

METROPCS COMMUNICATIONS INC

Form 10-Q

May 10, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

þ **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**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number**

**1-33409**

**METROPCS COMMUNICATIONS, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**

(State or other jurisdiction

of incorporation or organization)

**2250 Lakeside Boulevard**

**Richardson, Texas**

(Address of principal executive offices)

**(214) 570-5800**

**20-0836269**

(I.R.S. Employer

Identification No.)

**75082-4304**

(Zip Code)

(Registrant's telephone number, including area code)

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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 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 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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

On April 30, 2010, there were 353,188,107 shares of the registrant's common stock, \$0.0001 par value, outstanding.

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**METROPCS COMMUNICATIONS, INC.**

**Quarterly Report on Form 10-Q**

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\* No reportable information under this item.

**Table of Contents****PART I.****FINANCIAL INFORMATION****Item 1. Financial Statements****MetroPCS Communications, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets****(in thousands, except share and per share information)****(Unaudited)**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2010 (1)</b>	<b>2009 (1)</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 914,574	\$ 929,381
Short-term investments	274,857	224,932
Inventories, net	117,594	147,401
Accounts receivable (net of allowance for uncollectible accounts of \$2,267 and \$2,045 at March 31, 2010 and December 31, 2009, respectively)	52,838	51,536
Prepaid expenses	69,557	48,353
Deferred charges	67,312	59,414
Deferred tax assets	5,959	1,948
Other current assets	35,340	28,426
<b>Total current assets</b>	<b>1,538,031</b>	<b>1,491,391</b>
Property and equipment, net	3,263,511	3,252,213
Restricted cash and investments	13,939	15,438
Long-term investments	6,319	6,319
FCC licenses and microwave relocation costs	2,470,568	2,470,181
Other assets	164,182	150,475
<b>Total assets</b>	<b>\$ 7,456,550</b>	<b>\$ 7,386,017</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 552,003	\$ 558,366
Current maturities of long-term debt	19,742	19,326
Deferred revenue	203,802	187,654
Other current liabilities	28,777	32,123
<b>Total current liabilities</b>	<b>804,324</b>	<b>797,469</b>
Long-term debt, net	3,630,872	3,625,949
Deferred tax liabilities	531,112	512,306
Deferred rents	85,906	80,487
Redeemable ownership interest	8,327	7,857
Other long-term liabilities	73,955	73,807
<b>Total liabilities</b>	<b>5,134,496</b>	<b>5,097,875</b>

COMMITMENTS AND CONTINGENCIES (See Note 12)

STOCKHOLDERS EQUITY:

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Preferred stock, par value \$0.0001 per share, 100,000,000 shares authorized; no shares of preferred stock issued and outstanding at March 31, 2010 and December 31, 2009		
Common stock, par value \$0.0001 per share, 1,000,000,000 shares authorized, 352,933,380 and 352,711,263 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	35	35
Additional paid-in capital	1,645,971	1,634,754
Retained earnings	687,354	664,693
Accumulated other comprehensive loss	(10,680)	(11,340)
Less treasury stock, at cost, 98,449 and no treasury shares at March 31, 2010 and December 31, 2009, respectively	(626)	
<b>Total stockholders' equity</b>	<b>2,322,054</b>	<b>2,288,142</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,456,550</b>	<b>\$ 7,386,017</b>

(1) As a result of the adoption of certain provisions of Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 810 (Topic 810, *Consolidation* ) and in accordance with Accounting Standards Update ( ASU ) 2009-17, which amends ASC 810, the Company is required to separately disclose on its condensed consolidated balance sheets the assets of its consolidated variable interest entity ( VIE ) that can be used only to settle obligations of the VIE and liabilities for which creditors do not have recourse to the Company.

As of March 31, 2010, \$833.2 million related to the consolidated VIE were included in the Company's total assets, which consist of \$20.0 million of cash and cash equivalents, \$0.1 million of accounts receivable, net, \$8.1 million of prepaid expenses, \$0.6 million of other current assets, \$488.1 million of property and equipment, net, \$0.3 million of restricted cash and investments, \$293.6 million of FCC licenses and \$22.4 million of other assets.

As of December 31, 2009, \$807.2 million related to the consolidated VIE were included in the Company's total assets, which consist of \$16.8 million of cash and cash equivalents, \$0.1 million of accounts receivable, net, \$7.6 million of prepaid expenses, \$0.5 million of other current assets, \$463.7 million of property and equipment, net, \$0.3 million of restricted cash and investments, \$293.6 million of FCC licenses and \$24.6 million of other assets.

As of March 31, 2010, \$39.1 million related to the consolidated VIE were included in the Company's total liabilities, which consist of \$7.2 million of accounts payable and accrued expenses, \$0.2 million of current maturities of long-term debt, \$11.0 million of long-term debt, net, \$12.0 million of deferred rents, and \$8.7 million of other long-term liabilities.

As of December 31, 2009, \$33.7 million related to the consolidated VIE were included in the Company's total liabilities, which consist of \$9.4 million of accounts payable and accrued expenses, \$0.1 million of current maturities of long-term debt, \$4.4 million of long-term debt, net, \$10.9 million of deferred rents, and \$8.9 million of other long-term liabilities.

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****MetroPCS Communications, Inc. and Subsidiaries****Condensed Consolidated Statements of Income and Comprehensive Income****(in thousands, except share and per share information)****(Unaudited)**

	<b>For the three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>REVENUES:</b>		
Service revenues	\$ 853,283	\$ 726,698
Equipment revenues	117,220	68,631
Total revenues	970,503	795,329
<b>OPERATING EXPENSES:</b>		
Cost of service (excluding depreciation and amortization expense of \$94,944 and \$72,318 shown separately below)	284,652	245,575
Cost of equipment	313,738	225,018
Selling, general and administrative expenses (excluding depreciation and amortization expense of \$12,857 and \$9,428 shown separately below)	159,909	136,411
Depreciation and amortization	107,801	81,746
Gain on disposal of assets	(828)	(24,908)
Total operating expenses	865,272	663,842
Income from operations	105,231	131,487
<b>OTHER EXPENSE (INCOME):</b>		
Interest expense	67,482	58,432
Accretion of put option in majority-owned subsidiary	470	377
Interest and other income	(479)	(552)
Impairment loss on investment securities		921
Total other expense	67,473	59,178
Income before provision for income taxes	37,758	72,309
Provision for income taxes	(15,097)	(28,336)
Net income	\$ 22,661	\$ 43,973
<b>Other comprehensive income:</b>		
Unrealized gains (losses) on available-for-sale securities, net of tax	32	(139)
Unrealized losses on cash flow hedging derivatives, net of tax	(6,027)	(6,965)
Reclassification adjustment for gains on available-for-sale securities included in net income, net of tax	(79)	
Reclassification adjustment for losses on cash flow hedging derivatives included in net income, net of tax	6,734	6,722
Comprehensive income	\$ 23,321	\$ 43,591

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Net income per common share:

Basic	\$	0.06	\$	0.12
Diluted	\$	0.06	\$	0.12
Weighted average shares:				
Basic		352,782,898		351,090,862
Diluted		354,003,541		356,429,423

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****MetroPCS Communications, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows****(in thousands)****(Unaudited)**

	<b>For the three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 22,661	\$ 43,973
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	107,801	81,746
(Recovery of) provision for uncollectible accounts receivable	(28)	66
Deferred rent expense	5,535	6,292
Cost of abandoned cell sites	535	2,201
Stock-based compensation expense	11,416	10,669
Non-cash interest expense	3,134	2,280
Gain on disposal of assets	(828)	(24,908)
Gain on sale of investments	(129)	
Impairment loss on investment securities		921
(Reduction) accretion of asset retirement obligations	(113)	1,174
Accretion of put option in majority-owned subsidiary	470	377
Deferred income taxes	14,177	26,937
Changes in assets and liabilities:		
Inventories	29,807	52,801
Accounts receivable, net	(1,274)	(10,651)
Prepaid expenses	(21,149)	(24,564)
Deferred charges	(7,899)	(4,538)
Other assets	(475)	1,634
Accounts payable and accrued expenses	43,724	118,211
Deferred revenue	16,148	20,000
Other liabilities	1,519	1,978
<b>Net cash provided by operating activities</b>	<b>225,032</b>	<b>306,599</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(139,295)	(312,647)
Change in prepaid purchases of property and equipment	2,602	11,761
Proceeds from sale of property and equipment	231	2,086
Purchase of investments	(162,372)	(224,405)
Proceeds from maturity of investments	112,500	
Proceeds from sale of restricted cash and investments	1,500	
Purchases of and deposits for FCC licenses		(7,416)
Microwave relocation costs	(196)	(457)
<b>Net cash used in investing activities</b>	<b>(185,030)</b>	