

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

CITIZENS COMMUNICATIONS CO

Form 8-K

May 03, 2005

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): May 3, 2005

CITIZENS COMMUNICATIONS COMPANY
(Exact name of registrant as specified in its charter)

Delaware	001-11001	06-0619596
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3 High Ridge Park
Stamford, Connecticut 06905
(Address of Principal Executive Offices)

(203) 614-5600
(Registrant's Telephone Number, Including Area Code)

No Change Since Last Report

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 Results of Operations and Financial Condition

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

On May 3, 2005, Citizens Communications Company, issued a press release. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Form 8-K and the Exhibits attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

ITEM 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press release of Citizens Communications Company released May 3, 2005 announcing 2005 1st Quarter Results.

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.

CITIZENS COMMUNICATIONS COMPANY
(Registrant)

By: /s/ Jerry Elliott

Jerry Elliott
Executive Vice President and
Chief Financial Officer

Date: May 3, 2005

Exhibit 99.1

Citizens Communications
3 High Ridge Park
Stamford, CT 06905
203.614.5600
Web site: www.czn.net

Contacts:

Brigid M. Smith
Assistant Vice President
Corporate Communications
203.614.5042
bsmith@czn.com

Michael A. Zarrella
Vice President
Corporate Development
203.614.5179
mzarrell@czn.com

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Citizens Communications Reports 2005 First-Quarter Results

Stamford, Conn., May 3, 2005 -- Citizens Communications (NYSE:CZN) today reported first quarter 2005 consolidated revenues of \$537.2 million; consolidated operating income of \$145.1 million; and consolidated net income of \$42.6 million. Consolidated net income includes \$2.2 million, net of taxes, from our conferencing service business, which was sold in March 2005 and is therefore treated as a discontinued operation.

First-quarter 2005 revenue from the company's ILEC operations was \$499.2 million, a decrease from \$502.8 million in the first quarter of 2004. The decrease was due primarily to loss of access lines, lower access service revenues and reduced long-distance revenue. Strong growth in data and enhanced service revenues offset most of the decreases. Data service revenues increased 21.9 percent compared to the first quarter of 2004.

The company's revenue generating units (which consist of access lines and High-Speed Internet subscribers) increased 1 percent from a year ago as the company added a record 30,500 High-Speed Internet customers during the quarter and had 242,800 High-Speed data subscribers at March 31, 2005. The number of the company's High-Speed Internet subscribers has increased by more than 100,000 or 71 percent from a year ago. The company's access line count decreased 22,300 lines during the quarter.

ILEC operating income for the first quarter of 2005 was \$144.4 million and operating income margin was 28.9 percent, compared to \$136.5 million and 27.1 percent in the first quarter of 2004. Capital expenditures for the ILEC were \$47.3 million for the first quarter of 2005, compared to \$52.8 million in the year ago period.

Free cash flow increased 12.4 percent to \$152.9 million during the first quarter of 2005. The company's quarterly dividend represented a payout of 55.6 percent of first-quarter 2005 free cash flow. The company expects to continue to pay its dividend of \$0.25 per common share on the last day of each quarter.

-MORE-

The company uses certain non-GAAP financial measures in evaluating its performance. These include free cash flow. A reconciliation of the differences between free cash flow and the most comparable financial measure calculated and presented in accordance with GAAP is included in the tables that follow. The non-GAAP financial measures are by definition not measures of financial performance under generally accepted accounting principles and are not alternatives to operating income or net income reflected in the statement of operations or to cash flow as reflected in the statement of cash flows and are not necessarily indicative of cash available to fund all cash flow needs. The non-GAAP financial measures used by the company may not be comparable to similarly titled measures of other companies.

The company believes that presentation of non-GAAP financial measures provides useful information to investors regarding the company's financial condition and results of operations because these measures, when used in conjunction with related GAAP financial measures, (i) together provide a more comprehensive view of the company's core operations and ability to generate cash flow, (ii) provide investors with the financial analytical framework upon which management bases financial, operational, compensation and planning decisions and (iii) presents measurements that investors and rating agencies have indicated to management are

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

useful to them in assessing the company and its results of operations. Management uses these non-GAAP financial measures to plan and measure the performance of its core operations and its divisions measure performance and report to management based upon these measures. In addition, the company believes that free cash flow, as the company defines it, can assist in comparing performance from period to period, without taking into account factors affecting cash flow reflected in the statement of cash flows, including changes in working capital and the timing of purchases and payments.

Management uses these non-GAAP financial measures to (i) assist in analyzing the company's underlying financial performance from period to period, (ii) evaluate the financial performance of its business units, (iii) analyze and evaluate strategic and operational decisions, (iv) establish criteria for compensation decisions; and (v) assist management in understanding the company's ability to generate cash flow and, as a result, to plan for future capital and operational decisions. Management uses these non-GAAP financial measures in conjunction with related GAAP financial measures. The company believes that the non-GAAP financial measures are meaningful and useful for the reasons outlined above.

While the company utilizes these non-GAAP financial measures in managing and analyzing its business and financial condition and believes they are useful to management and to investors for the reasons described above, these non-GAAP financial measures have certain shortcomings. In particular, free cash flow does not represent the residual cash flow available for discretionary expenditures, since items such as debt repayments and dividends are not deducted from such measure. Management compensates for the shortcomings of these measures by utilizing them in conjunction with their comparable GAAP financial measures. The information in this press release should be read in conjunction with the financial statements and footnotes contained in our documents to be filed with the U.S. Securities and Exchange Commission.

-MORE-

About Citizens Communications

More information about Citizens can be found at www.czn.net.

This document contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. These and all forward-looking statements (including oral representations) are only predictions or statements of current plans that are constantly under review by the company. All forward-looking statements may differ from actual results. The foregoing information should be read in conjunction with the company's filings with the U.S. Securities and Exchange Commission including, but not limited to, reports on Forms 10-K and 10-Q. The company does not intend to update or revise these forward-looking statements to reflect the occurrence of future events or circumstances.

###

TABLES TO FOLLOW

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Citizens Communications Company Consolidated Financial Data (1) (unaudited)

(Amounts in thousands - except per-share amounts)	For the quarter	
	March 31, 2005	March 31, 2004
Income Statement Data (2)		
Continuing operations		
Revenue	\$ 537,223	\$ 552,223
Cost of services (exclusive of depreciation and amortization)	51,018	55,018
Other operating expenses	199,183	208,183
Management succession and strategic alternatives expenses	-	4,000
Stock based compensation	2,265	3,265
Depreciation and amortization	139,645	143,645
Operating income	145,112	137,112
Investment and other income, net	4,773	25,773
Interest expense (includes dividends on preferred securities)	83,785	97,785
Income tax expense	25,673	23,673
Income from discontinued operations, net of tax	2,207	1,207
Net income attributable to common shareholders	42,634	42,634
Weighted average shares outstanding	338,450	283,450
Basic net income per share attributable to common shareholders (3)	\$ 0.13	\$ 0.15
Other Financial Data		
Capital expenditures	52,183	54,183
Free cash flow (4)	152,913	135,913

- (1) Our conferencing business was sold on March 15, 2005. Prior periods have been restated to present our conferencing business as discontinued operations.
- (2) Our Vermont distribution facilities were sold on April 1, 2004. This sale affects the comparability of data presented.
- (3) Calculated based on weighted average shares outstanding.
- (4) A reconciliation to the most comparable GAAP measure is presented at the end of these tables.

Citizens Communications Company Financial and Operating Data (1) (unaudited)

(Dollars in thousands, except operating data)	For the quarter en	
	March 31, 2005	March 31, 2004

TELECOMMUNICATIONS

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Select Income Statement Data

Revenue

Access services	\$ 157,322	\$ 161,4
Local services	209,986	212,7
Long distance services	43,750	47,3
Data services	38,609	31,6
Directory services	27,963	27,4
Other	21,613	22,1
ILEC revenue	499,243	502,8
Electric Lightwave	37,980	39,7
Total revenue	537,223	542,5

Expenses

Network access expense	51,018	50,0
Other operating expenses	199,183	202,7
Management succession and strategic alternatives expenses	-	4,3
Stock based compensation	2,265	3,1
Depreciation and amortization	139,645	143,3
Total expenses	392,111	403,6

Operating Income

ILEC	\$ 144,440	\$ 136,5
ELI	672	2,3

Other Financial and Operating Data

ILEC capital expenditures	\$ 47,325	\$ 52,7
ELI capital expenditures	4,801	1,7
ILEC depreciation and amortization	133,366	137,5
ELI depreciation and amortization	6,279	5,8
ILEC access lines	2,298,510	2,375,6
High-speed internet subscribers	242,768	141,9
ILEC switched access minutes of use (in millions)	2,882	3,0
ILEC average monthly revenue per average RGU (2)	\$ 65.59	\$ 66.

(1) See footnote (1) on the first page.

(2) RGU's are access lines plus high-speed internet subscribers.

Citizens Communications Company Financial and Operating Data (unaudited)

For the quarter ended

	March 31, 2005	March 31, 2004	% Change
--	-------------------	-------------------	-------------

(Dollars in thousands)

GAS AND ELECTRIC SECTORS (1)

Select Income Statement Data

Revenue	\$ -	\$ 9,735	-100%
Gas, electric energy and fuel oil purchased	-	5,523	-100%

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Other operating expenses	-	5,514	-100%
Operating (loss)	-	(1,302)	-100%

(1) See footnote (2) on the first page.

Citizens Communications Company Condensed Consolidated Balance Sheet Data (1)

(Dollars in thousands)	(unaudited) March 31, 2005	December 31, 2004
ASSETS		

Current assets:		
Cash and cash equivalents	\$ 284,220	\$ 167,463
Accounts receivable and other current assets	245,822	279,295
Assets of discontinued operations	-	24,122
	-----	-----
Total current assets	530,042	470,880
Property, plant and equipment, net	3,279,957	3,335,850
Other long-term assets	2,812,023	2,861,689
	-----	-----
Total assets	\$ 6,622,022	\$ 6,668,419
	=====	=====
LIABILITIES AND EQUITY		

Current liabilities:		
Long-term debt due within one year	\$ 6,362	\$ 6,380
Accounts payable and other current liabilities	382,969	410,405
Liabilities of discontinued operations	-	735
	-----	-----
Total current liabilities	389,331	417,520
Deferred income taxes and other liabilities	652,772	621,661
Long-term debt	4,253,034	4,266,998
Shareholders' equity	1,326,885	1,362,240
	-----	-----
Total liabilities and equity	\$ 6,622,022	\$ 6,668,419
	=====	=====

(1) See footnote (1) on the first page.

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Citizens Communications Company Condensed Consolidated Cash Flow Data (1) (unaudited)

(Dollars in thousands)

	For the three months end
	2005
Income from continuing operations	\$ 40,427
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:	
Depreciation and amortization expense	139,645
Gain on expiration/settlement of customer advances	(80)
Stock based compensation	2,265
Other	22,646
Net cash provided by continuing operating activities	204,903
Cash flows from investing activities:	
Proceeds from sales of assets, net of selling expenses	1,112
Capital expenditures	(52,183)
Other assets (purchased) distributions received, net	247
Net cash used in investing activities	(50,824)
Cash flows from financing activities:	
Debt issuance costs	(385)
Long-term debt payments	(307)
Issuance of common stock	5,552
Dividends paid	(85,081)
Other	(1,237)
Net cash used in financing activities	(81,458)
Cash provided by discontinued operations	44,136
Increase in cash and cash equivalents	116,757
Cash and cash equivalents at January 1,	167,463
Cash and cash equivalents at March 31,	\$ 284,220
Cash paid (refunded) during the period for:	
Interest	\$ 71,336
Income taxes	\$ (1,859)

(1) See footnote (1) on the first page.

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Reconciliation of Non-GAAP Financial Measures (1)

	For the quarter ended
	2005
(Dollars in thousands)	
Net Income from Continuing Operations to Free Cash Flow ;	

Net Cash Provided by Continuing Operating Activities	

Net income from continuing operations	\$ 40,427
Add back:	
Depreciation and amortization	139,645
Income tax expense	25,673
Management succession and strategic alternatives expenses	-
Stock based compensation	2,265
Subtract:	
Cash paid (refunded) for income taxes	(1,859)
Investment and other income, net	4,773
Capital expenditures	52,183
Free cash flow	----- 152,913
Add back:	
Deferred income taxes	25,109
Noncash (gains)/losses, net	1,855
Investment and other income, net	4,773
Cash paid (refunded) for income taxes	(1,859)
Capital expenditures	52,183
Subtract:	
Changes in current assets and liabilities	2,133
Income tax expense	25,673
Management succession and strategic alternatives expenses	-
Stock based compensation	2,265
Net cash provided by continuing operating activities	----- \$ 204,903 =====

(1) See footnote (1) on the first page.