

FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, everyone. Welcome to the Centennial Communications first quarter 2009 earnings conference call. Today's call is being recorded.

At this time, I'll turn the call over to the Director of Investor Relations, Mr. Steve Kunszabo, for opening remarks. Please go ahead, sir.

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Steve Kunszabo - *Centennial Communications - Director, IR*

Good morning and thanks for joining us. I'd like to welcome you to our fiscal first quarter 2009 earnings call. Joining me on call this morning are CEO, Michael Small; our CFO, Tom Fitzpatrick; our President of US Wireless Operations, Phil Mayberry; and our President of Centennial de Puerto Rico, Carlos Blanco. I'd also like to remind everyone to register for our 2008 Analyst Day on December 8, in San Juan, Puerto Rico which can be done through our Investor Relations website.

Before I turn things over to Michael, I'd like to caution all participants that our call this morning may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements which reflect managements beliefs and expectations are subject to risks and uncertainties that may cause actual results to differ materially. Centennial undertakes no obligation to update or revise these forward-looking statements, to reflect events, developments or circumstances after the date hereof. For a discussion of the risks and uncertainties that may affect Centennial's future results please see Centennial's 2008 Form 10-K including the Risk Factors section contained therein and Centennial's other filings with the SEC. For your information, please also note that Centennial expects to file a 10-Q later today.

During the call we'll be referring to certain non-GAAP financial measures. Please refer to the Investor Relations section of our website for a discussion of these non-GAAP financial measures and a reconciliation to comparable GAAP measures. With that let me turn things over to Michael.

Michael Small - *Centennial Communications - CEO*

Thanks, Steve. You picked a great location for our December analyst day in San Juan, and good morning, everyone. Thanks for joining us. We delivered solid first quarter results that strengthen our confidence in our fiscal 2009 outlook. We were impacted by a couple operating aberrations which I'll also review with you in a moment. Let me though begin by addressing how this slowing economy and troubling capital markets impact Centennial as I believe this is on everyone's mind.

In short we're in good shape. We like our assets and lines of business because they are resilient in an economic downturn. It is clear to us that consumers are choosing wireless over wireline for the telecommunications needs while our broadband business has good momentum and is a very diversified customer base enterprises, carriers, government and our cable partnerships.

As Tom will discuss in greater detail, our balance sheet is healthy. The majority of our debt is not due until 2013 and 2014 and we don't rely on the credit markets for any daily or routine funding. Lastly our ongoing evaluation of potential separation of our US and Puerto Rico operations is still on hold. The credit markets weren't accommodating three months ago when we first discussed why this transaction made sense and they're undoubtedly in disarray today. We will continue to do the staff work to move the ball forward because this transaction makes sense and has merit.

To be sure, our day-to-day focus has not changed, we win with the local market strategy that emphasizes the superior network and direct sales through our well trained associates. We create value for our shareholders today by growing cash flow and delevering to enhance equity returns. We have a strong track record of doing business this way and make the right decisions to increase our value.

Turning to our US operations, now, it is clear that we have a strong franchise with a niche player competing against national operators. The ingredients of our success have been first, a great network quality in our regional footprint. Second, an extensive Company owned distribution network. And third, well trained associates having high quality interactions with our customers. The primary result of sticking with these proven ingredients has produced industry leading and growing retail ARPU that has supported double digit revenue and cash flow growth for the last three years. Retail ARPU we believe has been the right growth lever for our US business because it's worth the most to our bottom line.

How do we make this ARPU grow? First, everybody sells. It's become part of our culture. We sell tens of thousands of feature packages each month, both at the time of activation and afterwards. We execute rapidly, precisely and locally. We have the

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systems, the processes in place to manage and monitor key performance indicators at the store level whether we're -- and this allows us to take better care of our customers, whether it's a feature of the month we're selling or carefully targeting a particular customer segment.

It is worth noting that our retail ARPU which reached \$66 in the first quarter is up 6% year-over-year and nearly a 25% improvement from four years ago. We faced a short-term challenge during the quarter, short-term challenges during the quarter that impacted customer retention. Importantly though, gross additions or sales remain solid. They grew 4% year-over-year and 10% sequentially. We also believe that the macroeconomic climate was not a major reason for this churn increase. We expect that the post-paid churn should decline in the second quarter and for the rest of the year for a few reasons. First, the CDMA shut down is behind us. Second, we're working hard and did work hard during the past quarter to renew customer contracts at every touch point, and as a result, we will experience a much slower rate of contract expirations during the remainder of the year. We had our Trusted Advisors emphasize contract renewals as well as selling features at every touch point, and finally, we'll benefit from an improving sales mix that is skewing towards good credit customers which we felt was an appropriate to do in light of the current macroeconomic conditions. Our Trusted Advisors are thoroughly and continually trained. We have accessible stores in more places and our network quality is exceptional whether measured on call statistics or when we ask our customers, and these will remain the ingredients of consistent retail growth in our US business going forward.

Moving now to our Puerto Rico Wireless operation where key performance indicators whether it's consistent subscriber growth, robust ARPU or stable churn stayed on track while our adjusted operating income slipped amid sales and customer retention initiatives. As I noted last quarter our new menu of unlimited offerings continue to fortify our position with heavy users of wireless service. Our customers can now choose a \$40 unlimited voice only package all the way up to a \$90 rate plan that includes unlimited voice, unlimited roaming, unlimited data and BlackBerry service. Benefits and impacts of this have been good sales rate on high priced rate plans, particularly the \$80 and \$90 rate plans and the \$90 including the BlackBerry service and this reinforces our differentiated offerings with customers while providing a boost to retail revenue and ARPU but we have been subsidizing the more expensive rate plans with the smart phones and the BlackBerry's and that dampens margins in the current quarter.

We also renewed a large number of customer contracts during the quarter as our new rate plans also resonated with the existing customer base and caused the migration to the new plans. As a result, our expense for retention phones were up which further pressured margins. While our equipment costs increased an adjusted 10% this quarter we believe it's money well spent to defend and strengthen our premium market position with traditional wireless customers.

Lastly, our newest wireless revenue opportunities continue to grow in importance as we leverage our assets and unified sales approach to take on the residential and commercial markets. Our Instant Internet home broadband product remains a fast growing portion of total wireless sales and BlackBerry service and laptop cards continue to win share in the business wireless segment.

Turning now to Puerto Rico broadband, which grew revenue 11%, cash flow 9%, while again posting industry leading margins in the mid 50s. With this strong performance in mind it's worth reviewing the basic cause for why it's such a great business. First it's a facility based competitor connected by -- via fiber to 2300 buildings and this number grew by over 300 in the last 12 months with robust under seat capacity linking directly to the Internet hub in Miami. Secondly, we're the only significant competitor to a local incumbent landline provider. Third, there is the exceptionally high business density with over one-third of Puerto Rico having significant presence in operations -- with over one-third of the Fortune 500 having significant presence in operations in Puerto Rico. And fourth, we have the leading direct enterprise salesforce that knows how to sell complex solutions and sophisticated customers in Puerto Rico.

When taken together these assets and strong competitive position are behind our all out assault to drive telecom dollars to Centennial and we're getting this from numerous segments of the market. First and foremost from the traditional Fortune 500 segments that trust us to be the backbone for the mission critical applications. We're seeing good growth from the wireless carriers customers using our backhaul to meet their growing needs to their customers as consumers rapidly adopt wireless data

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solutions. And thirdly, our cable customers supporting, we support the triple play as they continue to take share, we think increasing base from the telephone Company.

Our CS Channel remained strong during the quarter in broadband as we added key customer wins and contract extensions to our roster including data and ethernet solutions for both Pfizer and Wyeth Pharmaceutical.

In closing, every decision we make is with an eye towards building upon our local market strategy and maximizing cash flow growth, in an era dominated by large operators our network has to be of exceptional quality where we do business, our retail distribution network has to be the most accessible to our customers and our footprint, and our associates must be the most well trained in the industry. We look forward to updating you on our progress as we move through fiscal 2009. Tom, please take us through the financials.

Tom Fitzpatrick - *Centennial Communications - EVP, CFO*

Thanks, Michael and good morning everyone. Centennial delivered results that were on pace with our consolidated financial targets for fiscal 2009 supported primarily by solid cash flow growth in our US wireless and Puerto Rico broadband operations. We're steadily building cash flow and it really hit a decisive point in our deleveraging strategy. Where every additional quarter of solid cash flow growth meaningful it accelerates our progress and enhances shareholder returns. As a reminder, we discontinued our loan phones program in Puerto Rico with the end of our 2008 fiscal year. Relevant comparison to historical financial results have been adjusted to enable comparability. Please refer to the table included in our fourth quarter 2008 earnings press release for additional information.

Centennial reported quarterly consolidated revenue of \$265.2 million, and adjusted operating income of \$101.3 million representing growth of 7% from the year ago period for both metrics. Our consolidated adjusted operating income margin was 38% for the first quarter. first quarter net income was \$7.5 million or \$0.07 per diluted share. This compares to net income of \$5.8 million or \$0.06 per diluted share for last years first quarter. On an operating segment basis, US wireless posted first quarter revenue of \$147.8 million, and adjusted operating income of \$58.6 million, yielding an adjusted operating income margin of 40%. We stuck with the proven course for success in the US. Having the best network where our customers live and work, as well as appealing Company owned stores in small towns that are staffed by Trusted Advisors, who can as readily show you how to set up and use your BlackBerry as they can explain every element of our rate plan.

As Michael noted, we're working hard to tackle the recent uptick in churn by aggressively seeking contract extensions at every customer touch point. As our Trusted Advisors would surely tell you, we've made keeping every customer a personal crusade. We recorded roaming revenue of \$15.8 million during the period, a 12% year-over-year decline, due to an 18% drop in our rate per minute for roaming traffic. The decrease in our roaming yield which resulted from a contract modification made last year with our largest roaming partner, was offset by an 8% increase in roaming traffic as we benefited from higher usage. US Wireless retail ARPU reached another record during the first quarter growing 6% to \$66 while data ARPU continued to rise at a brisk pace moving 55% higher for the year ago period.

Turning now to our Puerto Rico operation. During the fiscal first quarter Puerto Rico wireless reported revenue of \$84.8 million up 4% from the year ago quarter and posted adjusted operating income of \$23 million, representing an adjusted operating income margin of 27%. Our cash flow was under pressure during the quarter as we increased spending on customer handsets. Making these investments in our customer base is a natural outcome of launching new rate plans, and it's also the right long term choice to sustain a robust ARPU and keep our customers with us in this highly competitive market. We're emphasizing our premium market position on the island as our competitors increasingly focus on the bottom end while also exploiting our strong collection of assets that capture residential market share with our instant Internet service and targeting business wireless customers in a unified way that most of our competitors can't match.

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Focusing next on Puerto Rico broadband which generated revenue of \$35.7 million an 11% year-over-year increase and recorded adjusted operating income of \$19.8 million, yielding an adjusted operating income margin of 55%. Switch and dedicated revenue grew 12% during the quarter supported by strong access line addition, partially offset by ongoing decrease in average revenue per line. As we've discussed in past quarters, our cable partnerships remain key contributors to our access line growth and these lines have a lower ARPU. Our fiber network and undersea capacity have become more valuable as we move through an era of extraordinary bandwidth demand and we're fully ready to meet the needs of our customers as their desire for capacity grows and the requirements for complex telecom solutions evolve.

And finally a brief update on our capital structure and liquidity position. We closed the first quarter with net debt of just under \$1.9 billion and have reduced net leverage over one full turn since our dividend recapitalization to 4.7 times. As we assess our financial strength in these unsettling capital markets there's no question that we're in great shape. We expect to generate approximately \$90 million of free cash flow in fiscal 2009 at the mid point of our AOI outlook. We have a favorable debt maturity profile with a majority of our debt not coming due for another five years and will maintain an aggressive posture in hedging our variable interest rate risk. Finally, it's worth reinforcing that our investment portfolio consists primarily of treasury obligations and does not include any speculative instruments including auction rate securities. We had \$273.8 million of total liquidity at the end of the first quarter consisting of \$123.8 million in cash and \$150 million available under the revolving credit facility. With that I'll turn things back to Steve for the Q&A portion of this mornings call.

Steve Kunszabo - Centennial Communications - Director, IR

Thanks, Tom. Operator? Would you please provide instructions for logging a questions?

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTION) We'll go to Ric Prentiss of Raymond James.

Ric Prentiss - Raymond James - Analyst

Good morning guys.

Michael Small - Centennial Communications - CEO

Hi, Ric.

Ric Prentiss - Raymond James - Analyst

Congrats to the Phillies. Maybe you'll get to meet the Rays in the World Series.

Michael Small - Centennial Communications - CEO

Don't forget the Red Sox.

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Ric Prentiss - *Raymond James - Analyst*

A couple questions for you. First, on the US side on the net adds, we had modeled the TDMA system flushing out in the fiscal second quarter. I think I heard from you that it's complete, it's behind you in the first quarter. Was it still kind of in the couple of thousand range that we had been thinking last quarter then?

Michael Small - *Centennial Communications - CEO*

Yes. We completed it last quarter. It's completely shut down at this stage and I think it was about 2400 was the incremental impact on churn.

Ric Prentiss - *Raymond James - Analyst*

Okay. And on the roaming side, the 18% decline in the yield from a new contract last year, as you look at your '09 guidance what are your thoughts as far as what's baked into that as far as any more reduction in yield versus MOU growth?

Michael Small - *Centennial Communications - CEO*

Yes, on the roaming front, we think the rate should be stable for this year, it will just be a function of mix of traffic between different providers and they have a minimal impact on rate but there's no scheduled step downs. The question is how much roaming do our major partners decide to turn off during the course of the year and that's really unpredictable to us. In the long term we believe they will choose to roam less but in any given period of time either quarterly or even in a yearly basis it's hard to predict.

Ric Prentiss - *Raymond James - Analyst*

And did you guys see any impact on the economy on the roaming side as far as higher gas prices? Are people traveling less?

Michael Small - *Centennial Communications - CEO*

Our roaming traffic has been strong in minutes and in fact as a result of the hurricane, that came through Louisiana, we'll actually see a boost in roaming traffic for the first month of the second quarter, based on our networks outperformed our roaming partners network. So their traffic tended to come our way, but obviously it's a temporary one but that will provide strength in the second quarter. While we're on that subject, Phil, why don't you address some of the other operational impacts of the hurricane. Hurricanes.

Phil Mayberry - *Centennial Communications - President - US Wireless Operations*

Yes, there were two. We survived with very little physical damage. We had some water in some sell sites and some minor electronic equipment. The two major issues we had to fight through were telco connectivity where on some sell sites we lost telephones and Company supplied backhaul and commercial power of course. We put in 60 generators and moved them from sell-side to sell-side recharging batteries and maintained real good network integrity and quality throughout most all of the hurricane time.

Michael Small - *Centennial Communications - CEO*

And it will interfere a little bit with -- some of our stores were closed for a few days down there.

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Phil Mayberry - Centennial Communications - President - US Wireless Operations

Correct.

Michael Small - Centennial Communications - CEO

And it messes up with our collection procedures because we will not turn off customers during those conditions, so you may see a little bit of that in the second quarter. But go ahead, Ric, on your questions?

Ric Prentiss - Raymond James - Analyst

Okay, and then final question is on the data side. Nice continued increase on data ARPU. As you look out there, what are the main applications people are signing on to and has there been success on the smart phone side?

Michael Small - Centennial Communications - CEO

Yes, there's been tremendous success on the Smart Phone side particularly the BlackBerry, but Phil and Carlos, why don't you each share what you're seeing? Phil go ahead first.

Phil Mayberry - Centennial Communications - President - US Wireless Operations

Well, we continue to drive SMS. Recently, there was a study that showed in the sub 20 year old category they're texting more than they are using voice minutes and we're trying to ride that wave with SMS products and they're very very profitable. We've had really really nice growth in the BlackBerry arena and continue to promote that product and the rest of the Smart Phones, even the Windows-based phones are moving pretty well and then we're beginning to seed UMTS phones in the Midwest in preparation for our UMTS launch later in the year.

Carlos Blanco - Centennial Communications - President - Centennial de Puerto Rico

Yes, and in Puerto Rico, I would say that increasing the data ARPU is basically twofold. One, as Michael explained we've been very successful in selling rate plans that include data access and that coupled with the Smart Phones, the BlackBerry's and the Windows-based, people are starting to use more and more of the BlackBerry's like we use it in the United States with access to their networks for their e-mails, so that part of the application is growing in addition to the traditional ones like music and SMS, and then our broadband product is also being very successful as explained before so that's also a big contributor to our revenue there.

Michael Small - Centennial Communications - CEO

The Instant Internet product too.

Carlos Blanco - Centennial Communications - President - Centennial de Puerto Rico

Right.

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Ric Prentiss - *Raymond James - Analyst*

All right, good. Appreciate it and I promised everybody I'd change my clothing so we'll see you guys soon.

Michael Small - *Centennial Communications - CEO*

All right

Operator

We'll go to James Breen of Thomas Weisel.

James Breen - *Thomas Weisel - Analyst*

Thanks guys. Just a few questions. One, economically, some of the other companies I cover talked about weakness specifically in the Midwest and Upper Midwest. Can you address that and also sort of the same topic in Puerto Rico, is that having impact in the business? And then secondly, I'm not sure if I caught it, I may have missed the CapEx for the quarter and how spending has been trending? Thank you.

Michael Small - *Centennial Communications - CEO*

Yes, all right, so as the economy, it's clearly weak nationally and it's been weaker for longer in both Puerto Rico and Michigan but we've been generating the results in those that you've seen and over the last couple of years in the environment. It is clear to me that wireless is ranked higher in the customers mind than the landline phone at the moment. In fact we are beginning to try and capitalize on that by offering wireless home phone services as companions on wireless service. So again, my expectation is you will see an acceleration of access line loss particularly in Puerto Rico but I think even nationwide as people economize and say they would rather have their wireless phone than their landline phone if they have to make a choice. And the CapEx?

Tom Fitzpatrick - *Centennial Communications - EVP, CFO*

Yes, Jim, we spent \$20.7 million on CapEx in the quarter, \$8.7 million of which is in the US and the balance Puerto Rico.

James Breen - *Thomas Weisel - Analyst*

Great. Thanks and then just had one follow-up on the margin side. We saw margins in the broadband unit in Puerto Rico tick up a little bit. We talked about some of the costs coming out from the under sea stuff. Where do you see those margins trending? And then also in Puerto Rico now that we've got the new handset program in place, the margin you put up there this quarter, the AOI margin you put up this quarter should we see that as a base and can grow from there going forward? Thanks.

Michael Small - *Centennial Communications - CEO*

First, the broadband margin has been trending in the mid 50s and we would say that's what we would expect out of the business. The margin on the incremental business is substantially higher than that, than the mid 50s but there's some price compression as we just offer more efficient services to customers and the Internet IP based technology is cheaper than the old circuit switch. So those two trends net to maintaining the mid 50s margin and Puerto Rico -- Puerto Rico wireless, we launched a whole new series of rate plans that we called Planned Dose that's a follow-on to our unlimited plan that was launched two years ago and the promotion of those new rate plans that really resonated with new customers it also resonated with our existing subscriber

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base. So I think that had the effect of probably pulling some natural customer renewals that would have occurred in the normal course in the second and the third quarter into the first quarter so we would expect margins to expand a bit here sequentially.

James Breen - *Thomas Weisel - Analyst*

Great. Thank you very much.

Operator

We'll go to Brett Feldman of Barclays Capital.

Brett Feldman - *Barclays Capital - Analyst*

Thanks for taking the question. I just want to go back to the US and talk a little bit about the movements in the subscriber base during the quarter. It looks like you also had 5500 subs and you said 2400 was specifically due to the TDMA shut down which we knew you were doing. Could you just give us a little more color on some of the other pressures you felt which I think you said were temporary?

Michael Small - *Centennial Communications - CEO*

Yes, the biggest -- there was a large number of contract expirations that came up in the first quarter and a lot of that was due to launching the "New When You Want It" program a couple years ago which caused a lot of people to resign their contracts then and come due now. So between A) having a bubble of contract expirations and B) having -- and B) doing a lot of efforts to sign -- renew contracts, we expect the rate of contracts expirations to fall markedly in the second and third quarter from where they were in the first. So we have real visibility of that. Also, in light of the economic conditions, just the macroeconomic conditions, we felt that it was prudent to emphasize selling towards the higher credit segments which we did in the first quarter and believe that will have beneficial impact on churn in the remainder of the year.

Brett Feldman - *Barclays Capital - Analyst*

That was actually my follow-up question which is a little bit of a slight reversal from what you've been doing recently. You've been making really good progress and maybe one credit level down, will you be able to get some decent customers with good ARPU. Are you still getting traction there and just in general it would seem that the increase in gross ads is not what I would have expected if you were trying to move up market, it would seem like that would be a smaller market. So explain that a bit would be great.

Michael Small - *Centennial Communications - CEO*

We're really pleased with the gross ads because despite having improved the credit profiles we took on in the first quarter from prior quarters we are able to achieve that anyway, and we still want the economics of our non-subsidized customers but every day we make decisions on what's appropriate to manage credit risk and our customer base, and in light of what we're seeing in the world at large for us to get a little more conservative in our credit decisions just seem to be appropriate, and we really didn't change credit standards. We just emphasized where we sold and who we sold to during the first quarter and so the mix moved a little bit towards the top end just a couple percent but we nonetheless had the 4% increase year-over-year in gross ads and the 10% sequentially so we were proud of that.

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Brett Feldman - *Barclays Capital - Analyst*

Okay, great, and then just to clarify on something that Jim was asking about the margins in your wireline business, I think you did complete the installation of your new cable during the quarter so should we see your second quarter margins kind of back up to where they were before you began the process of putting new cable in?

Michael Small - *Centennial Communications - CEO*

It's new cable activated, well, activated very late July and we stopped paying on the temporary capacity August 1, so we had a one month impact in the first quarter and we'll have a three-month impact in the second quarter, but I would still, that's a factor but it's not a major driver in the margins. Mid 50s is the right expectation.

Tom Fitzpatrick - *Centennial Communications - EVP, CFO*

Yes, that's right, and the broadband operation in Puerto Rico is we like the growth in cash flow coming out of that business and we'll take it in the mid 50 margin range.

Brett Feldman - *Barclays Capital - Analyst*

Great. Thanks for the questions.

Operator

We'll go to Susan Lee of Credit Suisse.

Susan Lee - *Credit Suisse - Analyst*

Hi, most of my questions were answered. Just one quick follow-up on the Puerto Rico Wireless side. You commented earlier that the higher subsidy cost in the quarter and I believe it's probably also related to the "New When You Want It" program but do you kind of expect that to continue through 2009 or are we going to see a seasonal variation in that?

Michael Small - *Centennial Communications - CEO*

Well, on the handset subsidies in Puerto Rico, it's a higher cost to acquire market than the US just based on the competitive situation, so we will continue to spend heavily to acquire customers there, but nonetheless we do expense sequential declines. It was the introduction of the new rate plans and whenever you do that and have a splash in the marketplace, customers tend to migrate and when they migrate, they want, it's a triggering event for a new phone, we also introduced the \$80 and \$90 rate plans and those go with a SmartPhone or a BlackBerry and there's a big subsidy but it's an exchange for an \$80 or \$90 customer. We think that in the long run is accretive, the economics are good but in the current period when you sign up -- so there will be a crossover point where the economics will show up with the high ARPUs. And yes, we think that's good business and you saw that we maintained our \$66 ARPU and, which was up \$1 sequentially and flat year-over-year and slightly above I think most of the Streets expectations for ARPU, so that's the benefit, a little up front cost for a long run ARPU benefit.

Susan Lee - *Credit Suisse - Analyst*

And also, just one last question. I know you guys commented on your 3G launch. Is that still -- when is that expected to be completed?

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Michael Small - *Centennial Communications - CEO*

By year-end we will expect to, by our fiscal year end we expect to turn on a footprint in our Midwest cluster of 3G technology.

Susan Lee - *Credit Suisse - Analyst*

Great. Thanks.

Operator

We'll go to [Rob Jost] of Van Campen Investors.

Rob Jost - *Van Campen Investors - Analyst*

Thanks for the call. I just wanted to clarify following up on the Puerto Rico Wireless. Sounds like what you're saying is the reason for the decline there is the subsidy on the handsets primarily?

Michael Small - *Centennial Communications - CEO*

Correct.

Rob Jost - *Van Campen Investors - Analyst*

Given the rate plan rollout. So where do you, going forward, where do you expect margins to come in up from the 27%?

Michael Small - *Centennial Communications - CEO*

We're not going to guide specifically. I would just say that we feel like we caused with our promotion of our new rate plans we caused some customer renewals that would have naturally occurred in the second and third quarter to come into the first and so we expect margin expansion sequentially.

Rob Jost - *Van Campen Investors - Analyst*

Okay.

Tom Fitzpatrick - *Centennial Communications - EVP, CFO*

And on balance as Michael led off with we're feeling very confident in our full year guidance on the back of the results that we posted here this quarter.

Rob Jost - *Van Campen Investors - Analyst*

Okay. And are you getting longer terms in the contracts with the SmartPhones or is it typical of what you're seeing with the other handsets?

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Michael Small - Centennial Communications - CEO

Carlos? It's the same--.

Carlos Blanco - Centennial Communications - President - Centennial de Puerto Rico

It's basically a two year contract.

Rob Jost - Van Campen Investors - Analyst

Okay, thanks.

Carlos Blanco - Centennial Communications - President - Centennial de Puerto Rico

What's important though is that also for customers that migrate, seeking customer when they migrate they resign for another two year contract.

Operator

We'll go to [Roger Yem] of George Weiss and Associates.

Roger Yem - George Weiss & Associates - Analyst

Hi, this is Roger (inaudible) stepping in for Roger Yem, and just have one quick question related to US wireless business. You talked about two factors, potentially one-time factors impacting churn and net adds. One being TDMA, the other being just higher percentage contract expirations. So if we think about these two factors, shouldn't when I calculate the 2400 TDMA subset that came off the network it seems like, first of all I just want to confirm that we would have grown net adds in the US side and secondly, just doing my math seems like that accounted for, this 2400 accounted for about 10, 15 bips of churn increase in the quarter. And my second question is that how to think about the churn impact or how much churn would likely come down as we have a smaller percentage of contract expirations come due over the next several quarters? Thank you.

Michael Small - Centennial Communications - CEO

We're not going to give a quarterly churn forecast but we think there will be a material move down in the second and third quarters from what you've seen, what you saw in the first quarter with the minor caveat which will not be a big component of the hurricane coming through will have a little bit of a negative impact in the other direction, but we won't -- it will look a lot more within your expectations in the coming quarters.

Roger Yem - George Weiss & Associates - Analyst

So is it fair to say that we should think of fiscal first quarter as being hurt by some one-time issues and then both from a churn as well as net adds perspective then US will definitely get back to more normalized levels going forward?

Michael Small - Centennial Communications - CEO

Correct.

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Roger Yem - *George Weiss & Associates - Analyst*

Thank you.

Operator

We'll go to Kevin Coyne of Goldman Sachs.

Kevin Coyne - *Goldman Sachs - Analyst*

Hi, thank you for taking the call. Just getting back to the US subscriber net adds for the quarter, so ignoring the 2400 that we've discussed already, it seems like you're hinting that the remaining net subscriber losses were almost a forced churn with these contract expirations where it seems like you chose not to I guess subsidize new handsets for any contract renewals so they more or less moved on to potentially other carriers. I just wanted to confirm if that's what our understanding should be? And then secondly, as we look at across other sectors it seems like the consumer environment significantly changed in September, as compared to let's say July and August. I just wanted to get a sense of have you noticed any changes in September as you operated compared to let's say, what we saw in the first quarter?

Michael Small - *Centennial Communications - CEO*

I'll let Phil and Carlos add that but no, we haven't seen a significant change in September or as we start early October from what we saw during the Summer as far as customers coming into our stores or on the churn side, so that's been pretty consistent. We use 30 month contracts in the US in general and 24 in Puerto Rico, and the biggest predictors, the times when people churn is either shortly after they bought because they realized it wasn't right for them for whatever reason and then when the contract expires, a couple months after a contract expires. So the biggest predictor of churn is knowing what your contract expiration is. We do the best we can to save all those customers but for the people who want to make a change for whatever reason, that's the time right after the contract. So it's just highly predictive of what churn is coming up. We don't force it but we try our best to retain everybody who has a contract coming up. We just can't be successful every time. And that's not just Centennial. That's fact of life in the industry.

Operator

We'll go next to [Randy Barron], SM Investors.

Randy Barron - *SM Investors - Analyst*

Hi guys. Good morning. I just wanted to follow-up with that previous question. It sounded like the big percentage of the churned off subscribers in the US in the quarter were from customers getting off the "When you want it", plan, I guess the 30 month contract expired. What percentage of those customers stayed as customers going forward?

Michael Small - *Centennial Communications - CEO*

Yes, I'm not prepared to share that data at this time. I mean, we monitor retention 100 different ways but that's not information we generally publicly disclose.

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Randy Barron - *SM Investors - Analyst*

Well, I guess just on a higher level, theoretical level, was there some stake in it, whatever the number was, that was an involuntary churn? I guess that I didn't quite get that answer. Was any stake of that, these guys looked and said hey, these guys are credit worthy three years or two years ago, they aren't today. They don't meet our standards today so we're going to migrate that or whatnot?

Michael Small - *Centennial Communications - CEO*

No. We didn't force those customers away because their credit standards had declined. I mean, I can't answer the question on whether the credit ratings have changed in those customers but that wasn't the issue.

Randy Barron - *SM Investors - Analyst*

Okay, and then lastly on the 2400 TDMA subscribers, are those the subscribers that you couldn't or didn't keep as customers on the other network or?

Michael Small - *Centennial Communications - CEO*

Correct.

Randy Barron - *SM Investors - Analyst*

Okay, great. Thank you.

Michael Small - *Centennial Communications - CEO*

Yes, we had a long process to save at one point, 100% of our customers are TDMA, but we finally got down to the bottom and the most of those customers are probably paying us and they didn't even know they had the service. I guess by the time you get down to the last 2400.

Randy Barron - *SM Investors - Analyst*

Great. Thanks guys.

Operator

We'll go next to Andrew Morey of Cowen Asset Management.

Andrew Morey - *Cowen Asset Management - Analyst*

Yes, hi. What was stock based comp in the quarter and secondly, G&A spending looked relatively restrained. Can you comment on your outlook for that going forward?

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Michael Small - Centennial Communications - CEO

We'll grab the stock based here in just a second for you. It was about 1.5 million?

Tom Fitzpatrick - Centennial Communications - EVP, CFO

2.9.

Michael Small - Centennial Communications - CEO

Oh, I'm sorry.

Andrew Morey - Cowen Asset Management - Analyst

Okay.

Tom Fitzpatrick - Centennial Communications - EVP, CFO

2.9 it was down from 3.1 in the comparable quarter last year.

Andrew Morey - Cowen Asset Management - Analyst

And that 2.9 is a good quarterly run rate for the next year or so?

Tom Fitzpatrick - Centennial Communications - EVP, CFO

That's our expectation.

Michael Small - Centennial Communications - CEO

We can't predict the stock price.

Andrew Morey - Cowen Asset Management - Analyst

Right, right, of course. And G&A?

Michael Small - Centennial Communications - CEO

We're not going to guide line by line. We finished this quarter and we're emboldened in terms of our guidance for the full year as a consequence of the quarter.

Andrew Morey - Cowen Asset Management - Analyst

Okay, great. Thank you.

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Operator

We'll go to [Chris Taylor] of Evergreen Investment.

Chris Taylor - *Evergreen Investment - Analyst*

Thanks. My question was already asked. Let me ask just going forward, could you guys include the cash flow and balance sheets in the press release? That would be very helpful.

Michael Small - *Centennial Communications - CEO*

We'll file our Q today.

Chris Taylor - *Evergreen Investment - Analyst*

It would be helpful to have it in the press release first thing in the morning.

Michael Small - *Centennial Communications - CEO*

You know what? I think we'll guarantee that our Q will come out right on top of our press release, but the logistics of that with our auditors I'm not going to commit to that during this call.

Chris Taylor - *Evergreen Investment - Analyst*

Fair enough.

Operator

At this time I'll turn the conference back to management for any additional remarks.

Michael Small - *Centennial Communications - CEO*

Thanks for your participation this morning.

Operator

That concludes Today's conference. We thank you for your participation.

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