ARBINET Corp
Form 425
November 16, 2010

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Third Quarter 2010
Earnings Conference Call
November 16, 2010
Filed by Primus Telecommunications Group, Incorporated
Pursuant to Rule 425 under the Securities Act of 1933
Subject Company: Arbinet
Corporation
Commission File No.: 000-51063

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Safe Harbor

In connection with the proposed merger, Primus Telecommunications Group, Incorporated (Primus) will file with the Secur
Statement on Form S-4 that will include a preliminary proxy statement of Primus and Arbinet Corporation (Arbinet) that als
definitive joint proxy statement/prospectus will be sent to security holders of both Arbinet and Primus seeking their approval w
also plan to file other documents with the SEC regarding the proposed transaction. INVESTORS AND SECURITY HOLDER
JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED WITH THE SEC WHEN THEY BECO
CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the joint proxy statemen

documents filed by Primus and Arbinet with the SEC, without charge, at the SEC s web site at www.sec.gov. Copies of the jo company s SEC filings that will be incorporated by reference in the joint proxy statement/prospectus may also be obtained for (ii) Arbinet (Andrea Rose/Jed Repko Joele Frank, Wilkinson Brimmer Katcher (212) 355-4449).

Arbinet, Primus, and their respective directors, executive officers and other members of their management and employees may proxies from their respective security holders in connection with the proposed merger. Investors and security holders may obta interests of Primus s directors, executive officers and other members of its management and employees in Primus s Annual R which was filed with the SEC on April 5, 2010, and amended in a Form 10-K/A filed with the SEC on April 28, 2010, Primus filed with the SEC on June 14, 2010, and any subsequent statements of changes in beneficial ownership on file with the SEC. regarding the names, affiliations and interests of Arbinet s directors, executive officers and other members of their manageme K for the year ended December 31, 2009, which was filed with the SEC on March 17, 2010, Arbinet s proxy statement for its 30, 2010, and any subsequent statements of changes in beneficial ownership on file with the SEC. These documents can be ob Additional information regarding the interests of these individuals will also be included in the joint proxy statement/prospectus available.

This document and related verbal statements include forward-looking statements as defined by the Securities and Exchange historical fact, included herein that address activities, events or developments that Arbinet or Primus expects, believes or antici benefits and other aspects of the proposed merger, are forward-looking statements. These forward-looking statements are subje to differ materially. Risks and uncertainties that could affect forward-looking statements include, but are not limited to, the fol consummated for reasons including that the conditions precedent to the completion of the acquisition may not be satisfied; the merger will not be realized, or will not be realized within the anticipated time period; the risk that Primus s and Arbinet s bus disruption from the merger making it more difficult to maintain business and operational relationships; any actions taken by eit restructuring or strategic initiatives (including capital investments or asset acquisitions or dispositions); the ability to service su described from time to time in Arbinet s filings with the Securities and Exchange Commission; and the risk factors or uncertai the Securities and Exchange Commission (including, among others, those listed under captions titled Management s Discuss Operations Liquidity and Capital Resources Short- and Long-Term Liquidity Considerations and Risks; Special Note Factors in Primus s annual report on Form 10-K and quarterly reports on Form 10-Q) that cover matters and risks including, global recessionary economic conditions, including the effects of such conditions on our customers and our accounts receivabl exchange rates of currencies, particularly any strengthening of the United States dollar relative to foreign currencies of the cou possible inability to raise additional capital or refinance indebtedness when needed, or at all, whether due to adverse credit mar continuation or worsening of turbulent or weak financial and capital market conditions; (e) adverse regulatory rulings or chang enforcement in the markets in which we operate and uncertainty regarding the nature and degree of regulation relating to certai reduction efforts. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the Primus intends to update or revise its forward-looking statements, whether as a result of new information, future events or othe

Important
Information
and
Where
to
Find
It
Participants
in
the
Solicitation
Forward-Looking
Statements

Q3 and YTD 2010 Highlights
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Notes:
All results of operations exclude Discontinued Operations and severance unless otherwise specified.
1. EBITDA excludes impact of severance expenses, $4.2 million in Q310 and $1.8 million in Q110 and is a non-GAAP financ
non-GAAP measures and relevant GAAP measures are available in the Appendix and in the Company s periodic SEC filings.
2. Free Cash Flow is defined as Cash Flow from Operating Activities less Capital Expenditures.
(US$ 000s)

Q309
Q310
Change
Q309
Q310
Change
Revenue
$194.9
$188.2
($6.7)
$560.2
$575.8
$15.6
Gross Margin
68.1
67.3
(0.8)
196.4
209.0
12.6
Gross Margin %
34.9%
35.8%
0.9%
35.1%
36.3%
1.2%
Adjusted EBITDA
(1)
$21.2
$20.0
($1.2)
$60.7
$65.7
$5.1
EBITDA %
10.9%
10.6%
-0.3%
10.8%
11.4%
0.6%
Capex
3.9
6.4
2.5
9.5
16.7
7.2
Free Cash Flow

(2)
9.1
14.5
5.4
30.3
20.3
(10.0)
Cash Balance
$41.9
$49.6
$7.7
$41.9
$49.6
$7.7
Quarter ended
YTD

The Primus Portfolio
Sum of the Parts
Adjusted
Adjusted
EBITDA
(US$ 000s)
Revenue
EBITDA

(1)
Capex
less Capex
Canada
$172.4
$34.9
$7.3
$27.6
Australia
205.7

29.8

7.6

22.2

Global Wholesale
137.6

3.2

0.1

3.1

Sub-Total
$515.7
$67.9
$15.0
$52.9
US Retail
$38.8
$4.1
$0.8
$3.3
Brazil
21.3

1.3

0.8

0.4

Corporate / India
-

(7.6)

-

(7.6)

$575.8
$65.7
$16.7
$49.0
Discontinued Operations
36.4

(0.4)

0.3

(0.8)

Severance
-

(6.1)

-

(6.1)

Total
$612.2
$59.2
$17.1
$42.2
YTD Q310
Total before
Discontinued Operations
Canada
30%
Australia
35%
Wholesale
24%
US
7%
Brazil
4%
4
Canada
48%
Australia
41%
Wholesale

4%
US
5%
Brazil
2%
Notes:
1. A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measure

Primus Canada Highlights
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Headquartered in Toronto,
Ontario

C$240M revenue in annualized
revenue

800 employees

Data centers and sales offices in
BC, Alberta, and Ontario

450K customers across the
country

70 DSLAMs
(primarily in
Ontario & Quebec)

Provide on-net equal access to
~90% of population

Call centers in Ontario (Ottawa)
and New Brunswick

Primus Australia Highlights
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Headquartered in Melbourne

A$305 million in annualized
revenue

575 employees

3 Data Centers in Melbourne
and Sydney

Offices in Melbourne, Sydney,
Adelaide, Brisbane and Perth

250K customers located in all
territories

5 carrier-grade voice switches
and 66 points of interconnect

281 DSLAMs
primarily in major
cities and surrounding suburbs

Central business district metro
fiber in Sydney and Melbourne

Global Wholesale Services
Key
Combination
Considerations:

Increased scale in carrier services market

Benefits

of
thexchange
TM

Arbinet s
world-class
telecommunications
trading
platform

Added products and services and enhanced access to certain international routes

Complementary market presence

Synergy potential of $3 million to $7 million (when fully integrated)

Consolidation benefits for network and facilities
7
Combined
PRIMUS
Before
(all figures in millions and annualized, except customers)
Carrier
Arbinet
Synergies
Revenue
(1)
$183.4
$330.0
$513.4
Gross Margin
(1)
$10.8
$25.0
$35.8
Gross Margin %
5.9%
7.6%
7.0%
Customers
262
1,237
Minutes of Use
4,340
12,667
(1) Revenue and Gross Margin are presented net of Bad Debt allowance.
YTD Q310 Annualized

Financial Summary
Revenue
Adjusted EBITDA
(1) (2)
Capital Expenditures
Free
Cash
Flow

(1)
($ Millions)
8
$195
$203
$193
$195
$188
$0
$50
$100
$150
$200
$250
Q309
Q409
Q110
Q210
Q310
-3.3%
% Sequential
Change
5.9 %
4.0%
-4.7%
0.8%
3.4%
% of
Revenue
2.0%
2.7%
2.5%
3.0%
10.6%
% of
Revenue
10.7%
10.8%
11.8%
11.7%
$14
($7)
$13
$6
$9
-$10
-$5
$0
$5
$10

$15
$20
Q309
Q409
Q110
Q210
Q310
$21
$22
$23
$23
$20
$0
$5
$10
$15
$20
$25
Q309
Q409
Q110
Q210
Q310
$6
$6
$5
$6
$4
$0
$2
$4
$6
$8
$10
Q309
Q409
Q110
Q210
Q310
7.4%
% of
Revenue
4.7%
3.0%
6.7%
(3.6)%
(1)
A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures
(2)
Adjusted EBITDA excludes impact of severance charges in Q109 ($1.8 million) and Q310 ($4.2 million).

Note:
All results of operations exclude Discontinued Operations unless otherwise specified.

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Canada Overview
Net Revenue
Adjusted EBITDA
(1)
(0.8)%
59.1
(CAD$)

$63.1
$62.1
$59.8
$59.6
Sequential Change
(2.0)%
(1.6)%
(3.6)%
(0.4)%
20.0%
(3.3)%
$11.8
(CAD$)
$12.8
$11.8
$12.1
$12.2
Sequential Change
(7.9)%
(7.8)%
2.5%
0.8%
% of Revenue
20.3%
19.1%
20.2%
20.5%
($Millions)
($Millions)
Most profitable business unit
in the portfolio
Stable EBITDA averaging
20% of net revenue despite
declining revenues
40% and 7% growth year-
over-year in Hosted IP/PBX
and data center revenues,
respectively
Effective cost controls helped
offset the impact of declining
revenues on EBITDA and free
cash flow
$56.9
$58.0
$57.5
$58.7
$57.4
$0
$25
$50

$75
Q309
Q409
Q110
Q210
Q310
$11.3
$12.0
$11.6
$11.2
$11.6
$0
$5
$10
$15
$20
Q309
Q409
Q110
Q210
Q310
(1)
A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures

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Australia Overview
Net Revenue
Adjusted EBITDA
(1)
(0.8)%
$75.8
(AUS$)

$76.5
$75.9
$77.3
$76.4
Sequential Change
(0.9)%
(0.8)%
1.9%
(1.2)%
13.2%
(2.9)%
$10.0
(AUS$)
$9.8
$9.7
$12.9
$10.3
Sequential Change
(10.1)%
(1.0)%
33.0%
(20.2)%
% of Revenue
12.9%
12.8%
16.6%
13.5%
($Millions)
($Millions)
Stable revenue stream
Declining residential revenue replaced by higher margin business revenue
46% growth year-over-year in data center revenues and 6% growth for business revenues in aggregate
Adjusted EBITDA of 13.2% of net revenue in Q310 versus 12.9% in Q309
$68.4
$69.9
$63.7
$69.0
$67.5
$60
$64
$68
$72
Q309

Q409
Q110
Q210
Q310
$9.0
$9.1
$11.6
$8.8
$8.2
$0
$2
$4
$6
$8
$10
$12
$14
Q309
Q409
Q110
Q210
Q310
(1) A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP meas

Global Wholesale Overview
Net Revenue
Gross Margin %
(1)
$53.6
$54.9
$46.5
$49.2

$41.9
$0
$20
$40
$60
$80
Q309
Q409
Q110
Q210
Q310
4.1%
3.9%
3.7%
4.9%
5.2%
0.0%
1.0%
2.0%
3.0%
4.0%
5.0%
6.0%
Q309
Q409
Q110
Q210
Q310
(1)
A
non-GAAP
financial
measure.
Gross
Margin
%
is
defined
as
Net
Revenue
less
costs
of
revenue
divided
by
Net
Revenue.
(14.9)%

Sequential Change
6.5%
2.5%
(15.3)%
5.8%
($Millions)
($Millions)
Gross margins, as a percentage of net revenue, improved 110 basis points to 5.2% in Q310 versus Q309 as we focused on higher margin US domestic terminations
Summer seasonality in Europe had expected effect on quarterly traffic
Focus on profitability vs. Revenue drove decision to prune less profitable traffic
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Primus
Other Businesses
United States:
Net Revenue for the quarter decreased $4.1 million year over year to $12.1 million
Adjusted EBITDA for the quarter decreased $1.6 million year over year to
$0.9 million

Brazil:
Net Revenue for the quarter increased BRR 8.2 million year over year to BRR 15.9 million
Adjusted EBITDA for the quarter remained flat year over year as the significant increase in revenue was derived from low-margin reseller voice services
Europe Retail:
All European retail operations classified as Discontinued Operations in the financial statements
$6.2 million (non-cash) impairment charge for goodwill and long-lived assets, primarily intangibles established as part of fresh start accounting
Adjusted EBITDA of (2K) and (71K) for the third quarters 2010 and 2009, respectively

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Foreign Currency Effects
More than 80% of revenue generated outside US
Natural in-country currency hedge
Revenue and costs are largely denominated in each country s local currency
Impact of currency fluctuations driven by US dollar
remittances from foreign units to service debt
.5688

0.9617
0.9023
Q310
0.5536
0.9602
0.9036
Q110
0.5559
0.9731
0.8835
Q210
0.5800
0.9900
0.9900
As of
11/15/10
Q309
Q409
AUD $
0.8323
0.9087
CAN $
0.9097
0.9460
BRR
0.5335
0.5728
Average Exchange Rate to US$

14
Balance Sheet
($US Millions)
Q309
Q409
Q110
Q210
Q310

Total Debt / LTM Adjusted EBITDA
3.30x
3.15x
2.99x
2.79x
2.81x
Net Debt / LTM Adjusted EBITDA
2.76x
2.63x
2.38x
2.40x
2.24x
Interest Coverage Ratio
2.50x
1.77x
2.45x
2.69x
2.31x
Note:
All results of operations exclude Discontinued Operations and severance unless otherwise specified.
Cash balance of $49.6 million at September 30, 2010
Principal amount of total debt at 9/30/10 was $245.9
million compared to $246.3 million at 6/30/10
Improving leverage ratios
(1)
A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures
periodic SEC filings.

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Adjusted EBITDA

Adjusted EBITDA, as defined by us, consists of net income (loss) before reorganization items, net, share-based compensation expense, depreciation and amortization, asset impairment expense, gain (loss) on sale or disposal of assets, interest expense, amortization or accretion on debt discount or premium, gain (loss) on early extinguishment or restructuring of debt, interest income and other income (expense), gain (loss) from contingent value rights valuation, foreign currency

transaction gain (loss), income tax benefit (expense), income (expense) attributable to the non-controlling interest, income (loss) from discontinued operations, net of tax, and income (loss) from sale of discontinued operations, net of tax. Our definition of Adjusted EBITDA may not be similar to Adjusted EBITDA measures presented by other companies, is not a measurement under generally accepted accounting principles in the United States, and should be considered in addition to, but not as a substitute for, the information contained in our statements of operations.
We believe Adjusted EBITDA is an important performance measurement for our investors because it gives them a metric to analyze our results exclusive of certain non-cash items and items which do not directly correlate to our business of selling and provisioning telecommunications services. We believe Adjusted EBITDA provides further insight into our current performance and period to period performance on a qualitative basis and is a measure that we use to evaluate our results and performance of our management team.
Free Cash Flow
Free Cash Flow, as defined by us, consists of net cash provided by (used in) operating activities before reorganization items less net cash used in the purchase of property and equipment. Free Cash Flow, as defined above, may not be similar to Free Cash Flow measures presented by other companies, is not a measurement under generally accepted accounting principles in the United States, and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statements of cash flows.
We believe Free Cash Flow provides a measure of our ability, after purchases of capital and other investments in our infrastructure, to meet scheduled debt principal payments. We use Free Cash Flow to monitor the impact of our operations on our cash reserves and our ability to generate sufficient cash flow to fund our scheduled debt maturities and other financing activities, including discretionary refinancings and retirements of debt. Because Free Cash Flow represents the amount of cash generated or used in operating activities less amounts used in the purchase of property and equipment before deductions for scheduled debt maturities and other fixed obligations (such as capital leases, vendor financing and other long-term obligations), you should not use it as a measure of the amount of cash available for discretionary expenditures.
Non-GAAP Measures
Note:
All results of operations excluded Discontinued Operations unless otherwise specified.
Three Months
Three Months
Three Months
Ended
Ended
Ended
September 30,
June 30,
September 30,
2010
2010
2009
NET INCOME (LOSS) ATTRIBUTABLE TO
PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED$
5,080

(13,038)
$
2,165
$
Reorganization items, net
-
-
307
Share-based compensation expense
(12)
117
307
Depreciation and amortization
13,641
18,194
18,740
(Gain) loss on sale or disposal of assets
-
(189)
36
Interest expense
8,602
8,733
8,747
Accretion (amortization) on debt premium/discount, net
46
45
-
(Gain) loss on early extinguishment of debt
-
(164)
-
Interest and other (income) expense
(254)
(153)
(160)
(Gain) loss from Contingent Value Rights valuation
(33)
382
4,229
Foreign currency transaction (gain) loss
(14,006)
9,623
(13,448)
Income tax (benefit) expense
(3,238)
(1,883)
(2,121)
Income (expense) attributable to the non-controlling interest
74

(106)
210
(Income) loss from discontinued operations,
net of tax
5,464
1,528
2,110
(Gain) loss from sale of discontinued operations,
net of tax
389
(193)
110
ADJUSTED EBITDA
15,753
$
22,896
$
21,232
$
NET CASH PROVIDED BY (USED IN)
OPERATING ACTIVITIES BEFORE REORGANIZATION ITEMS$
20,865
(1,140)
$
12,992
$
Net cash used in purchase of property
and equipment
(6,410)
(5,824)
(3,886)
FREE CASH FLOW
14,455
$
(6,964)
$
9,106
$