

SKYTERRA COMMUNICATIONS INC
Form 10-Q
November 09, 2009

Index

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from _____ to _____

Commission File Number: 000-13865

SKYTERRA COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

23-2368845

(I.R.S. Employer
Identification No.)

10802 Parkridge Boulevard, Reston, VA 20191
(Address of principal executive offices)
(703) 390-2700

20191
(Zip Code)

(Registrant's telephone number, including area code)

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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. (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 Act). Yes No

As of October 15, 2009 there were 48,865,453 shares of the Company's voting common stock and 59,958,499 shares of the Company's non-voting common stock outstanding.

1

Index

SKYTERRA COMMUNICATIONS, INC.

INDEX

| | |
|---|----|
| <u>PART I – Financial Information</u> | 1 |
| <u>Item 1.</u> <u>Financial Statements</u> | 1 |
| <u>Unaudited Consolidated Statements of Operations for the Three and Nine months Ended September 30, 2009 and 2008</u> | 1 |
| <u>Unaudited Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008</u> | 2 |
| <u>Unaudited Condensed Consolidated Statements of Stockholders’ Equity for the Nine months Ended September 30, 2009</u> | 3 |
| <u>Unaudited Condensed Consolidated Statements of Cash Flows for the Nine months Ended September 30, 2009 and 2008</u> | 4 |
| <u>Notes to Unaudited Condensed Consolidated Financial Statements</u> | 5 |
| <u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 24 |
| <u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 40 |
| <u>Item 4.</u> <u>Controls and Procedures</u> | 41 |
| <u>PART II – Other Information</u> | 42 |
| <u>Item 1.</u> <u>Legal Proceedings</u> | 42 |
| <u>Item 1A.</u> <u>Risk Factors</u> | 42 |
| <u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 43 |
| <u>Item 3.</u> <u>Defaults Upon Senior Securities</u> | 43 |
| <u>Item 4.</u> <u>Submission of Matters to a Vote of Security Holders</u> | 43 |
| <u>Item 5.</u> <u>Other Information</u> | 43 |
| <u>Item 6.</u> <u>Exhibits</u> | 44 |
| <u>Signatures</u> | 45 |

Index**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**
SkyTerra Communications, Inc.**Consolidated Statements of Operations****(in thousands, except share and per share data)****(unaudited)**

| | Three months ended | | Nine months ended | |
|--|--------------------|-------------|-------------------|--------------|
| | September 30, | | September 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | |
| Services and related revenues | \$ 7,704 | \$ 7,352 | \$ 22,139 | \$21,892 |
| Equipment sales | 1,052 | 1,867 | 3,584 | 4,252 |
| Other revenues | 246 | 231 | 659 | 706 |
| Total revenues | 9,002 | 9,450 | 26,382 | 26,850 |
| Operating expenses: | | | | |
| Cost of equipment sold | 1,122 | 1,549 | 3,526 | 3,451 |
| Operations and cost of services (exclusive of depreciation and amortization) | 8,997 | 9,474 | 45,987 | 23,082 |
| Sales and marketing | 2,005 | 1,668 | 6,536 | 6,412 |
| Research and development (exclusive of depreciation and amortization) | 5,569 | 3,937 | 13,944 | 11,191 |
| General and administrative | 12,208 | 9,833 | 28,376 | 25,727 |
| Depreciation and amortization | 8,358 | 8,268 | 24,981 | 24,546 |
| Total operating expenses | 38,259 | 34,729 | 123,350 | 94,409 |
| Operating loss | (29,257) | (25,279) | (96,968) | (67,559) |
| Other income (expense): | | | | |
| Interest income | 101 | 1,265 | 693 | 6,213 |
| Interest expense | (26,193) | (8,633) | (66,179) | (29,980) |
| Impairment of investment in TerreStar Networks | — | (42,881) | — | (59,675) |
| Change in fair value of warrants (see Note 2) | 16,781 | — | 8,832 | — |
| Other income (expense), net | 544 | (1,578) | 860 | (715) |
| Loss before income taxes | (38,024) | (77,106) | (152,762) | (151,716) |
| Income taxes | — | 298 | — | 758 |
| Consolidated net loss | (38,024) | (76,808) | (152,762) | (150,958) |
| Net loss attributable to noncontrolling interest | 315 | 157 | 761 | 443 |
| Net loss attributable to SkyTerra | \$ (37,709) | \$ (76,651) | \$ (152,001) | \$ (150,515) |
| Basic and diluted loss attributable to SkyTerra per common share | \$ (0.35) | \$ (0.72) | \$ (1.42) | \$ (1.42) |

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| | | | | |
|---|-------------|-------------|-------------|-------------|
| Basic and diluted weighted average common shares outstanding | 107,232,286 | 106,115,078 | 107,094,806 | 106,064,731 |
|---|-------------|-------------|-------------|-------------|

See accompanying notes.

1

Index

SkyTerra Communications, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share data)

(unaudited)

| | September 30, 2009 | December 31, 2008 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 329,828 | \$ 65,721 |
| Investments | 5,620 | 46,659 |
| Accounts receivable, net of allowance of \$37 and \$45, respectively | 6,176 | 5,505 |
| Inventory | 2,782 | 2,058 |
| Other current assets | 4,758 | 7,079 |
| Total current assets | 349,164 | 127,022 |
| Network construction in progress | 904,770 | 680,932 |
| Property and equipment, net | 6,336 | 7,428 |
| Intangible assets, net | 501,077 | 523,647 |
| Other assets | 21,874 | 21,673 |
| Total assets | \$ 1,783,221 | \$ 1,360,702 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,176 | \$ 5,355 |
| Accrued expenses and other current liabilities | 42,154 | 18,759 |
| Deferred revenue, current portion | 3,336 | 3,474 |
| Debt, current portion | — | 372 |
| Total current liabilities | 48,666 | 27,960 |
| Long-term debt (\$540,901 and \$147,119 to a related party, respectively), net of current portion | 1,354,586 | 837,818 |
| Deferred revenue, net of current portion | 14,679 | 12,383 |
| Other long-term liabilities | 2,550 | 11,188 |
| Warrants (see Note 2) | 2,676 | — |
| Total liabilities | 1,423,157 | 889,349 |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value. Authorized 10,000,000 shares; none issued | — | — |
| Common stock, \$0.01 par value. Authorized 200,000,000 shares; 48,865,453 and 48,822,787 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively | 489 | 488 |
| Non-voting common stock, \$0.01 par value. Authorized 125,000,000 shares; 59,958,499 shares issued and outstanding at September 30, 2009 and December 31, 2008 | 600 | 600 |
| Additional paid-in capital | 1,032,165 | 1,014,981 |
| Accumulated other comprehensive loss | (2,632) | (1,785) |
| Accumulated deficit | (669,542) | (542,931) |

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| | | | | |
|--|----|-----------|----|-----------|
| Total SkyTerra stockholders' equity | | 361,080 | | 471,353 |
| Noncontrolling interest | | (1,016) | | — |
| Total stockholders' equity | | 360,064 | | 471,353 |
| Total liabilities and stockholders' equity | \$ | 1,783,221 | \$ | 1,360,702 |

See accompanying notes.

Index

SkyTerra Communications, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except share data)

(unaudited)

| | Common Stock | | Non-voting Common Stock | | Additional Paid-in Capital | Accumulated | | Total SkyTerra Stockholders' Equity | Noncontrolling Interest | Total Stockholders' Equity |
|--|--------------|--------|-------------------------|--------|----------------------------|--------------------------|---------------------|-------------------------------------|-------------------------|----------------------------|
| | Shares | Amount | Shares | Amount | | Other Comprehensive Loss | Accumulated Deficit | | | |
| Balance, December 31, 2008 | 48,822,787 | \$ 488 | 59,958,499 | \$ 600 | \$ 1,014,981 | \$ (1,785) | \$ (542,931) | \$ 471,353 | \$ — | \$ 471,353 |
| Cumulative effect of change in accounting principle (See Note 2) | — | — | — | — | (35,127) | — | 25,390 | (9,737) | — | (9,737) |
| Issuance of warrants | — | — | — | — | 45,240 | — | — | — | — | — |