

PRIMUS TELECOMMUNICATIONS GROUP INC  
Form 10-Q  
November 10, 2008  
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 September 30, 2008

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

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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

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, 2008 142,632,540

**Table of Contents**

**PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED**

**INDEX TO FORM 10-Q**

	<b>Page No.</b>
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 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>	44
Item 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	63
Item 4. <u>CONTROLS AND PROCEDURES</u>	64
Part II. OTHER INFORMATION	
Item 1. <u>LEGAL PROCEEDINGS</u>	66
Item 1A. <u>RISK FACTORS</u>	66
Item 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	76
Item 3. <u>DEFAULTS UPON SENIOR SECURITIES</u>	76
Item 4. <u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	76
Item 5. <u>OTHER INFORMATION</u>	76
Item 6. <u>EXHIBITS</u>	76
<u>SIGNATURES</u>	77
<u>EXHIBIT INDEX</u>	78

**Table of Contents**

**PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

(unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
NET REVENUE	\$ 231,774	\$ 224,399	\$ 694,316	\$ 676,832
OPERATING EXPENSES				
Cost of revenue (exclusive of depreciation included below)	150,066	135,900	434,584	421,559
Selling, general and administrative	69,780	72,447	209,196	208,659
Depreciation and amortization	9,351	7,328	25,407	21,228
(Gain) loss on sale or disposal of assets	(4,576)		(7,041)	684
Total operating expenses	224,621	215,675	662,146	652,130
INCOME FROM OPERATIONS	7,153	8,724	32,170	24,702
INTEREST EXPENSE	(12,810)	(15,810)	(41,557)	(45,668)
ACCRETION ON DEBT PREMIUM (DISCOUNT), NET	269	(37)	456	(411)
GAIN (LOSS) ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT	121	364	34,608	(7,910)
INTEREST AND OTHER INCOME (EXPENSE)	(2,941)	1,141	16	3,695
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	(23,045)	12,232	(13,204)	30,287
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(31,253)	6,614	12,489	4,695
INCOME TAX BENEFIT (EXPENSE)	(1,489)	(2,161)	(1,526)	3,525
INCOME (LOSS) FROM CONTINUING OPERATIONS	(32,742)	4,453	10,963	8,220
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(478)	136	(658)	(130)
GAIN FROM SALE OF DISCONTINUED OPERATIONS, net of tax		174		6,132
NET INCOME (LOSS)	\$ (33,220)	\$ 4,763	\$ 10,305	\$ 14,222
BASIC INCOME (LOSS) PER COMMON SHARE:				
Income (loss) from continuing operations	\$ (0.23)	\$ 0.03	\$ 0.07	\$ 0.07
Loss from discontinued operations	(0.00)	0.00	(0.00)	(0.00)
Gain from sale of discontinued operations		0.00		0.04
Net income (loss)	\$ (0.23)	\$ 0.03	\$ 0.07	\$ 0.11
DILUTED INCOME (LOSS) PER COMMON SHARE:				
Income (loss) from continuing operations	\$ (0.23)	\$ 0.02	\$ 0.06	\$ 0.05
Loss from discontinued operations	(0.00)	0.00	(0.00)	(0.00)
Gain from sale of discontinued operations		0.00		0.03
Net income (loss)	\$ (0.23)	\$ 0.02	\$ 0.06	\$ 0.08
BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	142,633	142,143	142,633	124,100
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	142,633	208,042	176,138	192,412

See notes to consolidated financial statements.



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

(in thousands, except share amounts)

(unaudited)

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 47,630	\$ 81,282
Restricted cash		362
Accounts receivable (net of allowance for doubtful accounts receivable of \$12,304 and \$12,039)	111,612	113,588
Prepaid expenses and other current assets	19,852	28,660
<b>Total current assets</b>	<b>179,094</b>	<b>223,892</b>
RESTRICTED CASH	9,510	9,677
PROPERTY AND EQUIPMENT Net	133,588	144,599
GOODWILL	38,026	40,134
OTHER INTANGIBLE ASSETS Net	1,188	1,557
OTHER ASSETS	31,272	40,544
<b>TOTAL ASSETS</b>	<b>\$ 392,678</b>	<b>\$ 460,403</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 64,704	\$ 74,893
Accrued interconnection costs	38,474	44,911
Deferred revenue	15,405	16,513
Accrued expenses and other current liabilities	53,266	54,420
Accrued income taxes	26,812	30,791
Accrued interest	11,231	12,460
Current portion of long-term obligations	12,737	11,228
<b>Total current liabilities</b>	<b>222,629</b>	<b>245,216</b>
LONG-TERM OBLIGATIONS (net of premium of \$4,181 and \$2,528)	601,784	662,675
OTHER LIABILITIES	2,969	52
<b>Total liabilities</b>	<b>827,382</b>	<b>907,943</b>
<b>COMMITMENTS AND CONTINGENCIES (See Note 5.)</b>		
<b>STOCKHOLDERS DEFICIT:</b>		
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 shares issued and outstanding	1,426	1,426
Additional paid-in capital	718,895	718,695
Accumulated deficit	(1,064,473)	(1,074,778)
Accumulated other comprehensive loss	(90,552)	(92,883)
<b>Total stockholders deficit</b>	<b>(434,704)</b>	<b>(447,540)</b>

TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	\$ 392,678	\$ 460,403
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See notes to consolidated financial statements.

**Table of Contents****PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(in thousands)

(unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 10,305	\$ 14,222
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts receivable	8,945	7,358
Stock compensation expense	199	184
Depreciation and amortization	25,407	21,288
Gain on sale or disposal of assets	(7,041)	(5,447)
Accretion of debt discount (premium)	(456)	411
Deferred income taxes	3,201	(860)
(Gain) loss on early extinguishment or restructuring of debt	(34,608)	7,910
Minority interest share of income	2,838	
Unrealized foreign currency transaction gain on intercompany and foreign debt	13,587	(32,629)
Changes in assets and liabilities, net of acquisitions:		
(Increase) decrease in accounts receivable	(12,276)	293
Decrease in prepaid expenses and other current assets	8,861	2,598
Decrease in other assets	1,428	1,313
Increase (decrease) in accounts payable	(7,237)	2,829
Decrease in accrued interconnection costs	(4,473)	(8,245)
Increase (decrease), net, in accrued expenses, deferred revenue, other current liabilities and other liabilities	209	786
Decrease in accrued income taxes	(3,503)	(1,803)
Decrease in accrued interest	(691)	(2,043)
Net cash provided by operating activities	4,695	8,165
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(20,756)	(29,717)
Sale of property and equipment and intangible assets	5,741	
Cash from disposition of business, net of cash disposed	1,676	6,140
Cash used in business acquisitions, net of cash acquired	(583)	(200)
Decrease in restricted cash	(100)	(340)