

Edgar Filing: CENTURYTEL INC - Form 8-K

CENTURYTEL INC
Form 8-K
July 27, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 26, 2001

CenturyTel, Inc.

(Exact name of registrant as specified in its charter)

Louisiana
(State or other
jurisdiction of
incorporation)

1-7784
(Commission File
Number)

72-0651161
(IRS Employer
Identification No.)

100 Century Park Drive, Monroe, Louisiana
(Address of principal executive offices)

71203
(Zip Code)

Registrant's telephone number, including area code (318) 388-9000

FOR IMMEDIATE RELEASE
July 26, 2001

FOR MORE INFORMATION CONTACT:
Media: Patricia Cameron (318) 388-9674
patricia.cameron@centurytel.com
Investors: Jeffrey S. Glover (318) 388-9648
jeff.glover@centurytel.com

CenturyTel Achieves Second Quarter Earnings Per Share of 38 Cents

MONROE, La..CenturyTel,Inc.(NYSE Symbol:CTL) announces operating results
for second quarter 2001.

- o Revenues climbed 22.6% to \$518.9 million.
- o Excluding nonrecurring gains and losses, earnings before interest, taxes, depreciation and amortization (EBITDA) increased 18.9% to \$261.3 million.
- o Net income, excluding nonrecurring gains and losses, was \$53.5 million.
- o Excluding nonrecurring gains and losses, cash earnings per share was \$.48.
- o Diluted earnings per share, excluding nonrecurring gains and losses, was \$.38.

Second Quarter Highlights	Qtr Ended	Qtr Ended	% Change
(Excluding nonrecurring gains and losses)	6/30/2001	6/30/2000	
(Dollars in thousands, except per share amounts)			

Edgar Filing: CENTURYTEL INC - Form 8-K

Revenues	\$ 518,936	\$ 423,156	22.6%
EBITDA	261,270	219,649	18.9%
Net Income	53,538	57,845	(7.4%)
Cash Earnings Per Share	.48	.50	(4.0%)
Diluted Earnings Per Share	.38	.41	(7.3%)
Average Diluted Shares Outstanding	142,059	141,732	.2%
Telephone Revenues	367,884	276,088	33.2%
Wireless Revenues	109,686	111,142	(1.3%)
Other Operations Revenues	41,366	35,926	15.1%
Telephone Access Lines	1,807,950	1,296,043	39.5%
Wireless Units in Majority-Owned Markets	779,958	749,400	4.1%

"CenturyTel achieved revenue growth of more than 22% as a result of contributions from acquisitions coupled with strong growth in our long distance and Internet businesses," said Glen F. Post, III, President and Chief Executive Officer. "Despite a sluggish economy which has led to weaker telephone access line growth, we continue to see strong demand for data services. Excluding acquisitions, data revenues jumped 29% this quarter. During the quarter we reached another milestone in our long distance business as we surpassed the 400,000 customer mark."

CenturyTel experienced non-recurring pre-tax items of \$158.6 million related to a gain on sale of PCS spectrum net of the write-down of certain non-operating assets. Financial data presented in the body of the press release excludes these one-time items.

Consolidated revenues rose 22.6% to \$518.9 million from \$423.2 million. EBITDA grew to \$261.3 million from \$219.6 million, an 18.9% increase. CenturyTel achieved a consolidated EBITDA margin of 50.3% during the quarter. Net income was \$53.5 million in the second quarter of 2001 compared to \$57.8 million in the second quarter 2000. The decline in net income is due to higher interest expense, amortization of goodwill stemming from acquisitions, certain regulatory issues that are being addressed, and higher expenses related to CLEC and DSL growth initiatives. Cash earnings per share was \$.48 in second quarter 2001 compared to \$.50 in second quarter 2000. Diluted earnings per share was \$.38 in the second quarter 2001 compared to \$.41 in second quarter 2000.

Telephone revenues grew 33.2% to \$367.9 million during the quarter compared with \$276.1 million in second quarter 2000. The 493,000 access lines acquired from Verizon during 2000 contributed \$86.7 million in telephone revenues during the second quarter. Telephone operating income increased 20.0%, reaching \$99.4 million from \$82.8 million in second quarter 2000, and EBITDA rose 31.8% to \$198.3 million from \$150.5 million a year ago. CenturyTel's second quarter telephone EBITDA margin was 53.9% while the operating income margin was 27.0%.

"CenturyTel continues to make solid progress resolving regulatory issues in Arkansas and Wisconsin, which, once resolved, should enhance our financial performance over the remainder of the year," Post said.

Wireless revenues declined 1.3% to \$109.7 million in second quarter 2001 compared with \$111.1 million in second quarter 2000. Roaming revenues declined 3.6% to \$22.4 million compared to \$23.2 million a year ago. Wireless operating income was \$31.0 million compared to \$32.8 million, a 5.5% decrease, and EBITDA decreased 5.9% to \$46.6 million compared to \$49.6 million a year ago. CenturyTel's second quarter wireless EBITDA margin was 43.5% based on service revenues, and the operating income margin was 29.0% based on service revenues.

Edgar Filing: CENTURYTEL INC - Form 8-K

Net wireless subscriber additions were 11,100 for the quarter. Average monthly cellular service revenue per user was \$46 during second quarter 2001.

"CenturyTel's continued focus on post-paid wireless customer growth resulted in a 36% increase in post-paid net additions from first quarter 2001 levels," Post said.

Other operations revenues grew 15.1% to \$41.4 million during second quarter 2001 compared with \$35.9 million in second quarter 2000. CenturyTel's long distance revenues increased 13.6% to \$28.5 million from \$25.1 million. CenturyTel now serves more than 414,000 long distance customers, adding more than 21,500 during the quarter. Internet revenues rose 65.3% to \$8.7 million from \$5.3 million. The company experienced a \$3.1 million operating loss this quarter in its Internet operations due to startup expenses pertaining to the rapid growth of DSL. CenturyTel now serves more than 15,700 DSL customers, adding more than 4,300 during the quarter. CLEC operating losses were \$2.7 million during the quarter.

"DSL and Internet service remain the fastest growing areas of our business. We are pleased with the demand for these services," Post said.

During the first six months of 2001, net income decreased 4.0% to \$101.5 million from \$105.7 million in 2000. Diluted earnings per share declined 5.3% to \$.71 from \$.75, and consolidated revenues increased 23.8% to \$1,034.9 million from \$836.1 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) was \$518.5 million compared with \$422.2 million a year ago.

CenturyTel provides updated financial guidance for 2001. Due principally to continued weakness in the general economy, CenturyTel is reducing its 2001 revenue and operating cash flow guidance. For the year, the company anticipates achieving total revenues and operating cash flow in the range of \$2.10 billion to \$2.14 billion and \$1.01 billion to \$1.04 billion, respectively. The company still believes it can achieve the annual 2001 earnings guidance provided last quarter. The company continues to estimate that cash earnings per share, before one-time items, will be \$1.94 to \$2.04. For 2001, earnings per share, before one-time items, will be within the range of \$1.52 to \$1.62.

For the third quarter, total revenues are expected to range from \$520 million to \$535 million. CenturyTel believes third quarter operating cash flow will be in the range of \$250 million to \$265 million. Cash earnings per share is anticipated to be \$.47 to \$.52, while earnings per share is expected to be in the range of \$.37 to \$.42.

All amounts disclosed above exclude one-time items.

In addition to historical information, this release includes forward-looking statements, estimates and projections that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond the control of CenturyTel. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the Company's ability to effectively manage its growth, including integrating newly acquired businesses into our operations, hiring adequate numbers of qualified staff and successfully upgrading our billing and other information systems; the inherent risk of rapid technological change; the effects of on-going changes in the regulation of the Company or the communications industry generally; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand for, or pricing of, the Company's products and services; the Company's ability to

Edgar Filing: CENTURYTEL INC - Form 8-K

successfully introduce new offerings on a timely and cost-effective basis; higher than anticipated interest rates; and the effects of more general factors such as changes in overall market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the Company's business are described in greater detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. The information contained in this release is as of July 26, 2001. The Company undertakes no obligation to update or revise any of this information whether a result of new information, future events or developments, or otherwise.

CenturyTel's management will be hosting a conference call July 26 at 10:30 A.M. Central time to discuss second quarter earnings and the outlook for 2001. Investors can access CenturyTel's earnings conference call and replay by accessing the company's Web site at (www.centurytel.com)

CenturyTel, Inc. provides communications services including local exchange, wireless, long distance, Internet access and data services to more than three million customers in 21 states. The company, headquartered in Monroe, Louisiana, is publicly traded on the New York Stock Exchange under the symbol CTL. CenturyTel is the 8th largest local exchange telephone company, based on access lines, and the 8th largest cellular company, based on population equivalents owned, in the United States.

Visit CenturyTel's corporate Web site at (www.centurytel.com)

CenturyTel, Inc. CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED JUNE 30, 2001 AND 2000 (UNAUDITED)

In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)

TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 123,293	90,527	36.2%
Network access	212,570	160,933	32.1%
Other	32,021	24,628	30.0%
	-----	-----	
	367,884	276,088	33.2%
	-----	-----	
Operating expenses			
Plant operations	93,490	59,763	56.4%
Customer operations	28,814	25,509	13.0%
Corporate and other	47,271	40,336	17.2%
Depreciation and amortization	98,927	67,631	46.3%
	-----	-----	
	268,502	193,239	38.9%
	-----	-----	
Telephone operating income	99,382	82,849	20.0%
	-----	-----	

WIRELESS OPERATIONS

Operating revenues

Edgar Filing: CENTURYTEL INC - Form 8-K

Service revenues	107,102	107,351	(0.2%)
Equipment sales	2,584	3,791	(31.8%)
	109,686	111,142	(1.3%)
Operating expenses			
Cost of equipment sold	5,837	6,356	(8.2%)
System operations	17,175	16,380	4.9%
General, administrative and customer service	21,055	19,421	8.4%
Sales and marketing	18,996	19,431	(2.2%)
Depreciation and amortization	15,606	16,742	(6.8%)
	78,669	78,330	0.4%
Wireless operating income	31,017	32,812	(5.5%)
OTHER OPERATIONS			
Operating revenues			
Long distance	28,514	25,099	13.6%
Internet	8,718	5,273	65.3%
Other	4,134	5,554	(25.6%)
	41,366	35,926	15.1%
Operating expenses			
Cost of sales and other	34,897	25,299	37.9%
Depreciation and amortization	1,663	1,396	19.1%
	36,560	26,695	37.0%
Other operating income	4,806	9,231	(47.9%)
TOTAL OPERATING INCOME	135,205	124,892	8.3%
OTHER INCOME (EXPENSE)			
Nonrecurring gains and losses	156,428	-	-
Interest expense	(57,358)	(35,267)	62.6%
Income from unconsolidated cellular entities	10,705	9,475	13.0%
Minority interest	(3,263)	(2,871)	13.7%
Other income and expense	4,578	2,384	92.0%
Income tax expense	(92,054)	(40,768)	125.8%
NET INCOME	\$ 154,241	57,845	166.6%
EARNINGS PER SHARE			
Basic	\$ 1.10	0.41	168.3%
Diluted	\$ 1.09	0.41	165.9%
SHARES OUTSTANDING			
Basic	140,720	139,995	0.5%
Diluted	142,059	141,732	0.2%
DIVIDENDS PER COMMON SHARE	\$ 0.0500	0.0475	5.3%

CenturyTel, Inc.

Edgar Filing: CENTURYTEL INC - Form 8-K

CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED JUNE 30, 2001 AND 2000 (UNAUDITED)

Excludes nonrecurring gains and losses In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)

TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 123,293	90,527	36.2%
Network access	212,570	160,933	32.1%
Other	32,021	24,628	30.0%

	367,884	276,088	33.2%

Operating expenses			
Plant operations	93,490	59,763	56.4%
Customer operations	28,814	25,509	13.0%
Corporate and other	47,271	40,336	17.2%
Depreciation and amortization	98,927	67,631	46.3%

	268,502	193,239	38.9%

Telephone operating income	99,382	82,849	20.0%

WIRELESS OPERATIONS			
Operating revenues			
Service revenues	107,102	107,351	(0.2%)
Equipment sales	2,584	3,791	(31.8%)

	109,686	111,142	(1.3%)

Operating expenses			
Cost of equipment sold	5,837	6,356	(8.2%)
System operations	17,175	16,380	4.9%
General, administrative and customer service	21,055	19,421	8.4%
Sales and marketing	18,996	19,431	(2.2%)
Depreciation and amortization	15,606	16,742	(6.8%)

	78,669	78,330	0.4%

Wireless operating income	31,017	32,812	(5.5%)

OTHER OPERATIONS			
Operating revenues			
Long distance	28,514	25,099	13.6%
Internet	8,718	5,273	65.3%
Other	4,134	5,554	(25.6%)

	41,366	35,926	15.1%

Operating expenses			

Edgar Filing: CENTURYTEL INC - Form 8-K

Cost of sales and other	34,897	25,299	37.9%
Depreciation and amortization	1,663	1,396	19.1%
	36,560	26,695	37.0%
Other operating income	4,806	9,231	(47.9%)
TOTAL OPERATING INCOME	135,205	124,892	8.3%
OTHER INCOME (EXPENSE)			
Interest expense	(57,358)	(35,267)	62.6%
Income from unconsolidated cellular entities	8,541	9,475	(9.9%)
Minority interest	(3,250)	(2,871)	13.2%
Other income and expense	4,578	2,384	92.0%
Income tax expense	(34,178)	(40,768)	(16.2%)
NET INCOME	\$ 53,538	57,845	(7.4%)
EARNINGS PER SHARE			
Basic	\$ 0.38	0.41	(7.3%)
Diluted	\$ 0.38	0.41	(7.3%)
SHARES OUTSTANDING			
Basic	140,720	139,995	0.5%
Diluted	142,059	141,732	0.2%
DIVIDENDS PER COMMON SHARE	\$ 0.0500	0.0475	5.3%

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2001 AND 2000
(UNAUDITED)

In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)
TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 244,454	178,592	36.9%
Network access	426,437	323,186	31.9%
Other	68,242	51,236	33.2%
	739,133	553,014	33.7%
Operating expenses			
Plant operations	187,375	122,539	52.9%
Customer operations	58,071	48,270	20.3%
Corporate and other	94,036	79,868	17.7%
Depreciation and amortization	196,288	134,991	45.4%
	535,770	385,668	38.9%

Edgar Filing: CENTURYTEL INC - Form 8-K

Telephone operating income	203,363	167,346	21.5%

WIRELESS OPERATIONS			
Operating revenues			
Service revenues	208,202	203,974	2.1%
Equipment sales	5,890	7,572	(22.2%)
	214,092	211,546	1.2%

Operating expenses			
Cost of equipment sold	11,681	14,536	(19.6%)
System operations	34,641	32,033	8.1%
General, administrative and customer service	41,792	37,627	11.1%
Sales and marketing	37,821	41,556	(9.0%)
Depreciation and amortization	32,220	33,091	(2.6%)
	158,155	158,843	(0.4%)

Wireless operating income	55,937	52,703	6.1%

OTHER OPERATIONS			
Operating revenues			
Long distance	56,114	49,926	12.4%
Internet	17,117	10,285	66.4%
Other	8,488	11,341	(25.2%)
	81,719	71,552	14.2%

Operating expenses			
Cost of sales and other	68,486	52,789	29.7%
Depreciation and amortization	3,120	2,498	24.9%
	71,606	55,287	29.5%

Other operating income	10,113	16,265	(37.8%)

TOTAL OPERATING INCOME	269,413	236,314	14.0%

OTHER INCOME (EXPENSE)			
Nonrecurring gains and losses	156,428	9,910	1,478.5%
Interest expense	(119,061)	(71,309)	67.0%
Income from unconsolidated cellular entities	16,026	8,016	99.9%
Minority interest	(5,912)	(5,163)	14.5%
Other income and expense	7,501	6,613	13.4%
Income tax expense	(123,432)	(77,252)	59.8%

NET INCOME	\$ 200,963	107,129	87.6%
=====			
EARNINGS PER SHARE			
Basic	\$ 1.43	0.76	88.2%
Diluted	\$ 1.41	0.76	85.5%

Edgar Filing: CENTURYTEL INC - Form 8-K

SHARES OUTSTANDING			
Basic	140,656	139,874	0.6%
Diluted	142,271	141,729	0.4%
DIVIDENDS PER COMMON SHARE	\$ 0.1000	0.0950	5.3%

CenturyTel, Inc. CONSOLIDATED STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2001 AND 2000 (UNAUDITED)

Excludes nonrecurring gains and losses			INCREASE
In thousands, except per share amounts	2001	2000	(DECREASE)

TELEPHONE OPERATIONS

Operating revenues			
Local service	\$ 244,454	178,592	36.9%
Network access	426,437	323,186	31.9%
Other	68,242	51,236	33.2%
	739,133	553,014	33.7%
Operating expenses			
Plant operations	185,375	122,539	51.3%
Customer operations	58,071	48,270	20.3%
Corporate and other	94,036	79,868	17.7%
Depreciation and amortization	196,288	134,991	45.4%
	533,770	385,668	38.4%
Telephone operating income	205,363	167,346	22.7%

WIRELESS OPERATIONS

Operating revenues			
Service revenues	208,202	203,974	2.1%
Equipment sales	5,890	7,572	(22.2%)
	214,092	211,546	1.2%
Operating expenses			
Cost of equipment sold	11,681	14,536	(19.6%)
System operations	34,641	32,033	8.1%
General, administrative and customer service	41,792	37,627	11.1%
Sales and marketing	37,821	41,556	(9.0%)
Depreciation and amortization	32,220	33,091	(2.6%)
	158,155	158,843	(0.4%)
Wireless operating income	55,937	52,703	6.1%

OTHER OPERATIONS

Operating revenues

Edgar Filing: CENTURYTEL INC - Form 8-K

Long distance	56,114	49,926	12.4%
Internet	17,117	10,285	66.4%
Other	8,488	11,341	(25.2%)
	81,719	71,552	14.2%
Operating expenses			
Cost of sales and other	68,486	52,285	31.0%
Depreciation and amortization	3,120	2,498	24.9%
	71,606	54,783	30.7%
Other operating income	10,113	16,769	(39.7%)
TOTAL OPERATING INCOME	271,413	236,818	14.6%
OTHER INCOME (EXPENSE)			
Interest expense	(119,061)	(71,309)	67.0%
Income from unconsolidated cellular entities	13,862	13,346	3.9%
Minority interest	(5,899)	(5,163)	14.3%
Other income and expense	7,501	6,613	13.4%
Income tax expense	(66,356)	(74,564)	(11.0%)
NET INCOME	\$ 101,460	105,741	(4.0%)
EARNINGS PER SHARE			
Basic	\$ 0.72	0.75	(4.0%)
Diluted	\$ 0.71	0.75	(5.3%)
SHARES OUTSTANDING			
Basic	140,656	139,874	0.6%
Diluted	142,271	141,729	0.4%
DIVIDENDS PER COMMON SHARE	\$ 0.1000	0.0950	5.3%

CenturyTel, Inc.
CONSOLIDATED BALANCE SHEETS
June 30, 2001 and December 31, 2000
(UNAUDITED)

	June 30, 2001	December 31, 2000
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 39,323	19,039
Other current assets	390,571	357,465
Total current assets	429,894	376,504

Edgar Filing: CENTURYTEL INC - Form 8-K

PROPERTY, PLANT AND EQUIPMENT		
Telephone	5,149,185	4,999,808
Wireless	533,451	522,684
Other	425,702	392,024
Accumulated depreciation	(3,143,285)	(2,955,223)

Net property, plant and equipment	2,965,053	2,959,293

INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired	2,511,255	2,509,033
Other	605,703	548,460

Total investments and other assets	3,116,958	3,057,493

TOTAL ASSETS	\$ 6,511,905	6,393,290
=====		

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
Short-term debt and current maturities of long-term debt	\$ 369,987	425,962
Other current liabilities	405,661	317,408

Total current liabilities	775,648	743,370

LONG-TERM DEBT	2,961,748	3,050,292
DEFERRED CREDITS AND OTHER LIABILITIES	537,790	567,549
STOCKHOLDERS' EQUITY	2,236,719	2,032,079

TOTAL LIABILITIES AND EQUITY	\$ 6,511,905	6,393,290
=====		

CAPITAL EXPENDITURES SIX MONTHS ENDED JUNE 30, 2001 AND 2000

	2001	2000	INC (DEC)

	(in thousands)		
Telephone	\$ 161,817	75,414	114.6%
Wireless	33,596	14,685	128.8%
Other	47,905	49,308	(2.8%)

Total capital expenditures	\$ 243,318	139,407	74.5%
=====			

CAPITAL EXPENDITURES THREE MONTHS ENDED JUNE 30, 2001 AND 2000

Edgar Filing: CENTURYTEL INC - Form 8-K

	2001	2000	INC (DEC)

	(in thousands)		
Telephone	\$ 89,137	46,105	93.3%
Wireless	15,264	11,006	38.7%
Other	18,332	24,131	(24.0%)

Total capital expenditures	\$ 122,733	81,242	51.1%
=====			

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CenturyTel, Inc.

By: /s/ Neil A. Sweasy

Neil A. Sweasy
Vice President and Controller