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LEAP WIRELESS INTERNATIONAL INC
Form 8-K
April 20, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): APRIL 19, 2001

LEAP WIRELESS INTERNATIONAL, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| | | |
|---|-------------------------------------|---|
| DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION) | 0-29752 (COMMISSION FILE NUMBER) | 33-0811062 (I.R.S. EMPLOYER IDENTIFICATION NO.) |
| 10307 PACIFIC CENTER COURT, SAN DIEGO, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) | | 92121 (ZIP CODE) |

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (858) 882-6000

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This Current Report on Form 8-K is filed by Leap Wireless International, Inc., a Delaware corporation ("Leap" or the "Company"), in connection with the matters described herein.

ITEM 5. OTHER EVENTS.

On April 19, 2001, Leap announced its financial and certain other operational results for the quarter ended March 31, 2001 as set forth below.

The Company reported that as of March 31, 2001, customers of the Company's Cricket service grew to just over 339,000, compared to the more than 190,000 customers reported as of December 31, 2000.

Cricket operational highlights from the first quarter of 2001 included:

- Leap launched an additional four markets -- Pueblo, Colorado; Wichita, Kansas; and Albuquerque and Santa Fe, New Mexico -- bringing the total potential customers covered by Cricket service in markets across the

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United States to approximately 9.2 million (1998 POPs).

- Average revenue per user per month (ARPU) across all of Leap's operational markets was approximately \$35.
- Overall cost per gross customer addition (CPGA) was less than \$230.

Key financial performance measures for the first quarter ended March 31, 2001 were as follows:

- Total operating revenues for Leap's U.S. operations for the first quarter were \$36.8 million, an increase of 158 percent over the previous quarter.
- Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) was negative \$48.1 million, compared to a negative \$60.5 million at the end of the prior quarter.
- Leap's consolidated net loss for the quarter was \$114.4 million or \$3.88 per share, compared to a net loss of \$103.5 million or \$3.82 per share in the prior quarter. Of the \$3.88 net loss per share reported in the first quarter, \$0.89 was the result of losses for Pegaso Telecomunicaciones S.A., de C.V. ("PEGASO"), the Mexican wireless company that Leap co-founded, recognized under the equity method of accounting.
- Leap's total cash and cash equivalents, investments, and deposits on pending wireless license acquisitions as of March 31, 2001 were approximately \$655 million.
- Leap's property and equipment, net of depreciation, rose to approximately \$508 million in the first quarter, an increase of approximately 18 percent from that reported at December 31, 2000.

Other Highlights:

- International Operations -- PEGASO continued to expand. PEGASO grew its customer base to approximately 624,000 at the end of the quarter, up approximately 88,000 from

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the 536,000 customers reported on December 31, 2000. During the first quarter, PEGASO also launched service in Mexicali and Saltillo, ending the quarter with service in 10 cities in Mexico.

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LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

March 31,

December

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| | 2001 | 2000 |
|---|--------------|-----------|
| | ----- | ----- |
| ASSETS | | |
| Cash and cash equivalents | \$ 342,589 | \$ 338, |
| Restricted cash equivalents | 13,678 | 13, |
| Short-term investments | 216,073 | 199, |
| Inventories | 12,574 | 9, |
| Notes receivable, net | 79,276 | 138, |
| Other current assets | 8,066 | 12, |
| | ----- | ----- |
| Total current assets | 672,256 | 712, |
| Property and equipment, net | 507,991 | 430, |
| Investment in unconsolidated wireless operating company | 8,191 | 34, |
| Wireless licenses, net | 273,436 | 265, |
| Goodwill and other intangible assets, net | 33,371 | 30, |
| Restricted investments | 52,735 | 51, |
| Deposits and other assets | 248,965 | 122, |
| | ----- | ----- |
| Total assets | \$ 1,796,945 | \$ 1,647, |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable and accrued liabilities | \$ 40,331 | \$ 58, |
| Other current liabilities | 60,023 | 65, |
| | ----- | ----- |
| Total current liabilities | 100,354 | 124, |
| Long-term debt | 1,130,318 | 897, |
| Other long-term liabilities | 40,014 | 41, |
| | ----- | ----- |
| Total liabilities | 1,270,686 | 1,064, |
| | ----- | ----- |
| Stockholders' equity: | | |
| Preferred stock | -- | |
| Common stock | 3 | |
| Additional paid-in capital | 948,990 | 893, |
| Unearned stock-based compensation | (8,256) | (10, |
| Accumulated deficit | (417,283) | (302, |
| Accumulated other comprehensive income | 2,805 | 2, |
| | ----- | ----- |
| Total stockholders' equity | 526,259 | 583, |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 1,796,945 | \$ 1,647, |
| | ===== | ===== |

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LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

Three Months Ended
March 31,

2001 2000 2000 Pr

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| | | | |
|---|--------------|-------------|-------|
| Revenues: | | | |
| Service revenues | \$ 25,655 | \$ 9,418 | \$ |
| Equipment revenues | 11,098 | 573 | |
| | ----- | ----- | ----- |
| Total revenues | 36,753 | 9,991 | |
| | ----- | ----- | ----- |
| Operating expenses: | | | |
| Cost of service | (12,226) | (2,783) | (|
| Cost of equipment | (30,938) | (13,248) | (|
| Selling and marketing | (17,015) | (6,676) | (|
| General and administrative expenses | (24,686) | (15,427) | (1 |
| Depreciation and amortization | (14,787) | (5,242) | (|
| | ----- | ----- | ----- |
| Total operating expenses | (99,652) | (43,376) | (2 |
| | ----- | ----- | ----- |
| Operating loss | (62,899) | (33,385) | (2 |
| Equity in net loss of investments in and loan receivable from unconsolidated wireless operating companies | (26,182) | (29,583) | (1 |
| Interest income | 10,899 | 4,691 | |
| Interest expense | (37,611) | (16,160) | (1 |
| Foreign currency transaction gains (losses), net | (1,235) | 1,399 | |
| Other income, net | 3,576 | 635 | |
| | ----- | ----- | ----- |
| Loss before income taxes and extraordinary item | (113,452) | (72,403) | (4 |
| Income taxes | (933) | -- | |
| | ----- | ----- | ----- |
| Loss before extraordinary item | (114,385) | (72,403) | (4 |
| Extraordinary loss on early extinguishment of debt | -- | (4,422) | (|
| | ----- | ----- | ----- |
| Net loss | \$ (114,385) | \$ (76,825) | \$ (5 |
| | ===== | ===== | ===== |
| Basic and diluted net loss per common share: | | | |
| Loss before extraordinary item | \$ (3.88) | \$ (3.23) | \$ |
| Extraordinary loss | -- | (0.20) | |
| | ----- | ----- | ----- |
| Net loss | \$ (3.88) | \$ (3.43) | \$ |
| | ===== | ===== | ===== |
| Shares used in per share calculations: | | | |
| Basic and diluted | 29,462 | 22,397 | 2 |
| | ===== | ===== | ===== |

(1) The pro forma results for the three months ended March 31, 2000 assume that the Company had purchased substantially all the assets of Chase Telecommunications Holdings, Inc. on January 1, 2000 and had sold its interest in Smartcom S.A. on December 31, 1999.

LEAP WIRELESS INTERNATIONAL, INC.

SELECTED SEGMENT DATA
(UNAUDITED)
(IN THOUSANDS)

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| | As of and for the Three Months Ended March 31, | |
|-------------------------------------|--|---------------|
| | ----- 2001 ----- | 2000 ----- |
| United States: | | |
| Revenues | \$ 36,753 | \$ 4,199 |
| EBITDA | (41,017) | (8,837) |
| Operating loss | (55,358) | (14,506) |
| Capital expenditures | (86,037) | (35,886) |
| Purchase of wireless licenses | (6,714) | (73,154) |
| Total assets | 1,173,583 | 213,635 |
| Mexico(1): | | |
| Revenues | 38,295 | 4,652 |
| EBITDA | (87,871) | (48,482) |
| Operating loss | (100,660) | (53,509) |
| Capital expenditures | (99,133) | (66,067) |
| Total assets | 806,215 | 597,566 |

(1) The results of the Mexico segment are for the quarters ended December 31, 2000 and 1999, a three month reporting lag.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 19, 2001

LEAP WIRELESS INTERNATIONAL, INC.

By: /s/ JAMES E. HOFFMANN

James E. Hoffmann
Senior Vice President, General
Counsel and Secretary

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