

IDT CORP
Form 10-Q
March 13, 2017

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 JANUARY 31, 2017

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 **22-3415036**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **Identification Number)**

520 Broad Street, Newark, New Jersey 07102
(Address of principal executive offices) (Zip Code)

(973) 438-1000

(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 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 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

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As of March 10, 2017, the registrant had the following shares outstanding:

Class A common stock, \$.01 par value: 1,574,326 shares outstanding (excluding 1,698,000 treasury shares)
Class B common stock, \$.01 par value: 21,524,292 shares outstanding (excluding 4,025,257 treasury shares)

IDT CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

IDT CORPORATION

CONSOLIDATED BALANCE SHEETS

	January 31, 2017	July 31, 2016
	(Unaudited) (Note 1)	
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$77,524	\$109,537
Restricted cash and cash equivalents	89,420	98,822
Marketable securities	53,273	52,949
Trade accounts receivable, net of allowance for doubtful accounts of \$5,173 at January 31, 2017 and \$4,818 at July 31, 2016	55,464	49,283
Prepaid expenses	14,994	15,189
Other current assets	14,228	13,273
Total current assets	304,903	339,053
Property, plant and equipment, net	89,205	87,374
Goodwill	11,137	11,218
Other intangibles, net	676	843
Investments	23,623	14,024
Deferred income tax assets, net	22,450	9,554
Other assets	7,372	7,592
Total assets	\$459,366	\$469,658
Liabilities and equity		
Current liabilities:		
Trade accounts payable	\$32,237	\$30,253
Accrued expenses	101,316	117,434
Deferred revenue	83,835	86,178
Customer deposits	87,468	95,843
Income taxes payable	494	578
Other current liabilities	5,557	13,534
Total current liabilities	310,907	343,820

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Other liabilities	1,627	1,635
Total liabilities	312,534	345,455
Commitments and contingencies		
Equity:		
IDT Corporation stockholders' equity:		
Preferred stock, \$.01 par value; authorized shares—10,000; no shares issued	—	—
Class A common stock, \$.01 par value; authorized shares—35,000; 3,272 shares issued and 1,574 shares outstanding at January 31, 2017 and July 31, 2016	33	33
Class B common stock, \$.01 par value; authorized shares—200,000; 25,550 and 25,383 shares issued and 21,525 and 21,452 shares outstanding at January 31, 2017 and July 31, 2016, respectively	255	254
Additional paid-in capital	401,055	396,243
Treasury stock, at cost, consisting of 1,698 and 1,698 shares of Class A common stock and 4,025 and 3,931 shares of Class B common stock at January 31, 2017 and July 31, 2016, respectively	(117,154)	(115,316)
Accumulated other comprehensive loss	(6,210)	(3,744)
Accumulated deficit	(139,644)	(153,673)
Total IDT Corporation stockholders' equity	138,335	123,797
Noncontrolling interests	8,497	406
Total equity	146,832	124,203
Total liabilities and equity	\$459,366	\$469,658

See accompanying notes to consolidated financial statements.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2017	2016	2017	2016
	(in thousands, except per share data)			
Revenues	\$367,556	\$382,454	\$736,707	\$773,032
Costs and expenses:				
Direct cost of revenues (exclusive of depreciation and amortization)	310,913	319,724	623,941	644,235
Selling, general and administrative (i)	47,325	51,054	92,763	104,143
Depreciation and amortization	5,301	4,973	10,601	10,025
Total costs and expenses	363,539	375,751	727,305	758,403
Other operating expense	(889)	(326)	(1,088)	(326)
Income from operations	3,128	6,377	8,314	14,303
Interest income, net	309	534	609	692
Other (expense) income, net	(419)	(234)	1,974	(844)
Income before income taxes	3,018	6,677	10,897	14,151
(Provision for) benefit from income taxes	(1,761)	(2,014)	12,655	(4,911)
Net income	1,257	4,663	23,552	9,240
Net income attributable to noncontrolling interests	(382)	(598)	(758)	(981)
Net income attributable to IDT Corporation	\$875	\$4,065	\$22,794	\$8,259
Earnings per share attributable to IDT Corporation common stockholders:				
Basic	\$0.04	\$0.18	\$1.00	\$0.36
Diluted	\$0.04	\$0.18	\$0.99	\$0.36
Weighted-average number of shares used in calculation of earnings per share:				
Basic	22,768	22,799	22,740	22,867
Diluted	22,963	22,799	22,931	22,884
Dividends declared per common share	\$0.19	\$0.19	\$0.38	\$0.37
(i) Stock-based compensation included in selling, general and administrative expenses	\$1,426	\$873	\$2,128	\$1,644

See accompanying notes to consolidated financial statements.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended		Six Months Ended	
	January 31,		January 31,	
	2017	2016	2017	2016
	(in thousands)			
Net income	\$1,257	\$4,663	\$23,552	\$9,240
Other comprehensive income (loss):				
Change in unrealized (loss) gain on available-for-sale securities	(40)	(143)	(63)	385
Foreign currency translation adjustments	459	(4,011)	(2,403)	(3,900)
Other comprehensive income (loss)	419	(4,154)	(2,466)	(3,515)
Comprehensive income	1,676	509	21,086	5,725
Comprehensive income attributable to noncontrolling interests	(382)	(598)	(758)	(981)
Comprehensive income (loss) attributable to IDT Corporation	\$1,294	\$(89)	\$20,328	\$4,744

See accompanying notes to consolidated financial statements.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended January 31,	
	2017	2016
	(in thousands)	
Operating activities		
Net income	\$23,552	\$9,240
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	10,601	10,025
Deferred income taxes	(12,868)	4,708
Provision for doubtful accounts receivable	126	486
Realized gain on marketable securities	(305)	(543)
Interest in the equity of investments	(295)	(79)
Stock-based compensation	2,128	1,644
Change in assets and liabilities:		
Restricted cash and cash equivalents	4,098	(5,360)
Trade accounts receivable	(8,189)	(1,366)
Prepaid expenses, other current assets and other assets	(1,432)	7,644
Trade accounts payable, accrued expenses, other current liabilities and other liabilities	(14,927)	(10,814)
Customer deposits	(1,177)	8,200
Income taxes payable	(83)	159
Deferred revenue	(2,043)	1,202
Net cash (used in) provided by operating activities	(814)	25,146
Investing activities		
Capital expenditures	(10,543)	(9,223)
Proceeds from sale of interest in Fabrix Systems Ltd.	—	4,769
Payment for acquisition, net of cash acquired	(1,827)	—
Cash used for investments	(8,308)	(350)
Proceeds from sale and redemption of investments	4	626
Purchases of marketable securities	(17,209)	(24,480)
Proceeds from maturities and sales of marketable securities	16,848	18,720
Net cash used in investing activities	(21,035)	(9,938)
Financing activities		
Dividends paid	(8,765)	(8,626)
Distributions to noncontrolling interests	(817)	(1,220)
Proceeds from sale of member interests in CS Pharma Holdings, LLC.	1,250	