

IDT CORP
Form 10-Q
December 10, 2007
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 OCTOBER 31, 2007

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)

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

(973) 438-1000

(Registrant's telephone number, including area code)

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

07102
(Zip 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

As of December 1, 2007, the registrant had the following shares outstanding:

Common Stock, \$.01 par value:	14,996,273 shares outstanding (excluding 10,078,587 treasury shares)
Class A common stock, \$.01 par value:	9,816,988 shares outstanding
Class B common stock, \$.01 par value:	50,909,991 shares outstanding (excluding 12,371,786 treasury shares)

Table of Contents

IDT CORPORATION
TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>		3
Item 1.	<u>Financial Statements (Unaudited)</u>	3
	<u>Condensed Consolidated Balance Sheets</u>	3
	<u>Condensed Consolidated Statements of Operations</u>	4
	<u>Condensed Consolidated Statements of Cash Flows</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risks</u>	34
Item 4.	<u>Controls and Procedures</u>	34
<u>PART II. OTHER INFORMATION</u>		35
Item 1.	<u>Legal Proceedings</u>	35
Item 1A.	<u>Risk Factors</u>	35
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
Item 3.	<u>Defaults Upon Senior Securities</u>	35
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	35
Item 5.	<u>Other Information</u>	35
Item 6.	<u>Exhibits</u>	36
<u>SIGNATURES</u>		37

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)****IDT CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS**

	October 31, 2007 (Unaudited)	July 31, 2007 (Note 1)
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 136,497	\$ 153,845
Marketable securities	267,644	388,140
Trade accounts receivable, net of allowance for doubtful accounts of \$20,655 at October 31, 2007 and \$19,654 at July 31, 2007	146,622	171,780
Arbitration award receivable	40,000	
Prepaid expenses	28,782	28,920
Other current assets	74,263	60,452
Total current assets	693,808	803,137
Property, plant and equipment, net	241,542	251,318
Goodwill	101,719	101,515
Licenses and other intangibles, net	12,387	13,824
Investments	137,986	119,052
Deferred income tax assets, net	218,468	
Other assets	97,492	78,465
Total assets	\$ 1,503,402	\$ 1,367,311
Liabilities and stockholders equity		
Current liabilities:		
Trade accounts payable	\$ 60,252	\$ 54,445
Accrued expenses	238,487	288,017
Deferred revenue	113,124	112,757
Capital lease obligations - current portion	20,246	21,049
Notes payable - current portion	4,167	8,095
Other current liabilities	13,491	17,598
Total current liabilities	449,767	501,961
Income taxes payable	345,803	
Deferred income tax liabilities, net		105,049
Capital lease obligations - long-term portion	20,239	23,401
Notes payable - long-term portion	82,185	82,847
Other liabilities	13,985	12,928
Total liabilities	911,979	726,186
Minority interests	10,749	10,963
Commitments and contingencies		
Stockholders equity:		
Preferred stock, \$.01 par value; authorized shares 10,000; no shares issued		
Common stock, \$.01 par value; authorized shares 100,000; 25,075 shares issued and 14,996 shares outstanding at October 31, 2007 and July 31, 2007	251	251
Class A common stock, \$.01 par value; authorized shares 35,000; 9,817 shares issued and outstanding at October 31, 2007 and July 31, 2007	98	98
Class B common stock, \$.01 par value; authorized shares 200,000; 63,282 and 63,261 shares issued at October 31, 2007 and July 31, 2007, respectively; 51,169 and 56,043 shares outstanding at October 31, 2007 and July 31, 2007, respectively	633	633

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Additional paid-in capital	712,533	711,103
Treasury stock, at cost, consisting of 10,079 and 10,079 shares of common stock and 12,113 and 7,218 shares of Class B common stock at October 31, 2007 and July 31, 2007, respectively	(278,545)	(240,355)
Accumulated other comprehensive income	11,061	10,750
Retained earnings	134,643	147,682
Total stockholders' equity	580,674	630,162
Total liabilities and stockholders' equity	\$ 1,503,402	\$ 1,367,311

See accompanying notes to condensed consolidated financial statements.

Table of Contents**IDT CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended	
	2007	October 31, 2006
	(In thousands, except per share data)	
Revenues	\$ 468,054	\$ 522,326
Costs and expenses:		
Direct cost of revenues (exclusive of depreciation and amortization)	366,464	398,870
Selling, general and administrative (i)	117,686	113,811
Depreciation and amortization	17,819	20,033
Restructuring and severance charges	1,743	5,080
Total costs and expenses	503,712	537,794
Arbitration award	40,000	
Gain on sale of U.K.-based Toucan business		41,753
Income from operations	4,342	26,285
Interest income, net	2,378	3,603
Other income (expense), net	4,521	(1,786)
Income from continuing operations before minority interests and income taxes	11,241	28,102
Minority interests	(626)	(3,718)
Provision for income taxes	(3,835)	(1,534)
Income from continuing operations	6,780	22,850
Discontinued operations, net of tax:		
Loss from discontinued operations		(7,165)
Gain on sale of discontinued operations		198,235
Total discontinued operations		191,070
Net income	\$ 6,780	\$ 213,920
Earnings per share:		
Basic:		
Income from continuing operations	\$ 0.09	\$ 0.27
Total discontinued operations		2.24
Net income	\$ 0.09	\$ 2.51
Weighted-average number of shares used in calculation of basic earnings per share	79,624	85,132
Diluted:		
Income from continuing operations	\$ 0.08	\$ 0.26
Total discontinued operations		2.17
Net income	\$ 0.08	\$ 2.43

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Weighted-average number of shares used in calculation of diluted earnings per share	80,228	88,062
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(i) Stock-based compensation included in selling, general and administrative expenses	\$ 1,430	\$ 1,713

See accompanying notes to condensed consolidated financial statements.

Table of Contents**IDT CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three Months Ended October 31,	
	2007	2006
	(In thousands)	
Net cash used in operating activities	\$ (55,397)	\$ (15,185)
Investing activities		
Capital expenditures	(9,175)	(10,073)
Collection of notes receivable, net	413	561
Investments and acquisitions	(11,947)	(373)
Proceeds from sale of building	5,388	
Proceeds from sale of IDT Entertainment, net of cash sold and transaction costs		261,604
Proceeds from sale of U.K.-based Toucan business, net of transaction costs		38,380
Purchase of debt portfolios	(36,871)	(6,416)
Principal collections and proceeds from resale of debt portfolios	6,927	4,078
Proceeds from sales and maturities of marketable securities	419,912	266,708
Purchases of marketable securities	(293,891)	(370,208)
Net cash provided by investing activities	80,756	184,261
Financing activities		
Distributions to minority shareholders of subsidiaries	(1,088)	(4,245)
Proceeds from exercises of stock options		1,119
Proceeds from borrowings		1,283
Repayments of capital lease obligations	(4,538)	(5,937)
Repayments of borrowings	(681)	(631)
Repurchases of common stock and Class B common stock	(38,190)	(851)
Net cash used in financing activities	(44,497)	(9,262)
Discontinued operations		
Net cash used in operating activities		(20,261)
Net cash provided by investing activities		3,847
Net cash provided by financing activities		7,536
Net cash used in discontinued operations		(8,878)
Effect of exchange rate changes on cash and cash equivalents	1,790	62
Net (decrease) increase in cash and cash equivalents	(17,348)	150,998
Cash and cash equivalents, beginning of period	153,845	151,192(*)
Cash and cash equivalents, end of period	\$ 136,497	\$ 302,190
Supplemental schedule of non-cash investing and financing activities		
Receipt of the Company's Class B common stock and IDT Telecom shares as part of the proceeds from the sale of IDT Entertainment	\$	\$ 226,649
Receipt of marketable securities as part of the proceeds from the sale of U.K.-based Toucan business	\$	\$ 7,851

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(*) Includes cash and cash equivalents of discontinued operations of \$32.1 million as of July 31, 2006.
See accompanying notes to condensed consolidated financial statements.

Table of Contents

IDT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of IDT Corporation and its subsidiaries (the Company or IDT) have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended October 31, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending July 31, 2008. The balance sheet at July 31, 2007 has been derived from the Company's audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, please refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended July 31, 2007, as filed with the U.S. Securities and Exchange Commission.

The Company records Universal Service Fund (USF) charges that are billed to customers on a gross basis in its results of operations, and records other taxes and surcharges on a net basis. USF charges in the amount of \$1.1 million and \$3.6 million in the three months ended October 31, 2007 and 2006, respectively, were recorded on a gross basis.

The Company's fiscal year ends on July 31 of each calendar year. Each reference below to a fiscal year refers to the fiscal year ending in the calendar year indicated (e.g., fiscal 2008 refers to the fiscal year ending July 31, 2008).

Note 2 Income Taxes

Effective August 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109 and prescribes that a company should use a more-likely