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CITIZENS COMMUNICATIONS CO  
Form 8-K  
March 08, 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): March 8, 2005

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

Delaware (State or other jurisdiction of incorporation)	001-11001 (Commission File Number)	06-0619596 (I.R.S. Employer Identification No.)
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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  
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(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  
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On March 8, 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  
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(c) Exhibits

99.1 Press release of Citizens Communications Company released March 8, 2005 announcing 2004 Fourth 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: March 8, 2005

Exhibit 99.1

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

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FOR IMMEDIATE RELEASE

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### Citizens Communications Reports 2004 Fourth-Quarter Results and Declares Dividend

Stamford, Conn., March 8, 2005 -- Citizens Communications (NYSE:CZN) today reported fourth-quarter 2004 consolidated revenues of \$545 million, consolidated operating income of \$144.4 million, and consolidated net income of \$16.8 million. Consolidated net income reflects \$50.3 million of pre-tax expense related to the early retirement of debt. The company's effective income tax rate for 2004 was 15.6 percent.

Fourth-quarter 2004 revenue from the company's ILEC operations was \$506.3 million, an increase from \$505.6 million in the fourth quarter of 2003. Increases in data and enhanced service revenues more than offset lower access services revenues, reduced long distance revenue and loss of access lines. Data service revenues increased 28 percent compared to the fourth quarter of 2003.

The company's revenue generating units (which consists of access lines and high-speed Internet subscribers) increased 1 percent from a year ago as the company added a record 24,800 high-speed Internet customers during the quarter and had 212,300 high-speed data subscribers at December 31, 2004. The number of the company's high-speed Internet subscribers has increased by 76 percent from a year ago. The company's access line count, which does not take into account high-speed Internet subscribers, decreased 25,200 lines during the quarter.

ILEC operating income for the fourth quarter of 2004 was \$139.9 million and operating income margin was 27.6 percent, compared to \$134.7 million and 26.6 percent in the fourth quarter of 2003. Capital expenditures for the ILEC were \$71.8 million for the fourth quarter of 2004, compared to \$82.8 million in the year-ago period.

Free Cash flow increased 13 percent to \$127.9 million during the fourth quarter of 2004 and increased 6 percent to \$505.9 million for the full year. The company's quarterly dividend represents a payout of 66 percent of 2004 Free Cash Flow.

During 2004 the company retired or refinanced more than \$1.2 billion of debt. The company expects to save approximately \$60.4 million per year in interest expense as a result of these transactions.

--MORE --

The company's next quarterly dividend of \$0.25 per common share will be paid in cash on March 31, 2005 to shareholders of record on March 18, 2005. The company expects that all of the dividends paid to stockholders in 2005 will be treated as dividends for federal income tax purposes. Shareholders are encouraged to consult with their tax advisors.

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

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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 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](http://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.

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Tables to follow

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## Citizens Communications Company Consolidated Financial Data (unaudited)

(Amounts in thousands - except per-share amounts)	For the quarter ended December 31,		%	F
	2004	2003		
<b>Income Statement Data (1)</b>				
Revenue	\$ 545,028	\$ 554,085	-2%	\$2,1
Cost of services (exclusive of depreciation and amortization)	48,534	57,064	-15%	2
Other operating expenses	207,401	210,066	-1%	8
Management succession and strategic alternatives expenses (2)	-	-	-	
Restricted stock based compensation	1,682	2,832	-41%	
Depreciation and amortization	143,060	154,491	-7%	5
Reserve for telecommunications bankruptcies	-	(6,637)	100%	
Restructuring and other expenses	-	-	-	
Loss on impairment	-	11,300	-100%	
Operating income	144,351	124,969	16%	4
Investment and other income (loss), net	(36,589)	(711)	-	(
Interest expense (includes dividends on preferred securities)	92,726	99,240	-7%	3
Income tax expense (benefit)	(1,744)	10,066	-117%	
Cumulative effect of change in accounting principle (3)	-	-	-	
Net income attributable to common shareholders	16,780	14,952	12%	
Weighted average shares outstanding	335,143	283,095	18%	3
Net income attributable to common shareholders (4)	\$ 0.05	\$ 0.05	0%	
<b>Other Financial Data</b>				
Total capital expenditures	\$ 75,611	\$ 86,357	-12%	\$ 2
Free cash flow (5)	127,853	112,952	13%	5

- (1) Our Vermont distribution facilities were sold on April 1, 2004. The Gas Company in Hawaii division was sold on August 8, 2003, our Arizona gas and electric divisions were sold on August 11, 2003 and our Vermont transmission facilities were sold on December 1, 2003. The sales of these properties affect the comparability of data presented.
- (2) Includes \$36,618 related to stock based compensation expense for the twelve months ended December 31, 2004.
- (3) Represents the effect of adoption of SFAS No. 143, net of tax.
- (4) Calculated based on weighted average shares outstanding.
- (5) Free cash flow excludes the charge for management succession and strategic alternatives expenses. A reconciliation to the most comparable GAAP measure is presented at the end of these tables.

Citizens Communications Company  
Financial and Operating Data  
(unaudited)

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(Dollars in thousands, except operating data)	For the quarter ended December 31,		%
	2004	2003	
<b>TELECOMMUNICATIONS</b>			
Select Income Statement Data			
Revenue			
Network access services	\$ 159,797	\$ 163,525	-2%
Local network services	210,719	214,491	-2%
Long distance services	44,657	47,705	-6%
Data services	37,020	28,814	28%
Directory services	27,636	26,338	5%
Other	26,446	24,726	7%
ILEC revenue	506,275	505,599	0%
Electric Lightwave	38,753	40,161	-4%
Total revenue	545,028	545,760	0%
Expenses			
Network access expense	48,534	51,731	-6%
Other operating expenses	206,599	205,773	0%
Management succession and strategic alternatives expenses (1)	-	-	-
Restricted stock based compensation	1,682	2,638	-36%
Depreciation and amortization	143,060	154,491	-7%
Reserve for telecommunications bankruptcies	-	(6,637)	100%
Restructuring and other expenses	-	-	-
Total expenses	399,875	407,996	-2%
Operating Income			
ILEC	\$ 139,924	\$ 134,712	4%
ELI	5,229	3,052	71%
Other Financial and Operating Data			
ILEC capital expenditures	\$ 71,846	\$ 82,829	-13%
ELI capital expenditures	3,578	2,982	20%
ILEC depreciation and amortization	136,900	148,776	-8%
ELI depreciation and amortization	6,160	5,715	8%
ILEC access lines	2,320,772	2,386,456	-3%
High-speed internet subscribers	212,277	120,461	76%
ILEC switched access minutes of use (in millions)	2,895	2,922	-1%
ILEC average monthly revenue per average RGU (2)	\$ 66.62	\$ 67.20	-1%

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

(2) RGUs are access lines plus high-speed internet subscribers.

Citizens Communications Company  
Financial and Operating Data  
(unaudited)

For the quarter ended  
December 31,

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(Dollars in thousands)	----- 2004	2003	%	----- 200
			Change	
<b>GAS AND ELECTRIC SECTORS (1)</b>				
Select Income Statement Data				
Revenue	\$ -	\$ 8,325	-100%	\$ 9,
Gas, electric energy and fuel oil purchased	-	5,333	-100%	5,
Other operating expenses (2)	802	4,293	-81%	7,
Restricted stock based compensation	-	194	-100%	
Loss on impairment	-	11,300	-100%	
Operating income (loss)	(802)	(12,795)	94%	(3,
Other Financial Data				
Capital expenditures	-	497	-100%	

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

(2) 2004 quarterly data consists principally of post-sale activities associated with the completion of our utility divestiture program. These costs could not be accrued as a selling cost at the time of sale.

### Citizens Communications Company Condensed Consolidated Balance Sheet Data

(Dollars in thousands)

	December 31, 2004	December 31, 2003
<b>ASSETS</b>		
-----		
Current assets:		
Cash and cash equivalents	\$ 167,463	\$ 583
Accounts receivable and other current assets	282,114	299
Assets held for sale	-	23
	-----	-----
Total current assets	449,577	906
Property, plant and equipment, net	3,338,300	3,530
Other long-term assets	2,880,542	3,008
	-----	-----
Total assets	\$ 6,668,419	\$ 7,445
=====		
<b>LIABILITIES AND EQUITY</b>		
-----		
Current liabilities:		
Long-term debt due within one year	\$ 6,383	\$ 88
Accounts payable and other current liabilities	411,137	489
Liabilities related to assets held for sale	-	11
	-----	-----
Total current liabilities	417,520	588
Deferred income taxes and other liabilities	621,661	584
Equity units	-	460

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Long-term debt (1)	4,266,998	4,195
Mandatorily Redeemable Convertible Preferred Securities	-	201
Shareholders' equity	1,362,240	1,415
	-----	-----
Total liabilities and equity	\$ 6,668,419	\$ 7,445

- (1) In accordance with FASB Interpretation No. 46R, the Mandatorily Redeemable Convertible Preferred Securities are classified as debt effective January 1, 2004.

### Citizens Communications Company Condensed Consolidated Cash Flow Data

(Dollars in thousands)

	For the year ended Decem	
	2004	
Income before cumulative effect of change in accounting principle	\$	72,150
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense		572,710
Gain on expiration/settlement of customer advances		(25,345)
Gain on capital lease termination/restructuring		-
Stock based compensation expense		45,313
Loss on extinguishment of debt		66,480
Loss on impairment		-
Other		(14,233)
Net cash provided by operating activities		717,075
Cash flows from investing activities:		
Proceeds from sales of assets, net of selling expenses		30,959
Proceeds from securities sold		26,514
Capital expenditures		(276,348)
Other asset purchases		(28,110)
Net cash used by investing activities		(246,985)
Cash flows from financing activities:		
Long-term debt borrowings		700,000
Debt issuance costs		(15,502)
Long-term debt payments		(1,214,021)
Premiums paid to retire debt		(66,480)
Issuance of common stock		544,562
Dividends paid		(832,768)
Other		(2,089)
Net cash used by financing activities		(886,298)
Increase (decrease) in cash and cash equivalents		(416,208)
Cash and cash equivalents at January 1,		583,671



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Cash and cash equivalents at December 31,

\$ 167,463

Reconciliation of Non-GAAP Financial Measures

(Dollars in thousands)	For the quarter ended December 31,	
	2004	2003
Net Income Available to Common Shareholders to ----- Free Cash Flow; Net Cash Provided by Operating Activities -----		
Net income available to common shareholders	\$ 16,780	\$ 14,952
Add back:		
Depreciation and amortization	143,060	154,491
Income tax expense (benefit)	(1,744)	10,066
Management succession and strategic alternatives expenses	-	-
Restricted stock based compensation	1,682	2,832
Loss on impairment	-	11,300
Subtract:		
Cash refunded for income taxes	(7,097)	(4,957)
Investment and other income (loss), net	(36,589)	(711)
Cumulative effect of change in accounting principle	-	-
Capital expenditures	75,611	86,357
Free cash flow	----- 127,853	----- 112,952
Add back:		
Deferred income taxes (benefit), net	(1,744)	(24,272)
Other non-cash adjustments	60,512	22,595
Investment and other income/(loss)	(36,589)	(711)
Cash refunded for income taxes	(7,097)	(4,957)
Capital expenditures	75,611	86,357
Subtract:		
Changes in current assets and liabilities	39,867	11,067

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Income tax expense (benefit)	(1,744)	10,066
Management succession and strategic alternatives expenses	-	-
Restricted stock based compensation	1,682	2,832
Net cash provided by operating activities	<u>\$ 178,741</u>	<u>\$ 167,999</u>