

COGENT COMMUNICATIONS GROUP INC

Form 10-Q

November 08, 2013

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2013

OR

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

Commission File No. 1-31227

COGENT COMMUNICATIONS GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of Incorporation)

52-2337274
(I.R.S. Employer
Identification Number)

Edgar Filing: COGENT COMMUNICATIONS GROUP INC - Form 10-Q

1015 31st Street N.W.

Washington, D.C. 20007

(Address of Principal Executive Offices and Zip Code)

(202) 295-4200

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

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

Common Stock, \$.001 par value 47,358,921 Shares Outstanding as of October 31, 2013

Table of Contents

INDEX

PART I
FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements</u>	3
	<u>Condensed Consolidated Balance Sheets of Cogent Communications Group, Inc., and Subsidiaries as of September 30, 2013 (Unaudited) and December 31, 2012</u>	3
	<u>Condensed Consolidated Statements of Comprehensive Income of Cogent Communications Group, Inc., and Subsidiaries for the Three Months Ended September 30, 2013 and September 30, 2012 (Unaudited)</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Income of Cogent Communications Group, Inc., and Subsidiaries for the Nine Months Ended September 30, 2013 and September 30, 2012 (Unaudited)</u>	5
	<u>Condensed Consolidated Statements of Cash Flows of Cogent Communications Group, Inc., and Subsidiaries for the Nine months Ended September 30, 2013 and September 30, 2012 (Unaudited)</u>	6
	<u>Notes to Interim Condensed Consolidated Financial Statements (Unaudited)</u>	7
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	17
<u>Item 4.</u>	<u>Controls and Procedures</u>	17

PART II
OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	17
<u>Item 6.</u>	<u>Exhibits</u>	17
<u>SIGNATURES</u>		19
<u>CERTIFICATIONS</u>		

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****AS OF SEPTEMBER 30, 2013 AND DECEMBER 31, 2012****(IN THOUSANDS, EXCEPT SHARE DATA)**

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 304,775	\$ 247,285
Accounts receivable, net of allowance for doubtful accounts of \$1,905 and \$3,083, respectively	28,703	23,990
Prepaid expenses and other current assets	12,843	9,978
Total current assets	346,321	281,253
Property and equipment, net	331,763	311,175
Deposits and other assets - \$445 and \$442 restricted, respectively	14,169	14,103
Total assets	\$ 692,253	\$ 606,531
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 12,176	\$ 14,734
Accrued liabilities	23,935	26,519
Convertible senior notes - current portion, net of discount of \$4,750 (Note 3)	87,228	
Current maturities, capital lease obligations	8,572	10,487
Total current liabilities	131,911	51,740
Senior secured notes, including premium of \$5,710 and \$0, respectively (Note 3)	245,710	175,000
Capital lease obligations, net of current maturities	148,822	127,461
Convertible senior notes, net of discount of \$9,494 (Note 3)		82,484
Other long term liabilities	10,775	10,067
Total liabilities	537,218	446,752
Commitments and contingencies:		
Stockholders equity:		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 47,343,921 and 47,116,644 shares issued and outstanding, respectively	47	47
Additional paid-in capital	505,787	497,349
Accumulated other comprehensive income foreign currency translation	1,541	667
Accumulated deficit	(352,340)	(338,284)
Total stockholders equity	155,035	159,779
Total liabilities and stockholders equity	\$ 692,253	\$ 606,531

Edgar Filing: COGENT COMMUNICATIONS GROUP INC - Form 10-Q

The accompanying notes are an integral part of these condensed consolidated balance sheets.

Table of Contents

COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 AND SEPTEMBER 30, 2012

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Three Months Ended September 30, 2013 (Unaudited)	Three Months Ended September 30, 2012 (Unaudited)
Service revenue	\$ 87,761	\$ 79,656
Operating expenses:		
Network operations (including \$114 and \$166 of equity-based compensation expense, respectively, exclusive of depreciation and amortization shown separately below)	37,441	36,541
Selling, general, and administrative (including \$1,947 and \$2,364 of equity-based compensation expense, respectively)	21,719	19,473
Depreciation and amortization	16,024	15,610
Total operating expenses	75,184	71,624
Operating income	12,577	8,032
Interest income and other, net	292	397
Interest expense	(10,568)	(9,015)
Income (loss) before income taxes	2,301	(586)
Income tax (provision) benefit	(179)	492
Net income (loss)	\$ 2,122	\$ (94)
Comprehensive income:		
Net income (loss)	\$ 2,122	\$ (94)
Foreign currency translation adjustment	2,341	1,501
Comprehensive income	\$ 4,463	\$ 1,407
Basic and diluted net income (loss) per common share	\$ 0.05	\$ (0.00)
Dividends declared per common share	\$ 0.14	\$ 0.10
Weighted-average common shares - basic	46,171,194	