

ATLANTIC TELE NETWORK INC /DE

Form 10-Q

August 10, 2009

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## **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 June 30, 2009**

**OR**

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

**For the transition period from            to**



**Commission File Number 001-12593**

**Atlantic Tele-Network, Inc.**

(Exact name of registrant as specified in its charter)



**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**47-0728886**  
(I.R.S. Employer  
Identification Number)

**10 Derby Square**

Salem, MA 01970

(Address of principle executive offices, including zip code)



(978) 619-1300

**(Registrant's telephone number, including area code)**



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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 x No o

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 o No o

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 o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No x

As of August 10, 2009, the registrant had outstanding 15,235,876 shares of its common stock (\$.01 par value).

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ATLANTIC TELE-NETWORK, INC.

FORM 10-Q

Quarter Ended June 30, 2009

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**Cautionary Statement Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q (or the Report ) contains forward-looking statements relating to, among other matters, the future financial performance and results of operations of ATN and its subsidiaries, including the relative contributions of GT&T, Commnet, Sovernet and BDC; the benefits and timing of the pending acquisition of wireless assets from Verizon Wireless, including whether the transaction will be completed; the competitive environment in our key markets, demand for our services and industry trends; the outcome of litigation and regulatory matters; our continued access to the credit and capital markets; the pace of our network expansion and improvement, including our realization of the benefits of these investments; and management's plans and strategy for the future. These forward-looking statements are based on estimates, projections, beliefs, and assumptions and are not guarantees of future events or results. Actual future events and results could differ materially from the events and results indicated in these statements as a result of many factors, including, among others, (1) the ability of ATN to secure financing for the balance of the purchase price of the wireless assets to be acquired from Verizon Wireless, which is dependent on market conditions; there can be no assurances that such financing will be available to ATN at all or on terms that are favorable to ATN; (2) the ability of ATN to operate a retail wireless business in the United States on this scale and integrate these operations into its existing operations; (3) the ability to receive the requisite regulatory consents and approvals to consummate the Verizon Wireless transaction; (4) the general performance of the acquired operations related to the Verizon Wireless assets to be acquired, including operating margins and the future retention and turnover of the acquired subscriber base; (5) significant political and regulatory uncertainty facing our exclusive license to provide local exchange and international voice and data services in Guyana; (6) any significant decline in the price or volume, including as a result of bypass activities, of international long distance calls to Guyana; (7) the regulation of rates that GT&T may charge for local wireline telephone service; (8) significant tax disputes between GT&T and the Guyanese tax authorities; (9) the derivation of a significant portion of our U.S. wireless revenue from a small number of customers and the extent to which our wholesale customers build or acquire overlapping networks; (10) our ability to maintain favorable roaming arrangements, including the rates Commnet charges its wholesale customers; (11) the current global economic recession, along with difficult and volatile conditions in the capital and credit markets; (12) increased competition; (13) economic, political and other risks facing our foreign operations; (14) regulatory changes affecting our businesses; (15) the loss of certain FCC licenses; (16) rapid and significant technological changes in the telecommunications industry; (17) our reliance on a limited number of key suppliers and vendors for timely supply of equipment and services relating to our network infrastructure; (18) any loss of any key members of management; (19) the adequacy and expansion capabilities of our network capacity and customer service system to support our customer growth; (20) dependence of our wireless and wireline revenue on the reliability and performance of our network infrastructure; (21) the occurrence of severe weather and natural catastrophes; and (22) our ability to realize the value that we believe exists in businesses that we acquire. These and other additional factors that may cause actual future events and results to differ materially from the events and results indicated in the forward-looking statements above are set forth more fully under Item 1A Risk Factors of the Company's Annual Report on Form 10-K for the year ended December 31, 2008, which is on file with the SEC. The Company undertakes no obligation to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors that may affect such forward-looking statements.

In this Report the words the Company, we, our, ours and us refer to Atlantic Tele-Network, Inc. and its subsidiaries, unless the context indicates otherwise. This Report contains trademarks, service marks and trade names that are the property of ATN, its subsidiaries and others.

Reference to dollars (\$) refer to U.S. dollars unless otherwise specifically indicated.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Unaudited Condensed Consolidated Financial Statements****ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(Dollars in thousands, except per share amounts)**

	<b>December 31, 2008 As adjusted</b>	<b>June 30, 2009</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 79,665	\$ 90,210
Short term investments	2,956	
Accounts receivable, net of allowances of \$2.5 million and \$3.6 million, respectively	26,779	30,460
Materials and supplies	5,669	6,166
Prepaid income taxes	10,708	
Deferred income taxes	1,443	1,443
Prepayments and other current assets	4,101	2,953
Total current assets	131,321	131,232
Fixed Assets:		
Property, plant, and equipment	342,059	362,057
Less accumulated depreciation	(143,829)	(156,957)
Net fixed assets	198,230	205,100
Licenses	33,658	34,202
Goodwill	40,237	40,361
Other intangibles, net	2,456	2,138
Deferred income taxes	8,570	6,899
Other assets	5,349	5,105
Total assets	\$ 419,821	\$ 425,037
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 750	\$ 750
Accounts payable and accrued liabilities	28,707	23,843
Dividends payable	2,777	2,779
Accrued taxes	8,631	9,533
Advance payments and deposits	3,652	3,528
Other current liabilities	3,395	5,031
Total current liabilities	47,912	45,464
Deferred income taxes	28,736	28,736
Other liabilities	8,202	5,015
Long-term debt, excluding current portion	73,311	72,978
Total liabilities	158,161	152,193
Commitments and contingencies (Note 12)		
Atlantic Tele-Network, Inc.'s Stockholders Equity:		

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Preferred stock, \$0.01 par value per share; 10,000,000 shares authorized, none issued and outstanding

Common stock, \$0.01 par value per share; 50,000,000 shares authorized; 15,725,057 and 15,732,382 shares issued, respectively, and 15,228,610 and 15,235,876 shares outstanding, respectively

	157	157
Treasury stock, at cost; 496,447 and 496,506 shares, respectively	(4,560)	(4,576)
Additional paid-in capital	107,312	108,019
Retained earnings	132,866	145,820
Accumulated other comprehensive loss	(6,902)	(4,988)
Total Atlantic Tele-Network, Inc s stockholders equity	228,873	244,432
Non-controlling interests	32,787	28,412
Total stockholders equity	261,660	272,844
Total liabilities and stockholders equity	\$ 419,821	\$ 425,037

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

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**ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 and 2009**



**(Unaudited)**

(Dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008 As adjusted	2009	2008 As adjusted	2009
<b>REVENUE:</b>				
Wireless	\$ 24,786	\$ 36,515	\$ 44,539	\$ 68,240
Local telephone and data	12,267	13,500	24,514	26,553
International long distance	12,387	9,878	24,942	20,279
Other	974	402	2,049	1,189
Total revenues	50,414	60,295	96,044	116,261
<b>OPERATING EXPENSES</b> (excluding depreciation and amortization unless otherwise indicated):				
Termination and access fees	8,376	10,887	15,964	21,333
Internet and programming	863	397	1,762	1,186
Engineering and operations	5,930	7,511	11,785	14,457
Sales and marketing	2,944	3,807	5,618	7,399
General and administrative	6,819	9,787	12,702	18,003
Depreciation and amortization	7,424	9,794	14,501	18,994
Total operating expenses	32,356	42,183	62,332	81,372
Income from operations	18,058	18,112	33,712	34,889
<b>OTHER INCOME (EXPENSE):</b>				
Interest expense	(664)	(1,197)	(1,316)	(2,355)
Interest income	410	369	978	709
Other income, net	143	10	368	36
Other income (expense), net	(111)	(818)	30	(1,610)
<b>INCOME BEFORE INCOME TAXES</b>	17,947	17,294	33,742	33,279
Income taxes	6,642	7,342	14,032	14,298
<b>INCOME BEFORE EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES</b>				
Equity in earnings of unconsolidated affiliates	272	9,952	19,710	18,981
<b>NET INCOME</b>	11,577	9,952	20,445	18,981
Less: Net income attributable to non-controlling interests, net of tax of \$0.9 million and \$0.7 million for the three months ended June 30, 2008 and 2009, respectively, and \$1.8 million and \$1.4 million for the six months ended June 30, 2008 and 2009, respectively	(1,373)	(315)	(2,374)	(543)
<b>NET INCOME ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS</b>	\$ 10,204	\$ 9,637	\$ 18,071	\$ 18,438
<b>NET INCOME PER WEIGHTED AVERAGE SHARE ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS:</b>				
Basic	\$ 0.67	\$ 0.63	\$ 1.19	\$ 1.21
Diluted	\$ 0.67	\$ 0.63	\$ 1.18	\$ 1.21
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic	15,217	15,232	15,223	15,231
Diluted	15,260	15,282	15,274	15,267
<b>DIVIDENDS PER SHARE APPLICABLE TO COMMON STOCK</b>				
	\$ 0.16	\$ 0.18	\$ 0.32	\$ 0.36

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

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**ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**



**(Unaudited)**

(Dollars in thousands)



	Six Months Ended June 30,	
	2008	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 20,445	\$ 18,981
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	14,501	18,994
Provision for doubtful accounts	784	767
Amortization of debt discount and debt issuance costs	59	255
Stock-based compensation	549	656
Deferred income taxes	400	398
Equity in earnings of unconsolidated affiliates	(735)	
Dividends received from Bermuda Digital Communications, Ltd.	1,106	
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(2,297)	(4,448)
Materials and supplies, prepayments, and other current assets	(52)	651
Prepaid income taxes		10,708
Accounts payable and accrued liabilities, advance payments and deposits and other current liabilities	(1,787)	(2,144)
Accrued taxes	(8,728)	902
Other	(4,905)	162
Net cash provided by operating activities	19,340	45,882
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		