, Video, Wireless Data:

Enhancement Upgrades

*Business Offers:*

Unlimited Long Distance

Metro Ethernet

**Expanded Distribution Channels**

Alternate Channels

In-Bound Call Centers

Internet Sales

**Localized Offerings**

Aspirational Gifts

Localized Messaging

Seasonal Promotions &

Targeted Incentives

**Community Involvement**

Local Presence

Events, Organization Membership

Educational Support

**One-to-One Marketing**

Anniversary Program

Loyalty Program

Retention Plans

Segmentation

Win Back

**Customer Service**

24/7 Local Technician Service

Customer Service 7 days/week

Internet Help Desk 24/7

2 Hour Appointment Windows

Electronic Bill Payment

Online Information and Ordering

**Unique Customer Experience**

**Goals:**

**Retain Customers**

**Increase Customer Spending**

**Acquire New Customers**

**Win Back Lost Customers**

**Frontier's Local Go To Market Strategy**

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**Robust Local & National Network**

Diverse, High Capacity 10 Gig Data Backbone

12,060 Route Miles / Avg. 30% Utilized

Quality Enabled Network  
That Provides Priority To  
Voice And Data

Complete Redundancy In  
Both Network Equipment  
And Routes

250 Bilateral Peering  
Agreements To Reduce  
Cost

Deep Packet Inspection  
Technology Implemented

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**Consistent Execution of Operational Goals**

**Customers Have Demonstrated a Willingness to Pay for Quality**

**Development and Delivery of New Products and Services Provides  
Diversity for Our Revenue Stream**

**\$222 M**

**\$249 M**

**\$248 M**

**\$240 M**

**\$241 M**

**\$240 M**

**\$237 M**

**\$232 M**

**\$230 M**

**\$175 M**

**\$195 M**

**\$215 M**

**\$235 M**

**\$255 M**

**\$275 M**

**1,250 K**

**1,300 K**

**1,350 K**

**1,400 K**

**1,450 K**

**1,500 K**

**1,550 K**

**1,600 K**

**1,650 K**

**1,700 K**

**1,750 K**

**Q1 '07**

**Q2 '07**

**Q3 '07**

**Q4 '07**

**Q1 '08**

**Q2 '08**

**Q3 '08**

**Q4 '08**

**Q1 '09**

**Residential Lines**

**Residential Revenues**

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**Consistent Execution of Operational Goals**

**Frontier Provides Our Business Customers Multiple Options for Their Communications Needs**

**Today's Business Customers Continue to Require Greater Bandwidth For Their Operations**

**\$195 M**

**\$217 M**

**\$215 M**

**\$223 M**

**\$220 M**

**\$222 M**

**\$222 M**

**\$219 M**

**\$217 M**

**\$160 M**

**\$170 M**

**\$180 M**

**\$190 M**

**\$200 M**

**\$210 M**

**\$220 M**

**\$230 M**

**\$240 M**

**\$250 M**

**\$260 M**

**750 K**

**760 K**

**770 K**

**780 K**

**790 K**

**800 K**

**810 K**

**820 K**

**830 K**

**840 K**

**850 K**

**860 K**

**Q1 '07**

**Q2 '07**

**Q3 '07**

**Q4 '07**

**Q1 '08**

**Q2 '08**

**Q3 '08**

**Q4 '08**

**Q1 '09**

**Business Lines**

**Business Revenues**

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**Consistent Execution of Financial Goals**

**Strong, Stable Free Cash Flow Generation**

**Maintaining Stable Revenues**

**Delivering Quality Products and Services our Customers Want**

**Driving Customer Revenues <sup>1</sup>**

Notes

1.

Customer revenue is defined as total revenue less access services. Access services include switched network access and subsidies.

2.

The reduction in Average monthly Customer Revenue / Average access line between Q1 07 and Q2 07 was due in part to the acquisition of Commonwealth Telephone

2

**\$222**

**\$249**

**\$248**

**\$240**

**\$241**

**\$240**

**\$237**

**\$232**

**\$230**

**\$195**

**\$217**

**\$215**

**\$223**

**\$220**

**\$222**

**\$222**

**\$219**

**\$217**

**\$63.37**

**\$61.53**

**\$62.14**

**\$63.17**

**\$63.88**

**\$65.07**

**\$65.89**

**\$66.08**

**\$66.78**

**\$ M**

**\$100 M**

**\$200 M**

**\$300 M**

**\$400 M**

**\$500 M**

**\$600 M**

**\$40.00**

**\$45.00**

**\$50.00**

**\$55.00**

**\$60.00**

**\$65.00**

**\$70.00**

**Q1 '07**

**Q2 '07**

**Q3 '07**

**Q4 '07**

**Q1 '08**

**Q2 '08**

**Q3 '08**

**Q4 '08**

**Q1 '09**

**Residential Revenues**

**Business Revenues**

**Avg. Mthly Cust. Rev / Avg. Access Line**

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**The New Frontier .**

**Transaction Overview & Financial Highlights**

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**The New Frontier .**

**TRANSFORMATIONAL TRANSACTION for Frontier**

Frontier becomes the largest pure rural provider of voice,  
broadband and video services with more than 7 million access lines  
in 27 states

**Delivers substantial long-term shareholder value**

**Improves balance sheet strength; increases financial  
and operational flexibility**

**Creates a strong platform for continued growth and  
improves the company's overall strategic position**

**Transaction Overview**

13

**Transaction Structure**

Reverse Morris Trust

Simultaneous tax-free spin-off of SpinCo and merger with Frontier

**Valuation**

SpinCo Enterprise Value: \$8.6B

Implied purchase multiple of 4.5x SpinCo's FY 2008 EBITDA

**Financing**

Equity consideration based on Frontier's 30 day average share price at  
time of close

Subject to a collar of \$7.00 - \$8.50, 66% - 71% VZ stockholder ownership

Fixed number of shares outside the collar

\$3,208M of debt to be raised prior to closing

Proceeds to be paid to Verizon

**Governance**

Maggie Wilderotter, Chairman & Chief Executive Officer

Frontier management leadership

12 member board (Verizon elects 3 new members to Frontier existing board)

**Post Closing Dividend Policy**

Annual dividend of \$0.75 per share

**Estimated Synergies**

Revenue upside from broadband, long distance, video and bundles

\$500M of cash OpEx savings (21% of 2008 SpinCo cash OpEx)

**Required Approvals**

Hart Scott Rodino

Frontier shareholder approval

Verizon IRS ruling

FCC and certain state and local regulatory approvals

**Expected Closing**

Approximately 12 months

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**Transaction Rationale**

14

**Rural Profile**

SpinCo properties have an average of 37 households per sq. mile

70% of lines in rural areas

Less than 1% of lines in urban areas

**Complementary Footprint**

Frontier currently has operations in 11 of the 14 states in which SpinCo operates

**Attractive Demographics**

Properties have a similar profile to Frontier's current footprint

Median income of \$50.1K, 74% home ownership, average age of 48

**Upside for Organic Growth**

Ability to implement Frontier's proven go-to-market strategy

Local engagement model will improve customer loyalty and drive revenue performance

**Ability to Leverage Scale**

Leverage scalability of common support functions (e.g. IS, Accounting)

Ability to achieve synergies from operating and capital expenditures

**Reasonable Capital Investment**

Currently, broadband is only available to ~60% of households

Opportunity to expand broadband deployment

**Free Cash Flow Accretive**

The transaction drives significant free cash flow per share accretion in year 2 and beyond

**Improves Dividend Payout Ratio**

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\$0.75 per share dividend after closing

Payout ratio declines based on new dividend policy and increased cash flow

**Serving Rural America IS our business**

**Frontier becomes the largest pure rural communications provider**

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**Transaction Summary**

15

Verizon

Stockholders

Frontier  
Stockholders

Verizon

Frontier

(FTR + 4.8M  
SpinCo Lines)

**32%**

**\$3,333M**

SpinCo pays Verizon  
\$3,333M in cash or  
debt relief

Verizon distributes  
100% of SpinCo to  
Verizon shareholders

SpinCo merges with  
Frontier; Frontier is  
the surviving entity

**Parameter**

**Frontier (a)**

**SpinCo**

**Total**

Price/Share

\$ 7.75

\$ 7.75

\$ 7.75

Shares Outstanding

312

677

989

Equity Value

\$ 2,421

\$ 5,247

\$ 7,668

Net Debt

4,547

3,333

8,005 (b)

Firm Value

\$ 6,968

\$ 8,580

\$ 15,673

2008 EBITDA (c)

\$ 1,214

\$ 1,918

\$ 3,132

FV/'08 EBITDA

5.7x

4.5x

5.0x

Net Debt/'08 EBITDA

3.8x

1.7x



2.6x

Share price collar of  
\$7.00 - \$8.50 per  
share; 617 - 750M  
shares (66-71%)  
Verizon stockholder  
ownership

(a)

As of 3/31/09

(b)

Includes \$125 million of financing for integration costs

(c)

FY 2008 Pro forma EBITDA, excludes synergies

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**The New Frontier .**

**What differentiates this transaction from previous RBOC line purchases?**

**System Conversion Experience**

13 states run on a separate billing platform that comes with SpinCo in the acquisition; Only one state, representing 13% of SpinCo access lines, required to be converted by closing

**Deleveraging Transaction**

This is a deleveraging transaction. FY 2008 pro forma combined leverage of 2.6x approaching investment grade

**Strong Rural Markets**

Substantially the same rural profiles as Frontier has today. Predominately rural markets (37 households / sq. mile); less than 1% of the footprint is urban

**Track Record of Successful Integrations**

Frontier management successfully operates a 2M + access line business, generating \$2.2B of revenue in 24 states. We have successfully integrated Rochester Telephone, Commonwealth Telephone and Global Valley Networks realizing greater than anticipated synergies, and have consolidated 5 billing systems in the past 5 years

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**Substantial Revenue & Cost Saving Opportunities**

17

Revenue  
Opportunity

**Increased Broadband availability**

**Frontier market approach improves critical  
customer metrics**

**Access line losses**

**HSI penetration**

**Long distance penetration**

**Video penetration**

Synergies

**Executive Management**

**Legal**

**Information Systems**

**Finance & Accounting**

**Increased purchasing power with vendors**

**~ \$500M  
Annually**

Non-Recurring

Integration Costs

**Branding**

**IT Development**

**Severance**

**CapEx ~ \$126M**

**OpEx ~ \$66M**

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**Ongoing Value Creation**

18

**Our ability to migrate the acquired properties to Frontier's performance metrics offers the potential for significant value creation**

**Access Line Decline**

**Long Distances Penetration**

**HSI Penetration**

**Satellite TV Penetration**

Note: Data is as of 12/31/08.

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**Key Financial Characteristics**

19

(a)

Adjusted to exclude Severance and Early Retirement Costs and Legal Settlement Costs.

(b)

2008 audited financial statements adjusted for certain matters

(c)

Assuming Frontier issues share at the mid-point of the collar

2.6x

\$1.44

**\$1,423**

9

(701)

(364)

(653)

48.0%

**3,132**

**\$6,524**

**Sub-Total**

**2008 Statistics**

**Frontier**

**SpinCo (b)**

**Synergies**

**Total**

**Revenue**

**\$2,237**

**\$4,287**

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**\$6,524**

**EBITDA**

**1,214**

**1,918**

**\$500**

**3,632**

% EBITDA Margin

54.3%

44.7%

55.7%

**Bridge to Free Cash Flow:**

Interest Expense

(363)

(290)

0

(653)

Cash Taxes

(79)

(285)

(190)

(554)

Capital Expenditures

(288)

(413)

0

(701)

Other

9

0

0

9

**Free Cash Flow**

**\$493**

**\$930**

**\$310**

**\$1,733**

FCF/Share

\$1.58

\$1.37

N/A

\$1.75 (c)

Net Debt / EBITDA

3.8x

1.7x

2.2x

Dividends (\$0.75 / share)

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\$742 (c)

**Dividend Payout Ratio**

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**43%** (c)

(a)

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**Appendix**

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**Industry Leading Profile**

22

**2008 Revenue (\$B) <sup>(a)</sup>**

**2008 EBITDA (\$B) <sup>(a)</sup>**

**Total Access Lines (M)**

**Voice + Broadband Connections (M)**

Source: Company filings and Wall Street research 2008 data.

(a) Reflects Embarq excluding Logistics and Qwest Wireline only.

2.3

3.0

7.0

7.7

11.6

**0**

**5**

**10**

**15**

**Frontier**

**WIN**

**Frontier  
Pro  
Forma**

**CTL + EQ**

**Q**

\$2.2

\$3.2

\$6.5

\$8.3

\$13.0

**\$0**

**\$5**

**\$10**

**\$15**

**\$20**

**Frontier**

**WIN**

**Frontier**

**Pro**

**Forma**

**CTL + EQ**

**Q**

2.8

4.0

8.6

9.7

14.4

**0**

**5**

**10**

**15**

**20**

**Frontier**

**WIN**

**Frontier**

**Pro**

**Forma**

**CTL + EQ**

**Q**

\$1.2

\$1.6

\$3.1

\$3.9

\$6.9

**\$0**

**\$2**

**\$4**

**\$6**

**\$8**

**Frontier**

**WIN**

**Frontier**

**Pro**

**Forma**

**CTL + EQ**

**Q**

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**FY 2008 Key Metrics**

**Frontier  
Standalone**

**Frontier**

**Pro Forma**

**Combined Company Snapshot**

23

**\* New State for Frontier**

**Frontier Properties**

**SpinCo Properties**

**Revenue:**

\$2.2B

\$6.5B

**EBITDA (a):**

\$1.2B

\$3.1B

**Ending Access Lines:**

2.3M

7.0M

**Number of States:**

24

27

Pro Forma

% of

Footprint

Total

West Virginia

761

10.8%

Indiana

723

10.3%

New York

684

9.7%

Illinois

671

9.5%

Ohio

635

9.0%

Washington\*

579

8.2%

Michigan

526

7.5%

Pennsylvania

427

6.1%

Wisconsin

343

4.9%

Oregon

323

4.6%

North Carolina\*

263

3.7%

Minnesota

211

3.0%

California

168

2.4%



Arizona

152

2.2%

Idaho

133

1.9%

South Carolina\*

128

1.8%

Tennessee

79

1.1%

Nevada

60

0.8%

Iowa

45

0.6%

Nebraska

43

0.6%

Alabama

26

0.4%

Utah

22

0.3%

Georgia

19

0.3%

New Mexico

8

0.1%

Montana

8

0.1%

Mississippi

5

0.1%

Florida

4

0.1%

**Total**

**7,045**

**Pro Forma Access Lines By State**

(a) Excludes synergies

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**Access Line Detail**

24

*As of 12/31/08*

**Frontier**

**SpinCo**

**Combined**

West Virginia

143,982

617,036

761,018

Indiana

4,647

718,251

722,898

Illinois

97,461

573,321

670,782

Ohio

552

634,153

634,705

Michigan

19,102

507,462

526,564

Wisconsin

62,007

281,350

343,357

Oregon

12,626

309,904

322,530

California

143,871

24,205

168,076

Arizona

145,241

6,297

151,538

Idaho

20,035

113,002

133,037

Nevada

23,701

35,989

59,690

**673,225**

**3,820,970**

**494,195**

Washington

-

578,506

578,506

North Carolina

-

263,479

263,479

South Carolina

-

127,718

127,718

-

**969,703**

**969,703**

New York

683,880

-

683,880

Pennsylvania

427,489

-

427,489

Minnesota

210,983

-

210,983

Tennessee

79,014

-

79,014

Iowa

44,891

-

44,891

Nebraska

43,106

-

43,106

Alabama

25,980

-

25,980

Utah

21,718

-

21,718

Georgia

19,167

-

19,167

New Mexico

8,001

-

8,001

Montana

7,659

-

7,659

Mississippi

5,474

-

5,474

Florida

3,746

-

3,746

**1,581,108**

-

**1,581,108**

**2,254,333**

**4,790,673**

**7,045,006**