

Edgar Filing: CENTURYTEL INC - Form 8-K

CENTURYTEL INC  
Form 8-K  
November 02, 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) October 30, 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 CenturyTel Drive, Monroe, Louisiana (Address of principal executive offices)	71203 (Zip Code)
-------------------------------------------------------------------------------------	---------------------

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

FOR IMMEDIATE RELEASE  
October 30, 2001

FOR MORE INFORMATION CONTACT:  
Media: Patricia Cameron (318) 388-9674  
patricia.cameron@centurytel.com  
Investors: Tony Davis (318) 388-9525  
tony.davis@centurytel.com

CenturyTel Reports 11.8 Percent Increase in Third Quarter Revenues

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

- o Revenues climbed 11.8% to \$539.4 million.
- o Excluding nonrecurring gains and losses, earnings before interest, taxes, depreciation and amortization (EBITDA) increased 7.4% to \$278.3 million.
- o Net income, excluding nonrecurring gains and losses, was \$63.9 million.
- o Excluding nonrecurring gains and losses, cash earnings per share was \$.55.
- o Diluted earnings per share, excluding nonrecurring gains and losses, was \$.45.

Third Quarter Highlights

(Excluding nonrecurring gains and losses)

(Dollars in thousands, except per share amounts)	Qtr Ended 9/30/2001	Qtr Ended 9/30/2000	% Change
-----------------------------------------------------	------------------------	------------------------	----------

## Edgar Filing: CENTURYTEL INC - Form 8-K

Revenues	\$ 539,377	\$ 482,634	11.8%
EBITDA	\$ 278,328	\$ 259,158	7.4%
Net Income	\$ 63,873	\$ 65,966	(3.2%)
Cash Earnings Per Share	\$ .55	\$ .56	(1.8%)
Diluted Earnings Per Share	\$ .45	\$ .47	(4.3%)
Average Diluted Shares Outstanding	\$ 142,260	\$ 141,848	.3%
Telephone Revenues	\$ 377,747	\$ 324,608	16.4%
Wireless Revenues	\$ 115,404	\$ 120,232	(4.0%)
Other Operations Revenues	\$ 46,226	\$ 37,794	22.3%
Telephone Access Lines	1,808,574	1,800,728	.4%
Wireless Units in Majority-Owned Markets	794,664	741,183	7.2%

"CenturyTel achieved strong third quarter results in spite of a sluggish economy," said Glen F. Post, President and CEO of CenturyTel. "We made substantial progress in the quarter resolving several regulatory issues affecting our wireline operations and achieved good growth in our long distance, Internet and DSL service offerings."

CenturyTel experienced non-recurring pre-tax items of \$43.7 million primarily related to a gain on the sale of our remaining interest in Illuminet common stock 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 11.8% to \$539.4 million from \$482.6 million. EBITDA grew to \$278.3 million from \$259.2 million, a 7.4% increase. CenturyTel achieved a consolidated EBITDA margin of 51.6% during the quarter. Net income was \$63.9 million in third quarter 2001 compared to \$66.0 million in third quarter 2000. The decline in net income is due to lower wireless roaming revenue and higher expenses related to CLEC and DSL growth initiatives. Cash earnings per share was \$.55 in third quarter 2001 compared to \$.56 in third quarter 2000. Diluted earnings per share was \$.45 in the third quarter 2001 compared to \$.47 in third quarter 2000.

Telephone revenues grew 16.4% to \$377.7 million during the quarter compared with \$324.6 million in third quarter 2000. The 493,000 access lines acquired from Verizon during 2000 contributed \$46.4 million of the increase in telephone revenues during third quarter 2001. Telephone operating income increased 4.6%, reaching \$104.4 million from \$99.8 million in third quarter 2000, and EBITDA rose 12.4% to \$204.7 million from \$182.1 million a year ago. CenturyTel's third quarter telephone EBITDA margin was 54.2% while the operating income margin was 27.6%.

"CenturyTel continued to enhance the financial performance of the former Verizon lines in Arkansas and Wisconsin during the quarter. We obtained regulatory relief that should boost operating income in these properties by nearly \$30 million annually," Post said.

Wireless revenues declined 4.0% to \$115.4 million in third quarter 2001 compared with \$120.2 million in third quarter 2000. Roaming revenues declined 20.8% to \$24.0 million compared to \$30.4 million a year ago. Wireless operating income was \$32.9 million compared to \$39.3 million, a 16.2% decrease, and EBITDA decreased 10.4% to \$49.7 million compared to \$55.4 million a year ago. CenturyTel's third quarter wireless EBITDA margin was 44.0% based on service revenues, and the operating income margin was 29.2% based on service revenues. Net wireless subscriber additions were 14,700 for the quarter. Average monthly cellular service revenue per user was \$47 during third quarter 2001.

## Edgar Filing: CENTURYTEL INC - Form 8-K

"We achieved solid wireless results despite the anticipated \$6.4 million decline in roaming revenues. Customer growth was good and our wireless margins remain among the highest in the industry," Post said.

Other operations revenues grew 22.3% to \$46.2 million during third quarter 2001 compared with \$37.8 million in third quarter 2000. CenturyTel's long distance revenues increased 14.7% to \$31.1 million from \$27.1 million. CenturyTel now serves more than 438,600 long distance customers, adding more than 24,000 during the quarter. Internet revenues rose 72.1% to \$10.6 million from \$6.1 million. The company experienced a \$1.1 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 20,800 DSL customers, adding more than 5,000 during the quarter. CLEC operating losses were \$2.9 million during the quarter.

"CenturyTel achieved nearly 2% penetration of our DSL-enabled lines while reducing Internet operating losses from the second quarter. We were successful in adding more than 5,000 DSL customers during the third quarter," Post said.

During the first nine months of 2001, net income decreased 3.7% to \$165.3 million from \$171.7 million in 2000. Diluted earnings per share declined 4.1% to \$1.16 from \$1.21, and consolidated revenues increased 19.4% to \$1.574 billion from \$1.319 billion. Earnings before interest, taxes, depreciation and amortization (EBITDA) was \$796.8 million compared with \$681.4 million a year ago, a 16.9% increase.

"CenturyTel has generated \$111.4 million in free cash flow year to date. Debt as a percentage of total capitalization has fallen steadily from 63.1% at year end 2000 to 57.7% at the end of the third quarter," Post said.

For the fourth quarter 2001, CenturyTel expects total revenues to range from \$525 million to \$545 million. Operating cash flow for the fourth quarter is expected to be in the range of \$245 million to \$260 million. Cash earnings per share is anticipated to be \$.47 to \$.51 while earnings per share is expected to be in the range of \$.37 to \$.41.

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 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 October 30, 2001. The Company undertakes no obligation to update or revise any of this information whether a result of new

## Edgar Filing: CENTURYTEL INC - Form 8-K

information, future events or developments, or otherwise.

CenturyTel's management will be hosting a conference call today at 10:30 A.M. CST to discuss third quarter earnings and the outlook for fourth quarter 2001. Investors can access CenturyTel's earnings conference call and replay by accessing the company's Web site at ([www.centurytel.com](http://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](http://www.centurytel.com))

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

In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)
TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 122,829	106,304	15.5%
Network access	219,432	187,254	17.2%
Other	35,486	31,050	14.3%
	377,747	324,608	16.4%
Operating expenses			
Plant operations	98,605	76,086	29.6%
Customer operations	28,148	28,623	(1.7%)
Corporate and other	46,293	37,766	22.6%
Depreciation and amortization	100,336	82,380	21.8%
	273,382	224,855	21.6%
Telephone operating income	104,365	99,753	4.6%
WIRELESS OPERATIONS			
Operating revenues			
Service	88,695	86,501	2.5%
Roaming	24,036	30,361	(20.8%)
Equipment sales	2,673	3,370	(20.7%)
	115,404	120,232	(4.0%)
Operating expenses			
Cost of equipment sold	6,108	7,192	(15.1%)
System operations	19,924	19,749	0.9%
General, administrative			

Edgar Filing: CENTURYTEL INC - Form 8-K

and customer service	22,250	18,796	18.4%
Sales and marketing	17,466	19,081	(8.5%)
Depreciation and amortization	16,754	16,134	3.8%
	82,502	80,952	1.9%
Wireless operating income	32,902	39,280	(16.2%)
OTHER OPERATIONS			
Operating revenues			
Long distance	31,050	27,075	14.7%
Internet	10,561	6,138	72.1%
Other	4,615	4,581	0.7%
	46,226	37,794	22.3%
Operating expenses			
Cost of sales and other	36,563	28,542	28.1%
Depreciation and amortization	3,119	1,226	154.4%
	39,682	29,768	33.3%
Other operating income	6,544	8,026	(18.5%)
TOTAL OPERATING INCOME	143,811	147,059	(2.2%)
OTHER INCOME (EXPENSE)			
Interest expense	(54,438)	(48,904)	11.3%
Income from unconsolidated cellular entities	16,622	11,366	46.2%
Minority interest	(2,819)	(2,889)	(2.4%)
Nonrecurring gains and losses	43,543	10,683	307.6%
Other income and expense	705	(4,065)	(117.3%)
Income tax expense	(55,119)	(46,026)	19.8%
NET INCOME	\$ 92,305	67,224	37.3%
EARNINGS PER SHARE			
Basic	\$ 0.66	0.48	37.5%
Diluted	\$ 0.65	0.47	38.3%
SHARES OUTSTANDING			
Basic	140,772	140,220	0.4%
Diluted	142,260	141,848	0.3%
DIVIDENDS PER COMMON SHARE	\$ 0.0500	0.0475	5.3%

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

Excludes nonrecurring items

Edgar Filing: CENTURYTEL INC - Form 8-K

In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)
-----			
TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 122,829	106,304	15.5%
Network access	219,432	187,254	17.2%
Other	35,486	31,050	14.3%
	377,747	324,608	16.4%
-----			
Operating expenses			
Plant operations	98,605	76,086	29.6%
Customer operations	28,148	28,623	(1.7%)
Corporate and other	46,293	37,766	22.6%
Depreciation and amortization	100,336	82,380	21.8%
	273,382	224,855	21.6%
-----			
Telephone operating income	104,365	99,753	4.6%
-----			
WIRELESS OPERATIONS			
Operating revenues			
Service	88,695	86,501	2.5%
Roaming	24,036	30,361	(20.8%)
Equipment sales	2,673	3,370	(20.7%)
	115,404	120,232	(4.0%)
-----			
Operating expenses			
Cost of equipment sold	6,108	7,192	(15.1%)
System operations	19,924	19,749	0.9%
General, administrative and customer service	22,250	18,796	18.4%
Sales and marketing	17,466	19,081	(8.5%)
Depreciation and amortization	16,754	16,134	3.8%
	82,502	80,952	1.9%
-----			
Wireless operating income	32,902	39,280	(16.2%)
-----			
OTHER OPERATIONS			
Operating revenues			
Long distance	31,050	27,075	14.7%
Internet	10,561	6,138	72.1%
Other	4,615	4,581	0.7%
	46,226	37,794	22.3%
-----			
Operating expenses			
Cost of sales and other	36,563	28,542	28.1%
Depreciation and amortization	3,119	1,226	154.4%
	39,682	29,768	33.3%
-----			
Other operating income	6,544	8,026	(18.5%)
-----			

Edgar Filing: CENTURYTEL INC - Form 8-K

TOTAL OPERATING INCOME	143,811	147,059	(2.2%)
OTHER INCOME (EXPENSE)			
Interest expense	(54,438)	(48,904)	11.3%
Income from unconsolidated cellular entities	13,422	11,366	18.1%
Minority interest	(2,819)	(2,889)	(2.4%)
Other income and expense	3,705	3,882	(4.6%)
Income tax expense	(39,808)	(44,548)	(10.6%)
-----			
NET INCOME	\$ 63,873	65,966	(3.2%)
=====			
EARNINGS PER SHARE			
Basic	\$ 0.45	0.47	(4.3%)
Diluted	\$ 0.45	0.47	(4.3%)
SHARES OUTSTANDING			
Basic	140,772	140,220	0.4%
Diluted	142,260	141,848	0.3%
DIVIDENDS PER COMMON SHARE	\$ 0.0500	0.0475	5.3%

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

In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)
-----			
TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 367,283	284,896	28.9%
Network access	645,869	510,440	26.5%
Other	103,728	82,286	26.1%
-----			
	1,116,880	877,622	27.3%
-----			
Operating expenses			
Plant operations	285,980	198,625	44.0%
Customer operations	86,219	76,893	12.1%
Corporate and other	140,329	117,634	19.3%
Depreciation and amortization	296,624	217,371	36.5%
-----			
	809,152	610,523	32.5%
-----			
Telephone operating income	307,728	267,099	15.2%
-----			
WIRELESS OPERATIONS			
Operating revenues			
Service revenues	253,886	246,890	2.8%

Edgar Filing: CENTURYTEL INC - Form 8-K

Roaming	67,047	73,946	(9.3%)
Equipment sales	8,563	10,942	(21.7%)
	-----	-----	
	329,496	331,778	(0.7%)
	-----	-----	
Operating expenses			
Cost of equipment sold	17,789	21,728	(18.1%)
System operations	54,565	51,782	5.4%
General, administrative and customer service	64,042	56,423	13.5%
Sales and marketing	55,287	60,637	(8.8%)
Depreciation and amortization	48,974	49,225	(0.5%)
	-----	-----	
	240,657	239,795	0.4%
	-----	-----	
Wireless operating income	88,839	91,983	(3.4%)
	-----	-----	
OTHER OPERATIONS			
Operating revenues			
Long distance	87,164	77,001	13.2%
Internet	27,678	16,423	68.5%
Other	13,103	15,922	(17.7%)
	-----	-----	
	127,945	109,346	17.0%
	-----	-----	
Operating expenses			
Cost of sales and other	105,049	81,331	29.2%
Depreciation and amortization	6,239	3,724	67.5%
	-----	-----	
	111,288	85,055	30.8%
	-----	-----	
Other operating income	16,657	24,291	(31.4%)
	-----	-----	
TOTAL OPERATING INCOME	413,224	383,373	7.8%
	-----	-----	
OTHER INCOME (EXPENSE)			
Interest expense	(173,499)	(120,213)	44.3%
Income from unconsolidated cellular entities	32,648	19,382	68.4%
Minority interest	(8,731)	(8,052)	8.4%
Nonrecurring gains and losses	199,971	20,593	871.1%
Other income and expense	8,206	2,548	222.1%
Income tax expense	(178,551)	(123,278)	44.8%
	-----	-----	
NET INCOME	\$ 293,268	174,353	68.2%
	=====	=====	
EARNINGS PER SHARE			
Basic	\$ 2.08	1.24	67.7%
Diluted	\$ 2.06	1.23	67.5%
SHARES OUTSTANDING			
Basic	140,693	139,989	0.5%
Diluted	142,267	141,769	0.4%
DIVIDENDS PER COMMON SHARE			
	\$ 0.1500	0.1425	5.3%

CenturyTel, Inc.

## Edgar Filing: CENTURYTEL INC - Form 8-K

### CONSOLIDATED STATEMENTS OF INCOME NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000 (UNAUDITED)

Excludes nonrecurring items In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)
TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 367,283	284,896	28.9%
Network access	645,869	510,440	26.5%
Other	103,728	82,286	26.1%
	1,116,880	877,622	27.3%
Operating expenses			
Plant operations	283,980	198,625	43.0%
Customer operations	86,219	76,893	12.1%
Corporate and other	140,329	117,634	19.3%
Depreciation and amortization	296,624	217,371	36.5%
	807,152	610,523	32.2%
Telephone operating income	309,728	267,099	16.0%
WIRELESS OPERATIONS			
Operating revenues			
Service	253,886	246,890	2.8%
Roaming	67,047	73,946	(9.3%)
Equipment sales	8,563	10,942	(21.7%)
	329,496	331,778	(0.7%)
Operating expenses			
Cost of equipment sold	17,789	21,728	(18.1%)
System operations	54,565	51,782	5.4%
General, administrative and customer service	64,042	56,423	13.5%
Sales and marketing	55,287	60,637	(8.8%)
Depreciation and amortization	48,974	49,225	(0.5%)
	240,657	239,795	0.4%
Wireless operating income	88,839	91,983	(3.4%)
OTHER OPERATIONS			
Operating revenues			
Long distance	87,164	77,001	13.2%
Internet	27,678	16,423	68.5%
Other	13,103	15,922	(17.7%)
	127,945	109,346	17.0%
Operating expenses			
Cost of sales and other	105,049	80,827	30.0%

Edgar Filing: CENTURYTEL INC - Form 8-K

Depreciation and amortization	6,239	3,724	67.5%
	111,288	84,551	31.6%
Other operating income	16,657	24,795	(32.8%)
TOTAL OPERATING INCOME	415,224	383,877	8.2%
OTHER INCOME (EXPENSE)			
Interest expense	(173,499)	(120,213)	44.3%
Income from unconsolidated cellular entities	27,284	24,712	10.4%
Minority interest	(8,718)	(8,052)	8.3%
Other income and expense	11,206	10,495	6.8%
Income tax expense	(106,164)	( 119,112)	(10.9%)
NET INCOME	\$ 165,333	171,707	(3.7%)
EARNINGS PER SHARE			
Basic	\$ 1.17	1.23	(4.9%)
Diluted	\$ 1.16	1.21	(4.1%)
SHARES OUTSTANDING			
Basic	140,693	139,989	0.5%
Diluted	142,267	141,769	0.4%
DIVIDENDS PER COMMON SHARE	\$ 0.1500	0.1425	5.3%

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

	September 30, 2001	December 31, 2000
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,372	19,039
Other current assets	342,433	357,465
Total current assets	363,805	376,504
PROPERTY, PLANT AND EQUIPMENT		
Telephone	5,220,236	4,999,808
Wireless	552,586	522,684
Other	443,038	392,024
Accumulated depreciation	(3,230,162)	(2,955,223)
Net property, plant and equipment	2,985,698	2,959,293

Edgar Filing: CENTURYTEL INC - Form 8-K

INVESTMENTS AND OTHER ASSETS

Excess cost of net		
assets acquired	2,489,276	2,509,033
Other	550,543	548,460
-----		
Total investments and other assets	3,039,819	3,057,493
-----		

TOTAL ASSETS	\$ 6,389,322	6,393,290
=====		

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Short-term debt and current		
maturities of long-term debt	\$ 314,385	425,962
Other current liabilities	448,004	317,408
-----		
Total current liabilities	762,389	743,370

LONG-TERM DEBT	2,802,301	3,050,292
DEFERRED CREDITS AND OTHER LIABILITIES	536,201	567,549
STOCKHOLDERS' EQUITY	2,288,431	2,032,079
-----		

TOTAL LIABILITIES AND EQUITY	\$ 6,389,322	6,393,290
=====		

CAPITAL EXPENDITURES  
NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

	2001	2000	INC (DEC)
-----			
	(in thousands)		
Telephone	\$ 248,831	157,841	57.6%
Wireless	52,522	38,964	34.8%
Other	82,902	85,876	(3.5%)
-----			
Total capital expenditures	\$ 384,255	282,681	35.9%
=====			

CAPITAL EXPENDITURES  
THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

	2001	2000	INC (DEC)
-----			
	(in thousands)		
Telephone	\$ 87,014	82,427	5.6%
Wireless	18,926	24,279	(22.0%)
Other	34,997	36,568	(4.3%)

Edgar Filing: CENTURYTEL INC - Form 8-K

Total capital expenditures	\$ 140,937	143,274	(1.6%)
----------------------------	------------	---------	--------

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