

ARCH WIRELESS INC
Form 8-K
May 09, 2003

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

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

Date of Report (Date of earliest event reported): May 8, 2003

Arch Wireless, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware

001-14248

31-1358569

(State or Other Jurisdiction
of Incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

1800 West Park Drive, Suite 250,
Westborough, Massachusetts

01581

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (508) 870-7600

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Item 9. Regulation FD Disclosure (Information furnished pursuant to Item 12, "Disclosure of Results of Operations and Financial Condition").

On May 8, 2003, Arch Wireless, Inc. announced its financial results for the quarter ended March 31, 2003. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

In accordance with the procedural guidance in SEC Release No. 33-8216, the information in this Form 8-K and the Exhibit attached hereto is being furnished under Item 9. Regulation FD Disclosure rather than under Item 12. Disclosure of Results of Operations and Financial Condition. The information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ARCH WIRELESS, INC.

Date: May 8, 2003

By: /s/ J. Roy Pottle

Name: J. Roy Pottle
Title: Executive Vice President and
Chief Financial Officer

SIGNATURE

EXHIBIT INDEX

Exhibit No.
99.1

Description
Press release of Arch Wireless, Inc. dated May 8, 2003

Exhibit 99.1

FOR IMMEDIATE RELEASE
Thursday, May 8, 2003

NEWS RELEASE
CONTACT: Bob Lougee (508)870-6771

**Arch Wireless Reports First Quarter Operating Results,
Reschedules Annual Meeting of Stockholders**

Westborough, MA (May 8, 2003) Arch Wireless, Inc. (OTCBB: AWIN; BSE: AWL), a leading wireless messaging and mobile information company, today announced consolidated net income of \$6.1 million, or \$0.30 per share, for the first quarter ended March 31, 2003, compared to net income of \$4.5 million, or \$0.02 per share, for the first quarter of 2002. Consolidated revenues for the first quarter of 2003 were \$165 million while net cash provided by operating activities was \$51.2 million.

Arch's financial results include separate results and cash flows prior to its emergence from bankruptcy on May 29, 2002 (the Predecessor Company), as well as operating results and cash flows after its emergence from bankruptcy (the Reorganized Company), reflecting the application of fresh-start accounting that resulted from Arch's Chapter 11 reorganization. Consequently, and due to other reorganization-related events and adjustments, the Predecessor Company's financial statements for the three-month period ended March 31, 2002 are not comparable to the Reorganized Company's financial statements for the three-month period ended March 31, 2003.

Arch reported a net decline of 477,000 messaging units in service during the first quarter of 2003, comprised of 460,000 one-way messaging units and 17,000 two-way messaging units. Direct units in service declined by 281,000 during the quarter while indirect units in service declined by 196,000. Messaging units in service totaled 5,163,000 at March 31, 2003 with 4,031,000 direct units in service and 1,132,000 indirect units in service. During the first quarter average revenue per direct unit in service was \$11.70 compared to \$3.60 per indirect unit in service.

C. Edward Baker, Jr., chairman and chief executive officer, said: Our operating results were consistent with our expectations as we continued to reduce operating expenses and maintained operating margins over the past year.

J. Roy Pottle, executive vice president and chief financial officer, said: The company continued to reduce its debt during the first quarter as our wholly owned subsidiary Arch Wireless Holdings, Inc. (AWHI) completed \$26.7 million of additional redemptions of 10% Senior Subordinated Secured Notes due 2007. Upon completion of optional and mandatory redemption payments scheduled for May 15, 2003, AWHI will have redeemed a total of \$140 million principal amount of the \$200 million of 10% Senior Notes originally issued and will have \$60 million principal amount outstanding. Pottle also noted: Cash and cash equivalents were \$60.4 million as of March 31, 2003 resulting in net debt (total debt less cash and cash equivalents) of \$133 million compared to \$180 million as of December 31, 2002.

Arch also announced that it has rescheduled its annual meeting of stockholders, previously scheduled for May 8, 2003, for Thursday, June 12, 2003, at 1:00 p.m. The meeting was rescheduled in order to provide time for the Securities and Exchange Commission to complete its review of Arch's preliminary proxy materials filed on March 18, 2003. Arch expects to mail the definitive proxy materials, together with its annual report, to all stockholders on or about May 9, 2003.

Arch Wireless, Inc., headquartered in Westborough, Mass., is a leading wireless messaging and mobile information company with operations throughout the United States. It offers a full range of wireless messaging and wireless e-mail services, including mobile data solutions for the enterprise, to business and retail customers nationwide. Arch provides services to customers in all 50 states, the District of Columbia, Puerto Rico, Canada, Mexico and in the Caribbean principally through a nationwide direct sales force, as well as through indirect resellers, retailers and other strategic partners. Additional information on Arch is available on the Internet at www.arch.com.

Statement under the Private Securities Litigation Reform Act: Statements contained herein or in prior press releases which are not historical fact, such as statements regarding Arch's expectations for future reductions in operating expenses and maintenance of operating margins, are forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that may cause Arch's actual results to be materially different from the future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those expectations include, but are not limited to, declining demand for its paging products and services, Arch's ability to continue to reduce operating expenses and maintain operating margins, Arch's future capital needs, competitive pricing pressures, competition from both traditional paging services and other wireless communications services, government regulation, reliance upon third party providers for certain equipment and services, as well as other risks described from time to time in Arch's periodic reports and registration statements filed with the Securities and Exchange Commission. Although Arch believes the expectations reflected in the forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. Arch disclaims any intent or obligation to update any forward-looking statements.

Tables to Follow

ARCH WIRELESS, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited and in thousands)

| | <u>March 31, 2003</u> | <u>December 31, 2002</u> |
|--|-----------------------|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 60,442 | \$ 37,187 |
| Accounts receivable, net | 37,269 | 45,308 |
| Deposits | 4,647 | 4,880 |
| Prepaid rent | 3,243 | 9,857 |
| Prepaid expenses and other | 15,641 | 17,999 |
| Total current assets | 121,242 | 115,231 |
| Property and equipment | 389,747 | 391,060 |
| Less accumulated depreciation and amortization | (113,453) | (87,278) |
| Property and equipment, net | 276,294 | 303,782 |
| Assets held for sale | 1,245 | 3,311 |
| Intangible and other assets, net | 10,148 | 15,600 |
| | \$ 408,929 | \$ 437,924 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 38,260 | \$ 55,000 |
| Accounts payable | 5,929 | 8,412 |
| Accrued compensation and benefits | 13,229 | 20,948 |

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| | <u>March 31, 2003</u> | <u>December 31, 2002</u> |
|---|-----------------------|--------------------------|
| Accrued network costs | 9,340 | 10,052 |
| Accrued property and sales taxes | 11,149 | 12,672 |
| Accrued interest | 3,194 | 1,446 |
| Accrued other | 11,854 | 12,324 |
| Customer deposits and deferred revenue | 34,363 | 35,704 |
| | <hr/> | <hr/> |
| Total current liabilities | 127,318 | 156,558 |
| | <hr/> | <hr/> |
| Long-term debt, less current maturities | 155,352 | 162,185 |
| | <hr/> | <hr/> |
| Other long-term liabilities | 1,347 | 788 |
| | <hr/> | <hr/> |
| Stockholders' equity: | | |
| Common stock | 20 | 20 |
| Additional paid-in capital | 121,456 | 121,456 |
| Deferred stock compensation | (3,882) | (4,330) |
| Retained earnings | 7,318 | 1,247 |
| | <hr/> | <hr/> |
| Total stockholders' equity | 124,912 | 118,393 |
| | <hr/> | <hr/> |
| | \$ 408,929 | \$ 437,924 |
| | <hr/> | <hr/> |

ARCH WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except share and per share amounts)

| <u>Reorganized Company</u> | <u>Predecessor Company</u> |
|---|---|
| Three Months Ended March 31, 2003 | Three Months Ended March 31, 2002 |
| <hr/> | <hr/> |

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| | <u>Reorganized Company</u> Three Months Ended March 31, 2003 | <u>Predecessor Company</u> Three Months Ended March 31, 2002 |
|--|---|---|
| Revenues | \$ 164,753 | \$ 233,545 |
| Operating expenses: | | |
| Cost of products sold | 1,658 | 5,410 |
| Service, rental, and maintenance | 50,135 | 67,610 |
| Selling | 12,494 | 22,179 |
| General and administrative | 49,092 | 76,128 |
| Depreciation and amortization | 33,223 | 48,931 |
| Stock based and other compensation | 2,195 | -- |
| | <hr/> | <hr/> |
| Total operating expenses | 147,749 | 220,258 |
| | <hr/> | <hr/> |
| Operating income (loss) | 17,004 | 13,287 |
| Interest expense, net | (5,646) | (1,274) |
| Other income (expense) | 10 | (1,244) |
| | <hr/> | <hr/> |
| Income (loss) before reorganization items, net | 10,320 | 10,769 |
| Reorganization items, net | -- | (6,223) |
| | <hr/> | <hr/> |
| Income (loss) before provision for income taxes | 10,320 | 4,456 |
| Provision for income taxes | (4,249) | -- |
| | <hr/> | <hr/> |
| Net income (loss) | \$ 6,071 | \$ 4,546 |
| | <hr/> | <hr/> |
| Basic/diluted net income (loss) per common share | \$ 0.30 | \$ 0.02 |
| | <hr/> | <hr/> |
| Basic/diluted weighted average number of common shares outstanding | 20,000,000 | 182,434,590 |
| | <hr/> | <hr/> |

ARCH WIRELESS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

| | <u>Reorganized Company</u> Three Months Ended March 31, 2003 | <u>Predecessor Company</u> Three Months Ended March 31, 2002 |
|--|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 6,071 | \$ 4,546 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 33,223 | 48,931 |
| Accretion of long-term debt | 3,167 | -- |
| Deferred stock compensation | 448 | -- |
| Income tax provision | 4,249 | -- |
| Losses (gains) on disposals of property and equipment | 49 | (772) |
| Accounts receivable loss provision | 8,685 | 23,984 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (705) | (4,841) |
| Prepaid expenses and other | 9,205 | (5,820) |
| Accounts payable and accrued expenses | (11,883) | (1,882) |
| Customer deposits and deferred revenue | (1,341) | (2,901) |
| Other long-term liabilities | 39 | 980 |
| Net cash provided by operating activities | \$ 51,207 | \$ 62,225 |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (3,416) | (23,460) |
| Additions to intangible and other assets | -- | (1) |
| Proceeds from disposals of property and equipment | 2,145 | -- |
| Receipts from note receivable | 59 | -- |
| Net cash used for investing activities | (1,212) | (23,461) |
| Cash flows from financing activities: | | |
| Repayment of long-term debt | (26,740) | (44,478) |
| Net cash used for financing activities | (26,740) | (44,478) |
| Effect of exchange rate changes on cash | -- | (53) |
| Net increase (decrease) in cash and cash equivalents | 23,255 | (5,767) |
| Cash and cash equivalents, beginning of period | 37,187 | 72,200 |
| Cash and cash equivalents, end of period | \$ 60,442 | \$ 66,433 |

| | <u>Reorganized Company</u> Three Months Ended March 31, 2003 | <u>Predecessor Company</u> Three Months Ended March 31, 2002 |
|------------------------------|---|---|
| Supplemental disclosures: | | |
| Interest paid | \$ 919 | \$ 1,348 |
| Asset retirement obligation | \$ 1,244 | \$ -- |
| Reorganization expenses paid | \$ -- | \$ 4,317 |

**ARCH WIRELESS, INC.
UNIT ACTIVITY**

| | | <u>Reorganized Company</u> Three Months Ended March 31, 2003 | <u>Predecessor Company</u> Three Months Ended March 31, 2002 | |
|---------------|--------------------------|--|--|------------|
| <u>Direct</u> | <u>One-Way:</u> | Beginning units in service | 3,969,000 | 5,589,000 |
| | | Internal unit in service growth (decline) | (264,000) | (436,000) |
| | | Ending units in service | 3,705,000 | 5,153,000 |
| | | Revenues (000s) | \$ 124,456 | \$ 179,203 |
| | Average revenue per unit | \$ 10.39 | \$ 10.71 | |
| | <u>Two-Way:</u> | Beginning units in service | 343,000 | 327,000 |
| | | Internal unit in service growth (decline) | (17,000) | 37,000 |

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| | | <u>Reorganized Company</u> | <u>Predecessor Company</u> |
|-----------------|---|--------------------------------------|--------------------------------------|
| | | Three Months Ended March 31, 2003 | Three Months Ended March 31, 2002 |
| | Ending units in service | 326,000 | 364,000 |
| | Revenues (000s) | \$ 27,310 | \$ 32,731 |
| | Average revenue per unit | \$ 26.67 | \$ 30.00 |
| <u>Indirect</u> | <u>One-Way:</u> | | |
| | Beginning units in service | 1,319,000 | 2,577,000 |
| | Internal unit in service growth (decline) | (196,000) | (360,000) |
| | Ending units in service | 1,123,000 | 2,217,000 |
| | Revenues (000s) | \$ 12,417 | \$ 20,838 |
| | Average revenue per unit | \$ 3.47 | \$ 2.99 |
| | <u>Two-Way:</u> | | |
| | Beginning units in service | 9,000 | 7,000 |
| | Internal unit in service growth (decline) | -- | -- |
| | Ending units in service | 9,000 | 7,000 |
| | Revenues (000s) | \$ 570 | \$ 773 |
| | Average revenue per unit | \$ 21.64 | \$ 23.53 |