

TELEPHONE & DATA SYSTEMS INC /DE/
Form DEFA14A
November 04, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

<input type="checkbox"/>	Preliminary Proxy Statement
<input type="checkbox"/>	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
<input type="checkbox"/>	Definitive Proxy Statement
<input checked="" type="checkbox"/>	Definitive Additional Materials
<input type="checkbox"/>	Soliciting Material Pursuant to §240.14a-12

Telephone and Data Systems, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, If other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

<input checked="" type="checkbox"/>	No fee required.
<input type="checkbox"/>	Fee computed on table below per Exchange Act Rules 14a 6(i)(1) and 0-11.
(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0 11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:
<input type="checkbox"/>	Fee paid previously with preliminary materials.
<input type="checkbox"/>	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEFA14A

Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

EXPLANATORY NOTE

The purpose of this Schedule 14A is to file a press release issued by Telephone and Data Systems, Inc. (“TDS”) on November 4, 2011, which included certain disclosures relating to the proposals included in TDS’ proxy statement dated August 31, 2011.

NEWS RELEASE

As previously announced, TDS will hold a teleconference Nov. 4, 2011 at 9:00 a.m. CDT. Interested parties may listen to the call live by accessing the Investor Relations page of www.teldta.com.

Contact: Jane W. McCahon, Vice President, Corporate Relations

(312) 592-5379; jane.mccahon@teldta.com

Julie D. Mathews, Manager, Investor Relations

(312) 592-5341; julie.mathews@teldta.com

FOR RELEASE: IMMEDIATE

TDS REPORTS THIRD QUARTER 2011 RESULTS

Revenues increase 5 percent; profitability improves

Note: Comparisons are year over year unless otherwise noted.

3Q 2011 Highlights

TDS Consolidated

- § Operating revenues increased 5 percent to \$1.3 billion.
- § Operating income increased 50 percent to \$126.9 million.
- § Diluted earnings per share attributable to TDS shareholders increased to \$0.68 from \$0.39.

U.S. Cellular

- § Smartphones sold, as a percent of total devices sold, increased to 39.9 percent from 23.6 percent; smartphone customers increased to 26.2 percent of postpaid customers from 12.1 percent.
- § Postpaid ARPU (average revenue per unit) increased to \$52.41 from \$50.82.
- § Service revenues increased 5 percent to \$1,036.6 million.
- § Operating income increased 66 percent to \$101.6 million.
- § Net loss of 23,000 retail customers, reflecting loss of 34,000 postpaid customers and gain of 11,000 prepaid customers; postpaid customers comprised 95 percent of retail customers.
- § Cell sites in service increased 4 percent to 7,828.

TDS Telecom

- § Operating revenues increased 4 percent to \$210.8 million.
 - § Operating income increased 2 percent to \$25.2 million.
 - § ILEC triple play penetration increased to 28.5 percent from 24.6 percent.
 - § *managed*IP stations (ILEC and CLEC) grew to 39,400 from 23,400.
-

CHICAGO – Nov. 4, 2011 — Telephone and Data Systems, Inc. [NYSE:TDS, TDS.S] reported operating revenues of \$1,325.4 million for the third quarter of 2011, an increase of 5 percent from \$1,266.4 million in the comparable period one year ago. Net income attributable to TDS shareholders and related diluted earnings per share were \$71.3 million and \$0.68, respectively, for the third quarter of 2011, compared to \$41.4 million and \$0.39, respectively, in the comparable period one year ago.

“U.S. Cellular and TDS Telecom are focused on competing more effectively for new customers,” said LeRoy T. Carlson, Jr., TDS president and CEO, “while continuing to satisfy and retain their current customers. Both companies are also working to improve operational excellence and efficiency.”

“U.S. Cellular increased its margins and profitability, through growth in inbound roaming revenue, and through expense control. Average revenue per customer also grew, as more customers chose smartphones and data plans.

“TDS Telecom had a solid quarter, increasing operating revenues and operating income. ILEC data revenues continued to increase, due mainly to growth in hosted and managed services revenues and high-speed data customers. TDS Telecom also continued to add managedIP stations in its commercial business.

“The TDS Board of Directors is currently considering potential changes to our share consolidation proposal and anticipates completing this review process in the near future. Management and the TDS Board of Directors continue to believe that the share consolidation is in the best interests of all TDS shareowners and will simplify TDS' capital structure, improve market liquidity and provide greater financial flexibility.”

Guidance for year ending Dec. 31, 2011

Guidance for the year ending Dec. 31, 2011, as of Nov. 4, 2011, is provided below, compared to the previous guidance provided on Aug. 8, 2011. TDS undertakes no duty to update such information, whether as a result of new information, future events, or otherwise. There can be no assurance that final results will not differ materially from this guidance.

		Current Estimates	Previous Estimates (1)
U.S. Cellular		\$4,000-\$4,100 million	
	Service revenues		Unchanged
	Operating income (3) (4)	\$230-\$305 million	\$210-\$285 million
	Depreciation, amortization and accretion expenses, and losses on asset disposals and exchanges and impairment of assets (3)	Approx. \$590 million	Unchanged
	Adjusted OIBDA (2) (4)	\$820-\$895 million	\$800-\$875 million
	Capital expenditures (4)	\$750-\$800 million	Unchanged

TDS Telecom

Operating revenues	\$800-\$830 million	Unchanged
Operating income (3)	\$85-\$115 million	Unchanged
Depreciation, amortization and accretion expenses, and losses on asset disposals and impairment of assets (3)	Approx. \$185 million	Unchanged
Adjusted OIBDA (2)	\$270-\$300 million	Unchanged
Capital expenditures (5)	\$175-\$200 million	Unchanged

(1) The 2011 Estimated Results as disclosed in the TDS Quarterly Report on Form 10-Q for the period ended June 30, 2011.

(2) Adjusted OIBDA is defined as Operating income excluding the effects of: Depreciation, amortization and accretion (OIBDA); the net gain or loss on asset disposals and exchanges (if any); and the loss on impairment of assets (if any). This measure also may be commonly referred to by management as operating cash flow. This measure should not be confused with Cash flows from operating activities, which is a component of the Consolidated statement of cash flows.

(3) The 2011 Estimated Results do not include any estimate for losses on impairment of assets since these cannot be predicted.

(4) This guidance is based on U.S. Cellular's current operations, which include a multi-year deployment of Long-term Evolution ("LTE") technology commencing in 2011. As customer demand for data services increases, and competitive conditions in the wireless industry evolve, such as the rate of deployment of LTE technology by other carriers, the timing of U.S. Cellular's deployment of LTE and the timing of other capital expenditures could change. These factors could affect U.S. Cellular's estimated capital expenditures and operating expenses in 2011.

(5) The capital expenditure guidance does not include federal grants of \$105.1 million awarded to TDS Telecom through the Broadband Stimulus program under the American Recovery and Reinvestment Act for 44 projects to be completed between 2011 and 2015.

Stock repurchase summary

The following represents repurchases of TDS Common Shares and TDS Special Common Shares.

Repurchase Period	# Shares		Cost (in millions)
2011 (YTD)	748,246	\$	21.5
2010 (full year)	2,394,476	\$	68.1
2009 (full year)	6,374,741	\$	176.6
2008 (full year)	5,861,822	\$	199.6
Total	15,379,285	\$	465.8

Conference call information

TDS will hold a conference call on Nov. 4, 2011 at 9:00 a.m. CDT.

- Access the live call on the Investor Relations page of www.teldta.com or at <http://www.videonewswire.com/event.asp?id=82599>.
- Access the call by phone at 877/407-8029 (US/Canada), no pass code required.

Before the call, certain financial and statistical information to be discussed during the call will be posted to the Investor Relations page of www.teldta.com. The call will be archived on the Conference Calls page of www.teldta.com.

IMPORTANT INFORMATION: The foregoing information is not a solicitation of a proxy from any TDS shareholder. This is being done only pursuant to a definitive proxy statement. Additional information relating to the foregoing is included in TDS' proxy materials filed with the Securities and Exchange Commission ("SEC") and distributed to shareholders. **INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ SUCH MATERIALS BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** Shareholders and other investors may access such materials without charge at the SEC's web site (www.sec.gov) and on the TDS web site (www.teldta.com) in the Investor Relations section on the SEC filings page. In addition, shareholders may obtain free copies of the proxy materials by contacting TDS' proxy solicitor, MacKenzie Partners at (800) 322-2885. TDS and its executive officers and directors may be deemed to be participants in the solicitation of proxies from TDS shareholders on behalf of the TDS board of directors in connection with the foregoing. Information concerning such participants and their respective direct or indirect interests in TDS by security holdings or otherwise is included in TDS' definitive proxy statement.

About TDS

Telephone and Data Systems, Inc. (TDS), a Fortune 500® company, provides wireless, local and long-distance telephone, and broadband services to approximately 7 million customers in 36 states through its business units, U.S. Cellular (wireless) and TDS Telecom (wireline). Founded in 1969 and headquartered in Chicago, TDS employed 12,300 people as of September 30, 2011.

Visit www.teldta.com for comprehensive financial information, including earnings releases, quarterly and annual filings, shareholder information and more.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: All information set forth in this news release, except historical and factual information, represents forward-looking statements. This includes all statements about the company's plans, beliefs, estimates and expectations. These statements are based on current estimates, projections and assumptions, which involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Important factors that may affect these forward-looking statements include, but are not limited to: the ability of the company to successfully grow its markets; the overall economy; competition; the access to and pricing of unbundled network elements; the ability to obtain or maintain roaming arrangements with other carriers; the state and federal telecommunications regulatory environment; the value of assets and investments; adverse changes in the ratings afforded TDS and U.S. Cellular debt securities by accredited ratings organizations; industry consolidation; advances in telecommunications technology; uncertainty of access to the capital markets; pending and future litigation; changes in income tax rates, laws, regulations or rulings; acquisitions/divestitures of properties and/or licenses; and changes in customer growth rates, average monthly revenue per unit, churn rates, roaming revenue and terms, the availability of handset devices, or the mix of products and services offered by U.S. Cellular and TDS Telecom. Investors are encouraged to consider these and other risks and uncertainties that are discussed in the Form 8-K used by TDS to furnish this press release to the SEC, which are incorporated by reference herein.

For more information about TDS and its subsidiaries, visit:

TDS: www.teldta.com

U.S. Cellular: www.uscellular.com

TDS Telecom: www.tdstelecom.com

United States Cellular Corporation

Summary Operating Data (Unaudited)

Quarter Ended	9/30/2011	6/30/2011	3/31/2011	12/31/2010	9/30/2010
Total population					
Consolidated markets (1)	91,965,000	91,204,000	91,090,000	90,468,000	90,468,000
Consolidated operating markets (1)	46,888,000	46,888,000	46,774,000	46,546,000	46,546,000
Market penetration at end of period					
Consolidated markets (2)	6.5%	6.5%	6.6%	6.7%	6.7%
Consolidated operating markets (2)	12.7%	12.7%	12.9%	13.0%	13.1%
All customers					
Total at end of period	5,932,000	5,968,000	6,033,000	6,072,000	6,103,000
Gross additions	299,000	257,000	293,000	327,000	338,000
Net additions (losses)	(36,000)	(70,000)	(39,000)	(31,000)	(41,000)
Smartphones sold as a percent of total devices sold (3)	39.9%	39.6%	42.5%	39.6%	23.6%
Retail customers					
Total at end of period	5,621,000	5,644,000	5,698,000	5,729,000	5,750,000
Smartphone penetration (3) (4)	26.2%	23.0%	20.2%	16.6%	12.1%
Gross additions	284,000	226,000	256,000	292,000	301,000
Net retail additions (losses) (5)	(23,000)	(58,000)	(31,000)	(21,000)	(25,000)
Net postpaid additions (losses)	(34,000)	(41,000)	(22,000)	(10,000)	(25,000)
Net prepaid additions (losses)	11,000	(17,000)	(9,000)	(11,000)	—
Service revenue components (000s)					
Retail service	\$ 871,199	\$ 868,630	\$ 864,602	\$ 864,905	\$ 865,766
Inbound roaming	107,810	82,760	64,386	67,545	72,901
Other	57,600	50,640	56,125	59,464	44,836

Total service revenues

(000s)	\$	1,036,609	\$	1,002,030	\$	985,113	\$	991,914	\$	983,503
Total ARPU (6)	\$	58.09	\$	55.69	\$	54.29	\$	54.37	\$	53.53
Billed ARPU (7)	\$	48.82	\$	48.27	\$	47.65	\$	47.41	\$	47.12
Postpaid ARPU (8)	\$	52.41	\$	51.84	\$	51.21	\$	50.99	\$	50.82
Postpaid churn rate (9)		1.5%		1.4%		1.4%		1.5%		1.6%
Capital expenditures										
(000s)	\$	248,000	\$	162,100	\$	95,900	\$	203,400	\$	124,700
Cell sites in service		7,828		7,770		7,663		7,645		7,524

(1) Used only to calculate market penetration of consolidated markets and consolidated operating markets, respectively. See footnote (2) below.

(2) Market Penetration is calculated by dividing the number of wireless customers at the end of the period by the total population of consolidated markets and consolidated operating markets, respectively, as estimated by Claritas.

(3) Smartphones represent wireless devices which run on a Blackberry®, Windows Mobile, or Android operating system.

(4) Smartphone penetration is calculated by dividing postpaid customers on smartphone service plans by total postpaid customers.

(5) Includes net postpaid additions (losses) and net prepaid additions (losses).

(6) Total ARPU - Average monthly service revenue per customer includes retail service, inbound roaming and other service revenues and is calculated by dividing total service revenues by the number of months in the period and by the average total customers during the period.

(7) Billed ARPU - Average monthly billed revenue per customer is calculated by dividing total retail service revenues by the number of months in the period and by the average total customers during the period. Retail service revenues include revenues attributable to postpaid, prepaid and reseller customers.

(8) Postpaid ARPU - Average monthly revenue per postpaid customer is calculated by dividing total retail service revenues from postpaid customers by the number of months in the period and by the average postpaid customers during the period.

(9) Represents the percentage of the retail postpaid customer base that disconnects service each month. This amount represents the average postpaid churn rate for each respective quarterly period.

TDS Telecom

Summary Operating Data (Unaudited)

Quarter Ended TDS Telecom	9/30/2011	6/30/2011	3/31/2011	12/31/2010	9/30/2010
ILEC:					
Equivalent access lines (1)	762,500	764,600	765,300	767,200	773,800
Physical access lines (2)	490,200	496,300	501,200	507,700	517,000
High-speed data customers (3)	239,000	235,600	231,800	227,700	225,400
Long-distance customers <i>managed</i> IP stations (4)	373,300 5,800	373,200 5,100	370,600 4,300	370,100 3,600	370,800 3,100
Capital expenditures (000s)	\$ 51,500	\$ 39,100	\$ 22,100	\$ 55,700	\$ 33,000
CLEC:					
Equivalent access lines (1)	322,600	328,700	331,000	335,400	338,700
High-speed data customers (3)	30,200	31,500	32,300	33,100	33,900
<i>managed</i> IP stations (4)	33,600	30,200	27,200	23,800	20,300
Capital expenditures (000s)	\$ 4,700	\$ 6,200	\$ 4,200	\$ 6,200	\$ 5,500

(1) Sum of physical access lines and high-capacity data lines, adjusted to estimate the equivalent number of physical access lines in terms of capacity, plus the number of *managed*IP stations.

(2) Individual circuits connecting customers to a telephone company's central office facilities.

(3) The number of customers provided high-capacity data circuits via various technologies, including DSL, *managed*IP and dedicated Internet circuit technologies.

(4) The number of telephone handsets providing communications using packet networking technology.

Telephone and Data Systems, Inc.

Consolidated Statement of Operations Highlights

Three Months Ended September 30,

(Unaudited, dollars and shares in thousands, except per share amounts)

	2011	2010 (1)	Increase/ (Decrease) Amount	Percent
Operating revenues				
U.S. Cellular	\$ 1,110,439	\$ 1,060,781	\$ 49,658	5%
TDS Telecom	210,806	202,030	8,776	4%
All Other (2)	4,178	3,605	573	16%
	1,325,423	1,266,416	59,007	5%
Operating expenses				
U.S. Cellular				
Expenses excluding depreciation, amortization and accretion	876,855	854,250	22,605	3%
Depreciation, amortization and accretion	141,664	143,191	(1,527)	(1%)
(Gain) loss on asset disposals and exchanges, net	(9,700)	1,981	(11,681)	>(100%)
	1,008,819	999,422	9,397	1%
TDS Telecom				
Expenses excluding depreciation, amortization and accretion	139,601	133,412	6,189	5%
Depreciation, amortization and accretion	45,682	43,645	2,037	5%
(Gain) loss on asset disposals, net	337	390	(53)	(14%)
	185,620	177,447	8,173	5%
All Other (2)				
Expenses excluding depreciation and amortization	1,355	2,243	(888)	(40%)
Depreciation and amortization	2,693	2,610	83	3%
(Gain) loss on asset disposals, net	12	7	5	71%
	4,060	4,860	(800)	(16%)
Total operating expenses	1,198,499	1,181,729	16,770	1%
Operating income (loss)				
U.S. Cellular	101,620	61,359	40,261	66%
TDS Telecom	25,186	24,583	603	2%
All Other (2)	118	(1,255)	1,373	>(100%)
	126,924	84,687	42,237	50%
Investment and other income (expense)				
Equity in earnings of unconsolidated entities	22,053	24,147	(2,094)	(9%)

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEFA14A

Interest and dividend income	2,199	2,785	(586)	(21%)
Gain on investment	12,730	—	12,730	N/M
Interest expense	(22,258)	(28,297)	6,039	21%
Other, net	115	(438)	553	>(100%)
Total investment and other income (expense)	14,839	(1,803)	16,642	>(100%)
Income before income taxes	141,763	82,884	58,879	71%
Income tax expense	53,545	29,354	24,191	82%
Net income	88,218	53,530	34,688	65%
Less: Net income attributable to noncontrolling interests, net of tax	(16,924)	(12,111)	(4,813)	(40%)
Net income attributable to TDS shareholders	71,294	41,419	29,875	72%
Preferred dividend requirement	(12)	(12)	—	—
Net income available to common shareholders	\$ 71,282	\$ 41,407	\$ 29,875	72%
Basic weighted average shares outstanding	103,487	104,881	(1,394)	(1%)
Basic earnings per share attributable to TDS shareholders	\$ 0.69	\$ 0.39	\$ 0.30	77%