

CENTURYTEL INC

FORM 10-Q (Quarterly Report)

Filed 5/14/1999 For Period Ending 3/31/1999

Address	P O BOX 4065 100 CENTURYTEL DR MONROE, Louisiana 71203
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CIK	0000018926
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

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, 1999

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)

CENTURY TELEPHONE ENTERPRISES, INC.
(Former name, if changed since last report)

Louisiana
(State or other jurisdiction of
incorporation or organization)

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

100 Century Park 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

As of April 30, 1999, there were 139,318,179 shares of common stock outstanding.

CENTURYTEL, INC.

TABLE OF CONTENTS

Page No.

Part I. Financial Information:

Financial Statements

Consolidated Statements of Income--Three Months
Ended March 31, 1999 and 1998

Consolidated Statements of Comprehensive Income-- Three Months Ended March 31, 1999 and 1998	4
Consolidated Balance Sheets--March 31, 1999 and December 31, 1998	5
Consolidated Statements of Stockholders' Equity-- Three Months Ended March 31, 1999 and 1998	6
Consolidated Statements of Cash Flows-- Three Months Ended March 31, 1999 and 1998	7
Notes to Consolidated Financial Statements	8-9
Management's Discussion and Analysis of Financial Condition and Results of Operations	10-18
Quantitative and Qualitative Disclosures About Market Risk	19
Part II. Other Information:	
Exhibits and Reports on Form 8-K	20
Signature	21

PART I. FINANCIAL INFORMATION

CENTURYTEL, INC. CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended March 31,	
	1999	1998
	(Dollars, except per share amounts, and shares in thousands)	
OPERATING REVENUES		
Telephone	\$292,961	259,813
Cellular	98,471	94,166
Other	22,824	17,741
Total operating revenues	414,256	371,720
OPERATING EXPENSES		
Cost of sales and operating expenses	193,652	182,394
Depreciation and amortization	89,981	79,194
Total operating expenses	283,633	261,588
OPERATING INCOME	130,623	110,132
OTHER INCOME (EXPENSE)		
Interest expense	(42,241)	(42,809)
Gain on sale or exchange of assets	10,358	24,343
Income from unconsolidated cellular entities	6,845	6,877
Minority interest	(3,310)	(2,643)
Other income and expense	2,180	604
Total other income (expense)	(26,168)	(13,628)
INCOME BEFORE INCOME TAX EXPENSE	104,455	96,504
Income tax expense	43,350	38,810
NET INCOME	\$ 61,105	57,694
BASIC EARNINGS PER SHARE*	\$.44	.42

DILUTED EARNINGS PER SHARE*	\$.43	.41
=====		
DIVIDENDS PER COMMON SHARE*	\$.045	.043
=====		
AVERAGE BASIC SHARES OUTSTANDING*	138,086	136,442
=====		
AVERAGE DILUTED SHARES OUTSTANDING*	141,028	139,376
=====		

* Reflects March 1999 stock split. See Note 4.

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three months ended March 31,	
	1999	1998
	(Dollars in thousands)	
Net income	\$ 61,105	57,694
Other comprehensive income, net of tax:		
Unrealized holding gains arising during period, net of \$1,116 and \$4,836 tax	2,073	8,980
Reclassification adjustment for gains included in net income, net of \$3,625 and \$7,967 tax	(6,733)	(14,795)
Other comprehensive income, net of \$2,509 and \$3,131 tax	(4,660)	(5,815)
Comprehensive income	\$ 56,445	51,879
=====		

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, December 31,	
	1999	1998
	(Dollars in thousands)	
ASSETS		

CURRENT ASSETS		
Cash and cash equivalents	\$ 4,085	5,742
Accounts receivable, less allowance of \$4,300 and \$4,155	193,714	185,398
Materials and supplies, at average cost	24,813	23,709
Other	10,133	11,389
	232,745	226,238

NET PROPERTY, PLANT AND EQUIPMENT	2,332,240	2,351,453

INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less accumulated amortization of \$145,710 and \$133,135	1,941,127	1,956,701
Other	391,057	401,063
	2,332,184	2,357,764

	\$4,897,169	4,935,455
=====		
LIABILITIES AND EQUITY		

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 54,611	53,010
Accounts payable	84,559	87,627
Accrued expenses and other liabilities		
Salaries and benefits	40,612	36,900
Taxes	75,805	33,411
Interest	22,856	36,926
Other	22,828	24,249
Advance billings and customer deposits	33,651	32,721

	334,922	304,844

LONG-TERM DEBT	2,426,028	2,558,000

DEFERRED CREDITS AND OTHER LIABILITIES	539,798	541,129

STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
175,000,000 shares, issued and outstanding		
139,272,323 and 138,082,926 shares	139,272	138,083
Paid-in capital	464,722	451,535
Accumulated other comprehensive income -		
unrealized holding gain on investments,		
net of taxes	2,557	7,217
Retained earnings	987,394	932,611
Unearned ESOP shares	(5,630)	(6,070)
Preferred stock - non-redeemable	8,106	8,106

	1,596,421	1,531,482

	\$4,897,169	4,935,455
=====		
See accompanying notes to consolidated financial statements.		

CENTURYTEL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Three months ended March 31,	
	1999	1998

	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 138,083*	91,104
Conversion of convertible securities into common stock	254	169
Issuance of common stock through dividend reinvestment, incentive and benefit plans	935	247
Issuance of common stock for acquisition	-	28

Balance at end of period	139,272	91,548

PAID-IN CAPITAL		
Balance at beginning of period	451,535*	469,586
Conversion of convertible securities into common stock	3,046	3,131
Issuance of common stock through dividend reinvestment, incentive and benefit plans	9,688	4,125
Issuance of common stock for acquisition	-	1,059
Amortization of unearned compensation and other	453	472

Balance at end of period	464,722	478,373

ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	7,217	11,893
Change in unrealized holding gain on investments,		

net of reclassification adjustment	(4,660)	(5,815)
Balance at end of period	2,557	6,078
RETAINED EARNINGS		
Balance at beginning of period	932,611	728,033
Net income	61,105	57,694
Cash dividends declared		
Common stock-\$.045 and \$.043 per share, respectively*	(6,220)	(5,911)
Preferred stock	(102)	(102)
Balance at end of period	987,394	779,714
UNEARNED ESOP SHARES		
Balance at beginning of period	(6,070)	(8,450)
Release of ESOP shares	440	440
Balance at end of period	(5,630)	(8,010)
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning and end of period	8,106	8,106
TOTAL STOCKHOLDERS' EQUITY	\$1,596,421	1,355,809

* Reflects March 1999 stock split. See Note 4.
See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended March 31,	
	1999	1998
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 61,105	57,694
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	89,981	79,194
Gain on sale or exchange of assets	(10,358)	(24,343)
Deferred income taxes	2,516	26,599
Income from unconsolidated cellular entities	(6,845)	(6,877)
Minority interest	3,310	2,643
Changes in current assets and current liabilities:		
Accounts receivable	(8,316)	45,234
Accounts payable	(3,068)	(10,627)
Other accrued taxes	42,394	(29,614)
Other current assets and other current liabilities, net	(10,697)	3,316
Increase in other noncurrent liabilities	860	7,660
Other, net	(1,290)	(4,021)
Net cash provided by operating activities	159,592	146,858
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(63,001)	(58,202)
Acquisitions, net of cash acquired	-	(5,000)
Proceeds from sale of assets	20,056	10,177
Purchase of life insurance investment	(1,561)	(7,180)
Other, net	5,409	6,446
Net cash used in investing activities	(39,097)	(53,759)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	7,779	783,000

Payments of long-term debt	(134,269)	(838,582)
Payment upon settlement of hedge contracts	-	(40,237)
Payment of deferred debt issuance costs	-	(6,625)
Proceeds from issuance of common stock	10,434	4,374
Cash dividends	(6,322)	(6,013)
Other, net	226	271

Net cash used in financing activities	(122,152)	(103,812)

Net decrease in cash and cash equivalents	(1,657)	(10,713)
Cash and cash equivalents at beginning of period	5,742	26,017

Cash and cash equivalents at end of period	\$ 4,085	15,304
=====		
Supplemental cash flow information:		
Income taxes paid	\$ 2,947	47,313
=====		
Interest paid	\$ 56,311	36,240
=====		

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 1999 (UNAUDITED)

(1) Basis of Financial Reporting

The consolidated financial statements of CenturyTel, Inc. and its subsidiaries (the "Company") include the accounts of CenturyTel, Inc. ("CenturyTel") and its majority-owned subsidiaries and partnerships. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, the Company believes the disclosures which are made are adequate to make the information presented not misleading. The consolidated financial statements and footnotes included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1998.

The unaudited financial information for the three months ended March 31, 1999 and 1998 has not been audited by independent certified public accountants; however, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the three-month periods have been included therein. The results of operations for the first three months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

(2) Net Property, Plant and Equipment

Net property, plant and equipment is composed of the following:

	March 31, 1999	Dec. 31, 1998

	(Dollars in thousands)	
Telephone, at original cost	\$ 3,692,537	3,660,252
Accumulated depreciation	(1,718,912)	(1,661,315)

	1,973,625	1,998,937

Cellular, at cost	435,379	428,984
Accumulated depreciation	(190,769)	(178,569)

	244,610	250,415

Corporate and other, at cost	214,724	200,422
Accumulated depreciation	(100,719)	(98,321)

	114,005	102,101

	\$ 2,332,240	2,351,453
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(3) Earnings from Unconsolidated Cellular Entities

The following summarizes the unaudited combined results of operations of the cellular entities in which the Company's investments (as of March 31, 1999 and 1998) were accounted for by the equity method.

	Three months ended March 31,	
	1999	1998
	(Dollars in thousands)	
Results of operations		
Revenues	\$ 328,540	323,584
Operating income	\$ 108,541	101,346
Net income	\$ 108,394	96,449

(4) Stock Split

On February 23, 1999, the Company's Board of Directors declared a three-for-two common stock split effected as a 50% stock dividend distributed on March 31, 1999. Shares outstanding and per share data for the three months ended March 31, 1998 have been restated to reflect this stock split.

(5) Sale or Exchange of Asset

In the first quarter of 1999 the Company recorded a pre-tax gain aggregating \$10.4 million (\$6.7 million after-tax; \$.04 per diluted share) due to the sale of its remaining common shares of MCIWorldCom, Inc.

(6) Business Segments

The Company has two separately reportable business segments: telephone and cellular. The operating income of these segments is reviewed by the chief operating decision maker to assess performance and make business decisions.

	Three months ended March 31,	
	1999	1998
Operating revenues		
Telephone segment	\$ 292,961	259,813
Cellular segment	98,471	94,166
Other operations	22,824	17,741
	\$ 414,256	371,720
Operating income		
Telephone segment	\$ 95,298	76,843
Cellular segment	30,383	29,655
Other operations	4,942	3,634
	\$ 130,623	110,132
Operating income	\$ 130,623	110,132
Interest expense	(42,241)	(42,809)
Gain on sale or exchange of assets	10,358	24,343
Income from unconsolidated cellular entities	6,845	6,877
Minority interest	(3,310)	(2,643)
Other income and expense	2,180	604
Income before income tax expense	\$ 104,455	96,504

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in the Company's annual report on Form 10-K for the year ended December 31, 1998. The results of operations for the three months ended March 31, 1999 are not necessarily indicative of the results of operations which might be expected for the entire year.

CenturyTel and its subsidiaries (the "Company") is a regional diversified communications company that is primarily engaged in providing local telephone services and cellular telephone communications services. At March 31, 1999, the Company's local exchange telephone subsidiaries operated over 1.3 million telephone access lines primarily in rural, suburban and small urban areas in 21 states, and the Company's majority-owned and operated cellular entities had more than 638,000 cellular subscribers. On December 1, 1998, the Company acquired from affiliates of Ameritech Corporation ("Ameritech") telephone operations serving 86,000 access lines in northern and central Wisconsin and the related telephone directories for approximately \$221 million cash. The operations of the former Ameritech properties are included in the Company's results of operations beginning December 1, 1998.

In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: the effects of ongoing deregulation in the telecommunications industry; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand for the Company's products and services; the Company's ability to successfully introduce new offerings on a timely and cost-effective basis; the risks inherent in rapid technological change; the Company's ability to effectively manage its growth, including integrating newly-acquired properties into the Company's operations; the success and expense of the remediation efforts of the Company and its vendors in achieving year 2000 compliance; and the effects of more general factors such as changes in general market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

RESULTS OF OPERATIONS

Three Months Ended March 31, 1999 Compared to Three Months Ended March 31, 1998

Net income (excluding after-tax gain on sale or exchange of assets) for the first quarter of 1999 was \$54.4 million compared to \$41.9 million during the first quarter of 1998. Diluted earnings per share (excluding after-tax gain on sale or exchange of assets) increased to \$.39 during the three months ended March 31, 1999 from \$.30 during the three months ended March 31, 1998, a 30.0% increase.

	Three months ended March 31,	
	1999	1998
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 95,298	76,843
Cellular	30,383	29,655
Other	4,942	3,634
	130,623	110,132
Interest expense	(42,241)	(42,809)
Gain on sale or exchange of assets	10,358	24,343
Income from unconsolidated cellular entities	6,845	6,877
Minority interest	(3,310)	(2,643)
Other income and expense	2,180	604
Income tax expense	(43,350)	(38,810)
Net income	\$ 61,105	57,694
Basic earnings per share	\$.44	.42
Diluted earnings per share	\$.43	.41
Average basic shares outstanding	138,086	136,442
Average diluted shares outstanding	141,028	139,376

Contributions to operating revenues and operating income by the Company's telephone, cellular, and other operations for the three months ended March 31, 1999 and 1998 were as follows:

	Three months ended March 31,	
	1999	1998
Operating revenues		
Telephone operations	70.7 %	69.9
Cellular operations	23.8 %	25.3
Other operations	5.5 %	4.8
Operating income		
Telephone operations	72.9 %	69.8
Cellular operations	23.3 %	26.9
Other operations	3.8 %	3.3

Telephone Operations

	Three months ended March 31,	
	1999	1998
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 90,657	78,126
Network access	167,155	151,178
Other	35,149	30,509
	292,961	259,813
Operating expenses		
Plant operations	67,022	56,659
Customer operations	21,894	22,816
Corporate and other	36,919	39,783
Depreciation and amortization	71,828	63,712
	197,663	182,970
Operating income	\$ 95,298	76,843

Telephone operating income increased \$18.5 million (24.0%) due to an increase in operating revenues of \$33.1 million (12.8%) which more than offset an increase in operating expenses of \$14.7 million (8.0%).

Of the \$33.1 million increase in operating revenues, \$11.2 million was attributable to the properties acquired from Ameritech. The remaining \$21.9 million increase in revenues was partially due to a \$4.6 million increase which resulted from internal growth in number of customer access lines; a \$3.9 million increase in the partial recovery of increased operating expenses through revenue sharing arrangements in which the Company participates with other telephone companies; a \$3.4 million increase due to increased minutes of use; a \$2.3 million increase resulting from favorable prior period revenue settlements; a \$2.2 million increase in amounts received from the federal Universal Service Fund; and a \$1.8 million increase from the provision of Internet access.

Plant operations expenses increased \$10.4 million (18.3%), of which \$2.1 million was attributable to the properties acquired from Ameritech. The remaining \$8.3 million increase was primarily due to a \$4.5 million increase in repair and maintenance expenses; a \$2.4 million increase in network operations expenses; and a \$922,000 increase in expenses associated with the Company's Internet business.

During the first quarter of 1999 customer operations expenses decreased \$922,000 (4.0%) primarily due to a \$1.4 million decrease in salaries and benefits partially offset by a \$724,000 increase attributable to the properties acquired from Ameritech.

Corporate and other expenses decreased \$2.9 million (7.2%) primarily due to a \$2.7 million decrease in salaries and benefits and a \$878,000 decrease in certain operating taxes. Such decreases were partially offset by a \$1.2 million increase attributable to the properties acquired from Ameritech.

Depreciation and amortization increased \$8.1 million, of which \$3.9 million was attributable to the properties acquired from Ameritech. The remainder of the increase was primarily due to higher levels of plant in service (\$2.0 million) and higher recurring rates or nonrecurring depreciation charges which have been approved or are anticipated to be approved for certain subsidiaries (\$1.9 million).

Cellular Operations and Income From Unconsolidated Cellular Entities

	Three months ended March 31,	
	1999	1998
	(Dollars in thousands)	
Operating income - cellular operations	\$ 30,383	29,655
Minority interest	(3,329)	(2,643)
Income from unconsolidated cellular entities	6,845	6,877
	\$ 33,899	33,889

The Company's cellular operations (discussed below) reflect 100% of the results of operations of the cellular entities in which the Company has a majority ownership interest. The minority interest owners' share of the income of such entities is reflected in the Company's Consolidated Statements of Income as an expense in "Minority interest." See Minority Interest for additional information. The Company's share of earnings from the cellular entities in which it has less than a majority interest is accounted for using the equity method and is reflected in the Company's Consolidated Statements of Income as "Income from unconsolidated cellular entities."

Cellular Operations

	Three months ended March 31,	
	1999	1998
	(Dollars in thousands)	
Operating revenues		
Service revenues	\$ 95,976	92,098
Equipment sales	2,495	2,068
	98,471	94,166
Operating expenses		
Cost of equipment sold	4,381	3,696
System operations	13,303	14,252
General, administrative and customer service	19,160	18,381
Sales and marketing	14,013	13,642
Depreciation and amortization	17,231	14,540
	68,088	64,511
Operating income	\$ 30,383	29,655

Cellular operating income increased \$728,000 (2.5%) to \$30.4 million in the first quarter of 1999 from \$29.7 million in the first quarter of 1998. Cellular operating revenues increased \$4.3 million (4.6%) while operating expenses increased \$3.6 million (5.5%).

The \$3.9 million increase in service revenues was primarily due to increased roaming usage.

The following table illustrates the growth in the Company's cellular customer base in its majority-owned markets:

	Three months ended March 31,	
	1999	1998
Customers at beginning of period	624,119	569,983
Gross units added internally	52,982	48,676
Disconnects	38,109	42,262
Net units added	14,873	6,414
Customers at end of period	638,992	576,397

The average monthly cellular service revenue per customer declined to \$51 during the first quarter of 1999 from \$54 during the first quarter of 1998 partially due to the continued trend that a higher percentage of new subscribers tend to be lower usage customers and pricing/promotional rate reductions. The average monthly service revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated and

(ii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, all of which are likely to result in lower average revenue per customer. The Company will continue to focus on customer service and attempt to stimulate cellular usage by promoting the availability of certain enhanced services and by improving the quality of its service through the construction of additional cell sites and other enhancements to its system.

System operations expenses decreased \$949,000 (6.7%) primarily due to a \$1.6 million decrease in the net amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas primarily due to a decrease in rates. Such decrease was partially offset by a \$830,000 increase associated with operating a greater number of cell sites.

General, administrative and customer service expenses increased \$779,000 (4.2%) due to a \$2.9 million increase in general office expenses partially offset by a \$2.4 million decrease in the provision for doubtful accounts.

The Company's average monthly churn rate (the percentage of cellular customers that terminate service) was 2.00% for the first quarter of 1999 and 2.46% for the first quarter of 1998.

Sales and marketing expenses increased \$371,000 (2.7%) primarily due to a \$1.2 million increase in advertising and sales promotions expenses and a \$630,000 increase in costs incurred in selling products and services in retail locations. Such increases were substantially offset by a \$1.4 million decrease in commissions paid to agents for selling services to new customers primarily as a result of fewer cellular units being added through this distribution channel during 1999 as compared to 1998.

Depreciation and amortization increased \$2.7 million (18.5%), of which \$1.5 million was due to a higher level of plant in service and \$1.2 million was due to an increase in amortization of intangibles.

Other Operations

	Three months ended March 31,	
	1999	1998
	(Dollars in thousands)	
Operating revenues		
Long distance	\$ 17,030	11,264
Call center	2,444	2,599
Other	3,350	3,878
	22,824	17,741
Operating expenses		
Cost of sales and operating expenses	16,960	13,165
Depreciation and amortization	922	942
	17,882	14,107
Operating income	\$4,942	3,634

Other operations include the results of operations of subsidiaries of the Company which are not included in the telephone or cellular segments, including but not limited to the Company's nonregulated long distance and call center operations. The \$5.8 million increase in long distance revenues was attributable to the growth in the number of customers. The number of long distance customers as of March 31, 1999 and 1998 was 241,900 and 180,800, respectively.

Operating expenses increased \$3.8 million primarily due to (i) an increase of \$2.1 million in expenses of the Company's long distance operations due primarily to an increase in customers and (ii) a \$1.1 million increase in expenses due to the expansion of the Company's security, personal communications services and fiber network businesses.

Interest Expense

Interest expense decreased \$568,000 in the first quarter of 1999 compared to the first quarter of 1998 primarily due to a reduction in debt.

Gain on Sale or Exchange of Assets

In the first quarter of 1999, the Company recorded a pre-tax gain of approximately \$10.4 million (\$6.7 million after-tax; \$.04 per diluted share) primarily due to the sale of its remaining common shares of MCIWorldCom, Inc.

In the first quarter of 1998, the Company recorded a pre-tax gain of approximately \$22.8 million (\$14.8 million after-tax; \$.11 per diluted share) upon the conversion of its investment in the common stock of Brooks Fiber Properties, Inc. into common stock of MCIWorldCom, Inc.

Minority Interest

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings or loss of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Minority interest increased \$667,000 due to the increased profitability of the Company's majority-owned and operated cellular entities.

Income Tax Expense

Income tax expense increased \$4.5 million in the first quarter of 1999 compared to the first quarter of 1998 primarily due to an increase in income before taxes. The effective income tax rate was 41.5% and 40.2% in the three months ended March 31, 1999 and 1998, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Excluding cash used for acquisitions, the Company relies on cash provided by operations to provide substantially all of its cash needs. The Company's operations have historically provided a stable source of cash flow which has helped the Company continue its long-term program of capital improvements.

Net cash provided by operating activities was \$159.6 million during the first three months of 1999 compared to \$146.9 million during the first three months of 1998. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of these periods. For additional information relating to the telephone operations, cellular operations, and other operations of the Company, see Results of Operations.

Net cash used in investing activities was \$39.1 million and \$53.8 million for the three months ended March 31, 1999 and 1998, respectively. Payments for property, plant and equipment were \$4.8 million more in the first quarter of 1999 than in the comparable period during 1998. Capital expenditures for the three months ended March 31, 1999 were \$38.3 million for telephone, \$7.2 million for cellular and \$17.5 million for other operations. Proceeds from the sale of assets were \$20.1 million and \$10.2 million for the three months ended March 31, 1999 and 1998, respectively.

Net cash used in financing activities was \$122.2 million during the first three months of 1999 compared to \$103.8 million during the first three months of 1998. Net payments of long-term debt were \$70.9 million more during the first quarter of 1999 compared to the first quarter of 1998. During the first quarter of 1998, the Company issued an aggregate of \$765 million of senior notes and debentures. The net proceeds of approximately \$758 million were used to reduce the bank indebtedness incurred in connection with the acquisition of PTI. In addition, the Company paid approximately \$40 million to settle numerous interest rate hedge contracts that had been entered into in anticipation of these debt issuances.

Revised budgeted capital expenditures for 1999 total \$215 million for telephone operations, \$70 million for cellular operations and \$60 million for corporate and other operations.

As of March 31, 1999, Century's telephone subsidiaries had available for use \$135.1 million of commitments for long-term financing from the Rural Utilities Service and the Company had \$451.1 million of undrawn committed bank lines of credit.

OTHER MATTERS

Accounting for the Effects of Regulation

The Company currently accounts for its regulated telephone operations in accordance with the provisions of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation." While the ongoing applicability of SFAS 71 to the Company's telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, the Company believes that SFAS 71 still applies. However, it is possible that changes in regulation or legislation or anticipated changes in competition or in the demand for regulated services or products could result in the Company's telephone operations not being subject to SFAS 71 in the near future. In that event, implementation of Statement of Financial Accounting Standards No. 101 ("SFAS 101"), "Regulated Enterprises - Accounting for the Discontinuance of application of FASB Statement No. 71," would require the write-off of previously established regulatory assets and liabilities, along with an adjustment of certain accumulated depreciation accounts to reflect the difference between recorded depreciation and the amount of depreciation that would have been recorded had the Company's telephone operations not been subject to rate regulation. Such discontinuance of the application of SFAS 71 would result in a material, noncash charge against earnings which would be reported as an extraordinary item. While the effect of implementing SFAS 101 cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$350 million and \$400 million.

Year 2000 Readiness Disclosure

The Year 2000 issue concerns the inability of computer systems and certain other equipment to properly recognize and process data that uses two digits rather than four to designate particular years. The Company has initiated a Year 2000 Project Plan ("the Plan") to assess whether its systems that process date sensitive information will perform satisfactorily leading up to and beyond January 1, 2000. The goal of the Plan is to correct, prior to January 1, 2000, any Year 2000-related problem with critical systems, the failure of which could have a material adverse effect on the Company's operations. The Plan includes steps to (i) identify each critical system element that requires date code remediation, (ii) establish a plan to remediate such systems, (iii) implement all required remediations and (iv) selectively test the remediated systems.

Thus far, the identification phase has identified Year 2000 issues in the following critical Company-owned systems: (i) switching and transmission hardware and software used by the Company to route and deliver telephone calls; (ii) network support systems, including customer service systems and (iii) billing and collection systems used by the Company to invoice and process most of its customer payments. In addition, the Company (i) receives critical services from providers of utilities and other services to facilities that house employees and switching, transmission and other equipment and (ii) is dependent upon outside vendors for, among other things, the provision of critical network components and cellular billing services. The Company is also critically reliant upon the systems of other telecommunication carriers with which the Company's systems interconnect for the routing and delivery of telephone calls. The Company has also identified potential Year 2000-related liability with respect to telephone equipment manufactured by unaffiliated parties that the Company has sold or leased to its customers ("Customer Premises Equipment" or "CPE"). The identification and planning phases of the Plan are materially complete with respect to Company-owned systems, third party vendors and CPE customers, and are expected to be materially complete by mid-year 1999 with respect to other telecommunication carriers.

Based on work completed under the Plan to date, the Company currently intends to take the following additional steps under its Plan with respect to Company-owned systems, third-party vendors, other telecommunications carriers, and CPE customers:

- o The Company generally plans to remediate Company-owned switching, transmission, billing and collection and other critical systems through the revision or replacement of current system components. Necessary changes to critical Company-owned systems are substantially complete and are expected to be finalized by mid-year 1999. The selective testing and verification of such changes are expected to be completed during 1999. Due to the large number of system components requiring remediation, the Company does not intend to test every remediated system but will rely upon the results of selective testing to determine the effectiveness of remediation efforts.
- o With respect to critical services provided by utilities and other third parties, the Company has contacted all such suppliers during 1998. Thus far, a majority of those suppliers who have responded have indicated that their systems and service delivery mechanisms are Year 2000 compliant or can be made so through currently available modifications. The Company plans to continue monitoring all third-party remediation efforts and to make contingency plans for the delivery of such services as necessary.
- o The Company has received certain assurances from industry trade data regarding the Year 2000 readiness of major telecommunications companies with which the Company's switching systems interconnect. In June 1999, the Company plans to make specific inquiries with these and other telecom- munication carriers to determine their compliance status, and expects to obtain information in response thereto during third quarter 1999, although there can be no assurance that carriers will supply this information.
- o Finally, the Company has obtained Year 2000 compliance information from CPE manufacturers and has provided and will continue to provide this information to the Company's business customers throughout 1999. The Company plans to work with CPE manufacturers to encourage the development of remedies for Year 2000 problems in such equipment and to continue working with its customers to identify Year 2000 problems in CPE. However, there can be no assurance that CPE manufacturers or customers will cooperate with the Company's efforts to address these problems.

While the Company currently believes that it will be able to remediate and selectively test Company-owned systems in time to minimize any detrimental effect on its operations, there can be no assurance that such steps will be successful. Failure by the Company to timely and effectively remediate its systems, or the failure of critical vendors and suppliers and other telecommunications carriers to remediate affected systems, could have a material adverse impact on the Company's business, financial condition, results of operations and prospects. Because the impact of Year 2000 issues on the Company is materially dependent on the mitigation efforts of parties outside the Company's control, the Company cannot assess with certainty the magnitude of any such potential adverse impact. However, based upon risk assessment work conducted thus far, the Company believes that the most reasonably likely worst case scenario of the failure by the Company, its suppliers or other telecommunications carriers with which the Company interconnects to resolve Year 2000 issues would be an inability by the Company (i) to provide telecommunications services to the Company's customers, (ii) to route and deliver telephone calls originating from or terminating with other telecommunications carriers, (iii) to timely and accurately process service requests and (iv) to timely and accurately bill its customers. In addition to lost earnings, these failures could also result in loss of customers due to service interruptions and billing errors, substantial claims by customers and increased expenses associated with stabilizing operations and executing mitigation plans.

Contingency planning to maintain and restore service in the event of natural disasters, power failures and systems-related problems is a routine part of the Company's operations. The Company believes that such contingency plans will assist the Company in responding to the failure by outside service providers to successfully address Year 2000 issues. In addition, the Company is currently identifying and considering various Year 2000-specific contingency plans, including identification of alternate vendors and service providers and manual alternatives to system operations. These Year 2000-specific contingency plans are expected to be materially completed mid-year 1999, but their review and development will continue throughout 1999.

Although the total costs to implement the Plan cannot be precisely estimated, the Company incurred costs of \$4.2 million during 1998 (none of which was related to hardware costs and other capital items) and \$9.8 million during the first quarter of 1999 (\$4.5 million of which was related to hardware costs and other capital items) and anticipates spending an aggregate of approximately \$29.1 million during the remainder of 1999 (which includes \$20.5 million of hardware costs and other capital items.) All costs will be expensed as incurred, except for hardware and other items that should be capitalized in accordance with generally accepted accounting principles. Some of the costs represent ongoing investment in systems upgrades, the timing of which is being accelerated in order to facilitate Year 2000 compliance. In some instances, such upgrades will position the Company to provide more and better-quality services to its customers than they currently receive. The Company expects to fund these costs with cash provided by operations. Cost estimates and statements of the Company's plans and expectations discussed above are forward-looking statements that are derived using numerous assumptions of future events, many of which are outside the Company's control, including the availability and future cost of trained personnel and various other resources, third party modification plans, the absence of systems requiring remediation that have not yet been discovered, and other factors.

**CENTURYTEL, INC.
QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK**

Market Risk

The Company is not exposed to material future earnings or cash flow exposures from changes in interest rates on long-term debt obligations since the majority of the Company's long-term debt obligations are fixed rate. At March 31, 1999, the fair value of the Company's long-term debt was estimated to be \$2.6 billion based on the overall weighted average rate of the Company's long-term debt of 6.6% and an overall weighted maturity of 14 years compared to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 66 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$108.2 million decrease in fair value of the Company's long-term debt. The Company is currently not evaluating the future use of any derivative financial instruments.

PART II. OTHER INFORMATION

CENTURYTEL, INC.

Item 6: Exhibits and Reports on Form 8-K

A. Exhibits

11 Computations of Earnings Per Share.

27 Financial Data Schedule as of and for the three months ended March 31, 1999.

B. Reports on Form 8-K

(i) The following item was reported in the Form 8-K filed February 26, 1999:

Item 5. Other Events - News release announcing the sale of
the operations of the Brownsville and McAllen, Texas wireless markets to Western Wireless Corporation.

(ii) The following item was reported in the Form 8-K filed February 26, 1999:

Item 5. Other Events - News release announcing fourth quarter
results of operations.

(iii) The following item was reported in the Form 8-K filed April 30, 1999:

Item 5. Other Events - News release announcing first quarter
results of operations.

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.

Date: May 14, 1999

/s/ R. Stewart Ewing, Jr.

*R. Stewart Ewing, Jr.
Chief Financial Officer and*

Principal Accounting Officer

EXHIBIT 11
CENTURYTEL, INC.

COMPUTATIONS OF EARNINGS PER SHARE
(UNAUDITED)

	Three months ended March 31,	
	1999	1998
	(Dollars, except per share amounts, and shares in thousands)	
Income (Numerator):		
Net income	\$ 61,105	57,694
Dividends applicable to preferred stock	(102)	(102)
Net income applicable to common stock	61,003	57,592
Dividends applicable to preferred stock	102	102
Interest on convertible securities, net of taxes	63	93
Net income as adjusted for purposes of computing diluted earnings per share	\$ 61,168	57,787
Shares (Denominator)*:		
Weighted average number of shares:		
Outstanding during period	138,594	137,043
Employee Stock Ownership Plan shares not committed to be released	(508)	(601)
Number of shares for computing basic earnings per share	138,086	136,442
Incremental common shares attributable to dilutive securities:		
Conversion of convertible securities	1,019	1,273
Shares issuable under stock option plan	1,923	1,661
Number of shares as adjusted for purposes of computing diluted earnings per share	141,028	139,376
Basic earnings per share*	\$.44	.42
Diluted earnings per share*	\$.43	.41

* Reflects March 1999 stock split. See Note 4

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED BALANCE SHEET OF CENTURYTEL, INC. AND SUBSIDIARIES AS OF MARCH 31, 1999 AND THE RELATED UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTH PERIOD THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS	
FISCAL YEAR END	DEC 31 1999	
PERIOD START	JAN 01 1999	
PERIOD END	MAR 31 1999	
CASH	4,085	
SECURITIES	0	
RECEIVABLES	198,014	
ALLOWANCES	4,300	
INVENTORY	24,813	
CURRENT ASSETS	232,745	
PP&E	4,342,640	
DEPRECIATION	2,010,400	
TOTAL ASSETS	4,897,169	
CURRENT LIABILITIES	334,922	
BONDS	2,426,028	
PREFERRED MANDATORY	0	
PREFERRED	8,106	
COMMON	139,272	
OTHER SE	1,449,043	
TOTAL LIABILITY AND EQUITY	4,897,169	
SALES	0	
TOTAL REVENUES	414,256	
CGS	0	
TOTAL COSTS	283,633	
OTHER EXPENSES	0	
LOSS PROVISION	0	
INTEREST EXPENSE	42,241	
INCOME PRETAX	104,455	
INCOME TAX	43,350	
INCOME CONTINUING	61,105	
DISCONTINUED	0	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	61,105	
EPS PRIMARY	.44	1
EPS DILUTED	.43	1

¹ REFLECTS MARCH 1999 STOCK SPLIT. FINANCIAL DATA SCHEDULES FOR PRIOR PERIODS HAVE NOT BEEN RESTATED TO REFLECT SUCH STOCK SPLIT.

End of Filing

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