

PRIMUS TELECOMMUNICATIONS GROUP INC
Form 10-Q
May 17, 2010
Table of Contents

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 March 31, 2010

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)

7901 Jones Branch Drive, Suite 900,

McLean, VA
(Address of principal executive offices)

54-1708481
(I.R.S. Employer Identification No.)

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),

Edgar Filing: PRIMUS TELECOMMUNICATIONS GROUP INC - Form 10-Q

and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 Smaller reporting company

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. 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 April 30, 2010
Common Stock \$0.001 par value	9,743,157

Table of Contents

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

INDEX TO FORM 10-Q

	Page No.
Part I.	
FINANCIAL INFORMATION	
Item 1.	
FINANCIAL STATEMENTS (UNAUDITED)	
<u>Consolidated Condensed Statements of Operations</u>	1
<u>Consolidated Condensed Balance Sheets</u>	2
<u>Consolidated Condensed Statements of Cash Flows</u>	3
<u>Consolidated Condensed Statements of Comprehensive Income (Loss)</u>	4
<u>Notes to Consolidated Condensed Financial Statements</u>	5
Item 2.	
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	32
Item 3.	
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	44
Item 4.	
<u>CONTROLS AND PROCEDURES</u>	45
Part II.	
OTHER INFORMATION	
Item 1.	
<u>LEGAL PROCEEDINGS</u>	47
Item 1A.	
<u>RISK FACTORS</u>	47
Item 2.	
<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	62
Item 3.	
<u>DEFAULTS UPON SENIOR SECURITIES</u>	62
Item 4.	
<u>(REMOVED AND RESERVED)</u>	63
Item 5.	
<u>OTHER INFORMATION</u>	63
Item 6.	
<u>EXHIBITS</u>	63
<u>SIGNATURES</u>	64
<u>EXHIBIT INDEX</u>	65

Table of Contents

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Successor Three Months Ended March 31, 2010	Predecessor Three Months Ended March 31, 2009
NET REVENUE	\$ 204,393	\$ 193,281
OPERATING EXPENSES		
Cost of revenue (exclusive of depreciation included below)	130,009	128,655
Selling, general and administrative	52,892	44,930
Depreciation and amortization	18,984	6,076
(Gain) loss on sale or disposal of assets	10	(59)
Total operating expenses	201,895	179,602
INCOME (LOSS) FROM OPERATIONS	2,498	13,679
INTEREST EXPENSE	(9,337)	(10,775)
ACCRETION (AMORTIZATION) ON DEBT PREMIUM/DISCOUNT, net	(44)	189
GAIN (LOSS) FROM CONTINGENT VALUE RIGHTS VALUATION	(2,043)	
INTEREST INCOME AND OTHER INCOME (EXPENSE), net	228	227
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	6,002	(3,050)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE REORGANIZATION ITEMS AND INCOME TAXES	(2,696)	270
REORGANIZATION ITEMS, net	1	16,568
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(2,695)	16,838
INCOME TAX BENEFIT (EXPENSE)	1,999	(2,796)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(696)	14,042
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(167)	(438)
GAIN (LOSS) FROM SALE OF DISCONTINUED OPERATIONS, net of tax		251
NET INCOME (LOSS)	(863)	13,855
Less: Net (income) loss attributable to the noncontrolling interest	(136)	136
NET INCOME (LOSS) ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	\$ (999)	\$ 13,991
BASIC INCOME (LOSS) PER COMMON SHARE:		
Income (loss) from continuing operations attributable to Primus Telecommunications Group, Incorporated	\$ (0.08)	\$ 0.10
Income (loss) from discontinued operations	(0.02)	
Gain (loss) from sale of discontinued operations		
Net income (loss) attributable to Primus Telecommunications Group, Incorporated	\$ (0.10)	\$ 0.10
DILUTED LOSS PER COMMON SHARE:		

Edgar Filing: PRIMUS TELECOMMUNICATIONS GROUP INC - Form 10-Q

Income (loss) from continuing operations attributable to Primus Telecommunications Group, Incorporated	\$ (0.08)	\$ 0.08
Income (loss) from discontinued operations	(0.02)	
Gain (loss) from sale of discontinued operations		
Net income (loss) attributable to Primus Telecommunications Group, Incorporated	\$ (0.10)	\$ 0.08
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	9,645	142,695
Diluted	9,645	169,449
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED		
Income (loss) from continuing operations, net of tax	\$ (832)	\$ 14,178
Income (loss) from discontinued operations	(167)	(438)
Gain (loss) from sale of discontinued operations		251
Net income (loss)	\$ (999)	\$ 13,991

See notes to consolidated financial statements.

Table of Contents**PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED****CONSOLIDATED CONDENSED BALANCE SHEETS**

(in thousands, except share amounts)

(unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 52,079	\$ 42,538
Accounts receivable (net of allowance for doubtful accounts receivable of \$5,811 and \$8,163)	83,842	89,342
Prepaid expenses and other current assets	15,980	15,147
Total current assets	151,901	147,027
RESTRICTED CASH	10,756	10,438
PROPERTY AND EQUIPMENT Net	142,694	147,606
GOODWILL	65,042	64,220
OTHER INTANGIBLE ASSETS Net	174,603	178,807
OTHER ASSETS	10,491	10,816
TOTAL ASSETS	\$ 555,487	\$ 558,914
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 42,893	\$ 45,819
Accrued interconnection costs	38,205	37,561
Deferred revenue	12,624	13,882
Accrued expenses and other current liabilities	45,548	49,704
Accrued income taxes	10,866	10,629
Accrued interest	10,653	1,985
Current portion of long-term obligations	1,274	4,274
Total current liabilities	162,063	163,854
LONG-TERM OBLIGATIONS	253,048	253,242
DEFERRED TAX LIABILITY	33,876	36,052
OTHER LIABILITIES	7,909	5,857
Total liabilities	456,896	459,005
COMMITMENTS AND CONTINGENCIES (See Note 6.)		
STOCKHOLDERS EQUITY:		
Preferred stock, \$0.001 par value 20,000,000 shares authorized; none issued or outstanding		
Common stock, \$0.001 par value 80,000,000 shares authorized; 9,743,157 and 9,600,000 shares issued and outstanding	10	10
Additional paid-in capital	85,276	85,533
Accumulated earnings	5,733	6,732
Accumulated other comprehensive income (loss)	3,756	4,064
Total stockholders equity before noncontrolling interest	94,775	96,339

Edgar Filing: PRIMUS TELECOMMUNICATIONS GROUP INC - Form 10-Q

Noncontrolling interest	3,816	3,570
Total stockholders' equity	98,591	99,909
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 555,487	\$ 558,914

See notes to consolidated financial statements.

Table of Contents

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Successor Three Months Ended March 31, 2010	Predecessor Three Months Ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (863)	\$ 13,855
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Reorganization items, net	(1)	(16,568)
Provision for doubtful accounts receivable	1,834	2,230
Stock compensation expense	87	16
Depreciation and amortization	19,048	6,096
(Gain) loss on sale or disposal of assets	10	(310)
Accretion (amortization) of debt premium/discount, net	44	(189)
Change in fair value of Contingent Value Rights	2,043	
Deferred income taxes	(2,303)	
Unrealized foreign currency transaction (gain) loss on intercompany and foreign debt	(5,854)	3,143
Changes in assets and liabilities, net of acquisitions:		
(Increase) decrease in accounts receivable	2,689	5,101
(Increase) decrease in prepaid expenses and other current assets	(689)	(1,421)
(Increase) decrease in other assets	148	2,270
Increase (decrease) in accounts payable	(2,881)	(7,375)
Increase (decrease) in accrued interconnection costs	865	(1,838)
Increase (decrease) in accrued expenses, deferred revenue, other current liabilities and other liabilities, net	(4,993)	37
Increase (decrease) in accrued income taxes	(83)	