

UNITED STATES CELLULAR CORP
 Form 10-Q
 May 02, 2014

UNITED STATES															
SECURITIES AND EXCHANGE COMMISSION															
Washington, D.C. 20549															
FORM 10-Q															
(Mark One)															
<input checked="" type="checkbox"/>	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934														
For the quarterly period ended March 31, 2014															
OR															
<input type="checkbox"/>	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934														
For the transition period from _____ to _____															
Commission file number 1-9712															
UNITED STATES CELLULAR CORPORATION															
(Exact name of Registrant as specified in its charter)															
Delaware								62-1147325							
(State or other jurisdiction of incorporation or organization)								(IRS Employer Identification No.)							
8410 West Bryn Mawr, Chicago, Illinois 60631															
(Address of principal executive offices) (Zip code)															
Registrant's telephone number, including area code: (773) 399-8900															
Indicate by check mark														Yes	No
• 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.														x	o

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<ul style="list-style-type: none"> whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 														x	o
<ul style="list-style-type: none"> whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. 															
Large accelerated filer		o	Accelerated filer		x	Non-accelerated filer		o	Smaller reporting company			o			
<ul style="list-style-type: none"> whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). 														o	x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.															
Class														Outstanding at March 31, 2014	
Common Shares, \$1 par value														51,178,608 Shares	
Series A Common Shares, \$1 par value														33,005,877 Shares	

United States Cellular Corporation			
Quarterly Report on Form 10-Q			
For the Quarterly Period Ended March 31, 2014			
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Item 1. Financial Statements					
United States Cellular Corporation					
<u>Consolidated Statement of Operations</u>					
(Unaudited)					
Three Months Ended					
March 31,					
(Dollars and shares in thousands, except per share amounts)			2014		2013
Operating revenues					
	Service		\$ 853,613		\$ 996,349
	Equipment sales		72,198		85,397
	Total operating revenues		925,811		1,081,746
Operating expenses					
	System operations (excluding Depreciation, amortization and accretion reported below)		180,607		216,299
	Cost of equipment sold		270,474		241,691
	Selling, general and administrative (including charges from affiliates of \$21.2 million and \$23.5 million, respectively)		395,564		420,080
	Depreciation, amortization and accretion		167,753		189,845
	(Gain) loss on asset disposals, net		1,934		5,434
	(Gain) loss on sale of business and other exit costs, net		(6,900)		6,931
	(Gain) loss on license sales and exchanges		(91,446)		-
	Total operating expenses		917,986		1,080,280
Operating income			7,825		1,466
Investment and other income (expense)					
	Equity in earnings of unconsolidated entities		37,075		26,835
	Interest and dividend income		884		903
	Interest expense		(14,862)		(10,910)
	Other, net		86		(215)
	Total investment and other income		23,183		16,613
Income before income taxes			31,008		18,079
	Income tax expense		12,604		7,369

Net income				18,404			10,710
	Less: Net income (loss) attributable to noncontrolling interests, net of tax			(1,078)			5,796
Net income attributable to U.S. Cellular shareholders			\$	19,482		\$	4,914
Basic weighted average shares outstanding				84,213			83,838
Basic earnings per share attributable to U.S. Cellular shareholders			\$	0.23		\$	0.06
Diluted weighted average shares outstanding				85,065			84,588
Diluted earnings per share attributable to U.S. Cellular shareholders			\$	0.23		\$	0.06
The accompanying notes are an integral part of these consolidated financial statements.							

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United States Cellular Corporation					
<u>Consolidated Statement of Cash Flows</u>					
<u>(Unaudited)</u>					
Three Months Ended					
March 31,					
(Dollars in thousands)			2014		2013
Cash flows from operating activities					
	Net income		\$	18,404	\$ 10,710
	Add (deduct) adjustments to reconcile net income to net cash flows from operating activities				
	Depreciation, amortization and accretion		167,753		189,845
	Bad debts expense		20,492		16,910
	Stock-based compensation expense		4,955		5,036
	Deferred income taxes, net		(4,817)		7,048
	Equity in earnings of unconsolidated entities		(37,075)		(26,835)
	Distributions from unconsolidated entities		12,818		5,836
	(Gain) loss on asset disposals, net		1,934		5,434
	(Gain) loss on sale of business and other exit costs, net		(6,900)		6,931
	(Gain) loss on license sales and exchanges		(91,446)		-
	Noncash interest expense		269		262
	Other operating activities		47		250
	Changes in assets and liabilities from operations				
	Accounts receivable		81,980		33,611
	Inventory		19,306		16,750
	Accounts payable - trade		(38,245)		4,644
	Accounts payable - affiliate		(2,312)		(1,933)
	Customer deposits and deferred revenues		(1,510)		8,862
	Accrued taxes		(15,403)		6,175
	Accrued interest		9,182		9,201
	Other assets and liabilities		(75,896)		(75,122)
			63,536		223,615
Cash flows from investing activities					
	Cash used for additions to property, plant and equipment		(109,498)		(151,024)
	Cash paid for acquisitions and licenses		(9,135)		(14,150)
	Cash received from divestitures		103,042		-
	Cash received for investments		10,000		-
	Other investing activities		584		3,654

					(5,007)			(161,520)
Cash flows from financing activities								
	Repayment of long-term debt				(23)			(61)
	Common shares reissued for benefit plans, net of tax payments				316			123
	Common shares repurchased				(2,000)			(18,425)
	Distributions to noncontrolling interests				(346)			(2,396)
	Other financing activities				-			2
					(2,053)			(20,757)
Net increase in cash and cash equivalents					56,476			41,338
Cash and cash equivalents								
	Beginning of period				342,065			378,358
	End of period			\$	398,541		\$	419,696
The accompanying notes are an integral part of these consolidated financial statements.								

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United States Cellular Corporation				
Consolidated Balance Sheet — Assets				
(Unaudited)				
(Dollars in thousands)		March 31,		December 31,
		2014		2013
Current assets				
	Cash and cash equivalents	\$ 398,541		\$ 342,065
	Short-term investments	40,056		50,104
	Accounts receivable			
	Customers and agents, less allowances of \$52,431 and \$59,206, respectively	352,366		467,255
	Roaming	26,833		30,136
	Affiliated	667		980
	Other, less allowances of \$713 and \$1,032, respectively	104,605		88,224
	Inventory, net	218,882		238,188
	Prepaid expenses	65,510		65,596
	Net deferred income tax asset	99,105		99,105
	Other current assets	19,702		19,538
		1,326,267		1,401,191
Assets held for sale				
		-		16,027
Investments				
	Licenses	1,425,945		1,401,126
	Goodwill	387,524		387,524
	Investments in unconsolidated entities	289,842		265,585
		2,103,311		2,054,235
Property, plant and equipment				
	In service and under construction	7,715,292		7,717,512
	Less: Accumulated depreciation	4,939,072		4,860,992
		2,776,220		2,856,520
Other assets and deferred charges				
		132,536		117,735
Total assets				
		\$ 6,338,334		\$ 6,445,708
The accompanying notes are an integral part of these consolidated financial statements.				

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United States Cellular Corporation					
Consolidated Balance Sheet — Liabilities and Equity					
(Unaudited)					
(Dollars and shares in thousands)				March 31,	December 31,
				2014	2013
Current liabilities					
	Current portion of long-term debt			\$ 166	\$ 166
	Accounts payable				
		Affiliated		9,266	11,243
		Trade		347,459	405,583
	Customer deposits and deferred revenues			255,230	256,740
	Accrued taxes			58,574	73,820
	Accrued compensation			35,930	66,566
	Other current liabilities			161,446	192,055
				868,071	1,006,173
Deferred liabilities and credits					
	Net deferred income tax liability			830,960	836,297
	Other deferred liabilities and credits			330,467	315,073
Long-term debt				878,127	878,032
Commitments and contingencies				-	-
Noncontrolling interests with redemption features				543	536
Equity					
	U.S. Cellular shareholders' equity				
		Series A Common and Common Shares			
		Authorized 190,000 shares (50,000 Series A Common and 140,000 Common Shares)			
		Issued 88,074 shares (33,006 Series A Common and 55,068 Common Shares)			
		Outstanding 84,185 shares (33,006 Series A Common and 51,179 Common Shares) and 84,205 shares (33,006 Series A Common and 51,199 Common Shares), respectively			
		Par Value (\$1 per share) (\$33,006 Series A Common and \$55,068 Common Shares)		88,074	88,074

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		Additional paid-in capital		1,429,148			1,424,729
		Treasury shares, at cost, 3,889 and 3,869 Common Shares, respectively		(165,577)			(164,692)
		Retained earnings		2,061,561			2,043,095
		Total U.S. Cellular shareholders' equity		3,413,206			3,391,206
		Noncontrolling interests		16,960			18,391
		Total equity		3,430,166			3,409,597
		Total liabilities and equity		\$ 6,338,334		\$	6,445,708
The accompanying notes are an integral part of these consolidated financial statements.							

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United States Cellular Corporation									
Consolidated Statement of Changes in Equity									
(Unaudited)									
U.S. Cellular Shareholders									
(Dollars in thousands)	Series A Common and Common Shares	Additional Paid-In Capital	Treasury Shares	Retained Earnings	Total U.S. Cellular Shareholders Equity	Noncontrolling Interests	Total Equity		
Balance, December 31, 2013	\$ 88,074	\$ 1,424,729	\$ (164,692)	\$ 2,043,095	\$ 3,391,206	\$ 18,391	\$ 3,409,597		
Add (Deduct)									
Net income attributable to U.S. Cellular shareholders	-	-	-	19,482	19,482	-	19,482		
Net income (loss) attributable to noncontrolling interests classified as equity	-	-	-	-					