

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

CITIZENS COMMUNICATIONS CO

Form 8-K

August 10, 2001

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): August 7, 2001

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, P.O. Box 3801
Stamford, Connecticut 06905
(Address of Principal Executive Offices) (Zip Code)

(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)

Item 7. Financial Statements, Exhibits

(c) Exhibits

99.1 Press Release of Citizens Communications Company released August 7, 2001 announcing earnings for the quarter and six months ended June 30, 2001.

99.2 Financial and operating data

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Citizens Communications
3 High Ridge Park
Stamford, CT 06905
203-614-5600
Web site: www.czn.net

FOR IMMEDIATE RELEASE

Contact:

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

Citizens Communications Reports Financial Results
for the Second Quarter of 2001

Stamford, Conn., August 7, 2001-- Citizens Communications (NYSE:CZN, CZB) today reported financial results for the quarter ended June 30, 2001. Consolidated second-quarter revenue from continuing operations, which includes revenue from the company's telecommunications, electric and gas operations, was \$505.7 million, an increase of 21 percent from the second quarter of 2000. For the six months ended June 30, 2001, consolidated revenue from continuing operations was \$1.13 billion, an increase of 30 percent from the same period of 2000.

Second quarter 2001 EBITDA from continuing operations totaled \$174.9 million, a 45 percent increase over 2000 second quarter EBITDA of \$120.6 million. For the six months ended June 30, 2001, EBITDA from continuing operations totaled \$368.5 million, a 44 percent increase over EBITDA of \$255.3 million for the same period of 2000.

The current and year-ago quarters include \$153.8 million and \$98.0 million of EBITDA, respectively, from the company's ILEC and Electric Lightwave operations. The current and year-ago quarters also include \$10.0 million and \$10.8 million of EBITDA, respectively, from the company's gas operations and \$11.1 million and \$11.8 million, respectively, of EBITDA from the company's electric operations.

The current and year-ago six-month periods ended June 30 include \$306.9 million and \$193.5 million of EBITDA, respectively, from the company's ILEC and Electric Lightwave operations. The current and year-ago six-month periods ended June 30 also include \$38.8 million and \$35.3 million of EBITDA, respectively, from the company's gas operations and \$22.8 million and \$26.5 million, respectively, of EBITDA from the company's electric operations.

Second quarter consolidated net loss was \$0.6 million compared to consolidated net income of \$3.0 million for the prior year quarter.

For the six months ended June 30, 2001, consolidated net income was \$19.1 million compared to consolidated net income of \$10.3 million for the same period of the prior year.

Telecommunications - Incumbent Local Exchange Carrier (ILEC)

Revenue for the second quarter of 2001 from the company's ILEC operations was \$288.8 million, up 27 percent from \$227.4 million for the 2000 second quarter. Acquisitions completed in the second half of 2000 representing approximately 340,700 access lines accounted for \$52.5 million of the increase. Revenue for the six months ended June 30, 2001 from the company's ILEC was \$576.1 million, up 27 percent from \$453.7 million for the same period in 2000. Acquisitions accounted for \$100.6 million of the increase.

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

ILEC EBITDA for the second quarter was \$149.0 million, up 50 percent from \$99.2 million in the prior year period, resulting in an EBITDA margin of 52 percent. Second quarter ILEC EBITDA results included \$7.1 million of assimilation expense related to acquisitions of telephone access lines that are pending. Absent this one-time expense, continuing ILEC EBITDA was \$156.1 million, a 46 percent increase over the prior year's corresponding period, for an EBITDA margin of 54 percent for the 2001 second quarter compared to 47 percent in the second quarter of 2000.

ILEC EBITDA for the six months ended June 30, 2001 was \$298.0 million, up 48 percent from \$201.1 million in the prior year period, resulting in an EBITDA margin of 52 percent. ILEC EBITDA results for the six months ended June 30, 2001 included \$12.5 million of assimilation expense related to acquisitions of telephone access lines that are pending. Absent this one-time expense, continuing ILEC EBITDA was \$310.6 million, a 46 percent increase over the prior year's corresponding period, for an EBITDA margin of 54 percent for the six months ended June 30, 2001 compared to 47 percent in the same period of 2000.

Electric Lightwave, Inc. (NASDAQ:ELIX) (ELI)

Second quarter ELI revenue totaled \$60.4 million compared to \$60.6 million for the prior year period. ELI revenue for the six months ended June 30, 2001 was \$123.0 million, compared to \$117.4 million for the same period in 2000.

ELI second quarter EBITDA was \$4.1 million, a \$5.5 million improvement over the \$1.4 million loss of the year ago second quarter. ELI EBITDA for the six months ended June 30, 2001 was \$7.4 million, a \$15.5 million improvement over the \$8.1 million loss of the same period in 2000.

The Nasdaq Stock Market, Inc. has informed ELI that its Class A Common Stock failed to maintain a minimum bid price of \$5.00 for 30 consecutive trading days and thus does not meet the minimum listing criteria of Nasdaq for shares listed on the National Market System. ELI has filed an application for its listing to be transferred to the Nasdaq SmallCap Market. As part of the application process, Citizens Communications has agreed to convert approximately 25.3 million shares of ELI's Class B Common Stock into the same number of shares of ELI's Class A Common Stock. Listing on Nasdaq's SmallCap Market requires that the market capitalization of ELI's Class A Common Stock be at least \$35 million.

Public Services

Gas and Electric second-quarter revenues totaled \$157.6 million versus \$131.3 million for the prior year quarter. Public Services EBITDA was \$21.1 million, a decrease of 7 percent from the second quarter of 2000.

Revenues for the six months ended June 30, 2001 totaled \$432.8 million versus \$297.5 million for the same period in the prior year. For the six months ended June 30, 2001, Public Services EBITDA was \$61.6 million as compared to \$61.8 million for the same period of 2000.

Acquisitions and Divestitures Update

On June 29, Citizens Communications completed the purchase from Global Crossing Ltd. of 1.1 million local exchange telephone access lines owned by Frontier Telephone. The purchase price was \$3.4 billion. On July 2, 2001, Citizens Communications completed the sale of its Louisiana Gas operations to Atmos Energy Corporation for approximately \$363.4 million in cash. On July 20, 2001, Citizens Communications notified Qwest Communications International that it was terminating an agreement to purchase approximately 540,000 access lines for \$1.6 billion. On July 25, 2001, Citizens announced the sale of its Colorado Gas division to Kinder Morgan for \$11 million.

About Citizens Communications

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Citizens Communications serves 2.5 million access lines in 24 states and has contracted to acquire an additional 70,000 access lines. Citizens owns 85 percent of Electric Lightwave, Inc. (NASDAQ:ELIX), a facilities-based, integrated communications provider offering a broad range of services to telecommunications-intensive businesses in the West. 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 because of, but not limited to, changes in the local and overall economy, changes in market conditions for debt and equity securities, the nature and pace of technological changes, the number and effectiveness of competitors in the company's markets, success in overall strategy, changes in legal or regulatory policy, changes in legislation, the company's ability to identify future markets and successfully expand existing ones, the mix of products and services offered in the company's target markets, the effects of acquisitions and dispositions and the ability to effectively integrate businesses acquired. These important factors should be considered in evaluating any statement contained herein and/or made by the company or on its behalf. 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.

Citizens Communications Company Financial and Operating Data by Service (unaudited)

	For the quarter ended June 30,			
	2001	2000	%	
(Amounts in thousands - except per-share amounts)			Change	
Income Statement Data (1)				
Revenue from continuing operations	\$ 505,741	\$ 418,607	21%	\$
Operating income from continuing operations	60,549	33,966	78%	
Income from discontinued operations, net of tax	3,367	2,663	26%	
Net income	(649)	3,012	-122%	
Carrying cost of equity forward contracts	12,647	-	100%	
Net income (loss) available to common shareholders	(13,296)	3,012	-541%	
EBITDA Data (2)				
EBITDA from continuing operations before acquisition assimilation expenses	\$ 181,977	\$ 128,226	42%	\$
EBITDA from continuing operations	174,915	120,609	45%	
EBITDA from discontinued operations	13,532	11,418	19%	
Total Company EBITDA	188,447	132,027	43%	
Per Share Data				
Net income available to common shareholders per common share	\$ (0.05)	\$ 0.01	-600%	\$
EBITDA per share from continuing operations	0.65	0.46	41%	
EBITDA per share from discontinued operations	0.05	0.04	25%	

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Total Company EBITDA per share	0.70	0.51	37%
EBITDA per share from continuing operations before acquisition assimilation expenses	0.67	0.49	37%
Shares of common stock outstanding	289,038	261,901	10%
Weighted average shares outstanding	269,879	261,215	3%

- (1) Includes our Incumbent Local Exchange Carrier (ILEC), Electric Lightwave, Inc. (ELI), (o Carrier) and our natural gas and electric businesses. The natural gas and electric businesses are presented in continuing operations in the se data and as assets held for sale on our balance sheet. We are reporting our water and wastewater businesses as discontinued operations. Prior year has been restated to conform to current presentation. Continuing operations of intercompany transactions (see segment footnote in the SEC Form 10-Q).
- (2) EBITDA is operating income plus depreciation and amortization.

Citizens Communications Company Consolidated Financial Data (unaudited)

	For the quarter ended June 30,			%	For the six m June 3
(Amounts in thousands - except per-share amounts)	2001	2000	Change		2001
Income Statement Data					
Continuing operations (1)					
Revenue	\$ 505,741	\$418,607	21%		\$1,130,023
Cost of Services	128,528	103,434	24%		353,893
Depreciation and amortization	114,366	86,643	32%		220,072
Other operating expenses	195,236	186,947	4%		395,080
Acquisition assimilation expenses	7,062	7,617	-7%		12,546
Operating income	60,549	33,966	78%		148,432
Investment and other income, net	10,641	4,219	152%		13,425
Minority interest	-	5,937	-100%		-
Interest expense	73,129	41,750	75%		134,581
Income tax expense	525	471	11%		9,573
Convertible preferred dividends	1,552	1,552	-		3,105
Income (loss) from continuing operations	(4,016)	349	-1251%		14,598
Income from discontinued operations, net of tax	3,367	2,663	26%		4,476
Net income	(649)	3,012	-122%		19,074
Carrying cost of equity forward contracts	12,647	-	100%		12,647
Net income (loss) available to common shareholders	(13,296)	3,012	-541%		6,427
EBITDA and Capital Expenditure Data (2)					
EBITDA from continuing operations	\$ 174,915	\$120,609	45%		\$ 368,504
EBITDA from discontinued operations	13,532	11,418	19%		22,009
Total Company EBITDA	188,447	132,027	43%		390,513
EBITDA from continuing operations before acquisition assimilation expenses	181,977	128,226	42%		381,050
Capital expenditures from continuing operations	87,177	119,071	-27%		184,093
Capital expenditures from assets held for sale	16,655	22,783	-27%		33,708
Capital expenditures from discontinued operations	2,861	22,719	-87%		12,893
Total Company capital expenditures	106,693	164,573	-35%		230,694

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Balance Sheet Data

Cash and investments		\$ 222,896
Total assets		10,845,688
Net plant (continuing operations)		4,662,361
Assets held for sale		1,240,998
Assets of discontinued operations		687,275
Long-term debt (continuing operations)		6,278,312
Equity		2,016,196
Shares of common stock outstanding		289,038
Weighted average shares outstanding	269,879 261,215 3%	266,898

Per-Share Data (3)

Net income available to common shareholders per common share	\$	(0.05)	\$	0.01	-527%	\$	0.02
EBITDA per share from continuing operations		0.65		0.46	40%		1.38
EBITDA per share from discontinued operations		0.05		0.04	15%		0.08
Total Company EBITDA per share		0.70		0.51	38%		1.46
Book value per share							7.55

Other Financial Data

Long-term debt to long-term debt and equity		76%
Common equity market capitalization (in billions)	\$	3.48
Equity market capitalization (in billions)	\$	3.68
Market capitalization (in billions) (4)	\$	9.96

- (1) Includes our Incumbent Local Exchange Carrier (ILEC), Electric Lightwave, Inc. (ELI), (our Co) and our natural gas and electric businesses. The natural gas and electric businesses are presented in continuing operations in the selected data and as assets held for sale in the balance sheet data. We are reporting our water and wastewater businesses as discontinued operations. Prior year has been restated to conform to current presentation. Continuing operations reflect the elimination of intercompany transactions (see segment footnote in the SEC Form 10-Q).
- (2) EBITDA is operating income plus depreciation and amortization.
- (3) Calculated based on weighted average shares outstanding.
- (4) Equity market capitalization plus long-term debt.

Citizens Communications Company Financial and Operating Data by Service

	For the quarter ended June 30,			%	For the six months June 30,
(Dollars in thousands, except operating data)	2001	2000	Change		2001
ILEC					
Select Income Statement Data					
Revenue					
Network access services	\$ 139,403	\$ 108,423	29%		\$ 271,800
Local network services	95,713	74,871	28%		196,405
Long distance and data services	32,675	24,480	33%		63,284
Directory services	10,999	9,000	22%		21,689
Other	9,998	10,622	-6%		22,955
Total revenue	288,788	227,396	27%		576,133
Network access expense	18,607	15,246	22%		35,148

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Depreciation and amortization	88,312	59,765	48%	174,689
Other operating expenses	114,122	105,384	8%	230,395
Acquisition assimilation expenses (1)	7,062	7,617	-7%	12,546
Total expense	228,103	188,012	21%	452,778
Operating income	60,685	39,384	54%	123,355

EBITDA and Capital Expenditure Data

EBITDA (2)	\$ 148,997	\$ 99,149	50%	\$ 298,044
EBITDA margin (3)	52%	44%	18%	52%
EBITDA before acquisition assimilation expenses	156,059	106,766	46%	310,590
EBITDA margin before acquisition assimilation expense	54%	47%	15%	54%
Capital expenditures	72,207	74,227	-3%	148,789

Balance Sheet Data

Total assets	\$ 7,459,087
Net plant	3,735,861

Operating Data

Access Lines: (4)				
Embedded properties				1,062,784
Acquired properties				340,736
Total Access lines				1,403,520
Switched access minutes of use (in millions)	1,941	1,380	41%	3,752
Employees				4,471

- (1) Represents expenses associated with the completed and pending acquisition of approximately access lines.
- (2) EBITDA is operating income plus depreciation and amortization.
- (3) EBITDA divided by total revenue.
- (4) Excludes access lines acquired from Frontier on June 29, 2001.

Citizens Communications Company Financial and Operating Data by Service

	For the quarter ended June 30,			%	For the s J
	2001	2000	Change		2001
(Dollars in thousands, except operating data)					
Electric Lightwave, Inc.					
Select Income Statement Data					
Revenue					
Network services	\$ 26,121	\$ 17,173	52%	\$ 51,	
Local telephone services	21,868	25,951	-16%	43,	
Long distance services	3,098	4,265	-27%	6,	
Data services	9,342	13,231	-29%	21,	
Total revenue	60,429	60,620	0%	122,	
Network access expense	17,051	18,294	-7%	33,	
Gross margin	43,378	42,326	2%	89,	
Depreciation and amortization	19,834	14,721	35%	38,	
Other operating expenses	39,314	43,761	-10%	81,	

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Total expense	76,199	76,776	-1%	154,
Operating loss	(15,770)	(16,156)	2%	(31,
EBITDA and Capital Expenditure Data				
EBITDA (1)	\$ 4,064	\$ (1,435)	383%	\$ 7,
Capital expenditures (2)	14,970	44,844	-67%	35,
Balance Sheet Data				
Total assets				\$ 949,
Gross plant				1,023,
Operating Data				
Access Line Equivalents				187,
Route miles				6,
Fiber miles				349,
Customers				2,
Buildings connected				
Employees				
Revenue per employee	\$ 63,677	\$ 50,728	26%	\$ 129,
Reciprocal compensation received (in thousands)	\$ 8,011	\$ 10,400	-23%	\$ 15,

(1) EBITDA is operating income plus depreciation and amortization.

(2) Excludes capitalized leases.

Citizens Communications Company Financial and Operating Data by Service

	For the quarter ended June 30,			For the s J
	2001	2000	%	2001
(Dollars in thousands, except operating data)	-----			
Gas Sector				
Select Income Statement Data				
Revenue				
Residential distribution	\$ 40,036	\$ 33,920	18%	\$ 164,
Commercial distribution	32,748	29,224	12%	93,
Industrial distribution	21,252	11,064	92%	47,
Total distribution	94,036	74,208	27%	306,
Other	8,119	3,157	157%	16,
Total revenue	102,155	77,366	32%	322,
Gas purchased	63,914	42,785	49%	227,
Gross margin	38,241	34,581	11%	95,
Depreciation and amortization (1)	155	5,922	-97%	
Other operating expenses	28,204	23,783	19%	56,
Total expense	92,273	72,490	27%	284,
Operating income	9,882	4,876	103%	38,
EBITDA and Capital Expenditure Data				
EBITDA (2)	\$ 10,037	\$ 10,798	-7%	\$ 38,
Capital expenditures	10,751	15,963	-33%	18,
Balance Sheet Data				
Assets held for sale				\$ 651,
Net plant				552,

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

Operating Data

Customers				478,
Employees				1,
Customers per employee				
Gross margin (net revenue) per employee	\$ 37,345	\$ 33,837	10%	\$ 93,
Billion Cubic Feet of gas throughput (BCF)	13.8	14.1	-	3

- (1) Our gas operations are reported as "assets held for sale" and are expected to be sold for profit. Accordingly, we ceased to record depreciation expense effective October 1, 2000.
- (2) EBITDA is operating income plus depreciation and amortization.

Citizens Communications Company
Financial and Operating Data by Service

	For the quarter ended June 30,			For the s J
	2001	2000	% Change	2001
(Dollars in thousands, except operating data)				
Electric Sector				
Select Income Statement Data				
Revenue				
Residential distribution	\$ 22,359	\$ 23,061	-3%	\$ 46,0
Commercial distribution	16,236	17,231	-6%	31,4
Industrial distribution	12,991	12,055	8%	25,2
Total distribution	51,586	52,347	-1%	102,7
Other	3,878	1,570	147%	7,3
Total revenue	55,464	53,917	3%	110,1
Electric energy and fuel oil purchased	29,969	27,801	8%	59,6
Gross margin	25,495	26,116	-2%	50,5
Depreciation and amortization (1)	5,800	6,247	-7%	5,8
Other operating expenses	14,435	14,347	1%	27,7
Total expense	50,204	48,395	4%	93,2
Operating income	5,260	5,522	-5%	16,9
EBITDA and Capital Expenditure Data				
EBITDA (2)	\$ 11,060	\$ 11,769	-6%	\$ 22,7
Capital expenditures	5,904	6,820	-13%	15,5
Balance Sheet Data				
Assets held for sale				\$ 589,4
Net plant				437,5
Operating Data				
Customers				127,5
Employees				3
Customers per employee				3
Gross margin (net revenue) per employee	\$ 74,113	\$ 78,426	-5%	\$ 146,8
Megawatt hours sold	472,472	460,540	3%	937,8
Megawatt hours generated	111,648	102,954	8%	211,0
Megawatt hours purchased	412,020	426,660	-3%	804,1

Edgar Filing: CITIZENS COMMUNICATIONS CO - Form 8-K

- (1) Our electric operations are reported as "assets held for sale" and are expected to be sold profit. Accordingly, we ceased to record depreciation expense effective January 1, 2001.
- (2) EBITDA is operating income plus depreciation and amortization.

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/ Robert J. Larson

Robert J. Larson
Vice President and Chief Accounting Officer

Date: August 10, 2001