

CENTURYTEL INC
Form 10-Q
May 01, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

or

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

Commission File Number: 1-7784

CenturyTel, Inc.

(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

72-0651161
(I.R.S. Employer
Identification No.)

100 CenturyTel Drive, Monroe, Louisiana 71203
(Address of principal executive offices) (Zip Code)

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

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).

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 "large accelerated filer", "accelerated filer" and "smaller reporting company"

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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

As of April 30, 2009, there were 100,972,937 shares of common stock outstanding.

CenturyTel, Inc.

TABLE OF CONTENTS

	Page No.
Part I. Financial Information:	
Item 1. Financial Statements	
Consolidated Statements of Income--Three Months Ended March 31, 2009 and 2008	3
Consolidated Statements of Comprehensive Income--Three Months Ended March 31, 2009 and 2008	4
Consolidated Balance Sheets--March 31, 2009 and December 31, 2008	5
Consolidated Statements of Cash Flows--Three Months Ended March 31, 2009 and 2008	6
Consolidated Statements of Stockholders' Equity--Three Months Ended March 31, 2009 and 2008	7
Notes to Consolidated Financial Statements*	8-13
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14-19
Item 3. Quantitative and Qualitative Disclosures About Market Risk	20
Item 4. Controls and Procedures	21
Part II. Other Information:	
Item 1. Legal Proceedings	22
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	22
Exhibits and Reports on Form 8-K	22-23

Item
6.

Signature

23

* All references to “Notes” in this quarterly report refer to these Notes to Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three months ended March 31, 2009 2008 (Dollars, except per share amounts, and shares in thousands)	
OPERATING REVENUES	\$ 636,385	648,614
OPERATING EXPENSES		
Cost of services and products (exclusive of depreciation and amortization)	234,631	237,812
Selling, general and administrative	109,845	91,625
Depreciation and amortization	127,572	135,684
Total operating expenses	472,048	465,121
OPERATING INCOME	164,337	183,493
OTHER INCOME (EXPENSE)		
Interest expense	(52,032)	(50,122)
Other income (expense)	(1,818)	8,663
Total other income (expense)	(53,850)	(41,459)
INCOME BEFORE INCOME TAX EXPENSE	110,487	142,034
Income tax expense	43,107	53,028
NET INCOME	67,380	89,006
Less: Net income attributable to noncontrolling interests	(226)	(246)
NET INCOME ATTRIBUTABLE TO CENTURYTEL, INC.	\$ 67,154	88,760
BASIC EARNINGS PER SHARE	\$.67	.83
DILUTED EARNINGS PER SHARE	\$.67	.82
DIVIDENDS PER COMMON SHARE	\$.70	.0675
AVERAGE BASIC SHARES OUTSTANDING	99,126	106,142
AVERAGE DILUTED SHARES OUTSTANDING	99,144	106,675

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three months ended March 31,	
	2009	2008
	(Dollars in thousands)	
NET INCOME	\$ 67,380	89,006
OTHER COMPREHENSIVE INCOME, NET OF TAXES:		
Unrealized holding loss related to marketable securities, net of (\$525) tax	-	(843)
Derivative instruments:		
Reclassification adjustment for losses included in net income, net of \$67 and \$67 tax	107	107
Defined benefit pension and postretirement plans:		
Amortization of net actuarial loss and prior service credit included in net income, net of \$4,224 and \$68 tax	6,777	110
Net change in other comprehensive income (loss), net of tax	6,884	(626)
COMPREHENSIVE INCOME	74,264	88,380
Comprehensive income attributable to noncontrolling interests	(226)	(246)
COMPREHENSIVE INCOME ATTRIBUTABLE TO CENTURYTEL, INC.	\$ 74,038	88,134

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2009	December 31, 2008
(Dollars in thousands)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 61,230	243,327
Accounts receivable, less allowance of \$15,750 and \$16,290	194,194	230,292
Materials and supplies, at average cost	8,781	8,862
Other	56,425	72,926
Total current assets	320,630	555,407
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	8,900,683	8,868,451
Accumulated depreciation	(6,079,113)	(5,972,559)
Net property, plant and equipment	2,821,570	2,895,892
GOODWILL AND OTHER ASSETS		
Goodwill	4,015,674	4,015,674
Other	775,939	787,222
Total goodwill and other assets	4,791,613	4,802,896
TOTAL ASSETS	\$ 7,933,813	8,254,195
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 20,148	20,407
Accounts payable	125,218	135,086
Accrued expenses and other liabilities		
Salaries and benefits	48,366	99,648
Income taxes	12,093	-
Other taxes	50,726	44,137
Interest	77,472	75,769
Other	24,290	26,773
Advance billings and customer deposits	56,549	56,570
Total current liabilities	414,862	458,390
LONG-TERM DEBT	3,002,402	3,294,119
DEFERRED CREDITS AND OTHER LIABILITIES	1,341,340	1,333,878
STOCKHOLDERS' EQUITY		
CenturyTel, Inc.	100,579	100,277

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Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding
100,579,306 and 100,277,216 shares

Paid-in capital	43,489	39,961
Accumulated other comprehensive loss, net of tax	(116,605)	(123,489)
Retained earnings	3,143,036	3,146,255
Preferred stock - non-redeemable	236	236
Noncontrolling interests	4,474	4,568
Total stockholders' equity	3,175,209	3,167,808
TOTAL LIABILITIES AND EQUITY	\$ 7,933,813	8,254,195

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)

Three months
 ended March 31,
 2009 2008
 (Dollars in thousands)

OPERATING ACTIVITIES		
Net income attributable to CenturyTel, Inc.	\$ 67,154	88,760
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	127,572	135,684
Gain on asset disposition	-	(4,136)
Deferred income taxes	17,249	8,357
Share-based compensation	4,487	3,324
Income from unconsolidated cellular entity	(4,723)	(3,306)
Distributions from unconsolidated cellular entity	4,088	6,363
Changes in current assets and current liabilities:		
Accounts receivable	36,098	4,520
Accounts payable	(9,868)	(12,073)
Accrued income and other taxes	19,103	9,699
Other current assets and other current liabilities, net	(12,302)	(14,423)
Retirement benefits	(23,497)	5,474
Excess tax benefits from share-based compensation	(335)	(19)
Increase (decrease) in other noncurrent assets	(306)	(789)
Decrease in other noncurrent liabilities	(2,779)	(2,790)
Other, net	8,226	5,565
Net cash provided by operating activities	230,167	230,210
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(45,496)	(54,739)
Deposit paid for wireless spectrum auction	-	(25,000)
Proceeds from sale of nonoperating investment	-	4,209
Other, net	128	(721)
Net cash used in investing activities	(45,368)	(76,251)
FINANCING ACTIVITIES		
Net proceeds from the issuance of long-term debt	-	135,000
Payments of debt	(291,976)	(245,058)
Proceeds from issuance of short-term debt	-	40,000
Proceeds from issuance of common stock	2,948	2,339
Repurchase of common stock	(4,026)	(95,621)
Net proceeds from settlement of hedges	-	20,745
Cash dividends	(70,373)	(7,261)
Excess tax benefits from share-based compensation	335	19
Other, net	(3,804)	(985)
Net cash used in financing activities	(366,896)	(150,822)

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Net increase (decrease) in cash and cash equivalents	(182,097)	3,137
Cash and cash equivalents at beginning of period	243,327	34,402
Cash and cash equivalents at end of period	\$ 61,230	37,539
Supplemental cash flow information:		
Income taxes paid	\$ 851	44,152
Interest paid (net of capitalized interest of \$327 and \$726)	\$ 50,002	54,467

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Three months ended March 31,	
	2009	2008
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 100,277	108,492
Issuance of common stock through dividend reinvestment, incentive and benefit plans	455	360
Repurchase of common stock	-	(2,545)
Shares withheld to satisfy tax withholdings	(153)	(48)
Balance at end of period	100,579	106,259
PAID-IN CAPITAL		
Balance at beginning of period	39,961	91,147
Issuance of common stock through dividend reinvestment, incentive and benefit plans	2,493	1,979
Repurchase of common stock	-	(91,407)
Shares withheld to satisfy tax withholdings	(3,873)	(1,621)
Excess tax benefits from share-based compensation	335	19
Share-based compensation and other	4,573	3,169
Balance at end of period	43,489	3,286
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX		
Balance at beginning of period	(123,489)	(42,707)
Net change in other comprehensive income (loss), net of reclassification adjustment, net of tax	6,884	(626)
Balance at end of period	(116,605)	(43,333)
RETAINED EARNINGS		
Balance at beginning of period	3,146,255	3,245,302
Net income attributable to CenturyTel, Inc.	67,154	88,760
Cash dividends declared		
Common stock - \$.70 and \$.0675 per share, respectively	(70,370)	(7,174)
Preferred stock	(3)	(87)
Balance at end of period	3,143,036	3,326,801
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning and end of period	236	6,971
NONCONTROLLING INTERESTS		
Balance at beginning of period	4,568	6,605
Net income attributable to noncontrolling interests		