

CENTURYTEL INC

FORM 8-K

(Unscheduled Material Events)

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Address	P O BOX 4065 100 CENTURYTEL DR MONROE, Louisiana 71203
Telephone	318-388-9000
CIK	0000018926
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

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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) April 28, 2005

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

Item 2.02. Results of Operations and Financial Condition.

The following information, except for any forward-looking statements (including our forecasts for the upcoming quarter and year) and except for our references to non-GAAP financial measures (as defined in Regulation G promulgated by the Securities and Exchange Commission), shall be deemed incorporated by reference into any registration statement heretofore and hereafter filed by us under the Securities Act of 1933, as amended, except to the extent that such incorporated information is superceded by information as of a subsequent date that is included in or incorporated by reference into any such registration statement. None of the following information shall be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

On April 28, 2005, we issued a press release announcing our first quarter 2005 consolidated operating results. More complete information on our operating results will be included in our Quarterly Report on Form 10-Q for the period ended March 31, 2005, which we expect to file shortly with the Securities and Exchange Commission. The complete press release is included as Exhibit 99.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibit.

99 Press release dated April 28, 2005 reporting first quarter 2005 operating results.

SIGNATURES

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 hereunto duly authorized.

CENTURYTEL, INC.

By: /s/ Neil A. Sweasy

Neil A. Sweasy
Vice President and Controller

Dated: April 28, 2005

FOR IMMEDIATE RELEASE FOR MORE INFORMATION CONTACT:

April 28, 2005 Media: Patricia Cameron 318.388.9674 patricia.cameron@centurytel.com Investors: Tony Davis 318.388.9525 tony.davis@centurytel.com

CenturyTel Reports First Quarter Earnings

Monroe, LA. . . CenturyTel, Inc. (NYSE Symbol: CTL) announces operating results for first quarter 2005.

- o Operating revenues rose to \$595.3 million from \$593.7 million in first quarter 2004.
- o Net income, excluding nonrecurring items, was \$80.0 million compared to \$83.3 million in first quarter 2004. Reported under GAAP, first quarter 2005 net income was \$79.6 million compared to \$83.3 million in first quarter 2004.
- o Diluted earnings per share increased 3.5% to \$.59 from \$.57 in first quarter 2004 due to share repurchases during 2004.
- o Free cash flow (as defined in the attached financial schedules) was \$137.3 million in first quarter 2005.
- o During the first quarter, the Company repurchased 1.78 million shares of common stock for approximately \$60 million under its \$200 million share repurchase program.

First Quarter Highlights (1) (In thousands, except per share amounts and customer units)	Quarter Ended 3/31/05	Quarter Ended 3/31/04	% Change
Operating Revenues	\$ 595,282	\$ 593,704	0.3 %
Operating Cash Flow	\$ 309,035	\$ 310,549	(0.5) %
Net Income	\$ 79,991	\$ 83,279	(3.9) %
Diluted Earnings Per Share	\$.59	\$.57	3.5 %
Average Diluted Shares Outstanding	137,169	147,426	(7.0) %
Capital Expenditures	\$ 74,903	\$ 61,745	21.3 %
Telephone Access Lines	2,298,491	2,366,420	(2.9) %
Long Distance Lines	1,097,209	961,832	14.1 %
DSL Connections	173,768	97,092	79.0 %

(1) These results include adjustments for nonrecurring items and other non-GAAP financial measures. A reconciliation of these items to comparable GAAP measures is included in the attached financial schedules.

"CenturyTel achieved solid financial results during the first quarter with increased revenues from DSL, long distance and fiber operations," Glen F. Post, III, chairman and chief executive officer, said. "Our revenue from enhanced calling features also continues to grow as customer demand for our bundle offerings remains strong. More than 17% of our residential access lines were served through a bundle at the end of the first quarter with more than 60% of those bundles also including Internet or long distance service."

Operating revenues rose to \$595.3 million in first quarter 2005 from \$593.7 million in first quarter 2004. Revenue growth of approximately \$15.0 million was driven primarily by growth in DSL connections, data circuits, long distance lines and our fiber transport business and the continued penetration of enhanced calling features. These increases more than offset revenue declines of approximately \$14.0 million primarily attributable to lower access revenues, universal service funding and intrastate toll revenues, along with access line losses.

Operating expenses increased 2.0% to \$418.4 million compared to \$410.1 million in first quarter 2004. Cost of services and products increased \$10.4 million primarily due to growth in DSL connections, data circuits, long distance lines and the fiber transport business. Selling, general and administrative expenses decreased \$7.4 million primarily due to lower bad debt expense and employee costs. Depreciation and amortization increased \$5.2 million primarily due to higher levels of plant in service and increased amortization associated with the Company's new billing system.

Operating cash flow decreased to \$309.0 million from \$310.5 million. CenturyTel achieved an operating cash flow margin of 51.9% during the quarter versus 52.3% in first quarter 2004.

Net income, excluding nonrecurring items, was \$80.0 million compared to \$83.3 million in first quarter 2004, reflecting the decrease in operating income, which was partially offset by lower interest and income tax expense. Diluted earnings per share, excluding nonrecurring items, increased 3.5% to \$.59 from \$.57, due to a 7.0% reduction in diluted shares outstanding.

"CenturyTel experienced stronger than expected broadband demand during the quarter, adding more than 31,000 DSL connections and ending the quarter with a penetration rate of nearly 10.5% of DSL-enabled lines. These results reflect the success of our strategic focus of owning the broadband connection to customers in our markets," Post said.

Under generally accepted accounting principles (GAAP), CenturyTel reported operating revenues of \$595.3 million in first quarter 2005 compared to \$593.7 million in first quarter 2004. In first quarter 2005, the Company reported net income of \$79.6 million and diluted earnings per share of \$.59, compared to \$83.3 million and \$.57 per diluted share, respectively, in first quarter 2004. Net income in first quarter 2005 includes \$3.7 million after-tax expense related to CenturyTel's purchase and retirement of approximately \$400 million of Series J Notes and \$3.3 million net benefit related to the settlement of various income tax audits.

For second quarter 2005, CenturyTel expects total revenues of \$590 to \$605 million and diluted earnings per share of \$.53 to \$.57. The decline in diluted earnings per share from first quarter to second quarter 2005 is primarily due to increased operating costs related to expected growth in our DSL, long distance and fiber operations, annual wage adjustments effective in the second quarter and the seasonal impact of maintenance activities for our outside plant.

For the full year 2005, diluted earnings per share is expected to be in the range of \$2.25 to \$2.35 versus the previous guidance of \$2.20 to \$2.35, reflecting the higher than anticipated first quarter diluted earnings per share, fewer fully diluted shares outstanding as a result of share repurchases during the first quarter and postponement of the effective date for the change in accounting for stock options.

These outlook figures for the second quarter and full year 2005 assume the successful mitigation of the dilutive effect of the Equity Units currently scheduled to settle in May 2005, and exclude any costs associated with transactions related to the Equity Units, future share repurchases, mergers, acquisitions, divestitures or other nonrecurring items.

Reconciliation to GAAP. This release includes certain non-GAAP financial measures, including but not limited to operating cash flow, free cash flow and adjustments to GAAP measures to exclude the effect of nonrecurring items. In addition to providing key metrics for management to evaluate the Company's performance, we believe these measurements assist readers in their understanding of period-to-period operating performance and in identifying historical and prospective trends. Reconciliations of non-GAAP financial measures to the most comparable GAAP measures are included in the attached financial statements. Reconciliation of additional non-GAAP financial measures that may be discussed during the earnings call described below will be available on the Company's Web site at www.centurytel.com. Investors are urged to consider these non-GAAP measures in addition to, and not in substitution for, measures prepared in accordance with GAAP.

Investor Call. As previously announced, CenturyTel's management will host a conference call at 10:30 a.m. Central Time today. Interested parties can access the call by dialing 866.802.4324. The call will be accessible for replay through May 4, 2005, by calling 888.266.2081 and entering the conference ID number 680045. Investors can also listen to CenturyTel's earnings conference call and replay by accessing the Investor Relations portion of the Company's Web site at www.centurytel.com through to May 18, 2005.

In addition to historical information, this release includes certain 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 the Company. 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 timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the Company's ability to effectively manage its growth, including integrating newly-acquired businesses into the Company's operations and hiring adequate numbers of qualified staff; possible changes in the demand for, or pricing of, the Company's products and services; the Company's ability to successfully introduce new product or service offerings on a timely and cost-effective basis; the Company's ability to successfully take steps to mitigate the dilutive effect of the Equity Units currently scheduled to settle in May 2005; the Company's ability to collect its receivables from financially troubled communications companies; the Company's ability to successfully negotiate collective bargaining agreements on reasonable terms; other risks referenced from time to time in the Company's filings with the Securities and Exchange Commission; and the effects of more general factors such as changes in interest rates, in accounting policies or practices, in operating, medical or administrative costs, in general market, labor 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, 2004. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. The information contained in this release is as of April 28, 2005. The Company undertakes no obligation to update any of its forward-looking statements.

CenturyTel, Inc. (NYSE: CTL) provides a full range of local, long distance, Internet and broadband services to consumers in 22 states. Included in the S&P 500 Index, CenturyTel is a leading provider of integrated communications services to rural areas and small to mid-size cities in the United States. Visit CenturyTel at www.centurytel.com.

	Three months ended March 31, 2005			Three months ended March 31, 2004				
In thousands, except per share amounts	As reported	Less non- recurring items	As adjusted excluding non- recurring items	As reported	Less non- recurring items	As adjusted excluding non- recurring items	Increase (decrease) as reported	Increase (decrease) excluding nonrecurring items
OPERATING REVENUES								
Local service	\$ 176,985		176,985	178,058		178,058	(0.6%)	(0.6%)
Network access	230,278		230,278	240,957		240,957	(4.4%)	(4.4%)
Long distance	47,515		47,515	44,589		44,589	6.6%	6.6%
Data	72,906		72,906	65,628		65,628	11.1%	11.1%
Fiber transport and CLEC	20,243		20,243	17,432		17,432	16.1%	16.1%
Other	47,355		47,355	47,040		47,040	0.7%	0.7%
	595,282	-	595,282	593,704	-	593,704	0.3%	0.3%
OPERATING EXPENSES								
Cost of services and products	191,993		191,993	181,549		181,549	5.8%	5.8%
Selling, general and administrative	94,254		94,254	101,606		101,606	(7.2%)	(7.2%)
Depreciation and amortization	132,175		132,175	126,992		126,992	4.1%	4.1%
	418,422	-	418,422	410,147	-	410,147	2.0%	2.0%
OPERATING INCOME								
	176,860	-	176,860	183,557	-	183,557	(3.6%)	(3.6%)
OTHER INCOME (EXPENSE)								
Interest expense	(52,625)	(1,196)	(51,429)	(52,543)		(52,543)	0.2%	(2.1%)
Income from unconsolidated cellular entity	1,313		1,313	2,059		2,059	(36.2%)	(36.2%)
Other income (expense)	1,535	(1,574)	3,109	2,304		2,304	(33.4%)	34.9%
Income tax expense	(47,467)	2,395	(49,862)	(52,098)		(52,098)	(8.9%)	(4.3%)
NET INCOME	\$ 79,616	(375)	79,991	83,279	-	83,279	(4.4%)	(3.9%)
BASIC EARNINGS PER SHARE								
DILUTED EARNINGS PER SHARE	\$ 0.60	0.00	0.60	0.58		0.58	3.4%	3.4%
	\$ 0.59	0.00	0.59	0.57		0.57	3.5%	3.5%
SHARES OUTSTANDING								
Basic	132,183		132,183	142,585		142,585	(7.3%)	(7.3%)
Diluted	137,169		137,169	147,426		147,426	(7.0%)	(7.0%)
DIVIDENDS PER COMMON SHARE								
	\$ 0.06		0.06	0.0575		0.0575	4.3%	4.3%

NONRECURRING ITEMS

- (1) - Write-off of unamortized deferred debt costs associated with purchasing and retiring approximately \$400 million of Series J notes.
- (2) - Includes (i) \$4.8 million debt extinguishment charge related to purchasing and retiring approximately \$400 million of Series J notes, net of (ii) \$3.2 million of interest income related to the settlement of various income tax audits.
- (3) - Includes (i) \$1.1 million net tax benefit of Items (1) and (2) and (ii) \$1.3 million tax benefit related to the settlement of various income tax audits.

CenturyTel, Inc. CONSOLIDATED BALANCE SHEETS MARCH 31, 2005 AND DECEMBER 31, 2004 (UNAUDITED)

	March 31, 2005	December 31, 2004
	-----	-----
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 129,331	167,215
Other current assets	249,275	252,632
	-----	-----
Total current assets	378,606	419,847
	-----	-----
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	7,496,363	7,431,017
Accumulated depreciation	(4,208,514)	(4,089,616)
	-----	-----
Net property, plant and equipment	3,287,849	3,341,401
	-----	-----
GOODWILL AND OTHER ASSETS		
Goodwill	3,433,864	3,433,864

Other		609,512	601,841
Total goodwill and other assets		4,043,376	4,035,705
TOTAL ASSETS	\$	7,709,831	7,796,953
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current maturities of long-term debt	\$	144,811	249,617
Other current liabilities		466,267	442,001
Total current liabilities		611,078	691,618
LONG-TERM DEBT		2,694,203	2,762,019
DEFERRED CREDITS AND OTHER LIABILITIES		970,865	933,551
STOCKHOLDERS' EQUITY		3,433,685	3,409,765
TOTAL LIABILITIES AND EQUITY	\$	7,709,831	7,796,953

CenturyTel, Inc.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

In thousands	Three months ended March 31, 2005			Three months ended March 31, 2004		
	As reported	Less non-recurring items	As adjusted excluding non-recurring items	As reported	Less non-recurring items	As adjusted excluding non-recurring items
Operating cash flow and cash flow margin						
Operating income	\$ 176,860	-	176,860	183,557	-	183,557
Add: Depreciation and amortization	132,175		132,175	126,992		126,992
Operating cash flow	\$ 309,035	-	309,035	310,549	-	310,549
Revenues	\$ 595,282	-	595,282	593,704	-	593,704
Operating income margin (operating income divided by revenues)	29.7%		29.7%	30.9%		30.9%
Operating cash flow margin (operating cash flow divided by revenues)	51.9%		51.9%	52.3%		52.3%
Free cash flow (prior to debt service requirements and dividends)						
Net income	\$ 79,616	(375) (1)	79,991	83,279	-	83,279
Add: Depreciation and amortization	132,175	-	132,175	126,992	-	126,992
Less: Capital expenditures	(74,903)	-	(74,903)	(61,745)	-	(61,745)
Free cash flow	\$ 136,888	(375)	137,263	148,526	-	148,526
Free cash flow	\$ 136,888			148,526		
Income from unconsolidated cellular entity	(1,313)			(2,059)		
Deferred income taxes	22,141			26,673		
Changes in current assets and current liabilities	27,623			57,695		
Increase in other noncurrent assets	(1,358)			(11,032)		
Decrease in other noncurrent liabilities	(729)			(3,949)		
Retirement benefits	6,004			10,830		
Other, net	(7,340)			(4,989)		
Add: Capital expenditures	74,903			61,745		
Net cash provided by operating activities	\$ 256,819			283,440		

NONRECURRING ITEMS

(1) - Includes (i) \$3.7 million after-tax expense related to purchasing and retiring approximately \$400 million of Series J notes, net of (ii) \$3.3 million net benefit related to the settlement of various income tax audits.

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