

COGENT COMMUNICATIONS GROUP INC
Form 10-Q
August 05, 2010
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 June 30, 2010

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 or other jurisdiction of incorporation or organization)

52-2337274

(I.R.S. Employer
Identification Number)

1015 31st Street N.W.

Washington, D.C. 20007

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

(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 submit and post such files), 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
(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

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 45,829,888 Shares Outstanding as of July 31, 2010

Table of Contents

INDEX

**PART I
FINANCIAL INFORMATION**

Item 1.	<u>Condensed Consolidated Financial Statements (Unaudited)</u> <u>Condensed Consolidated Balance Sheets of Cogent Communications</u> <u>Group, Inc., and Subsidiaries as of December 31, 2009 and June 30, 2010</u> <u>(Unaudited)</u> <u>Condensed Consolidated Statements of Operations of Cogent</u> <u>Communications Group, Inc., and Subsidiaries for the Three Months Ended</u> <u>June 30, 2009 and June 30, 2010 (Unaudited)</u> <u>Condensed Consolidated Statements of Operations of Cogent</u> <u>Communications Group, Inc., and Subsidiaries for the Six Months Ended</u> <u>June 30, 2009 and June 30, 2010 (Unaudited)</u> <u>Condensed Consolidated Statements of Cash Flows of Cogent</u> <u>Communications Group, Inc., and Subsidiaries for the Six months Ended</u> <u>June 30, 2009 and June 30, 2010 (Unaudited)</u> <u>Notes to Interim Condensed Consolidated Financial Statements (Unaudited)</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of</u> <u>Operations</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>

**PART II
OTHER INFORMATION**

<u>Item 1.</u>	<u>Legal Proceedings</u>
<u>Item 6.</u>	<u>Exhibits</u>

SIGNATURES
CERTIFICATIONS

Table of Contents

COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2009 AND JUNE 30, 2010

(IN THOUSANDS, EXCEPT SHARE DATA)

	December 31, 2009	June 30, 2010 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 55,929	\$ 52,435
Accounts receivable, net of allowance for doubtful accounts of \$2,516 and \$3,132 respectively	22,877	22,620
Prepaid expenses and other current assets	8,045	10,499
Total current assets	86,851	85,554
Property and equipment, net	263,784	267,403
Deposits and other assets - \$469 and \$448 restricted, respectively	4,360	5,016
Total assets	\$ 354,995	\$ 357,973
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 12,781	\$ 16,992
Accrued liabilities	17,609	16,556
Current maturities, capital lease obligations	5,643	9,562
Total current liabilities	36,033	43,110
Capital lease obligations, net of current maturities	104,021	99,816
Convertible senior notes, net of discount of \$25,708 and \$23,286, respectively	66,270	68,692
Other long term liabilities	4,187	4,092
Total liabilities	210,511	215,710
Commitments and contingencies:		
Stockholders equity:		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 44,853,974 and 45,829,888 shares issued and outstanding, respectively	45	46
Additional paid-in capital	475,158	478,445
Accumulated other comprehensive income (loss)	1,976	(2,080)
Accumulated deficit	(332,695)	(334,148)
Total stockholders equity	144,484	142,263
Total liabilities and stockholders equity	\$ 354,995	\$ 357,973

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 OPERATIONS

FOR THE THREE MONTHS ENDED JUNE 30, 2009 AND JUNE 30, 2010

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Three Months Ended June 30, 2009 (Unaudited)	Three Months Ended June 30, 2010 (Unaudited)
Service revenue	\$ 57,991	\$ 64,395
Operating expenses:		
Network operations (including \$47 and \$95 of equity-based compensation expense, respectively, exclusive of amounts shown separately)	24,558	29,224
Selling, general, and administrative (including \$2,303 and \$1,701 of equity-based compensation expense, respectively)	19,265	18,091
Depreciation and amortization	15,271	14,099
Total operating expenses	59,094	61,414
Operating (loss) income	(1,103)	2,981
Interest income and other, net	454	383
Interest expense	(3,888)	(4,148)
Loss before income taxes	(4,537)	(784)
Income tax benefit (provision)	84	(99)
Net loss	\$ (4,453)	\$ (883)
Net loss per common share:		
Basic and diluted net loss per common share	\$ (0.10)	\$ (0.02)
Weighted-average common shares basic and diluted	43,689,747	44,525,633

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

Table of Contents

COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND JUNE 30, 2010
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

**Six Months
Ended
June 30, 2009**

**Six Months
Ended
June 30, 2010**