

COGENT COMMUNICATIONS HOLDINGS, INC.

Form 10-Q

August 02, 2018

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**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 June 30, 2018**

**OR**

**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**  
(State of Incorporation)

**46-5706863**  
(I.R.S. Employer  
Identification Number)

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**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, smaller reporting company, or an emerging growth company. See definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth 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)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 46,452,695 Shares Outstanding as of July 31, 2018



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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, 2018 AND DECEMBER 31, 2017

(IN THOUSANDS, EXCEPT SHARE DATA)

	June 30, 2018 (Unaudited)	December 31, 2017
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 224,282	\$ 247,011
Accounts receivable, net of allowance for doubtful accounts of \$1,131 and \$1,499, respectively	39,482	39,096
Prepaid expenses and other current assets	32,972	20,011
Total current assets	296,736	306,118
<b>Property and equipment, net</b>	<b>382,730</b>	<b>381,282</b>
<b>Deferred tax assets</b>	<b>9,038</b>	<b>17,616</b>
<b>Deposits and other assets</b>	<b>11,725</b>	<b>5,572</b>
Total assets	\$ 700,229	\$ 710,588
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 10,330	\$ 11,592
Accrued and other current liabilities	47,447	47,947
Installment payment agreement, current portion, net of discount of \$413 and \$337, respectively	8,746	7,816
Current maturities, capital lease obligations	8,428	7,171
Total current liabilities	74,951	74,526
<b>Senior secured 2022 notes, net of unamortized debt costs of \$1,668 and \$1,870, respectively and including premium of \$340 and \$382, respectively</b>	<b>373,672</b>	<b>373,512</b>
<b>Senior unsecured 2021 notes, net of unamortized debt costs of \$1,772 and \$2,060, respectively</b>	<b>187,453</b>	<b>187,165</b>
<b>Capital lease obligations, net of current maturities</b>	<b>151,439</b>	<b>150,333</b>
<b>Other long term liabilities</b>	<b>27,350</b>	<b>27,596</b>
Total liabilities	814,865	813,132
<b>Commitments and contingencies:</b>		
<b>Stockholders' equity:</b>		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 46,443,945 and 45,960,799 shares issued and outstanding, respectively	46	46
Additional paid-in capital	467,007	456,696
Accumulated other comprehensive income - foreign currency translation	(8,187)	(4,600)

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Accumulated deficit	(573,502)	(554,686)
Total stockholders' deficit	(114,636)	(102,544)
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 700,229</b>	<b>\$ 710,588</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, 2018 AND JUNE 30, 2017**

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

	<b>Three Months Ended June 30, 2018 (Unaudited)</b>	<b>Three Months Ended June 30, 2017 (Unaudited)</b>
<b>Service revenue</b>	\$ 129,296	\$ 119,777
<b>Operating expenses:</b>		
Network operations (including \$232 and \$141 of equity-based compensation expense, respectively, exclusive of depreciation and amortization shown separately below)	54,379	51,115
Selling, general, and administrative (including \$4,463 and \$3,084 of equity-based compensation expense, respectively)	33,704	31,788
Depreciation and amortization	20,216	18,897
Total operating expenses	108,299	101,800
<b>Gains on equipment transactions</b>	357	1,023
<b>Operating income</b>	21,354	19,000
<b>Interest income and other, net</b>	189	1,015
<b>Interest expense</b>	(12,373)	(12,090)
<b>Income before income taxes</b>	9,170	7,925
<b>Income tax provision</b>	(2,618)	(3,608)
<b>Net income</b>	\$ 6,552	\$ 4,317
<b>Comprehensive income:</b>		
Net income	\$ 6,552	\$ 4,317
Foreign currency translation adjustment	(6,198)	6,163
<b>Comprehensive income</b>	\$ 354	\$ 10,480
<b>Net income per common share:</b>		
<b>Basic net income per common share</b>	\$ 0.15	\$ 0.10
<b>Diluted net income per common share</b>	\$ 0.14	\$