

IDT CORP
Form 10-Q
March 12, 2013

UNITED STATES
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 JANUARY 31, 2013

or

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

Commission File Number: 1-16371

IDT CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-3415036
(I.R.S. Employer
Identification Number)

520 Broad Street, Newark, New Jersey
(Address of principal executive offices)

07102
(Zip Code)

(973) 438-1000
(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 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 x 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 x

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 x

As of March 6, 2013, the registrant had the following shares outstanding:

Class A common stock, \$.01 par value: 1,574,326 shares outstanding (excluding 1,698,000 treasury shares)

Class B common stock, \$.01 par value: 21,276,304 shares outstanding (excluding 2,878,483 treasury shares)

IDT CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

IDT CORPORATION

CONSOLIDATED BALANCE SHEETS

	January 31, 2013 (Unaudited)	July 31, 2012 (Note 1)
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$150,634	\$151,504
Restricted cash and cash equivalents—short-term	23,377	12,636
Trade accounts receivable, net of allowance for doubtful accounts of \$14,519 at January 31, 2013 and \$13,055 at July 31, 2012	72,244	83,054
Prepaid expenses	19,517	18,800
Investments—short-term	78	86
Deferred income tax assets, net—current portion	3,623	5,142
Other current assets	11,700	17,436
Total current assets	281,173	288,658
Property, plant and equipment, net	85,842	85,567
Goodwill	14,880	14,614
Other intangibles, net	1,602	1,907
Investments—long-term	8,757	7,133
Restricted cash and cash equivalents—long-term	11,471	9,466
Deferred income tax assets, net—long-term portion	27,581	31,744
Other assets	9,811	12,025
Total assets	\$441,117	\$451,114
Liabilities and equity		
Current liabilities:		
Trade accounts payable	\$33,798	\$39,845
Accrued expenses	157,646	161,266
Deferred revenue	88,155	84,588
Customer deposits	20,656	10,524
Income taxes payable	765	1,337
Notes payable—current portion	654	560
Other current liabilities	3,682	3,245
Total current liabilities	305,356	301,365
Notes payable—long-term portion	28,375	29,716
Other liabilities	10,371	17,308
Total liabilities	344,102	348,389
Commitments and contingencies		
Equity:		

IDT Corporation stockholders' equity:		
Preferred stock, \$.01 par value; authorized shares—10,000; no shares issued	—	—
Class A common stock, \$.01 par value; authorized shares—35,000; 3,272 shares issued and 1,574 shares outstanding at January 31, 2013 and July 31, 2012	33	33
Class B common stock, \$.01 par value; authorized shares—200,000; 24,155 and 24,112 shares issued and 21,277 and 21,342 shares outstanding at January 31, 2013 and July 31, 2012, respectively	242	241
Additional paid-in capital	397,859	395,869
Treasury stock, at cost, consisting of 1,698 and 1,698 shares of Class A common stock and 2,878 and 2,770 shares of Class B common stock at January 31, 2013 and July 31, 2012, respectively	(98,836)	(97,757)
Accumulated other comprehensive income	3,522	202
Accumulated deficit	(206,915)	(196,358)
Total IDT Corporation stockholders' equity	95,905	102,230
Noncontrolling interests	1,110	495
Total equity	97,015	102,725
Total liabilities and equity	\$441,117	\$451,114

See accompanying notes to consolidated financial statements.

IDT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2013	2012	2013	2012
	(in thousands, except per share data)			
Revenues	\$411,685	\$365,449	\$812,270	\$742,226
Direct cost of revenues (exclusive of depreciation and amortization)	(344,499)	(306,365)	(679,763)	(625,717)
Gross profit	67,186	59,084	132,507	116,509
Operating expenses:				
Selling, general and administrative (i)	56,399	51,552	111,625	103,335
Depreciation and amortization	3,865	4,231	7,000	8,673
Research and development	1,819	1,119	3,201	2,129
Total operating expenses	62,083	56,902	121,826	114,137
Other operating gains (losses), net	149	1,850	(201)	(9,402)
Income (loss) from operations	5,252	4,032	10,480	(7,030)
Interest expense, net	(455)	(1,350)	(346)	(1,828)
Other income (expense), net	1,815	(429)	2,700	(240)
Income (loss) from continuing operations before income taxes	6,612	2,253	12,834	(9,098)
(Provision for) benefit from income taxes	(3,117)	676	(5,171)	3,939
Income (loss) from continuing operations	3,495	2,929	7,663	(5,159)
Discontinued operations, net of tax:				
Income from discontinued operations	—	—	—	1,015
Income on sale of discontinued operations	—	—	—	2,000
Total discontinued operations	—	—	—	3,015
Net income (loss)	3,495	2,929	7,663	(2,144)
Net (income) loss attributable to noncontrolling interests	(542)	(273)	(1,096)	474
Net income (loss) attributable to IDT Corporation	\$2,953	\$2,656	\$6,567	\$(1,670)
Amounts attributable to IDT Corporation common stockholders:				
Income (loss) from continuing operations	\$2,953	\$2,656	\$6,567	\$(5,580)
Income from discontinued operations	—	—	—	3,910
Net income (loss)	\$2,953	\$2,656	\$6,567	\$(1,670)
Earnings per share attributable to IDT Corporation common stockholders:				
Basic:				
Income (loss) from continuing operations	\$0.14	\$0.13	\$0.32	\$(0.27)
Income from discontinued operations	—	—	—	0.19
Net income (loss)	\$0.14	\$0.13	\$0.32	\$(0.08)
Weighted-average number of shares used in calculation of basic earnings per share	20,829	20,492	20,818	20,429
Diluted:				
Income (loss) from continuing operations	\$0.13	\$0.12	\$0.30	\$(0.27)

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Income from discontinued operations	—	—	—	0.19
Net income (loss)	\$0.13	\$0.12	\$0.30	\$(0.08)
Weighted-average number of shares used in calculation of diluted earnings per share	22,089	21,811	22,087	20,429
Dividends declared per common share	\$—	\$0.13	\$0.75	\$0.36
(i) Stock-based compensation included in selling, general and administrative expenses	\$1,806	\$932	\$4,031	\$1,616

See accompanying notes to consolidated financial statements.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

Three Months Ended January 31,		Six Months Ended January 31,	
2013	2012	2013	2012

(in thousands)

Net income (loss)