

IDT CORP
Form 8-K
August 15, 2013

UNITED STATES
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): July 31, 2013

IDT CORPORATION

(Exact name of registrant as specified in its charter)

| | | |
|------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------------------|
| Delaware (State or other jurisdiction of Incorporation) | 1-16371 (Commission File Number) | 22-3415036 (IRS Employer Identification No.) |
| 520 Broad Street Newark, New Jersey (Address of principal executive offices) | | 07102 (Zip Code) |

Registrant's telephone number, including area code: (973) 438-1000

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ..

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Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01. Completion of Acquisition or Disposition of Assets.

On July 31, 2013 (the “Distribution Date”), IDT Corporation (“IDT” or the “Registrant”) completed the spin-off of the common stock of Straight Path Communications Inc. (“SPCI”), which, prior thereto, was a wholly-owned subsidiary of IDT, to IDT’s stockholders. In the spin-off, IDT distributed its 100% interest in SPCI to IDT’s stockholders. Upon completion of the spin-off, IDT’s businesses consist primarily of IDT Telecom, as well as other interests and smaller operations, including IDT’s interests in Zedge and Fabrix. SPCI consists of Straight Path Spectrum, Inc. (formerly known as IDT Spectrum Inc.), and an 84.5% interest in Straight Path IP Group, Inc. (formerly known as Innovative Communications Technologies, Inc.).

The spin-off of SPCI occurred by way of a pro rata distribution of SPCI Class A common stock and Class B common stock to IDT’s stockholders. In the distribution, on the Distribution Date, each IDT stockholder received one share of SPCI Class A common stock for every two shares of IDT Class A stock and one share of SPCI Class B common stock for every two shares of IDT Class B common stock, held on or about 5:00 p.m., Eastern Time, on July 25, 2013, the record date for the spin-off.

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information

IDT CORPORATION

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IDT CORPORATION

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
BASIS OF PRESENTATION
(unaudited)

The pro forma consolidated balance sheet as of April 30, 2013, and the pro forma consolidated statements of operations for the nine months ended April 30, 2013 and for the years ended July 31, 2012 and 2011 are based on the historical financial statements of the Registrant.

The pro forma condensed balance sheet as of April 30, 2013, is presented as if the disposition of SPCI, as described in item 2.01 of this Form 8-K occurred in its entirety on April 30, 2013. As set forth in Item 2.01 of this Form 8-K, as of July 31, 2013 such disposition has been consummated.

The pro forma consolidated statements of operations for the nine months ended April 30, 2013 and for the years ended July 31, 2012 and 2011, are presented as if the disposition of SPCI occurred on August 1, 2010. The pro forma consolidated financial statements should be read in conjunction with the historical financial statements and notes related thereto appearing in the Registrant's Form 10-K for the years ended July 31, 2012 and 2011.

Preparation of the pro forma information was based on assumptions considered appropriate by the Registrant's management. The pro forma financial information is unaudited and is not necessarily indicative of the results which would have occurred if the disposition described above had been consummated on August 1, 2010 for the pro forma consolidated statements of operations and on April 30, 2013 for the pro forma consolidated balance sheet, nor does it purport to represent the financial position and the results of operations for future periods. In management's opinion, all adjustments necessary to reflect the effects of the disposition of SPCI have been made.

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IDT CORPORATION
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF APRIL 30, 2013
(in thousands)
(unaudited)

| | Historical | Pro forma adjustments | Pro forma |
|------------------------------------------------------------------------------|-------------------|--------------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 152,081 | \$ (15,000)(A) | \$ 137,081 |
| Restricted cash and cash equivalents – short-term | 29,058 | | 29,058 |
| Marketable securities | 10,830 | | 10,830 |
| Trade accounts receivable, net | 63,994 | (74)(B) | 63,920 |
| Prepaid expenses | 22,210 | | 22,210 |
| Deferred income tax assets, net – current portion | 2,799 | | 2,799 |
| Other current assets | 12,120 | (85)(B) | 12,035 |
| TOTAL CURRENT ASSETS | 293,092 | | 277,933 |
| Property, plant and equipment, net | 85,435 | | 85,435 |
| Goodwill | 14,778 | | 14,778 |
| Other intangibles, net | 1,449 | | 1,449 |
| Investments | 9,819 | | 9,819 |
| Restricted cash and cash equivalents – long-term | 9,471 | | 9,471 |
| Deferred income tax assets, net – long-term portion | 22,298 | | 22,298 |
| Other assets | 10,065 | (107)(B) | 9,958 |
| TOTAL ASSETS | \$ 446,407 | | \$ 431,141 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Trade accounts payable | \$ 33,120 | \$ (1)(B) | \$ 33,119 |
| Accrued expenses | 151,000 | (1,449)(B) | 149,551 |
| Deferred revenue | 89,923 | (161)(B) | 89,762 |
| Customer deposits | 25,213 | | 25,213 |
| Income taxes payable | 1,657 | (20)(B) | 1,637 |
| Notes payable—current portion | 21,831 | | 21,831 |
| Other current liabilities | 3,709 | | 3,709 |
| TOTAL CURRENT LIABILITIES | 326,453 | | 324,822 |
| Notes payable—long-term portion | 6,689 | | 6,689 |
| Other liabilities | 8,147 | (262)(B) | 7,885 |
| TOTAL LIABILITIES | 341,289 | | 339,396 |
| EQUITY: | | | |
| IDT Corporation stockholders' equity: | | | |
| Preferred stock, \$.01 par value; authorized shares—10,000; no shares issued | — | | — |

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| | | | |
|----------------------------------------------------------------------------------------------------------------------|------------|-----------|-------------|
| Class A common stock, \$.01 par value; authorized shares—35,000; 3,272 shares issued and outstanding | 33 | | 33 |
| Class B common stock, \$.01 par value; authorized shares—200,000; 24,151 shares issued and 21,273 shares outstanding | 242 | | 242 |
| Additional paid-in capital | 399,379 | (13,292) | (B) 386,087 |
| Treasury stock, at cost, consisting of 1,698 shares of Class A common stock and 2,878 shares of Class B common stock | (98,836) | | (98,836) |
| Accumulated other comprehensive income | 1,630 | | 1,630 |
| Accumulated deficit | (198,224) | | (198,224) |
| Total IDT Corporation stockholders' equity | 104,224 | | 90,932 |
| Noncontrolling interests | 894 | (81) | (B) 813 |
| TOTAL EQUITY | 105,118 | | 91,745 |
| TOTAL LIABILITIES AND EQUITY | \$ 446,407 | | \$ 431,141 |

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IDT CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED APRIL 30, 2013
(in thousands, except per share data)
(unaudited)

| | Historical | Pro forma adjustments | Pro forma |
|-----------------------------------------------------------------------------|--------------|--------------------------|--------------|
| REVENUES | \$ 1,209,491 | \$ (982) (C) | \$ 1,208,509 |
| COSTS AND EXPENSES: | | | |
| Direct cost of revenues (exclusive of depreciation and amortization) | 1,010,941 | (598) (C) | 1,010,343 |
| Selling, general and administrative | 166,854 | (3,353) (C) | 163,501 |
| Depreciation and amortization | 10,972 | | 10,972 |
| Research and development | 4,918 | | 4,918 |
| TOTAL COSTS AND EXPENSES | 1,193,685 | | 1,189,734 |
| Other operating gains, net | 9,401 | (150) (C) | 9,251 |
| Income from operations | 25,207 | | 28,026 |
| Interest expense, net | (790) | (8) (C) | (798) |
| Other income, net | 5,133 | | 5,133 |
| Income from continuing operations before income taxes | 29,550 | | 32,361 |
| Provision for income taxes | (12,763) | 12 (C) | (12,751) |
| Income from continuing operations | 16,787 | | 19,610 |
| Income from continuing operations attributable to noncontrolling interest | (1,529) | (107) (C) | (1,636) |
| INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO IDT CORPORATION | \$ 15,258 | | \$ 17,974 |
| Earnings per share attributable to IDT Corporation common stockholders: | | | |
| Basic: | \$ 0.73 | | \$ 0.86 |
| Diluted: | \$ 0.69 | | \$ 0.81 |
| Weighted-average number of shares used in calculation of earnings per share | | | |
| Basic: | 20,847 | | 20,847 |
| Diluted: | 22,178 | | 22,178 |

IDT CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2012
(in thousands, except per share data)
(unaudited)

| | Historical | Pro forma adjustments | Pro forma |
|-----------------------------------------------------------------------------|--------------|--------------------------|------------------|
| REVENUES | \$ 1,506,836 | \$ (553) | (C) \$ 1,506,283 |
| COSTS AND EXPENSES: | | | |
| Direct cost of revenues (exclusive of depreciation and amortization) | 1,269,479 | (92) | (C) 1,269,387 |
| Selling, general and administrative | 207,843 | (937) | (C) 206,906 |
| Depreciation and amortization | 16,648 | | 16,648 |
| Research and development | 4,569 | | 4,569 |
| TOTAL COSTS AND EXPENSES | 1,498,539 | | 1,497,510 |
| Other operating losses, net | (10,540) | (5,330) | (C) (15,870) |
| Loss from operations | (2,243) | | (7,097) |
| Interest expense, net | (2,976) | (8) | (C) (2,984) |
| Other expense, net | (1,767) | | (1,767) |
| Loss from continuing operations before income taxes | (6,986) | | (11,848) |
| Benefit from income taxes | 42,756 | 25 | (C) 42,781 |
| Income from continuing operations | 35,770 | | 30,933 |
| Income from continuing operations attributable to noncontrolling interest | (1,033) | | (1,033) |
| INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO IDT CORPORATION | \$ 34,737 | | \$ 29,900 |
| Earnings per share attributable to IDT Corporation common stockholders: | | | |
| Basic: | \$ 1.68 | | \$ 1.44 |
| Diluted: | \$ 1.57 | | \$ 1.36 |
| Weighted-average number of shares used in calculation of earnings per share | | | |
| Basic: | 20,717 | | 20,717 |
| Diluted: | 22,060 | | 22,060 |

IDT CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2011
(in thousands, except per share data)
(unaudited)

| | Historical | Pro forma adjustments | Pro forma |
|-----------------------------------------------------------------------------|------------------|--------------------------|------------------|
| REVENUES | \$ 1,351,916 | \$ (4,000)(C) | \$ 1,347,916 |
| COSTS AND EXPENSES: | | | |
| Direct cost of revenues (exclusive of depreciation and amortization) | 1,119,665 | (308)(C) | 1,119,357 |
| Selling, general and administrative | 204,078 | (1,419)(C) | 202,659 |
| Depreciation and amortization | 20,952 | | 20,952 |
| Research and development | 2,834 | | 2,834 |
| Severance and other charges | 1,053 | | 1,053 |
| TOTAL COSTS AND EXPENSES | 1,348,582 | | 1,346,855 |
| Other operating gains, net | 6,324 | | 6,324 |
| Income from operations | 9,658 | | 7,385 |
| Interest expense, net | (3,706) | 8 (C) | (3,698) |
| Other income, net | 3,990 | (79)(C) | 3,911 |
| Income from continuing operations before income taxes | 9,942 | | 7,598 |
| Benefit from income taxes | 12,484 | 904 (C) | 13,388 |
| Income from continuing operations | 22,426 | | 20,986 |
| Income from continuing operations attributable to noncontrolling interest | (743) | | (743) |
| INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO IDT CORPORATION | \$ 21,683 | | \$ 20,243 |
| Earnings per share attributable to IDT Corporation common stockholders: | | | |
| Basic: | \$ \$1.05 | | \$ 0.98 |
| Diluted: | \$ \$0.96 | | \$ 0.90 |
| Weighted-average number of shares used in calculation of earnings per share | | | |
| Basic: | 20,565 | | 20,565 |
| Diluted: | 22,482 | | 22,482 |

IDT CORPORATION
NOTES AND MANAGEMENT'S ASSUMPTIONS
TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following is a description of the pro forma adjustments to the historical consolidated financial statements:

- (A) Reflects (i) the removal of \$3.3 million of cash of SPCI and (ii) the transfer of \$11.7 million in cash to SPCI. As a result of these assumed transactions, SPCI's total pro forma cash balance was approximately \$15 million as of April 30, 2013. IDT transferred cash to SPCI prior to the spin-off such that SPCI had approximately \$15 million in cash on the Distribution Date.
- (B) Reflects the removal of assets, liabilities, and noncontrolling interests of SPCI as if the spin-off was consummated on April 30, 2013.
- (C) Reflects the removal of the results of operations of SPCI as if the spin-off was consummated on August 1, 2010.

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SIGNATURES

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.

IDT
CORPORATION

By: /s/ Marcelo
Fischer
Name:
Marcelo
Fischer
Title: Senior
VP of
Finance

Dated: August 15, 2013