

COGENT COMMUNICATIONS HOLDINGS, INC.

Form 10-Q

August 06, 2015

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**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, 2015**

**OR**

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

**Commission File No. 000-51829**

**COGENT COMMUNICATIONS HOLDINGS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware

46-5706863

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(State of Incorporation)

(I.R.S. Employer  
Identification Number)

**2450 N Street N.W.**

**Washington, D.C. 20037**

(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, 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

Smaller reporting company

(Do not check if a 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 45,598,018 Shares Outstanding as of July 31, 2015



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## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2015 AND DECEMBER 31, 2014

(IN THOUSANDS, EXCEPT SHARE DATA)

	June 30, 2015 (Unaudited)	December 31, 2014
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 224,494	\$ 287,790
Accounts receivable, net of allowance for doubtful accounts of \$1,872 and \$1,707, respectively	30,972	33,089
Prepaid expenses and other current assets	21,061	18,762
Total current assets	276,527	339,641
<b>Property and equipment, net</b>	<b>347,550</b>	<b>360,761</b>
<b>Deferred tax assets - noncurrent</b>	<b>47,448</b>	<b>48,963</b>
<b>Deposits and other assets - \$381 and \$389 restricted, respectively</b>	<b>10,863</b>	<b>12,410</b>
Total assets	\$ 682,388	\$ 761,775
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 15,489	\$ 13,287
Accrued and other current liabilities	40,913	32,151
Current maturities, capital lease obligations	8,187	14,594
Total current liabilities	64,589	60,032
<b>Senior secured notes including premium of \$4,230</b>		<b>244,230</b>
<b>Senior secured notes</b>	<b>250,000</b>	
<b>Senior unsecured notes</b>	<b>200,000</b>	<b>200,000</b>
<b>Capital lease obligations, net of current maturities</b>	<b>120,485</b>	<b>151,944</b>
<b>Other long term liabilities</b>	<b>25,125</b>	<b>21,775</b>
Total liabilities	660,199	677,981
<b>Commitments and contingencies:</b>		
<b>Stockholders' equity:</b>		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 45,631,978 and 46,398,729 shares issued and outstanding, respectively	46	46
Additional paid-in capital	440,401	460,576
Accumulated other comprehensive income - foreign currency translation	(12,175)	(6,462)
Accumulated deficit	(406,083)	(370,366)
Total stockholders' equity	22,189	83,794
<b>Total liabilities and stockholders' equity</b>	<b>\$ 682,388</b>	<b>\$ 761,775</b>

The accompanying notes are an integral part of these condensed consolidated balance sheets.

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**COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE THREE MONTHS ENDED JUNE 30, 2015 AND JUNE 30, 2014**

**(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)**

	<b>Three Months Ended June 30, 2015 (Unaudited)</b>	<b>Three Months Ended June 30, 2014 (Unaudited)</b>
<b>Service revenue</b>	\$ 98,799	\$ 94,623
<b>Operating expenses:</b>		
Network operations (including \$160 and \$114 of equity-based compensation expense, respectively, exclusive of depreciation and amortization shown separately below)	42,412	39,605
Selling, general, and administrative (including \$2,938 and \$1,759 of equity-based compensation expense, respectively)	28,925	26,139
Depreciation and amortization	17,371	17,301
Total operating expenses	88,708	83,045
<b>Gains on equipment transactions</b>	719	2,731
<b>Operating income</b>	10,810	14,309
<b>Interest income and other, net</b>	417	268
<b>Interest expense</b>	(9,692)	(13,790)
<b>Income before income taxes</b>	1,535	787
<b>Income tax (provision) benefit</b>	(695)	421
<b>Net income</b>	\$ 840	\$ 1,208
<b>Comprehensive income:</b>		
Net income	\$ 840	\$ 1,208
Foreign currency translation adjustment	1,683	(44)
<b>Comprehensive income</b>	\$ 2,523	\$ 1,164
<b>Net income per</b>		