

COGENT COMMUNICATIONS GROUP INC

Form 10-Q

August 07, 2009

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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, 2009

OR

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

Commission File No. 1-31227

COGENT COMMUNICATIONS GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of Incorporation)

52-2337274
(I.R.S. Employer
Identification Number)

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1015 31st Street N.W.

Washington, D.C. 20007

(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 or for such 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 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 44,514,868 outstanding as of July 31, 2009

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COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND JUNE 30, 2009

(IN THOUSANDS, EXCEPT SHARE DATA)

	December 31, 2008 (Adjusted)	June 30, 2009 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 71,291	\$ 60,072
Short term investments - restricted	62	
Accounts receivable, net of allowance for doubtful accounts of \$1,914 and \$1,995, respectively	22,174	20,563
Prepaid expenses and other current assets	6,389	8,226
Total current assets	99,916	88,861
Property and equipment, net	243,939	258,229
Deposits and other assets - \$1,091 and \$1,093 restricted, respectively	3,938	3,977
Total assets	\$ 347,793	\$ 351,067
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 12,795	\$ 13,437
Accrued liabilities	14,756	14,476
Current maturities, capital lease obligations	5,940	12,356
Total current liabilities	33,491	40,269
Capital lease obligations, net of current maturities	98,253	98,565
Convertible senior notes, net of discount of \$30,253 and \$28,029, respectively	61,725	63,949
Other long term liabilities	3,374	3,419
Total liabilities	196,843	206,202
Commitments and contingencies:		
Stockholders equity:		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 44,318,949 and 44,414,868 shares issued and outstanding, respectively	44	44
Additional paid-in capital	465,114	471,891
Stock purchase warrants	764	283
Accumulated other comprehensive income foreign currency translation adjustment	572	804
Accumulated deficit	(315,544)	(328,157)
Total stockholders equity	150,950	144,865
Total liabilities and stockholders equity	\$ 347,793	\$ 351,067

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

The condensed consolidated balance sheet as of December 31, 2008 has been restated for the retrospective application of FSP APB 14-1.

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

	Three Months Ended June 30, 2008 (Unaudited & adjusted)	Three Months Ended June 30, 2009 (Unaudited)
Service revenue	\$ 53,859	\$ 57,991
Operating expenses:		
Network operations (including \$83 and \$47 of equity-based compensation expense, respectively, exclusive of amounts shown separately)	23,035	24,558
Selling, general, and administrative (including \$4,083 and \$2,303 of equity-based compensation expense, respectively, and \$678 and \$1,383 of bad debt expense, net of recoveries, respectively)	18,531	19,265
Depreciation and amortization	15,828	15,271
Total operating expenses	57,394	59,094
Operating loss	(3,535)	(1,103)
Interest income and other, net	895	454
Interest expense	(4,995)	(3,888)
Loss before income taxes	(7,635)	(4,537)
Income tax (provision) benefit		84
Net loss	\$ (7,635)	\$ (4,453)
Net loss per common share:		
Basic and diluted net loss per common share	\$ (0.17)	\$ (0.10)