

Virgin Mobile USA, Inc.  
Form 10-Q  
November 06, 2009  
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**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: 001-33735

**Virgin Mobile USA, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
 (State or other jurisdiction of  
 incorporation or organization)

**20-8826316**  
 (I.R.S. Employer  
 Identification No.)

**10 Independence Boulevard, Warren, New Jersey**  
 (Address of principal executive offices)

**07059**  
 (Zip Code)

**(908) 607-4000**  
 (Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

The number of shares of each of the registrant's classes of common stock outstanding as of October 31, 2009 was as follows:

Class A common stock, par value \$0.01 per share	67,354,173
Class B common stock, par value \$0.01 per share	1
Class C common stock, par value \$0.01 per share	115,062



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**Form 10-Q**

**For the quarterly period ended September 30, 2009**

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**Table of Contents****Virgin Mobile USA, Inc.****Condensed Consolidated Balance Sheets****(In thousands, except share and per share amounts)****(Unaudited)**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 20,740	\$ 12,030
Accounts receivable, less allowances of \$3,780 at September 30, 2009 and \$6,345 at December 31, 2008	44,942	64,737
Due from related parties	132	132
Other receivables	9,132	12,993
Inventories	98,986	132,410
Prepaid expenses and other current assets	32,253	21,563
<b>Total current assets</b>	<b>206,185</b>	<b>243,865</b>
Property and equipment	196,968	183,058
Accumulated depreciation and amortization	(154,123)	(133,888)
Property and equipment - net	42,845	49,170
Acquired intangible assets - net	39,546	49,903
Goodwill	11,724	11,487
Other assets	7,114	12,643
<b>Total assets</b>	<b>\$ 307,414</b>	<b>\$ 367,068</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 69,498	\$ 96,365
Due to related parties	39,686	55,838
Accrued expenses and other current liabilities	85,359	112,842
Deferred revenue	121,011	136,367
Current portion of long-term debt, including capital lease obligation	28,910	26,395
<b>Total current liabilities</b>	<b>344,464</b>	<b>427,807</b>
Long-term debt, including capital lease obligation	152,380	170,779
Related party debt	46,500	70,000
Due to related parties	7,939	
Other liabilities	364	2,365
<b>Total liabilities</b>	<b>551,647</b>	<b>670,951</b>
Commitments and contingencies (See Note 13)		
Series A convertible preferred stock, par value \$0.01 and stated value \$1,000 per share - 50,000 shares authorized issued and outstanding at December 31, 2008		50,000
Equity:		
Virgin Mobile USA, Inc. stockholders' equity:		

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Series A convertible preferred stock, par value \$0.01 and stated value \$1,000 per share - 53,000 shares authorized, issued and outstanding at September 30, 2009	1	
Class A common stock, par value \$0.01 per share - 200,000,000 shares authorized, and 67,180,001 shares issued and outstanding, net of 39,161 treasury shares at September 30, 2009, and 64,709,646 shares issued and outstanding, net of 37,560 treasury shares at December 31, 2008	672	647
Class C common stock, par value \$0.01 per share - 999,999 shares authorized, and 115,062 shares issued and outstanding at September 30, 2009 and December 31, 2008	1	1
Class B common stock, par value \$0.01 per share - 2 shares authorized and 1 share issued and outstanding at September 30, 2009, and 1 share authorized, issued and outstanding at December 31, 2008		
Additional paid-in-capital	451,999	390,637
Accumulated deficit	(707,626)	(746,915)
Total Virgin Mobile USA, Inc. stockholders' equity	(254,953)	(355,630)
Noncontrolling interest	10,720	1,747
Total equity	(244,233)	(353,883)
Total liabilities and equity	\$ 307,414	\$ 367,068

The accompanying notes are an integral part of the financial statements.

**Table of Contents****Virgin Mobile USA, Inc.****Condensed Consolidated Statements of Operations and Comprehensive Income****(In thousands, except per share amounts)****(Unaudited)**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Operating revenue</b>				
Net service revenue	\$ 273,138	\$ 308,379	\$ 881,202	\$ 909,193
Net equipment and other revenue	19,921	18,154	56,710	67,221
<b>Total operating revenue</b>	<b>293,059</b>	<b>326,533</b>	<b>937,912</b>	<b>976,414</b>
<b>Operating expenses</b>				
Cost of service (exclusive of depreciation and amortization)	95,242	87,891	282,317	259,476
Cost of equipment	74,145	102,997	231,254	307,770
Selling, general and administrative (exclusive of depreciation and amortization)	103,206	104,510	315,473	323,927
Restructuring	2,246	6,511	3,727	6,511
Depreciation and amortization	12,095	10,538	31,918	28,060
<b>Total operating expenses</b>	<b>286,934</b>	<b>312,447</b>	<b>864,689</b>	<b>925,744</b>
<b>Operating income</b>	<b>6,125</b>	<b>14,086</b>	<b>73,223</b>	<b>50,670</b>
<b>Other (income) expense</b>				
Interest expense	4,360	8,591	15,073	25,933
Interest income	(1)	(1,686)	(7)	(1,756)
<b>Total interest expense - net</b>	<b>4,359</b>	<b>6,905</b>	<b>15,066</b>	<b>24,177</b>
Other (income) expense	(6,285)	(1,737)	7,939	6,453
<b>Total other (income) expense - net</b>	<b>(1,926)</b>	<b>5,168</b>	<b>23,005</b>	<b>30,630</b>
<b>Income before income tax (benefit) expense</b>	<b>8,051</b>	<b>8,918</b>	<b>50,218</b>	<b>20,040</b>
Income tax (benefit) expense	(777)	421	505	1,288
<b>Net income</b>	<b>8,828</b>	<b>8,497</b>	<b>49,713</b>	<b>18,752</b>
Net income attributable to the noncontrolling interest	224	4,430	10,424	6,390
<b>Net income attributable to Virgin Mobile USA, Inc.</b>	<b>8,604</b>	<b>4,067</b>	<b>39,289</b>	<b>12,362</b>
Preferred stock dividends	549	333	1,016	333
<b>Net income attributable to Virgin Mobile USA, Inc. common stockholders</b>	<b>\$ 8,055</b>	<b>\$ 3,734</b>	<b>\$ 38,273</b>	<b>\$ 12,029</b>
<b>Net income</b>	<b>\$ 8,828</b>	<b>\$ 8,497</b>	<b>\$ 49,713</b>	<b>\$ 18,752</b>
<b>Other comprehensive income:</b>				
Unrealized gain on interest rate swap		1,337		803

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Comprehensive income	8,828	9,834	49,713	19,555
Comprehensive income attributable to the noncontrolling interest	224	4,430	10,424	6,390
<b>Total comprehensive income attributable to Virgin Mobile USA, Inc.</b>	<b>\$ 8,604</b>	<b>\$ 5,404</b>	<b>\$ 39,289</b>	<b>\$ 13,165</b>

Basic and diluted earnings per share information:

<b>Net income attributable to Virgin Mobile USA, Inc. common stockholders:</b>				
Basic	\$ 0.12	\$ 0.07	\$ 0.58	\$