

FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, everyone. Welcome to the Centennial Communications second quarter 2008 earnings conference call. Today's call is being recorded. At this time, I will turn over the call to Director of Investor Relations, Mr. Steve Kunszabo, for opening remarks. Please go ahead, sir.

Steve Kunszabo - *Centennial Communications Corp. - Director, Investor Relations*

Good morning, and thanks for joining us. I would like to welcome you to our fiscal second quarter 2008 earnings call.

Joining me on the call this morning are our CEO, Michael Small; our CFO, Tom Fitzpatrick; our President of U.S. Wireless, Phil Mayberry; and our President of Centennial de Puerto Rico, Carlos Blanco. Today's call will begin with a discussion of the 2008 second quarter results followed by Q&A.

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Before I turn things over to Michael, I would 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 management's 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 2007 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 its 10-Q later today. During the call, we will also 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 Corp. - CEO*

Thanks, Steve. Good morning, everyone. Happy New Year, and thank you for joining us. This morning Centennial reported second quarter results that were characterized by ongoing success in our U.S. Wireless business and the challenges of the tough economy and highly competitive market landscape in our Puerto Rico operations.

Despite these external challenges, our strong consolidated results including quarterly adjusted AOI growth of 11% demonstrate that we are able to organically grow cash flow and create shareholder returns through balancing leveraging. We believe we will continue to win by having the best performing networks in our territory, the most direct and accessible retail distribution, and an established brand that is rooted in serving our local markets better than anyone else. We are committed to this winning formula because it has served us so well.

In the United States, we are making real progress by challenging our associates to take our local market strategy to the next level. As many of you saw during our recent Ft. Wayne analyst day, we invest heavily in training our front line associates at Centennial University to engender a competitive spirit that keeps everyone focused on the bottom line.

Our feature of the month sales program is just one important example. We choose a feature like phone insurance or \$5 for unlimited calling that begins at 5 P.M. and collectively put our efforts behind these packages to our customers. Our front line sales teams aren't the only ones selling features. Our customer care and collections associates also do a fantastic job at every customer touch point.

We are now selling 6,000 to 8,000 features a month from these non-traditional sources as a result of this intensive effort. We also recently launched a new advertising and branding campaign that highlights what it really means to have a local market strategy. Our ads are now tailored 18 different subregions in our footprint and allow us to showcase our strengths against the most relevant competitor in each area.

For example, a forgetful customer in one ad is left wondering how she will remember who is in her in-calling plan. A trusted adviser comes to the rescue and points out that with Centennial you don't have to remember because every call you get is free.

In this subregion, we believe free incoming minutes for all customers is more important than group calling for only five friends. Our Blue Nation offerings, which we introduced a few months ago, was a natural evolution from our popular Blue Region plans are making steady progress.

We are also seeing good adoption of our recently launched blackberry service, a move that will surely attract high value wireless customers and a robust ARPU. In addition, we've launched a limited 3G trial in the U.S. and we will it continue to evaluate how we proceed with a comprehensive next generation deployment.

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Our intense focus on the needs of our customers who live, work and play where we do business continues to pay off. We grew retail revenue 13% and retail AOI 46% during the fiscal second quarter and expect ongoing success from our U.S. Wireless business.

Turning now to our Puerto Rico operation where we are showing progress in growing our wireless customers, keeping our churn on solid footing in the mid-2s, sustaining a robust ARPU, and renewing revenue and AOI growth despite a tough economy and difficult competitive environment. Last year's considerable sales tax increase and the elimination of long established customer subsidies, like electricity, continue to cool spending and depress the business climate. In short, our customers, both consumer and enterprise, are being careful with the dollars they spend.

All of our competitors have now launched an unlimited plan since we first introduced it to the market over a year ago, and aggressive handset promotions remain commonplace in the current environment. In the face of these external pressures, we continue to take transformative steps that will help us keep our edge.

Most recently we began offering blackberry service on the island, a move that like in the U.S. will attract high value customers and allow us to capture a growing data revenue opportunity. We are also including unlimited long distance in the United States and unlimited in-network SMS in our unlimited rate plan. While our competitors increasingly focus on the lower end of the market, we continue to reinforce our position as the best value for heavy users of wireless service.

Lastly, we are building market share by leveraging our assets to attack non-traditional wireless revenue opportunities. Our residential EV-DO service called Instant Internet continues to sell briskly and we're also benefiting from good adoption of laptop cards and machine-to-machine applications. We expect to see a meaningful contribution from these new device categories as we move forward.

We stayed on the right track. We're going after high ARPU customers by offering a superior network and customer care experience and we continue to anticipate renewed growth despite a demanding operating environment.

Moving now to Puerto Rico broadband where strong growth from our cable partnership has been tempered by a sluggish business climate and the resulting pressure on recurring revenue per line in our traditional enterprise segment. As you would expect, our sales to commercial customers have slowed and some enterprises have become more price sensitive as they renew and extend their contacts with Centennial.

We are standing by these customers and building lasting relationships in a difficult economic environment by bringing them innovative solutions that provide more value and flexibility. We are sustaining our leadership position in Puerto Rico by meeting our customers' changing needs. As we consider our comprehensive approach to Puerto Rico's broadband market it's worth reinforcing several important courses of action that I have shared with you before that will support our ongoing success.

One, we continue to attack Puerto Rico's \$3 billion telecom market from all sides, large enterprise, small and medium business and residential. We will continue to grow with the Fortune 500 by delivering an increasingly IP-centric suite of products.

Three, we will continue to support telecommunications carriers as wireless data options increases [back hall] requirements and hunger for bandwidth. Four, we will continue to expand our addressable market to serve small and medium-sized businesses. Our Islanet acquisition along with the versatility of our IP-based soft switch are critical first steps in reaching these customers in a more efficient and profitable way.

And five, the residential market has been largely untapped by Centennial in Puerto Rico. Our cable partnerships now meaningfully contribute to our [axis] line and revenue growth and we're competing well in this \$500 million segment winning share from the wire line incumbents.

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We are focused on executing as we meet the challenges of competing in a rapidly changing industry and respond to difficult external pressures. We believe that a strong collection of assets and seasoned local teams position us well to meet our objectives, and I look forward to updating you on our achievements in the second half of fiscal 2008. With that, I will turn it over to Tom for a more detailed financial review.

Tom Fitzpatrick - *Centennial Communications Corp. - CFO*

Thanks, Michael. Good morning, everyone. As Michael shared, Centennial announced second quarter results that reflect continued momentum in our U.S. Wireless segment and tempered progress on key indicators in our Puerto Rico Wireless business due to a weak operating environment.

As we've noted several times during the last year, we've faced difficult economic circumstances in Puerto Rico along with an intense and rapidly changing competitive landscape. We have a strong collection of assets run by great teams and will continue to execute our business plan and connect with our local markets.

Our energy remains centered on attracting high value customers and translating this into healthy retail cash flow growth. We also provided updated financial targets for our current fiscal year including an improved outlook for consolidated adjusted operating income and roaming revenue which I will review with you in a moment.

For comparison, our fiscal 2007 financial results have been adjusted to reflect the universal service fund charge in the period to which it relates. Centennial delivered quarterly consolidated revenue of \$243.6 million and adjusted operating income of \$96 million, representing growth of 7% and 11% respectively from the year ago period. Our consolidated adjusted operating income margin was 39% for the second quarter.

Second quarter income from continuing operations was \$1.5 million, or \$0.01 per diluted share. This compares to income from continuing operations of \$1 million, or \$0.01 per diluted share for last year's second quarter. The fiscal second quarter of 2008 included \$3 million in litigation settlement expense related to a proposed settlement of a nine-year-old billing practices lawsuit.

On an operating segment basis, U.S. Wireless reported second quarter revenue of \$132.8 million, and adjusted operating income of \$51.4 million, reflecting an adjusted operating income margin of 39%. We continue to benefit from consistent subscriber growth and firm ARPU in the U.S., both of which have been vital drivers of our strong operating performance during the last several quarters. We are working hard to outlocalize our competitors with a targeted advertising effort, the most well trained front line associates in the industry, and a comprehensive data strategy that now includes blackberry service.

We recorded roaming revenue of \$14.2 million during the period, a 16% year-over-year decrease, as we absorbed a 21% decline in our rate per minute for total voice roaming traffic under our agreement with our chief roaming partner. The decline in our roaming yield was partially offset by a 5% increase in total voice roaming traffic, and we continue to benefit from data roaming throughout our operating territories.

We continue to forecast a long-term decline in roaming revenue, and now expect an approximately \$10 million decrease during fiscal 2008. U.S. Wireless retail ARPU and minutes of use again rose steadily during the second quarter as retail ARPU grew 7% year-over-year to \$61, while minutes of use rose 17% to approximately 1,050 minutes.

Moving now to our Puerto Rico operation, during the fiscal second quarter, Puerto Rico Wireless generated revenue of \$80.8 million, up 4% from the year ago quarter and posted adjusted operating income of \$27.2 million, yielding an adjusted operating income margin of 34%. Post paid ARPU slipped to \$65 during the quarter as declines in air time and equipment revenue pressured an otherwise solid customer profile.

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We've now absorbed the majority of the decline in overage revenue that we expected when we launched the unlimited plan over one year ago, but still anticipate weak equipment revenue as the market continues to heavily subsidize handsets to attract and retain customers. We've deployed EV-DO Rev. A widely on the island to sustain our bandwidth leadership and continue to evaluate an expanded deployment of WiMAX technology now that we have 2.5 GHz spectrum from our Islandet acquisition.

We are taking these steps to operate from a position of strength as our customers move from the megabyte world to the gigabyte world.

Focusing next on Puerto Rico Broadband which produced revenue of \$33 million, a 4% year-over-year increase, and recorded adjusted operating income of \$17.4 million representing an adjusted operating income margin of 53%. It should be noted that our year-over-year comparisons for Puerto Rico Broadband were pressured by lower intercarrier compensation revenue due to a favorable adjustment in the prior year quarter, and an increased expense related to the deployment of network capacity in consideration of customer contracts for future service.

Switched and dedicated revenue rose 8% during the quarter, supported by solid growth in total access lines and equivalents partially offset by an ongoing decrease in average revenue per line. Our increase in access lines this quarter came primarily from our cable partnerships and these lines have lower ARPU.

As Michael discussed, we are seeing softness in traditional revenue from enterprise customers as they see contracts with more favorable pricing and restructure their operations in Puerto Rico to address the same economic factors that we confront.

Turning now our revised financial and operating outlook for our 2008 fiscal year, we expect consolidated adjusted operating income between \$395 million and \$405 million for fiscal 2008 excluding stock-based compensation expense. Our consolidated adjusted operating income from continued operations for fiscal 2007 was \$365.1 million.

Our projection for the sum of our consolidated capital expenditures and spectrum acquisition costs remains unchanged at \$140 million. As we've already announced, we won't be participating in the upcoming 700 MHz auction.

And finally a brief update on our capital structure and liquidity position. We closed the second quarter with net debt of \$1.93 billion and have reduced net leverage by over one-half turn since our dividend recapitalization to 5.2 times. We had \$223 million of total liquidity at the end of the second quarter consisting of \$73 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 morning's call. Thanks, Tom. Operator, will you please provide instructions for logging a question?

QUESTIONS AND ANSWERS

Operator

Yes, sir. (OPERATOR INSTRUCTIONS) We will go first to Pat Dyson with Credit Suisse.

Patrick Dyson - Credit Suisse - Analyst

Good morning, guys.

Michael Small - Centennial Communications Corp. - CEO

Good morning, Pat.

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Patrick Dyson - *Credit Suisse - Analyst*

I guess the first question on Puerto Rico, you talked about previously, in previous calls you talked about Puerto Rico EBITDA growing in 2008 as compared to fiscal year 2007. Is that still a fair expectation for us to have?

Tom Fitzpatrick - *Centennial Communications Corp. - CFO*

Yes, Pat, this is Tom. Our updated guidance assumes that we will grow in the second half and the full year on a year-over-year basis for Puerto Rico Wireless as well as Puerto Rico Broadband.

Patrick Dyson - *Credit Suisse - Analyst*

Okay, and I guess maybe looking a little more specifically at Puerto Rico Wireless. What should we expect in the next couple quarters? Are you going -- your gross adds and net adds were okay this quarter, but should we expect to see continued subscriber growth or are there any areas of particular softness that we should expect for the second half of this year?

Michael Small - *Centennial Communications Corp. - CEO*

We still believe we can continue to grow subscribers and we were continuing to do it in more innovative ways as we described the new devices component, whether it's instant Internet at home, air cards for the computer or machine-to-machine applications will be a big piece of it.

We are being pretty true to our traditional market segment of the top ends. We were not going to try and go downstream. We believe that's the brand equity we have that if you are willing to pay \$49.99 or more you will get the best value. In Puerto Rico, as we assess the competitive landscape, there is a tendency to go downstream right now because that's where it's a) in the heritage of our competitors, and, b), that's where the projected growth in subs in the marketplace is.

Our forecast is for consistent growth like you can see in the last few quarters. We are not going to try to accelerate growth by getting off our main market segment.

Patrick Dyson - *Credit Suisse - Analyst*

Okay. Final question on the Puerto Rico Wireless, churn was up sequentially on the post paid side from 2.3, to 2.6. You've historically talked around churn being in the mid 2s range. Is that something we should look to see going forward?

Michael Small - *Centennial Communications Corp. - CEO*

That's still our belief is we will keep it in the mid 2s.

Patrick Dyson - *Credit Suisse - Analyst*

Okay. And then final question for you, Tom, on the balance sheet with your floaters are now callable. Any comment you want to provide there as far as if or when you would look to take those out?

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Tom Fitzpatrick - Centennial Communications Corp. - CFO

We aren't going to give specific indication, Pat. We are well aware of the callability of the floaters and the impending callability of the 10-1/8's. I would just say we are spending a lot of time right now thinking about our capital structure and with a view towards maintaining our flexibility.

Patrick Dyson - Credit Suisse - Analyst

Okay. Fair enough. Figure I had to ask, though.

Michael Small - Centennial Communications Corp. - CEO

Thanks, Pat.

Patrick Dyson - Credit Suisse - Analyst

Take care.

Operator

Our next question comes from Ric Prentiss with Raymond James.

Ric Prentiss - Raymond James & Associates - Analyst

Yes, guys. Happy New Year.

Michael Small - Centennial Communications Corp. - CEO

Thank you.

Tom Fitzpatrick - Centennial Communications Corp. - CFO

Thanks, Ric.

Ric Prentiss - Raymond James & Associates - Analyst

Question to start off on roaming. Significant improvement at least on your thoughts as far as what the roaming decline would be this year. I think you mentioned 21% decline in rates. When did the 21% decline in rates occur and what allowed you to get more comfortable that the volumes will come in only to see, say a \$10 million drop in roaming revenue this fiscal year?

Tom Fitzpatrick - Centennial Communications Corp. - CFO

You want to take that, Michael?

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Michael Small - *Centennial Communications Corp. - CEO*

Give the effective date and then I'll --

Tom Fitzpatrick - *Centennial Communications Corp. - CFO*

The effective, step down was effective 9/1.

Michael Small - *Centennial Communications Corp. - CEO*

And going into the year, this is always an uncertain forecast for us because so much of our revenue in roaming comes from principally one, but two partners. And a lot depends on their decision making during the course of the year which is not predictable with precision by us.

We are confident in our long-term trend that because we are between major metropolitan areas the nationwide providers would want their own network in our territories. We don't believe their network will ever be as robust as ours so we will always maintain some roaming revenue but less over time.

The main reason we can true up the forecast is 1) we have six months under our belt, and 2) is we have completed the renegotiation of the contracts so we know precisely those terms. There is still some potential volatility in our forecast, but greatly reduced from what it was at the start of the year.

Ric Prentiss - *Raymond James & Associates - Analyst*

Okay. You talked a little bit about the Puerto Rican economy. Can you talk a little bit about the U.S. economy up in your Midwest and Southeast regions what you are seeing as far as any economic impacts?

Michael Small - *Centennial Communications Corp. - CEO*

Phil, you want to take that?

Phillip Mayberry - *Centennial Communications Corp. - President, U.S. Wireless Operations*

Sure, Michael. There is some unemployment issues as you might guess in the auto industry in the Michigan area. And that also translates down into Indiana and the part of Ohio that we work in. But we're responding to it with products that appeal to people who don't have a lot of money. In the Southeast, we aren't having that problem. The oil industry and government, medical that we have in there are all very strong so far.

Ric Prentiss - *Raymond James & Associates - Analyst*

Okay, and then, I think, Tom, you mentioned a \$3 million litigation item. Can you give me a little more detail on that. I was writing too fast and didn't catch all the details.

Tom Fitzpatrick - *Centennial Communications Corp. - CFO*

Yes, our general counsel is here with us and I'll just have him take you through it.

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Tony Wolk - Centennial Communications Corp. - SVP, General Counsel

Sure. This stems from a 1990s litigation that plaintiffs alleged that [Oaks] rounded up or billed in full mitted increments rather than in seconds. Much of the industry has been through these similar cases and resolved them over the past several years and we are getting around to resolving it ourselves and are pleased with the settlement that we've reached.

Ric Prentiss - Raymond James & Associates - Analyst

And so the settlement impact financially was exactly what?

Tony Wolk - Centennial Communications Corp. - SVP, General Counsel

Just under \$3 million.

Ric Prentiss - Raymond James & Associates - Analyst

And that was expensed and --

Tom Fitzpatrick - Centennial Communications Corp. - CFO

We put that up this quarter, Ric.

Ric Prentiss - Raymond James & Associates - Analyst

Right. So that reduced the operating income within second quarter --

Tom Fitzpatrick - Centennial Communications Corp. - CFO

If you look -- it did not (inaudible) adjusted operating income and its included, if you look at the reconciliation schedule it's attached to the release.

Ric Prentiss - Raymond James & Associates - Analyst

It's kind of a out-of-period item that you've excluded from the adjusted operating --

Tom Fitzpatrick - Centennial Communications Corp. - CFO

That's right.

Ric Prentiss - Raymond James & Associates - Analyst

Okay. Great. Good luck, guys.

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Tom Fitzpatrick - Centennial Communications Corp. - CFO

Thanks, Ric.

Operator

Our next question comes from Brett Feldman with Lehman Brothers.

Brett Feldman - Lehman Brothers - Analyst

Yes, thank you for taking my question. Maybe we could stay on the topic of costs. It looks like your G&A was up sequentially by around \$9 million, at least on the full income statement. Does that include the \$3 million expense we just talked about which you have normalized out of your adjusted numbers? And then generally speaking could we break down where that increase came from?

Michael Small - Centennial Communications Corp. - CEO

Go ahead.

Tom Fitzpatrick - Centennial Communications Corp. - CFO

The answer to the first question is, yes, the \$3 million increase in G&A is partially due to the billing litigation settlement.

Brett Feldman - Lehman Brothers - Analyst

Okay. Then what about the rest of the increase?

Tom Fitzpatrick - Centennial Communications Corp. - CFO

Bad debt was up slightly in the U.S. As we focus on the more credit challenged, we really like that customer segment from an economic perspective, but they come with a higher bad debt and lower CPGA, so you see some upward movement in G&A notwithstanding the fact that it's really good economic trade for us.

Michael Small - Centennial Communications Corp. - CEO

The other area that increased in the U.S., we invested in customer care expense and -- but we have increasingly been making customer care a profit center, we have been averaging 6,000 to 8,000 feature sales per month out of the customer care organizations, and that's been trending upward.

And we actually think that investment, both in the lower credit class customers, as well as in making customer care more of a sales organization was one of the contributors to the 46% retail AOI growth. Whether they are adding to expense, or both decisions are adding to profitability.

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Brett Feldman - *Lehman Brothers - Analyst*

Okay, then you also talked about expenditures in your wire line business in Puerto Rico, related to future customer contracts. Is that part of the reported G&A number and then maybe if you could just give us a little more color on what that expenditure is related to?

Tom Fitzpatrick - *Centennial Communications Corp. - CFO*

No, that would not be in G&A, that would be in operating expense. But let me just describe that. The reason we call that out is you see the Broadband segment grew its top line by 4%, but the adjusted operating income comp shows down 2%. We felt the need to explain that apparent anomaly and there were two drivers there.

First, we had a basically a true up to inter compensation, intercarrier compensation revenue in the prior year quarter that benefited that quarter. And that was a reason for the decline. And then the expense is kind of out in front of the revenues.

We are growing our relationship with principally the cable providers and they are taking on more and more capacity. So in this quarter we added capacity before we had the contract addenda executed with them. We have a fluid relationship with them and didn't get the contract addenda executed until this quarter. You saw the expense and not the revenue.

And similarly we are in the process of lighting some new undersea capacity that's been delayed a bit. And so we took on an operating lease for capacity to fit our needs in the short term that represents essentially a short-term operating inefficiency that burdened the quarter and caused the apparent anomaly in the year-over-year comp in AOI.

Brett Feldman - *Lehman Brothers - Analyst*

Okay, but you are anticipating revenues to come in that will offset these expenses in the future quarters?

Tom Fitzpatrick - *Centennial Communications Corp. - CFO*

Yes, we are.

Brett Feldman - *Lehman Brothers - Analyst*

That's great. And then one other question going back to the U.S., I know that the holiday season is not really captured in the quarter that you just reported.

You have obviously gone through it and we seem to be getting some mixed signals in the various carriers. You have given us some indication as to what happened in the holiday season. How would you characterize demand for wireless services in your region during the season that we just concluded?

Michael Small - *Centennial Communications Corp. - CEO*

Well, we don't want to do a lot of forecasting, but I would say it was kind of an average holiday season.

Brett Feldman - *Lehman Brothers - Analyst*

Okay.

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Michael Small - *Centennial Communications Corp. - CEO*

Nothing in either extreme.

Brett Feldman - *Lehman Brothers - Analyst*

That's fair enough. Thank you very much for the color. And I think it's my questions for now.

Operator

We will take our next question from Phil Cusick with Bear Stearns.

Phil Cusick - *Bear Stearns - Analyst*

Hi, guys. Can you hear me?

Michael Small - *Centennial Communications Corp. - CEO*

Yes, hi.

Phil Cusick - *Bear Stearns - Analyst*

Thanks. Let's first talk about the timeliness in your market. 400,000 -- (inaudible)

Michael Small - *Centennial Communications Corp. - CEO*

Phil, we're having trouble hearing you.

Phil Cusick - *Bear Stearns - Analyst*

Sorry. The new market that you've just bought, 400,000 people, when will you plan to launch that and how many could you cover at the time?

Michael Small - *Centennial Communications Corp. - CEO*

We have, we are talking about the property we just bought in Ohio just east of our Ft. Wayne properties and there is 400,000 pops covering Lima and Findlay, Ohio. We've basically within one month of taking control of the spectrum we built the road to Lima from Ft. Wayne which had been an area where there had previously been no GSM coverage by any carrier or spotty at best. And at this stage we have no definitive plans for significant further builds.

We will evaluate that with next year's budget. Phil, any color on how it's gone or what impact it's had on the marketplace?

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Phillip Mayberry - Centennial Communications Corp. - President, U.S. Wireless Operations

Anecdotally, I have gotten a number of letters from Ft. Wayne area people saying thank you and we have very solid coverage along the highways so it should help us both in terms of gross activations and churn.

Phil Cusick - Bear Stearns - Analyst

But it sounds like no plan to build out and compete in that extra market?

Michael Small - Centennial Communications Corp. - CEO

Yes, we are not saying we won't do that, but we have no plans at this stage and we are going to stay within our CapEx guidance for this year for sure.

Phillip Mayberry - Centennial Communications Corp. - President, U.S. Wireless Operations

Michael, we did open up some limited distribution in Lima just because we put some coverage there, but it wasn't any major event. No advertising support, nothing like that.

Phil Cusick - Bear Stearns - Analyst

Second of all, we talk about data ARPU in the U.S. and Puerto Rico. It's still fairly low, though it's been growing pretty well in both markets. Can this get to industry levels? Any reason, since you aren't offering 3G or something like that, that we couldn't get to \$9 or \$10 over time?

Michael Small - Centennial Communications Corp. - CEO

We believe we will be in the industry trend lines and we just always described that we have been kind of late to market in the U.S. for a variety of reasons. First and foremost, it's cheaper to buy the equipment if you wait later, and we think that's good economic trade. Wouldn't have made up the difference in revenue versus the CapEx saved.

We need our roaming partners to come to the edge of the territory with data -- our territory with data offering so we get good roaming handoff. And we usually don't like to pour gas on the handset upgrade issue. We think that's expensive. So we wait for the handsets are naturally out there before we deploy the data services, at least relative to a lot of the other people in the industry.

We think we will be on the same trend line but behind the rest of the industry. In Puerto Rico, we are actually doing some exciting things. Carlos, you want to update about the EV-DO Rev. A deployment?

Carlos Blanco - Centennial Communications Corp. - President, Centennial de Puerto Rico

Yes, thank you, Michael. Yes, we just finished upgrading our EV-DO network. We have today around 84%, 85% of the population covered in Rev. A. And we are seeing a great movement from customers that don't want to wait for cable solutions or DSL solutions.

We want to be able to move around with great broadband service in the island. We have what we call an umbrella of broadband that we have deployed and the feedback so far and the sales have been great. So we were very excited about it. We are going to continue expanding the coverage of the EV-DO.

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Phil Cusick - *Bear Stearns - Analyst*

That sort of brings me to your 3G trial in the U.S. How long do you plan to run it and what's the sort of hurdles we will need to hit to actually build that out? Or is it timing of, a question of timing and figuring out the technology and things like that?

Michael Small - *Centennial Communications Corp. - CEO*

The technology -- the trial is for our understanding of the technology that the decision to deploy will be based on market pressures. And economics. So we were going to go at the last possible minute and do it really quickly.

We think that's probably next fiscal year we will have to start wrestling with that issue and we have no idea at this stage whether that will be a limited deployment or a fairly widespread deployment. But it's strictly -- us getting familiar with the technology is the reason we are doing the test right now.

Phil Cusick - *Bear Stearns - Analyst*

And finally I will ask it seems 5% of customers are still on the TDMA network. What's the plan for this with AT&T turning it off fairly soon?

Michael Small - *Centennial Communications Corp. - CEO*

Phil, you want to give the latest on our thinking on TDMA phaseout?

Phillip Mayberry - *Centennial Communications Corp. - President, U.S. Wireless Operations*

Yes, we are segmenting by revenue produced. We took 9,000 recently sent them a direct mail piece offering them an upgrade phone to GSN. We had a third who have responded already. We are just taking it revenue by revenue and as we always do trying to manage to an AOI contribution as opposed to a subscriber growth. We've had good success in moving them, but we were taking it slow and easy.

Michael Small - *Centennial Communications Corp. - CEO*

And we -- we are down to two TDMA switches. We had five at one time and we are recapturing some of the spectrum as we need it. And we do get a little bit of -- TDMA and analog are joined at the hip to some degree, at least from the switching platform.

We were still seeing some analog roaming too, way smaller than it was a year ago, but that's factoring into the equation. I don't know. We probably won't shut it down the day we were allowed. But probably won't be with us next February, or I guess next month. But it won't be too, too long after that.

Phil Cusick - *Bear Stearns - Analyst*

Given you have already phased out those switches and I think you have been pulling costs off this thing for a long time, is there significant cost savings to be had by taking this out? Or are we not going to notice when it happens?

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Michael Small - Centennial Communications Corp. - CEO

Not going to notice. It's a, bigger issue is going to be spectrum flexibility. We will have more for 3G when we shut this down and even that's not a huge issue. It's the larger issue than the cost.

Phil Cusick - Bear Stearns - Analyst

Okay. Thanks, guys.

Operator

We will go next to Ana Goshko with Banc of America Securities.

Ana Goshko - Banc of America Securities - Analyst

Hi, thanks very much for taking the question. I just wanted to follow-up first on the U.S. economic impact that you may be feeling in your U.S. clusters. Couple things, first, I think you said that you are designing products to meet those who are feeling the pinch. Wondering if we should expect downward pressure on ARPU as a result?

And then, secondly, I noticed that you actually lost prepaid subscribers. It's a small part of your total U.S. base, but it was a notable loss and usually in tougher economic times you will actually see a resurgence of prepaid. I am wondering if you are seeing competition on that front and that results in the loss, and if that is an area where you will be focusing given the environment?

Michael Small - Centennial Communications Corp. - CEO

We have made the choice to service the low end of the market with post paid or at least with what we classify as post paid where you have a recurring monthly bill. In some cases we want people to prepay that monthly bill. But they get billed monthly.

Our -- we have been working on this for a long time. Our decision to go down market. We actually are seeing higher ARPU where the customer is down market because we were giving them a great deal. They are willing to pay us more up front for the phone and they are willing to pay us timely for their monthly bill. They are getting a lot more minutes than they could from a prepaid product for their dollar. And that's working well.

The economics of us going down market is lower cost to acquire and zero. Higher ARPU and with that higher bad debt and higher churn. When we do the lifetime value analysis, these are very profitable customers. In fact, among our most profitable.

Ana Goshko - Banc of America Securities - Analyst

Okay. And then second question is on CapEx. First, was the Ohio wireless, is that included in your reported CapEx?

Michael Small - Centennial Communications Corp. - CEO

Yes.

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Ana Goshko - Banc of America Securities - Analyst

Okay. And then so if I think I'm doing the math correctly, your tracking behind your guidance for the year?

Tom Fitzpatrick - Centennial Communications Corp. - CFO

Are you talking about the spectrum acquisition, or the -- ?

Ana Goshko - Banc of America Securities - Analyst

Yes.

Tom Fitzpatrick - Centennial Communications Corp. - CFO

Oh, no. That isn't included. The CapEx we put in there is.

Ana Goshko - Banc of America Securities - Analyst

Okay --

Michael Small - Centennial Communications Corp. - CEO

Correct. Let me just interrupt.

Ana Goshko - Banc of America Securities - Analyst

Includes that spectrum -- I still --

Michael Small - Centennial Communications Corp. - CEO

Wait a second. Go ahead, [Seth].

Steve Kunszabo - Centennial Communications Corp. - Director, Investor Relations

I just, our \$140 million included all spectrum acquisitions so that the Ohio spectrum would fall into that. But as a kind of a book keeping, when you look at capital expenditures spectrum doesn't go in there.

Ana Goshko - Banc of America Securities - Analyst

Okay, so then can you update us for your \$140 million of guidance which is both CapEx and spectrum where you are at year to date on that?

Steve Kunszabo - Centennial Communications Corp. - Director, Investor Relations

We were I think our CapEx is -- Frank, give me the exact number. I saw on your note yesterday like we did last year, Ana, we think we will spend the 140, that's our current estimate. We won't spend more than that but we'll be about that. And we are

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admittedly slow out of the gate here. But if you look at last year, we spent about the same as a percentage of our guidance through six months as we did last year and the total CapEx number year to date is 45.4 which doesn't include the spectrum, Frank?

Unidentified Corporate Participant - *Centennial Communications Corp.*

No.

Steve Kunszabo - *Centennial Communications Corp. - Director, Investor Relations*

And the spectrum is --

Unidentified Corporate Participant - *Centennial Communications Corp.*

3.6.

Steve Kunszabo - *Centennial Communications Corp. - Director, Investor Relations*

And the spectrum will be 3.6 on top of that.

Ana Goshko - *Banc of America Securities - Analyst*

Right. So my point generally is that you are tracking behind the full year guidance. I was wondering what are the big buckets of spend for the second half? Is it wireless 3G or is it related to Islanet, or is it just spread across through different areas?

Michael Small - *Centennial Communications Corp. - CEO*

It's pretty much spread across the areas. Yes, there is no one big number that's driving it.

Ana Goshko - *Banc of America Securities - Analyst*

Okay, so it's more seasonal that you tend to outspend in the second half of your --

Steve Kunszabo - *Centennial Communications Corp. - Director, Investor Relations*

Yes, if you look at our history I think we've spent about the same through six months this year as we were last year.

Ana Goshko - *Banc of America Securities - Analyst*

Okay. That's great. Thank you very much.

Operator

We will go next to James Breen with Thomas Weisel.

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James Breen - *Thomas Weisel Partners - Analyst*

Thanks. Just a couple questions. One, in the U.S., sort of back to Ric's question on the roaming side. The permitted rates were down 21%, overall down 16%. Sort of implies that the traffic was up.

Is that just normal increase in traffic as your customers come up or are you seeing a proportionally more, larger increase there? And also with that in mind, are you seeing less of an overbuild in your territory over the course of the last quarter, first question?

Michael Small - *Centennial Communications Corp. - CEO*

Phil, any comments on the latest rate of overbuilds?

Phillip Mayberry - *Centennial Communications Corp. - President, U.S. Wireless Operations*

James, we have always traded lower rates to try to slow down the overbuild of the major carriers. And we did that again and we think that we slowed them down some. It's inevitable that they are going to build out. How far out into the hinterland, we don't know. But they have pretty good dog bone coverage on the freeways and expressways and the major towns. But it's slowed down some.

Michael Small - *Centennial Communications Corp. - CEO*

So if you were to look at the coverage map for our roaming partners, they would say they cover our territory. When you get off the main roads, the coverage would be significantly inferior to ours in some locations. And the number of locations will decline steadily over time.

But there has been no major burst in building activity and at this stage I really would be surprised if there is a major concerted effort to build a lot in our territories, it's just going to happen steadily. They can still make a decision. Our roaming partners at any point in time to say coverage is good enough. We don't need roaming in a territory and we're just shutting it off.

And that is the unexpected decision that is hard for us to anticipate. And sometimes they make the decision to pull the roaming in a particular territory and then they regret it a little later and add it back. Other times they stick with it.

And so it's really a tough competitive decision for our roaming partners to make because if they pull roaming in an area it does affect quality for them.

James Breen - *Thomas Weisel Partners - Analyst*

Thanks. And in Puerto Rico, can you comment on the competition there? Has it changed at all with T-Mobile's purchase, has AMX changed how they are pricing relative to you guys? I know they sort of matched your plans in the summer. Has that changed at all?

And then finally given some of your commentary about the economic conditions in Puerto Rico, you've still -- you raised the lower end of your EBITDA guidance. Sort of what gives you confidence that overall the total numbers still remains intact? Thanks.

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Michael Small - *Centennial Communications Corp. - CEO*

Puerto Rico remains intensely competitive because there are six players in a common geography. And I think at this stage most our competitors are performing pretty well. There have been no dramatic changes out of Claro since it came and took over for Verizon except for an intense advertising campaign to introduce the new name which persists.

We have seen all of the competitors because they had to match our unlimited plan. Most of the emphasis has been going down market. They are increasingly advertising lower price points than we are with considerably less value on the plans than we do.

We were trying to really trying to segment the market and defend our position in light of the tough competitive situation. We believe we have a great network in Puerto Rico that has now gotten even better on the data side with EV-DO Rev. A, which really does perform nicely. The response time is significantly better than Ev-DO Rev. 0, which itself was a pretty good product.

We have a local brand that's been consistent for 10 years. We have the strongest sales organization and we are starting to see traction. This quarter was, despite all of the challenges, we were up year-over-year in Puerto Rico Wireless in revenue and just barely in AOI.

And we see the trends that give us confidence that it might not have been as strong as we hoped going into the year because of the weak economy. But we've still turned the corner and we are beginning to grow again.

James Breen - *Thomas Weisel Partners - Analyst*

Great. Thank you very much.

Operator

(OPERATOR INSTRUCTIONS) And we will go next to David Sharret at Lehman Brothers.

David Sharret - *Lehman Brothers - Analyst*

Good morning, guys. Thanks for taking the question. I just wanted to follow up one point on that last question about Puerto Rico competition. Specifically, on your unlimited plans. Your price point versus others in the market, you said they've matched an offering in the unlimited plan and have they pretty much matched your price point as well?

Michael Small - *Centennial Communications Corp. - CEO*

Everybody is either at \$49.99 or \$39.99 for unlimited. No one has the same value on the plan. The companions generally aren't allowed and we have an unlimited companion.

We have unlimited calling to the United States in there. We have in-network, Centennial SMS included and unlimited basis. We also when we do charge for roaming, it's at by far the lowest rate in the marketplace.

So if you really want an unlimited plan with a predictable bill, we are the best value in the marketplace. Carlos, any comments -- I don't think we were losing a lot to the other unlimited plans.

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Carlos Blanco - Centennial Communications Corp. - President, Centennial de Puerto Rico

I think, Michael, I'll just add we have the best value at \$49.99. A lot of the competitors advertise for \$49.99, but they make it mandatory to get \$5 of features or \$10 of features. Customers really learn that very quickly.

We were by far the best value, both in the quality of the network and what we give the customer for what they pay. Just one clarification, the T-Mobile deal hasn't been closed yet. It was announced but has not been closed yet. T-Mobile is not yet in the island.

David Sharret - Lehman Brothers - Analyst

If I can ask just one other question. Just on the U.S. side in terms of roaming, when you were talking about the rate per minute step down, was that a contracted basis step down? Or was that a separate negotiation and should we expect on September 1 of '08 there will be a similar step down in the rate or was this a one-off event?

Michael Small - Centennial Communications Corp. - CEO

This was new negotiation. One of our longstanding beliefs has been that if it is inevitable that we are going to get overbuilt steadily and particularly if we leave high rates out there we will get overbuilt faster that we would rather defend our retail business. And so we kind of like the lower rate, too, to the extent our customers can now use our partner's network at a lower rate.

That improves our retail economics and lets us begin selling in more locations in our territories. An area where we believe customers would drive out of our service area fairly often, a couple years ago we might have said that doesn't make any sense, but now it looks attractive to us.

So I think you will see continued downward trend in the rate per minute. But we are getting closer to the cost of production. When they used to be a dollar a minute in the old days for roaming, it was hard to know where the bottom was on economics. It was more negotiation rather than cost of production.

But I think now there will be concern on taking the rate down too much more because it will look pretty good to resell someone else's network rather than produce your own minutes and no one will want to go there.

David Sharret - Lehman Brothers - Analyst

Right, and the full impact of the rate decline was seen in this quarter, the full impact of your cost of roaming benefit was seen in this quarter as well?

Michael Small - Centennial Communications Corp. - CEO

Yes, it was in effect for the full quarter.

David Sharret - Lehman Brothers - Analyst

Okay. Great. Thank you.

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Operator

And with no further questions, I would like to turn the conference back over to Mr. Kunszabo for any additional or closing comments.

Steve Kunszabo - *Centennial Communications Corp. - Director, Investor Relations*

Thanks. That concludes the Q&A portion of our call. Beginning later this morning you can access a replay of the call on Centennial's website or by dialing the phone numbers noted in our press release. Thank you.

Operator

This does conclude today's conference, ladies and gentlemen. Again, we thank you for your participation. You may disconnect at this time.

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