

Intelsat CORP
Form 10-Q
August 14, 2006
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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, 2006

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 0-22531

INTELSAT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction)

95-4607698
(I.R.S. Employer Identification No.)

of incorporation or organization)

3400 International Drive, N.W., Washington, D.C.
(Address of principal executive offices)

20008
(Zip Code)

(202) 944-6800

(Registrant's telephone number, including area code)

PANAMSAT CORPORATION

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20 Westport Road

Wilton, Connecticut 06897

(Former name and former address, 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of August 11, 2006, an aggregate of 548 shares of our common stock were outstanding.

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(FORMERLY KNOWN AS PANAMSAT CORPORATION)

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INTRODUCTION

On July 3, 2006, following the completion of the acquisition of PanAmSat Holding Corporation by a subsidiary of Intelsat, Ltd., the certificate of incorporation of PanAmSat Holding Corporation was amended to rename the entity Intelsat Holding Corporation and the certificate of incorporation of PanAmSat Corporation was amended to rename the entity Intelsat Corporation. In this quarterly report on Form 10-Q, unless the context otherwise requires or it is otherwise indicated, all references to (1) Intelsat Corp , we , us and our refer to Intelsat Corporation (formerly known as PanAmSat Corporation) and its subsidiaries and (2) Holdco refers to Intelsat Holding Corporation (formerly known as PanAmSat Holding Corporation) and not its subsidiaries.

FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, all references to dollars and \$ in this quarterly report are to, and all monetary amounts in this quarterly report are presented in, U.S. dollars. Unless otherwise indicated, the financial information contained in this quarterly report has been prepared in accordance with United States generally accepted accounting principles, referred to as GAAP.

Certain monetary amounts, percentages and other figures included in this quarterly report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

In this quarterly report, we refer to and rely on publicly available information regarding our industry and our competitors. Although we believe the information is reliable, we cannot guarantee the accuracy and completeness of the information and have not independently verified it.

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains certain forward-looking statements, including, without limitation, statements concerning the conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy and service development efforts. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for certain forward-looking statements so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. When used in this quarterly report on Form 10-Q, the words may , might , should , estimate , project , plan , anticipate , expect , intend , outlook , similar expressions are intended to identify forward-looking statements and information.

The following list represents some, but not necessarily all, of the factors that could cause actual results to differ from historical results or those anticipated or predicted by these forward-looking statements:

risks associated with operating our in-orbit satellites;

satellite launch failures, satellite launch and construction delays and in-orbit failures or reduced performance;

our ability to obtain new or renewal satellite insurance policies on commercially reasonable terms or at all;

possible future losses on satellites that are not adequately covered by insurance;

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domestic and international government regulation;

changes in our contracted backlog or expected contracted backlog for future services;

pricing pressure and overcapacity in the markets in which we compete;

inadequate access to capital markets;

competition;

customer defaults on their obligations owed to us;

our international operations and other uncertainties associated with doing business internationally; and

litigation.

In connection with Intelsat (Bermuda), Ltd.'s acquisition of Holdco as described in this quarterly report, factors that may cause results or developments to differ materially from the forward-looking statements made in this quarterly report include, but are not limited to:

our substantial level of indebtedness following consummation of the Intelsat Merger, as defined in this quarterly report;

certain covenants in our debt agreements following consummation of the Intelsat Merger;

the ability of our subsidiaries to make distributions to us in amounts sufficient to make required interest and principal payments on our indebtedness;

a change in the health of, or a catastrophic loss during the in-orbit operations of, one or more of our existing satellites or the satellites of Intelsat (Bermuda), Ltd.;

the failure to successfully integrate or to obtain expected synergies in connection with our acquisition by Intelsat (Bermuda), Ltd. on the expected timetable or at all; and

the failure to achieve the strategic objectives envisioned for Intelsat (Bermuda), Ltd.'s acquisition of Holdco.

The forward-looking statements made in this quarterly report reflect our intentions, plans, expectations, assumptions and beliefs about future events. These forward-looking statements are not guarantees of future performance or results and are subject to risks, uncertainties and other factors, many of which are outside of our control. These factors could cause actual results or developments to differ materially from the expectations expressed or implied in the forward-looking statements and include known and unknown risks. Known risks include, among others, the risks discussed under Item 1A Risk Factors, the political, economic and legal conditions in the markets we are targeting for communications services or in which we operate and other risks and uncertainties inherent in the telecommunications business in general and the satellite

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communications business in particular.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee our future results, level of activity, performance or achievements. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future, you are urged not to rely on forward-looking statements in this quarterly report and to view all forward-looking statements made in this quarterly report with caution. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****INTELSAT CORPORATION****(FORMERLY KNOWN AS PANAMSAT CORPORATION)****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****FOR THE THREE MONTHS ENDED JUNE 30, 2005 AND 2006****(in thousands)**

	June 30, 2005	June 30, 2006
REVENUES:		
Operating leases, satellite services and other	\$ 210,345	\$ 226,627
Outright sales and sales-type leases	3,507	2,903
Total revenues	213,852	229,530
OPERATING COSTS AND EXPENSES:		
Cost of outright sales and sales-type leases	(1,450)	(1,943)
Depreciation and amortization	67,165	68,897
Direct operating costs (exclusive of depreciation and amortization)	33,891	37,766
Selling, general and administrative expenses	19,565	22,309
Loss on investment		3,316
Facilities restructuring and severance costs	416	
(Gain) loss on undesignated interest rate swap	18,637	(9,900)
Total operating costs and expenses	138,224	120,445
INCOME FROM OPERATIONS	75,628	109,085
INTEREST EXPENSE Net	94,776	54,437
INCOME (LOSS) BEFORE INCOME TAXES	(19,148)	54,648
INCOME TAX EXPENSE (BENEFIT)	(272)	21,878
NET INCOME (LOSS)	\$ (18,876)	\$ 32,770

See notes to unaudited consolidated financial statements.

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INTELSAT CORPORATION
(FORMERLY KNOWN AS PANAMSAT CORPORATION)
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2006
(in thousands)

	June 30, 2005	June 30, 2006
REVENUES:		
Operating leases, satellite services and other	\$ 415,546	\$ 436,864
Outright sales and sales-type leases	7,114	5,895
Total revenues	422,660	442,759
OPERATING COSTS AND EXPENSES:		
Cost of outright sales and sales-type leases	(4,303)	(1,943)
Depreciation and amortization	136,930	138,655
Direct operating costs (exclusive of depreciation and amortization)	68,838	70,977
Selling, general and administrative expenses	37,920	40,250
Prior Sponsor management fees	10,444	
Loss on investment		3,316
Facilities restructuring and severance costs	3,765	
Loss on termination of sales-type lease	2,307	
(Gain) loss on undesignated interest rate swap	18,637	(23,140)
Total operating costs and expenses	274,538	228,115
INCOME FROM OPERATIONS	148,122	214,644
INTEREST EXPENSE Net	163,603	107,601
INCOME (LOSS) BEFORE INCOME TAXES	(15,481)	107,043
INCOME TAX EXPENSE (BENEFIT)	(3,238)	37,249
NET INCOME (LOSS)	\$ (12,243)	\$ 69,794

See notes to unaudited consolidated financial statements.

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INTELSAT CORPORATION
(FORMERLY KNOWN AS PANAMSAT CORPORATION)

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share data)

	December 31, 2005	June 30, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 125,945	\$ 73,056
Accounts receivable net	66,418	87,788
Net investment in sales-type leases	12,260	10,189
Prepaid expenses and other (principally prepaid insurance)	20,143	9,955
Deferred income taxes	16,711	16,711
Total current assets	241,477	197,699
SATELLITES AND OTHER PROPERTY AND EQUIPMENT Net	1,949,560	1,946,616
NET INVESTMENT IN SALES-TYPE LEASES	64,913	62,150
GOODWILL	2,244,131	2,244,131
DEFERRED CHARGES AND OTHER ASSETS Net	328,000	343,724
TOTAL ASSETS	\$ 4,828,081	\$ 4,794,320
LIABILITIES AND STOCKHOLDER S EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 85,261	\$ 118,905
Current portion of long-term debt	16,600	16,600
Current portion of satellite incentive obligations	13,240	12,591
Accrued interest payable	37,103	36,364
Due to affiliate	50,233	
Deferred gains and revenues	24,514	36,053
Total current liabilities	226,951	220,513
LONG-TERM DEBT	2,915,400	2,907,100
DEFERRED INCOME TAXES	24,312	54,595
DEFERRED CREDITS AND OTHER (principally customer deposits, satellite incentive obligations and deferred revenue)	348,888	364,026
TOTAL LIABILITIES	3,515,551	3,546,234
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER S EQUITY:		
Common stock \$0.01 par value; 1,000 shares authorized, at December 31, 2005 and June 30, 2006, respectively, and 548 shares outstanding at December 31, 2005 and June 30, 2006, respectively		
Additional paid-in capital	803,545	803,545
Retained earnings	512,500	447,277
Accumulated other comprehensive income (loss)	(97)	682
Other stockholder s equity	(3,418)	(3,418)
Total stockholder s equity	1,312,530	1,248,086

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TOTAL LIABILITIES AND STOCKHOLDER S EQUITY	\$ 4,828,081	\$ 4,794,320
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See notes to unaudited consolidated financial statements.

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INTELSAT CORPORATION
(FORMERLY KNOWN AS PANAMSAT CORPORATION)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER S EQUITY
AND COMPREHENSIVE INCOME (UNAUDITED)
(in thousands, except share data)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss), net of tax	Other Stockholder s Equity (1)	Total	Comprehensive Income
	Shares	Par Value Amount	Paid-In Capital					
BALANCE, JANUARY 1, 2006	548	\$	\$ 803,545	\$ 512,500	\$ (97)	\$ (3,418)	\$ 1,312,530	
Foreign currency translation adjustment					621		621	\$ 621
Amortization of unrealized gain on interest rate hedge					158		158	158
Dividends to stockholder				(135,017)			(135,017)	
Net income				69,794			69,794	69,794
BALANCE, JUNE 30, 2006	548	\$	\$ 803,545	\$ 447,277	\$ 682	\$ (3,418)	\$ 1,248,086	\$ 70,573