

# CENTURYTEL INC

## FORM 10-Q (Quarterly Report)

Filed 5/8/1996 For Period Ending 3/31/1996

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

# 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, 1996

or

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

*Commission File Number: 1-7784*

## CENTURY TELEPHONE ENTERPRISES, 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 Century Park Drive, Monroe, Louisiana 71203  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (318) 388-9500

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, 1996, there were 59,677,276 shares of common stock outstanding.

### CENTURY TELEPHONE ENTERPRISES, INC.

#### TABLE OF CONTENTS

	Page No. -----
Part I. Financial Information:	
Consolidated Statements of Income--Three Months Ended March 31, 1996 and 1995	3
Consolidated Balance Sheets--March 31, 1996 and December 31, 1995	4
Consolidated Statements of Stockholders' Equity-- Three Months Ended March 31, 1996 and 1995	5

Consolidated Statements of Cash Flows-- Three Months Ended March 31, 1996 and 1995	6
Notes to Consolidated Financial Statements	7-8
Management's Discussion and Analysis of Financial Condition and Results of Operations	9-14
Part II. Other Information	15
Signature	16
Index to Exhibits	17

## PART I. FINANCIAL INFORMATION

### CENTURY TELEPHONE ENTERPRISES, INC. CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Three months  
ended March 31,

1996 1995

(Dollars, except per share amounts, and shares in thousands)

#### OPERATING REVENUES

Telephone	\$110,631	100,563
Mobile Communications	55,004	42,149
Other	10,179	6,067
	-----	-----
Total operating revenues	175,814	148,779
	-----	-----
OPERATING EXPENSES		
Cost of sales and operating expenses	89,560	74,660
Depreciation and amortization	30,739	26,158
	-----	-----
Total operating expenses	120,299	100,818
	-----	-----
OPERATING INCOME	55,515	47,961
	-----	-----
OTHER INCOME (EXPENSE)		
Interest expense	(11,596)	(11,396)
Income from unconsolidated cellular entities	5,634	4,724
Gain on sales of assets	-	5,909
Minority interest	(2,556)	(1,946)
Other income and expense	147	443
	-----	-----
Total other income (expense)	(8,371)	(2,266)
	-----	-----
INCOME BEFORE INCOME TAXES	47,144	45,695
Income tax expense	17,479	18,695
	-----	-----
NET INCOME	\$ 29,665	27,000
	=====	=====
PRIMARY EARNINGS PER SHARE	\$ .50	.48
	=====	=====
FULLY DILUTED EARNINGS PER SHARE	\$ .50	.47
	=====	=====
DIVIDENDS PER COMMON SHARE	\$ .09	.0825
	=====	=====
AVERAGE PRIMARY SHARES OUTSTANDING	59,478	56,184
	=====	=====

AVERAGE FULLY DILUTED SHARES OUTSTANDING

60,204  
=====

58,660  
=====

See accompanying notes to consolidated financial statements.

**CENTURY TELEPHONE ENTERPRISES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(UNAUDITED)

	March 31, 1996	December 31, 1995
	-----	-----
	(Dollars in thousands)	
ASSETS		
- - - - -		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,085	8,540
Accounts receivable		
Customers, less allowance of		
\$3,522 and \$2,768	51,478	50,943
Other	41,341	24,219
Materials and supplies, at average cost	6,249	6,608
Other	5,143	5,019
	-----	-----
	116,296	95,329
	-----	-----
NET PROPERTY, PLANT AND EQUIPMENT	1,060,234	1,047,808
	-----	-----
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired,		
less accumulated amortization of		
\$56,364 and \$52,944	490,810	493,655
Other	217,459	225,629
	-----	-----
	708,269	719,284
	-----	-----
	\$1,884,799	1,862,421
	=====	=====
LIABILITIES AND EQUITY		
- - - - -		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 19,523	15,325
Notes payable	-	14,199
Accounts payable	46,029	55,329
Accrued expenses and other liabilities		
Salaries and benefits	16,363	18,178
Taxes	21,145	12,489
Interest	11,562	6,024
Other	5,976	5,337
Advance billings and customer deposits	13,971	13,043
	-----	-----
	134,569	139,924
	-----	-----
LONG-TERM DEBT	613,732	622,904
	-----	-----
DEFERRED CREDITS AND OTHER LIABILITIES	216,400	211,169
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
175,000,000 shares, issued and outstanding		
59,424,868 and 59,113,670 shares	59,425	59,114
Paid-in capital	460,060	453,584
Retained earnings	411,742	387,424
Unearned ESOP shares	(13,270)	(13,960)
Preferred stock - non-redeemable	2,141	2,262
	-----	-----
	920,098	888,424
	-----	-----
	\$1,884,799	1,862,421

See accompanying notes to consolidated financial statements.

**CENTURY TELEPHONE ENTERPRISES, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

	Three months ended March 31,	
	1996	1995
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 59,114	53,574
Conversion of debentures into common stock	-	4,540
Issuance of common stock through dividend reinvestment, incentive and benefit plans	265	204
Issuance of common stock for acquisition	15	-
Conversion of preferred stock into common stock	31	-
	-----	-----
Balance at end of period	59,425	58,318
	-----	-----
PAID-IN CAPITAL		
Balance at beginning of period	453,584	319,235
Conversion of debentures into common stock	-	108,596
Issuance of common stock through dividend reinvestment, incentive and benefit plans	5,520	2,379
Issuance of common stock for acquisition	468	-
Conversion of preferred stock into common stock	90	-
Amortization of unearned compensation and other	398	204
	-----	-----
Balance at end of period	460,060	430,414
	-----	-----
RETAINED EARNINGS		
Balance at beginning of period	387,424	291,999
Net income	29,665	27,000
Cash dividends declared		
Common stock-\$.09 and \$.0825 per share, respectively	(5,311)	(4,770)
Preferred stock	(36)	(31)
	-----	-----
Balance at end of period	411,742	314,198
	-----	-----
UNEARNED ESOP SHARES		
Balance at beginning of period	(13,960)	(16,840)
Release of ESOP shares	690	690
	-----	-----
Balance at end of period	(13,270)	(16,150)
	-----	-----
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning of period	2,262	2,268
Conversion of preferred stock into common stock	(121)	-
	-----	-----
Balance at end of period	2,141	2,268
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	\$ 920,098	789,048
	=====	=====

See accompanying notes to consolidated financial statements.

**CENTURY TELEPHONE ENTERPRISES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(UNAUDITED)

	Three months ended March 31,	
	1996	1995
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 29,665	27,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,739	26,158
Deferred income taxes	1,554	747
Income from unconsolidated cellular entities	(5,634)	(4,724)
Minority interest	2,556	1,946
Loss on investment in unconsolidated personal communications services entity	1,100	-
Gain on sales of assets	-	(5,909)
Changes in current assets and current liabilities:		
Decrease in accounts receivable	1,243	4,244
Increase (decrease) in accounts payable	(9,300)	1,766
Increase in other accrued taxes	8,656	13,500
Increase in accrued interest payable	5,538	281
Changes in other current assets and other current liabilities, net	1,691	(543)
Increase in other noncurrent liabilities	1,121	1,415
Other, net	892	1,845
	-----	-----
Net cash provided by operating activities	69,821	67,726
	-----	-----
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(41,212)	(53,499)
Acquisitions, net of cash acquired	-	(6,009)
Proceeds from sales of assets	-	17,922
Investments in unconsolidated cellular entities	-	(1,678)
Purchase of life insurance investment	(5,018)	(4,756)
Other, net	1,925	(179)
	-----	-----
Net cash used in investing activities	(44,305)	(48,199)
	-----	-----
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	40,000	6,498
Payments of long-term debt	(48,215)	(2,266)
Notes payable, net	(14,199)	(18,000)
Proceeds from issuance of common stock	5,770	2,432
Cash dividends	(5,347)	(4,801)
Other, net	20	55
	-----	-----
Net cash used in financing activities	(21,971)	(16,082)
	-----	-----
Net increase in cash and cash equivalents	3,545	3,445
Cash and cash equivalents at beginning of period	8,540	7,154
	-----	-----
Cash and cash equivalents at end of period	\$ 12,085	10,599
	=====	=====
Supplemental cash flow information:		
Income taxes paid	\$ 4,169	6,391
	=====	=====
Interest paid	\$ 6,058	11,115
	=====	=====

**CENTURY TELEPHONE ENTERPRISES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 1996

(UNAUDITED)

(1) Basis of Financial Reporting

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 financial statements and footnotes included in this Form 10-Q should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1995. Certain 1995 amounts have been reclassified to be consistent with the 1996 presentation.

The unaudited financial information for the three months ended March 31, 1996 and 1995 has not been audited by independent 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, 1996	December 31, 1995
	-----	-----
	(Dollars in thousands)	
Telephone, at original cost	\$1,224,825	1,207,347
Accumulated depreciation	(374,569)	(357,633)
	-----	-----
	850,256	849,714
	-----	-----
Mobile Communications, at cost	205,808	191,594
Accumulated depreciation	(59,856)	(54,927)
	-----	-----
	145,952	136,667
	-----	-----
Corporate and other, at cost	102,435	100,613
Accumulated depreciation	(38,409)	(39,186)
	-----	-----
	64,026	61,427
	-----	-----
	\$1,060,234	1,047,808
	=====	=====

(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, 1996 and 1995) are accounted for by the equity method.

	Three months ended March 31,	
	-----	-----
	1996	1995
	-----	-----
	(Dollars in thousands)	
Results of operations		
Revenues	\$205,504	149,254

Operating income	\$ 63,439	47,854
Net income	\$ 64,024	48,525

#### (4) Sales of Assets

In the first quarter of 1995 the Company sold, for an aggregate of approximately \$17.9 million, its ownership interests in certain non-strategic cellular Rural Service Areas located primarily in western states and three Metropolitan Statistical Areas in the midwest, which represented an aggregate of approximately 253,000 pops. These transactions resulted in a pre-tax gain of \$5.9 million (\$2.0 million after-tax).

#### (5) Accounting Pronouncements

The Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," during the first quarter of 1996. SFAS 121 establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. SFAS 121 also requires that a rate-regulated enterprise recognize an impairment for the amount of costs excluded when a regulator excludes all or part of a cost from the enterprise's rate base. The effect of the adoption of SFAS 121 did not materially affect the Company's consolidated financial position or results of operations.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation." SFAS 123 establishes financial accounting and reporting standards for stock-based employee compensation plans. As allowed by SFAS 123, the Company plans to continue to measure compensation cost for employee stock compensation plans using the method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and will provide pro forma disclosures in the Notes to the Consolidated Financial Statements as required by SFAS 123.

### CENTURY TELEPHONE ENTERPRISES, INC.

#### 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, 1995. The results of operations for the three months ended March 31, 1996 are not necessarily indicative of the results of operations which might be expected for the entire year.

#### RESULTS OF OPERATIONS

Three Months Ended March 31, 1996 Compared to Three Months Ended March 31, 1995

Net income for the first quarter of 1996 was \$29.7 million compared to \$27.0 million during the first quarter of 1995. The \$27.0 million in 1995 included a \$5.9 million pre-tax gain on the sale of certain cellular properties, \$2.0 million after-tax. Exclusive of such gain, net income increased \$4.7 million (18.7%), principally due to the after-tax effect of the \$7.6 million increase in operating income.

	Three months ended March 31,	
	1996	1995
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$38,619	34,345
Mobile Communications	16,170	13,211
Other	726	405
	55,515	47,961
Interest expense	(11,596)	(11,396)
Income from unconsolidated cellular entities	5,634	4,724
Gain on sales of assets	-	5,909
Minority interest	(2,556)	(1,946)
Other income and expense	147	443
Income taxes	(17,479)	(18,695)



Net income	\$29,665	27,000
	=====	=====
Fully diluted earnings per share	\$ .50	.47
	=====	=====
Average fully diluted shares outstanding	60,204	58,660
	=====	=====

Fully diluted earnings per share increased to \$.50 for the three months ended March 31, 1996 from \$.47 (\$.44 exclusive of the gain on sales of assets) during the three months ended March 31, 1995, a 6.4% increase. The average number of fully diluted shares outstanding increased 2.6%, primarily as a result of shares issued for acquisitions and through the Company's dividend reinvestment, incentive and benefit plans.

# 9

Contributions to operating revenues and operating income by the Company's telephone, mobile communications, and other operations for the three months ended March 31, 1996 and 1995 were as follows:

	Three months ended March 31,	
	1996	1995
Operating revenues		
Telephone operations	62.9%	67.6
Mobile Communications operations	31.3%	28.3
Other operations	5.8%	4.1
Operating income		
Telephone operations	69.6%	71.6
Mobile Communications operations	29.1%	27.5
Other operations	1.3%	.9
Telephone Operations		
	Three months ended March 31,	
	1996	1995
	-----	-----
	(Dollars in thousands)	
Operating revenues		
Local service	\$29,085	26,840
Network access and long distance	68,363	61,585
Other	13,183	12,138
	-----	-----
	110,631	100,563
	-----	-----
Operating expenses		
Plant operations	22,379	21,635
Customer operations	9,908	9,150
Corporate and other	16,814	15,162
Depreciation and amortization	22,911	20,271
	-----	-----
	72,012	66,218
	-----	-----
Operating income	\$38,619	34,345
	=====	=====

Telephone operating income increased \$4.3 million (12.4%) due to an

increase in operating revenues of \$10.1 million (10.0%) which more than offset an increase in operating expenses of \$5.8 million (8.7%).

The increase in revenues was partially due to a \$2.9 million increase in revenues based on minutes of use, of which approximately \$1.6 million was associated with a change, effective in the third quarter of 1995, in the methodology applied in the network access revenue billing process. Also contributing to the increase in revenues was a \$1.6 million increase which resulted from the increase in the number of customer access lines; a \$1.6 million increase in amounts received from the Federal Communications Commission mandated Universal Service Fund; a \$1.6 million increase in the partial recovery of increased operating expenses through revenue pools in which the Company participates with other telephone companies; and a \$1.3 million increase in revenues related to leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring ("CPE services").

During the first quarter of 1996, operating expenses, exclusive of depreciation and amortization, increased \$3.2 million (6.9%) substantially

due to a \$1.3 million increase in expenses related to providing CPE services (of which \$200,000 was due to increases in sales and marketing costs), a \$596,000 increase in salaries and wages, and a \$474,000 increase in the provision for doubtful accounts. The remainder of the increase was due to increases in other general operating expenses.

Depreciation and amortization increased \$2.6 million (13.0%) primarily due to higher levels of plant in service.

10

## Mobile Communications Operations

	Three months ended March 31,	
	1996	1995
	(Dollars in thousands)	
Operating revenues		
Cellular service	\$54,043	40,821
Equipment and other	961	1,328
	55,004	42,149
Operating expenses		
Cost of sales	2,857	1,922
Other operating expenses	6,896	5,610
General, administrative and customer service	12,199	8,780
Sales and marketing	9,479	7,044
Depreciation and amortization	7,403	5,582
	38,834	28,938
Operating income	\$16,170	13,211
	=====	=====

The mobile communications segment reflects 100% of the results of operations of the cellular entities in which the Company has a majority interest. The minority interest owners' share of the income of such entities was \$2.6 million during the first three months of 1996 and \$1.9 million during the first three months of 1995 and is reflected as an expense in "Minority interest."

The Company's share of earnings from the cellular entities in which it has less than a majority interest (which is not included in the mobile communications segment) is accounted for using the equity method and is reflected in "Income from unconsolidated cellular entities." The Company's share of income from such entities was \$5.6 million and \$4.7 million during the three months ended March 31, 1996 and 1995, respectively.

Mobile communications operating income increased \$3.0 million (22.4%) to \$16.2 million in the first quarter of 1996 from \$13.2 million in the first quarter of 1995. Mobile communications operating revenues increased \$12.9 million (30.5%) which more than offset an increase in operating expenses of \$9.9 million (34.2%).

The increase in cellular service revenues was primarily due to the increase in the number of cellular customers. The average number of cellular units in service in majority-owned markets during the first quarter of 1996 and 1995 was 297,800 and 216,500, respectively. Exclusive of acquisitions, access and usage revenues increased \$7.5 million (25.8%) in the first quarter of 1996 and roaming and toll revenues increased \$2.3 million (22.4%). Acquisitions consummated during the last half of 1995 contributed \$2.4 million of service revenues during the first quarter of 1996.

The average monthly cellular service revenue per customer declined to \$60 during the first quarter of 1996 from \$63 during the first quarter of 1995. It has been an industry-wide trend that early subscribers have normally been the heaviest users and that a higher percentage of new subscribers tend to be lower usage customers. 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 intensify and place additional pressure on rates. 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 may result in lower average revenue per customer. The Company will continue

11

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 enhancements to its system.

Equipment and other revenues decreased \$367,000 in the first quarter of 1996 compared to the first quarter of 1995. Although the Company

sold more phones in the first quarter of 1996 than in the first quarter of 1995, revenues decreased because the Company has increasingly sold phones below cost, a practice which is common in the cellular industry. The increase in cost of sales during the first quarter of 1996 resulted from the increase in the number of cellular phones sold.

Other operating expenses increased \$1.3 million (22.9%) in the first quarter of 1996 primarily due to a \$1.0 million increase in costs paid to other carriers related to (i) the provision of cellular service by such other carriers to the Company's customers who roam in the other carriers' service areas in excess of the amounts the Company bills its customers (such costs are expected to increase as the Company continues to expand its reduced rate calling areas) and (ii) cellular fraud. In addition, a \$500,000 increase in expenses resulted from the interconnection of new cell sites.

General, administrative and customer service expenses increased \$3.4 million (38.9%) primarily due to increased expenses resulting from a larger customer base, such as customer service (\$1.1 million), billing costs (\$440,000) and provision for doubtful accounts (\$808,000). The remainder of the increase was primarily due to increases in general office expenses.

During the first quarter of 1996, sales and marketing expenses increased \$2.4 million (34.6%) primarily due to a \$1.1 million increase in commissions paid to agents for selling cellular service to new customers and a \$906,000 increase in advertising and sales promotions expenses.

Depreciation and amortization increased \$1.8 million (32.6%) due primarily to a higher level of plant in service.

### **Other Operations**

Other operations includes the results of operations of subsidiaries of the Company which are not included in the telephone or mobile communications segments, including, but not limited to, the Company's competitive access subsidiary and the Company's nonregulated long distance operations. Of the \$4.1 million increase in operating revenues, \$2.8 million was applicable to the long distance operations. Of the \$3.8 million increase in operating expenses, \$2.2 million was incurred by the long distance operations.

### **Income from Unconsolidated Cellular Entities**

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, increased \$910,000 (19.3%) during the first quarter of 1996 compared to the first quarter of 1995 due to improvement in profitability of the cellular entities in which the Company owns less than a majority interest.

### **Gain on Sales of Assets**

During the first quarter of 1995, the Company sold its ownership interests in certain non-strategic cellular entities which resulted in a pre-tax gain of \$5.9 million (\$2.0 million after-tax; \$.03 per fully diluted share). For additional information, see Note 4 of Notes to Consolidated Financial Statements.

### **Minority Interest**

The increased profitability during the first three months of 1996 of the Company's majority-owned and operated cellular entities resulted in a corresponding increase of \$610,000 (31.3%) in the expense recorded by the Company to reflect the minority interest owners' share of the profits.

### **Other Income and Expense**

Other income and expense for the first quarter of 1996 was \$147,000 compared to \$443,000 during the first quarter of 1995. During 1995 the Company invested \$20.0 million in exchange for a minority equity interest in an entity formed for the purpose of participating in the Federal Communications Commission auction of one 30MHz Personal Communications Services ("PCS") license for each Basic Trading Area. In April 1996, such entity withdrew from participating in the auction and, as a result thereof, the Company withdrew its equity investment in such entity and recorded a \$1.1 million loss during the first quarter of 1996. The \$1.1 million was the portion of the Company's investment which, under the terms of its agreement with such entity, it was not entitled to recoup.

### **Income Tax Expense**

Although income before taxes increased during the first quarter of 1996 compared to the first quarter of 1995, income tax expense decreased \$1.2 million (6.5%) primarily because the effective income tax rate attributable to the gain on sales of assets in the first quarter of 1995 was considerably higher than the Company's consolidated effective income tax rate.

## **LIQUIDITY AND CAPITAL RESOURCES**

Excluding cash used for acquisitions, the Company relies on cash provided by operations to provide a substantial portion of its cash needs. The Company's telephone operations have historically provided a stable source of cash flow which has helped the Company continue its long-term program of capital improvements. Cash provided by mobile communications operations has increased each year since that segment became cash-flow positive.

Net cash provided by operating activities was \$69.8 million during the first three months of 1996 compared to \$67.7 million during the first three months of 1995. The Company's accompanying consolidated statements of cash flows identifies 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, mobile communications operations, and other operations of the Company, see Results of Operations.

Net cash used in investing activities was \$44.3 million and \$48.2 million for the three months ended March 31, 1996 and 1995, respectively. Payments for property, plant and equipment were \$12.3 million less in the first quarter of 1996 than in the comparable period during 1995. Capital expenditures for the three months ended March 31, 1996 were \$22.0 million for telephone, \$15.6 million for mobile communications and \$3.6 million for other operations. The \$48.2 million of net cash used in investing activities in 1995 was net of \$17.9 million of proceeds from the sale of certain cellular properties. Cash used in connection with the acquisition of a local exchange telephone company was \$6.0 million in the first three months of 1995.

13

Net cash used in financing activities was \$22.0 million during the first three months of 1996 compared to \$16.1 million during the first three months of 1995. Net payments, including notes payable and long-term debt, were \$8.6 million more during the first quarter of 1996 compared to the first quarter of 1995.

Budgeted capital expenditures for 1996 total \$102 million for telephone operations, \$61 million for mobile communications operations and \$26 million for corporate and other operations.

As of March 31, 1996, Century's telephone subsidiaries had available for use \$142.6 million of commitments for long-term financing from the Rural Utilities Service and the Company had \$113.1 million of undrawn committed bank lines of credit. In addition, approximately \$125.0 million of uncommitted credit facilities were available to Century at March 31, 1996. The Company has experienced no significant problems in obtaining funds through the issuance of debt or equity for capital expenditures or other purposes.

## **OTHER MATTERS**

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 \$100 million and \$150 million.

14

## **PART II. OTHER INFORMATION**

### **CENTURY TELEPHONE ENTERPRISES, INC.**

#### **Item 6. Exhibits and Reports on Form 8-K**

##### **A. Exhibits**

11 Computations of Earnings Per Share.

27 Financial Data Schedule.

##### **B. Reports on Form 8-K**

There were no reports on Form 8-K filed during the quarter ended March 31, 1996.

**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.

**CENTURY TELEPHONE ENTERPRISES, INC.**

*Date: May 8, 1996*

*/s/ Murray H. Greer*

-----  
*Murray H. Greer*

*Controller*

*(Principal Accounting Officer)*

**CENTURY TELEPHONE ENTERPRISES, INC.****INDEX TO EXHIBITS**

Exhibit  
Number

11 Computations of Earnings Per Share, included herein.

27 Financial Data Schedule, included herein.

# EXHIBIT 11

## CENTURY TELEPHONE ENTERPRISES, INC.

### COMPUTATIONS OF EARNINGS PER SHARE (UNAUDITED)

Three months  
ended March 31,

1996 1995

(Dollars, except per share amounts, and shares in thousands)

Net income	\$29,665	27,000
Dividends applicable to preferred stock	(28)	(29)
	-----	-----
Net income applicable to common stock	29,637	26,971
Dividends applicable to preferred stock	28	29
Interest on convertible securities, net of taxes	145	526
	-----	-----
Net income as adjusted for purposes of computing fully diluted earnings per share	\$29,810	27,526
	=====	=====
Weighted average number of shares:		
Outstanding during period	59,273	55,922
Common stock equivalent shares	556	655
Employee Stock Ownership Plan shares not committed to be released	(351)	(393)
	-----	-----
Number of shares for computing primary earnings per share	59,478	56,184
Incremental common shares attributable to additional dilutive effect of convertible securities	726	2,476
	-----	-----
Number of shares as adjusted for purposes of computing fully diluted earnings per share	60,204	58,660
	=====	=====
Earnings per average common share	\$ .50	.48
	=====	=====
Primary earnings per share	\$ .50	.48
	=====	=====
Fully diluted earnings per share	\$ .50	.47
	=====	=====

## ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED BALANCE SHEET OF CENTURY TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES AS OF MARCH 31, 1996 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 1996
PERIOD START	JAN 01 1996
PERIOD END	MAR 31 1996
CASH	12,085
SECURITIES	0
RECEIVABLES	55,000
ALLOWANCES	3,522
INVENTORY	6,249
CURRENT ASSETS	116,296
PP&E	1,533,068
DEPRECIATION	472,834
TOTAL ASSETS	1,884,799
CURRENT LIABILITIES	134,569
BONDS	613,732
COMMON	59,425
PREFERRED MANDATORY	0
PREFERRED	2,141
OTHER SE	858,532
TOTAL LIABILITY AND EQUITY	1,884,799
SALES	0
TOTAL REVENUES	175,814
CGS	0
TOTAL COSTS	120,299
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	11,596
INCOME PRETAX	47,144
INCOME TAX	17,479
INCOME CONTINUING	29,665
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	29,665
EPS PRIMARY	.50
EPS DILUTED	.50

---

**End of Filing**

Powered By **EDGAR**  
Online

© 2005 | EDGAR Online, Inc.