

PRIMUS TELECOMMUNICATIONS GROUP INC
Form 10-Q
November 09, 2007
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

Commission File No. 0-29092

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	54-1708481 (I.R.S. Employer Identification No.)
7901 Jones Branch Drive, Suite 900, McLean, VA (Address of principal executive offices)	22102 (Zip Code)
(703) 902-2800	

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of
Common Stock \$0.01 par value	October 31, 2007 142,632,540

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PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
NET REVENUE	\$ 225,283	\$ 245,319	\$ 679,660	\$ 763,024
OPERATING EXPENSES				
Cost of revenue (exclusive of depreciation included below)	136,464	157,676	423,338	503,356
Selling, general and administrative	72,771	71,639	209,983	219,030
Depreciation and amortization	7,328	6,976	21,228	41,044
(Gain) loss on sale or disposal of assets		(205)	684	14,302
Asset impairment write-down				209,248
Total operating expenses	216,563	236,086	655,233	986,980
INCOME (LOSS) FROM OPERATIONS	8,720	9,233	24,427	(223,956)
INTEREST EXPENSE	(15,810)	(13,188)	(45,668)	(40,658)
ACCRETION ON DEBT DISCOUNT, NET	(37)	222	(411)	(1,344)
CHANGE IN FAIR VALUE OF DERIVATIVES EMBEDDED WITHIN CONVERTIBLE DEBT				5,373
GAIN (LOSS) ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	364		(7,910)	7,409
INTEREST AND OTHER INCOME	1,141	845	3,695	3,405
FOREIGN CURRENCY TRANSACTION GAIN	12,232	3,895	30,287	8,520
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	6,610	1,007	4,420	(241,251)
INCOME TAX BENEFIT (EXPENSE)	(2,161)	(1,219)	3,525	(3,697)
INCOME (LOSS) FROM CONTINUING OPERATIONS	4,449	(212)	7,945	(244,948)
INCOME FROM DISCONTINUED OPERATIONS, net of tax	140	333	145	2,002
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax	174		6,132	7,415
NET INCOME (LOSS)	\$ 4,763	\$ 121	\$ 14,222	\$ (235,531)
BASIC INCOME (LOSS) PER COMMON SHARE:				
Income (loss) from continuing operations	\$ 0.03	\$ (0.00)	\$ 0.06	\$ (2.19)
Income from discontinued operations	0.00	0.00	0.00	0.01
Gain from sale of discontinued operations	0.00		0.05	0.07
Net income (loss)	\$ 0.03	\$ 0.00	\$ 0.11	\$ (2.11)
DILUTED INCOME (LOSS) PER COMMON SHARE:				
Income (loss) from continuing operations	\$ 0.02	\$ (0.00)	\$ 0.05	\$ (2.19)
Income from discontinued operations	0.00	0.00	0.00	0.01
Gain from sale of discontinued operations	0.00		0.03	0.07

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Net income (loss)	\$ 0.02	\$ 0.00	\$ 0.08	\$ (2.11)
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WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:

BASIC	142,143	113,844	124,100	111,866
DILUTED	208,042	160,779	192,412	111,866

See notes to consolidated condensed financial statements.

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(in thousands, except share amounts)

(unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 108,724	\$ 64,317
Accounts receivable (net of allowance for doubtful accounts receivable of \$12,473 and \$17,296)	120,108	118,012
Prepaid expenses and other current assets	23,484	24,278
Total current assets	252,316	206,607
RESTRICTED CASH	9,689	8,415
PROPERTY AND EQUIPMENT Net	137,677	111,682
GOODWILL	39,552	34,893
OTHER INTANGIBLE ASSETS Net	1,801	2,762
OTHER ASSETS	30,496	27,891
TOTAL ASSETS	\$ 471,531	\$ 392,250
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 79,097	\$ 70,586
Accrued interconnection costs	42,922	48,942
Deferred revenue	16,990	18,315
Accrued expenses and other current liabilities	54,678	46,984
Accrued income taxes	22,799	17,921
Accrued interest	11,583	13,627
Current portion of long-term obligations	13,637	36,997
Total current liabilities	241,706	253,372
LONG-TERM OBLIGATIONS (net of premium (discount) of \$2,490 and (\$5,354))	676,236	607,077
OTHER LIABILITIES	51	56
Total liabilities	917,993	860,505
COMMITMENTS AND CONTINGENCIES (See Note 5.)		
STOCKHOLDERS DEFICIT:		
Preferred stock: not designated, \$0.01 par value 1,410,050 shares authorized; none issued and outstanding; Series A and B, \$0.01 par value 485,000 shares authorized; none issued and outstanding; Series C, \$0.01 par value 559,950 shares authorized; none issued and outstanding		
Common stock, \$0.01 par value 300,000,000 shares authorized; 142,632,540 and 113,848,540 shares issued and outstanding	1,426	1,138
Additional paid-in capital	718,634	692,941
Accumulated deficit	(1,074,622)	(1,082,853)
Accumulated other comprehensive loss	(91,900)	(79,481)
Total stockholders deficit	(446,462)	(468,255)

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TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	\$ 471,531	\$ 392,250
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See notes to consolidated condensed financial statements.

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(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 14,222	\$ (235,531)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for doubtful accounts receivable	7,358	11,156
Stock compensation expense	184	481
Depreciation and amortization	21,288	41,746
(Gain) loss on sale or disposal of assets	(5,447)	6,911
Asset impairment write-down		209,248
Accretion of debt discount	411	1,344
Change in fair value of derivatives embedded within convertible debt		(5,373)
Deferred income taxes	(860)	
(Gain) loss on early extinguishment or restructuring of debt	7,910	(7,409)
Other		(1,595)
Unrealized foreign currency transaction gain on intercompany and foreign debt	(32,629)	(9,676)
Changes in assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	293	15,638
Decrease in prepaid expenses and other current assets	2,598	7,238
Decrease in other assets	1,313	91
Increase (decrease) in accounts payable	2,829	(12,536)
Decrease in accrued interconnection costs	(8,245)	(15,850)
Increase (decrease) in accrued expenses, accrued income taxes, deferred revenue, other current liabilities and other liabilities, net	(1,017)	7,335
Decrease in accrued interest	(2,043)	(4,243)
Net cash provided by operating activities		