

IDT CORP  
Form 10-Q/A  
September 03, 2003

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q/A**  
**Amendment No. 1**

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

For the Quarterly Period Ended October 31, 2002

OR

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

Commission File Number: 0-27898

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**IDT CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

22-3415036  
(I.R.S. Employer  
Identification Number)

520 Broad Street, Newark, New Jersey

07102

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(Address of principal executive offices)

(Zip Code)

(973) 438-1000

(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

Common Stock, \$.01 par value 19,630,259 shares outstanding as of December 12, 2002 (excluding 5,419,963 treasury shares)

Class A common stock, \$.01 par value 9,816,988 shares outstanding as of December 12, 2002

Class B common stock, \$.01 par value 50,103,335 shares outstanding as of December 12, 2002 (excluding 4,019,163 treasury shares)

(Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date)

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EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-Q/A to our quarterly report for the period ended October 31, 2002 primarily for the purpose of restating our financial statements and other financial information included in this report to consolidate the results of Net2Phone, Inc. for the period beginning on October 23, 2001 through July 31, 2002. In our original quarterly report for the period ended October 31, 2001 on Form 10-Q, we accounted for our investment in Net2Phone during this period using the equity method. Note 2 to our condensed consolidated financial statements included in this report summarizes the basis for this restatement. In addition, we have made certain other changes throughout this report to include additional information regarding Net2Phone, and our investment therein, and to clarify and supplement previously disclosed information regarding topics other than Net2Phone.

We have amended and restated our Quarterly Report on Form 10-Q for the period ended October 31, 2002 in its entirety because the changes referenced above have been made throughout the report. Amendment No. 1 does not contain updates to reflect any events occurring after the original December 16, 2002 filing of our quarterly report on Form 10-Q for the period ended October 31, 2002. All information contained in this Amendment No. 1 is subject to updating and supplementing as provided in our reports filed with the Securities and Exchange Commission, as may be amended, for periods subsequent to the date of the original filing of this quarterly report on Form 10-Q.

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**IDT CORPORATION**

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

## IDT CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	October 31, 2002	July 31, 2002
	(Unaudited)	(Note 1) (Restated)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 315,830	\$ 415,464
Marketable securities	798,642	684,502
Trade accounts receivable, net	119,905	129,308
Other current assets	77,901	78,796
<b>Total current assets</b>	<b>1,312,278</b>	<b>1,308,070</b>
Property, plant and equipment, net	271,429	283,506
Goodwill	34,689	34,411
Licenses and other intangibles, net	24,826	27,242
Investments	43,639	44,085
Marketable securities		18,704
Other assets	55,488	61,644
<b>Total assets</b>	<b>\$ 1,742,349</b>	<b>\$ 1,777,662</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Trade accounts payable	\$ 125,537	\$ 128,863
Accrued expenses	149,857	160,159
Deferred revenue	119,111	120,206
Capital lease obligations - current portion	26,186	25,963
Other current liabilities	19,473	19,491
<b>Total current liabilities</b>	<b>440,164</b>	<b>454,682</b>
Deferred tax liabilities, net	216,353	233,518
Capital lease obligations - long-term portion	42,883	48,068
Other liabilities	5,332	5,060
<b>Total liabilities</b>	<b>704,732</b>	<b>741,328</b>
Minority interests	168,355	166,564
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; authorized shares 10,000,000; no shares issued		

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Common stock, \$.01 par value; authorized shares 100,000,000; 25,023,972 and 24,988,597 shares issued at October 31, 2002 and July 31, 2002, respectively; 19,604,009 and 19,568,634 shares outstanding at October 31, 2002 and July 31, 2002, respectively	196	196
Class A common stock, \$.01 par value; authorized shares 35,000,000; 9,816,988 shares issued and outstanding at October 31, 2002 and July 31, 2002	98	98
Class B common stock, \$.01 par value; authorized shares 100,000,000; 54,094,855 and 54,009,844 shares issued at October 31, 2002 and July 31, 2002, respectively; 50,075,692 and 49,990,681 shares outstanding at October 31, 2002 and July 31, 2002, respectively	501	500
Additional paid-in capital	609,371	606,387
Treasury stock, at cost, consisting of 5,419,963 shares of common stock and 4,019,163 shares of Class B common stock	(153,713)	(153,713)
Accumulated other comprehensive loss	(1,837)	(2,435)
Retained earnings	414,646	418,737
	<u>          </u>	<u>          </u>
Total stockholders' equity	869,262	869,770
	<u>          </u>	<u>          </u>
Total liabilities and stockholders' equity	\$ 1,742,349	\$ 1,777,662
	<u>          </u>	<u>          </u>

See notes to condensed consolidated financial statements.

## IDT CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended October 31,	
	2002	2001 (Restated)
Revenues	\$ 443,171	\$ 341,563
Costs and expenses:		
Direct cost of revenues (exclusive of items shown below)	340,067	267,121
Selling, general and administrative	109,238	71,346
Depreciation and amortization	21,286	15,904
Gain on settlement of litigation	(58,429)	
Restructuring, severance, and impairment charges	6,673	8,692
Total costs and expenses	418,835	363,063
Income (loss) from operations	24,336	(21,500)
Interest income, net	7,759	9,002
Other income (expense):		
Equity in loss of affiliates	(2,196)	(5,812)
Investment and other income (expense), net	(1,169)	(14,500)
Income (loss) before minority interests, income taxes and cumulative effect of accounting change	28,730	(32,810)
Minority interests	(46,467)	3,256
Benefit from income taxes	13,646	18,222
Loss before cumulative effect of accounting change	(4,091)	(11,332)
Cumulative effect of accounting change, net of income taxes of \$3,525		(146,983)
Net loss	\$ (4,091)	\$ (158,315)
Loss per share:		
Loss before cumulative effect of accounting change:		
Basic	\$ (0.05)	\$ (0.16)
Diluted	\$ (0.05)	\$ (0.16)
Cumulative effect of accounting change, net of income taxes:		
Basic	\$	\$ (2.06)
Diluted	\$	\$ (2.06)
Net Loss:		
Basic	\$ (0.05)	\$ (2.22)
Diluted	\$ (0.05)	\$ (2.22)

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Weighted-average number of shares used in calculation of loss per share:

Basic	79,436	71,409
	<u>79,436</u>	<u>71,409</u>
Diluted	79,436	71,409
	<u>79,436</u>	<u>71,409</u>

See notes to condensed consolidated financial statements.



## IDT CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended October 31,	
	2002	2001 (Restated)
Net cash provided by operating activities	\$ 14,985	\$ 10,648
<b>Investing activities</b>		
Purchases of property, plant and equipment	(8,970)	(12,528)
Issuance of notes receivable	(1,601)	(2,638)
Purchases of investments	(1,865)	(18,889)
Acquisitions		(2,394)
Increase in cash from consolidation of Net2Phone		144,177
Net purchases of marketable securities	(92,972)	(4,117)
Net cash (used in) provided by investing activities	(105,408)	103,611
<b>Financing activities</b>		
Proceeds from exercise of stock options	958	1,418
Repayments of capital lease obligations	(5,212)	(4,951)
Repurchases of common stock and Class B common stock		(15,302)
Distributions to minority shareholders of subsidiaries	(4,957)	(6,145)
Net cash used in financing activities	(9,211)	(24,980)
Net (decrease) increase in cash and cash equivalents	(99,634)	89,279
Cash and cash equivalents, beginning of period	415,464	1,091,071
Cash and cash equivalents, end of period	\$ 315,830	\$ 1,180,350
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	\$ 1,216	\$ 1,495
Income taxes paid	\$ 532	\$
<b>Supplemental schedule of non-cash investing activities</b>		
Purchases of property, plant and equipment through capital lease obligations	\$	\$ 10,964

See notes to condensed consolidated financial statements.



**IDT CORPORATION**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

*Note 1 Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements of IDT Corporation and its subsidiaries (the Company or IDT ) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisti