

PRIMUS TELECOMMUNICATIONS GROUP INC  
Form 10-Q  
November 16, 2009  
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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, 2009

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),

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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 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 October 31, 2009
Common Stock \$0.001 par value	9,600,000

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

(in thousands, except per share amounts)

(unaudited)

	Successor Three Months Ended September 30, 2009	Predecessor Three Months Ended July 1, 2009	Predecessor Three Months Ended September 30, 2008
NET REVENUE	\$ 207,947	\$	\$ 231,256
OPERATING EXPENSES			
Cost of revenue (exclusive of depreciation included below)	136,076		149,834
Selling, general and administrative	51,139		69,511
Depreciation and amortization	20,029		9,351
(Gain) loss on sale or disposal of assets	83		(4,576)
Total operating expenses	207,327		224,120
INCOME FROM OPERATIONS	620		7,136
INTEREST EXPENSE	(8,763)		(12,810)
ACCRETION ON DEBT DISCOUNT, net			269
GAIN ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT			121
INTEREST INCOME AND OTHER INCOME (EXPENSE), net	(4,066)		(1,032)
FOREIGN CURRENCY TRANSACTION LOSS	(4,447)		(23,045)
LOSS FROM CONTINUING OPERATIONS BEFORE REORGANIZATION ITEMS AND INCOME TAXES	(16,656)		(29,361)
REORGANIZATION ITEMS, net	(307)	431,797	
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(16,963)	431,797	(29,361)
INCOME TAX BENEFIT (EXPENSE)	2,085		(1,489)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(14,878)	431,797	(30,850)
LOSS FROM DISCONTINUED OPERATIONS, net of tax			(436)
LOSS FROM SALE OF DISCONTINUED OPERATIONS, net of tax	(110)		
NET INCOME (LOSS)	(14,988)	431,797	(31,286)
Less: Net income attributable to the noncontrolling interest	(210)		(1,934)
NET INCOME (LOSS) ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	\$ (15,198)	\$ 431,797	\$ (33,220)
BASIC INCOME (LOSS) PER COMMON SHARE:			
Income (loss) from continuing operations attributable to Primus Telecommunications Group, Incorporated	\$ (1.57)	\$ 3.03	\$ (0.23)
Loss from discontinued operations			
Loss from sale of discontinued operations	(0.01)		
Net income (loss) attributable to Primus Telecommunications Group, Incorporated	\$ (1.58)	\$ 3.03	\$ (0.23)
DILUTED LOSS PER COMMON SHARE:	\$ (1.57)	\$ 2.49	\$ (0.23)

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Income (loss) from continuing operations attributable to Primus Telecommunications Group,  
Incorporated

Loss from discontinued operations				
Loss from sale of discontinued operations	(0.01)			

Net income (loss) attributable to Primus Telecommunications Group, Incorporated	\$ (1.58)	\$ 2.49		\$ (0.23)
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### WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

Basic	9,600	142,695		142,633
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Diluted	9,600	173,117		142,633
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### AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

Income (loss) from continuing operations, net of tax	\$ (15,088)	\$ 431,797		\$ (32,784)
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Loss from discontinued operations				(436)
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Loss from sale of discontinued operations	(110)			
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Net income (loss)	\$ (15,198)	\$ 431,797		\$ (33,220)
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See notes to consolidated financial statements.

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

(in thousands, except per share amounts)

(unaudited)

	Successor Three Months Ended September 30, 2009	Predecessor Six Months Ended July 1, 2009	Predecessor Nine Months Ended September 30, 2008
NET REVENUE	\$ 207,947	\$ 391,216	\$ 692,587
OPERATING EXPENSES			
Cost of revenue (exclusive of depreciation included below)	136,076	255,288	433,813
Selling, general and administrative	51,139	95,836	208,338
Depreciation and amortization	20,029	12,346	25,401
(Gain) loss on sale or disposal of assets	83	(43)	(7,041)
Total operating expenses	207,327	363,427	660,511
INCOME FROM OPERATIONS	620	27,789	32,076
INTEREST EXPENSE	(8,763)	(14,135)	(41,557)
ACCRETION ON DEBT DISCOUNT, net		189	456
GAIN ON EARLY EXTINGUISHMENT OR RESTRUCTURING OF DEBT			34,608
INTEREST INCOME AND OTHER INCOME (EXPENSE), net	(4,066)	396	2,157
FOREIGN CURRENCY TRANSACTION GAIN (LOSS)	(4,447)	21,121	(13,204)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE REORGANIZATION ITEMS AND INCOME TAXES	(16,656)	35,360	14,536
REORGANIZATION ITEMS, net	(307)	440,094	
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(16,963)	475,454	14,536
INCOME TAX BENEFIT (EXPENSE)	2,085	(3,907)	(1,527)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(14,878)	471,547	13,009
LOSS FROM DISCONTINUED OPERATIONS, net of tax		(676)	(502)
GAIN (LOSS) FROM SALE OF DISCONTINUED OPERATIONS, net of tax	(110)	251	
NET INCOME (LOSS)	(14,988)	471,122	12,507
Less: Net (income) loss attributable to the noncontrolling interest	(210)	32	(2,202)
NET INCOME (LOSS) ATTRIBUTABLE TO PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	\$ (15,198)	\$ 471,154	\$ 10,305
BASIC INCOME (LOSS) PER COMMON SHARE:			
Income (loss) from continuing operations attributable to Primus Telecommunications Group, Incorporated	\$ (1.57)	\$ 3.30	\$ 0.07
Loss from discontinued operations			
Loss from sale of discontinued operations	(0.01)		
Net income (loss) attributable to Primus Telecommunications Group, Incorporated	\$ (1.58)	\$ 3.30	\$ 0.07
DILUTED INCOME (LOSS) PER COMMON SHARE:			
	\$ (1.57)	\$ 2.72	\$ 0.06

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Income (loss) from continuing operations attributable to Primus Telecommunications Group, Incorporated

Loss from discontinued operations				
Loss from sale of discontinued operations	(0.01)			

Net income (loss) attributable to Primus Telecommunications Group, Incorporated	\$ (1.58)	\$ 2.72	\$ 0.06	
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### WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

Basic	9,600	142,695	142,633	
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Diluted	9,600	173,117	176,138	
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### AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS OF PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED

Income (loss) from continuing operations, net of tax	\$ (15,088)	\$ 471,579	\$ 10,807	
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Loss from discontinued operations		(676)	(502)	
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Gain (loss) from sale of discontinued operations	(110)	251		
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Net income (loss)	\$ (15,198)	\$ 471,154	\$ 10,305	
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See notes to consolidated financial statements.

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	<b>Successor September 30, 2009</b>	<b>Predecessor December 31, 2008</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 41,850	\$ 37,000
Accounts receivable (net of allowance for doubtful accounts receivable of \$8,210 and \$9,710)	92,580	99,483
Prepaid expenses and other current assets	15,665	15,846
<b>Total current assets</b>	<b>150,095</b>	<b>152,329</b>
RESTRICTED CASH	10,177	8,133
PROPERTY AND EQUIPMENT Net	152,028	112,152
GOODWILL	61,086	32,688
OTHER INTANGIBLE ASSETS Net	187,552	746
OTHER ASSETS	22,130	24,396
<b>TOTAL ASSETS</b>	<b>\$ 583,068</b>	<b>\$ 330,444</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 43,087	\$ 58,671
Accrued interconnection costs	43,468	41,422
Deferred revenue	13,686	13,303
Accrued expenses and other current liabilities	49,237	42,440
Accrued income taxes	17,601	18,213
Accrued interest	4,429	10,248
Current portion of long-term obligations	15,442	564,797
<b>Total current liabilities</b>	<b>186,950</b>	<b>749,094</b>
LONG-TERM OBLIGATIONS	237,119	40,040
DEFERRED INCOME TAXES	58,866	
OTHER LIABILITIES	6,786	35
<b>Total liabilities</b>	<b>489,721</b>	<b>789,169</b>
COMMITMENTS AND CONTINGENCIES (See Note 8.)		
<b>STOCKHOLDERS EQUITY (DEFICIT):</b>		
Primus Telecommunications Group, Incorporated Stockholders Equity (Deficit):		
Predecessor 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		1,427
Predecessor Common stock, \$0.01 par value 300,000,000 shares authorized; 142,695,390 shares issued and outstanding		
Successor Preferred stock, \$0.001 par value 20,000,000 shares authorized; none issued or outstanding		
Successor Common stock, \$0.001 par value 80,000,000 shares authorized; 9,600,000 shares issued or outstanding	10	
Additional paid-in capital	84,690	718,956



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Accumulated deficit	(15,198)	(1,099,809)
Accumulated other comprehensive income (loss)	20,515	(82,113)
Total Primus Telecommunications Group, Incorporated stockholders' equity (deficit)	90,017	(461,539)
Noncontrolling interest	3,330	2,814
Total stockholders' equity (deficit)	93,347	(458,725)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 583,068</b>	<b>\$ 330,444</b>

See notes to consolidated financial statements.

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

(in thousands)

(unaudited)

	Successor Three Months Ended September 30, 2009	Predecessor Six Months Ended July 1, 2009	Predecessor Nine Months Ended September 30, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ (14,988)	\$ 471,122	\$ 12,507
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Reorganization items, net	307	(440,094)	
Provision for doubtful accounts receivable	2,593	5,140	8,945
Stock compensation expense	308	27	199
Depreciation and amortization	20,029	12,346	25,407
(Gain) loss on sale or disposal of assets	193	(294)	(7,041)
Accretion of debt discount		(189)	(456)
Deferred income taxes			3,201
Gain on early extinguishment or restructuring of debt			(34,608)
Unrealized foreign currency transaction (gain) loss on intercompany and foreign debt	3,233	(20,702)	13,587
Changes in assets and liabilities, net of acquisitions:			
(Increase) decrease in accounts receivable	2,634	7,798	(12,276)
Decrease in prepaid expenses and other current assets	2,150	461	8,861
(Increase) decrease in other assets	(3,339)	2,454	1,428
Decrease in accounts payable	(9,949)	(12,794)	(7,237)
Increase (decrease) in accrued interconnection costs	3,719	(5,361)	(4,473)
Increase in accrued expenses, deferred revenue, other current liabilities and other liabilities, net	5,426	1,313	845
Increase (decrease) in accrued income taxes	(3,734)	2,113	(3,503)
Increase (decrease) in accrued interest	4,410	(1,600)	(691)
Net cash provided by operating activities before cash reorganization items	12,992	21,740	4,695
Cash effect of reorganization items	(6,121)	(4,595)	
Net cash provided by operating activities	6,871	17,145	4,695
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	(3,886)	(5,660)	(20,756)
Sale of property and equipment	12	179	5,741
Cash from disposition of business, net of cash disposed	(110)	232	1,676
Cash used in business acquisitions, net of cash acquired		(199)	(583)
(Increase) decrease in restricted cash	17	(146)	(100)
Net cash used in investing activities	(3,967)	(5,594)	(14,022)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Purchase of the Company's debt securities			(11,217)
Principal payments on long-term obligations	(4,598)	(8,292)	(10,536)
Net cash used in financing activities	(4,598)	(8,292)	(21,753)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,083		