

NII HOLDINGS INC  
Form 10-Q  
May 05, 2011

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

**Form 10-Q**

- þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
For the quarterly period ended March 31, 2011  
OR  
o 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: 0-32421**

**NII HOLDINGS, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or Other Jurisdiction of  
Incorporation or Organization)*

**91-1671412**

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

**1875 Explorer Street, Suite 1000**

**Reston, Virginia**

*(Address of Principal Executive Offices)*

**20190**

*(Zip Code)*

**(703) 390-5100**

*(Registrant's Telephone Number, Including Area Code)*

**Not Applicable**

*(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)*

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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 Exchange Act). Yes  No

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

<b>Title of Class</b>	<b>Number of Shares Outstanding on May 2, 2011</b>
Common Stock, \$0.001 par value per share	170,197,413

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**NII HOLDINGS, INC. AND SUBSIDIARIES**

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**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****NII HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except par values)

Unaudited

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,428,251	\$ 1,767,501
Short-term investments	355,730	537,539
Accounts receivable, less allowance for doubtful accounts of \$56,247 and \$41,282	849,875	788,000
Handset and accessory inventory	227,137	227,191
Deferred income taxes, net	233,649	186,988
Prepaid expenses and other	349,954	393,658
Total current assets	4,444,596	3,900,877
<b>Property, plant and equipment, less accumulated depreciation of \$2,218,485 and \$2,028,266</b>	<b>3,092,450</b>	<b>2,960,046</b>
<b>Intangible assets, less accumulated amortization of \$139,283 and \$130,847</b>	<b>449,389</b>	<b>433,208</b>
<b>Deferred income taxes, net</b>	<b>455,049</b>	<b>486,098</b>
<b>Long-term investments</b>	<b>254,484</b>	
<b>Other assets</b>	<b>371,280</b>	<b>410,458</b>
Total assets	\$ 9,067,248	\$ 8,190,687
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 179,796	\$ 300,030
Accrued expenses and other	819,827	827,253
Deferred revenues	167,650	158,690
Current portion of long-term debt	491,975	446,995
Total current liabilities	1,659,248	1,732,968
<b>Long-term debt</b>	<b>3,576,499</b>	<b>2,818,423</b>
<b>Deferred revenues</b>	<b>20,419</b>	<b>20,476</b>
<b>Deferred credits</b>	<b>84,708</b>	<b>88,068</b>
<b>Other long-term liabilities</b>	<b>219,472</b>	<b>211,179</b>

Total liabilities	5,560,346	4,871,114
<b>Commitments and contingencies (Note 4)</b>		
<b>Stockholders' equity</b>		
Undesignated preferred stock, par value \$0.001, 10,000 shares authorized 2011 and 2010, no shares issued or outstanding 2011 and 2010		
Common stock, par value \$0.001, 600,000 shares authorized 2011 and 2010, 169,729 shares issued and outstanding 2011, 169,661 shares issued and outstanding 2010	169	169
Paid-in capital	1,380,014	1,364,705
Retained earnings	2,112,708	2,015,950
Accumulated other comprehensive income (loss)	14,011	(61,251)
Total stockholders' equity	3,506,902	3,319,573
Total liabilities and stockholders' equity	\$ 9,067,248	\$ 8,190,687

The accompanying notes are an integral part of these condensed consolidated financial statements.

## NII HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME

(in thousands, except per share amounts)

Unaudited

	<b>Three Months Ended, March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating revenues</b>		
Service and other revenues	\$ 1,546,328	\$ 1,217,670
Digital handset and accessory revenues	76,509	65,476
	1,622,837	1,283,146
<b>Operating expenses</b>		
Cost of service (exclusive of depreciation and amortization included below)	444,877	349,525
Cost of digital handsets and accessories	211,503	172,828
Selling, general and administrative	535,557	419,426
Depreciation	146,796	120,740
Amortization	9,123	7,956
	1,347,856	1,070,475
<b>Operating income</b>	274,981	212,671
<b>Other expense</b>		
Interest expense, net	(81,159)	(85,726)
Interest income	6,211	5,599
Foreign currency transaction gains (losses), net	8,494	(25,083)
Other expense, net	(4,367)	(4,358)
	(70,821)	(109,568)
<b>Income before income tax provision</b>	204,160	103,103
<b>Income tax provision</b>	(107,402)	(54,641)
<b>Net income</b>	\$ 96,758	\$ 48,462
<b>Net income, per common share, basic</b>	\$ 0.57	\$ 0.29
<b>Net income, per common share, diluted</b>	\$ 0.56	\$ 0.28
<b>Weighted average number of common shares outstanding, basic</b>	169,692	166,817
<b>Weighted average number of common shares outstanding, diluted</b>	172,534	170,475

**Comprehensive income, net of income taxes**

Foreign currency translation adjustment	\$	74,751	\$	28,793
Other		511		(1,723)
Other comprehensive income		75,262		27,070
Net income		96,758		48,462
Total comprehensive income	\$	172,020	\$	75,532

The accompanying notes are an integral part of these condensed consolidated financial statements.

## NII HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY  
For the Three Months Ended March 31, 2011

(in thousands)

Unaudited

	Common Stock		Paid-in	Retained	Accumulated Other Comprehensive (Loss) Income	Total Stockholders Equity
	Shares	Amount	Capital	Earnings		
<b>Balance, January 1, 2011</b>	169,661	\$ 169	\$ 1,364,705	\$ 2,015,950	\$ (61,251)	\$ 3,319,573
Net income				96,758		96,758
Other comprehensive income, net of taxes					75,262	75,262
Exercise of stock options	78		426			426
Share-based payment expense for equity-based awards			14,880			14,880
Other	(10)		3			3
<b>Balance, March 31, 2011</b>	169,729	\$ 169	\$ 1,380,014	\$ 2,112,708	\$ 14,011	\$ 3,506,902

The accompanying notes are an integral part of these condensed consolidated financial statements.



**NII HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Three Months Ended March 31, 2011 and 2010****(in thousands)****Unaudited**

	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 96,758	\$ 48,462
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of debt discount and financing costs	14,900	16,287
Depreciation and amortization	155,919	128,696
Provision for losses on accounts receivable	31,827	19,594
Foreign currency transaction (gains) losses, net	(8,494)	25,083
Share-based payment expense	14,880	18,150
Other, net	1,363	(11,645)
Change in assets and liabilities:		
Accounts receivable, gross	(76,915)	(39,639)
Handset and accessory inventory	21,262	60,399
Prepaid expenses and other, net	7,209	21,512
Other long-term assets	(31,835)	35,174
Accounts payable, accrued expenses and other	(22,911)	(124,999)
Net cash provided by operating activities	203,963	197,074
<b>Cash flows from investing activities:</b>		
Capital expenditures	(226,131)	(156,289)
Purchase of long-term and short-term investments	(696,517)	(315,136)
Proceeds from sales of short-term investments	624,541	396,838
Transfers from restricted cash	89,100	
Other, net	(6,773)	(17,778)
Net cash used in investing activities	(215,780)	(92,365)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of senior notes	750,000	
Borrowings under syndicated loan facilities		60,000
Repayments under syndicated loan facilities and other transactions	(61,693)	(47,262)
Other, net	(12,412)	16,918
Net cash provided by financing activities	675,895	29,656
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(3,328)</b>	<b>12,306</b>
<b>Net increase in cash and cash equivalents</b>	<b>660,750</b>	<b>146,671</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,767,501</b>	<b>2,504,064</b>

<b>Cash and cash equivalents, end of period</b>	\$ 2,428,251	\$ 2,650,735
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The accompanying notes are an integral part of these condensed consolidated financial statements.

**NII HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Unaudited**

**Note 1. Basis of Presentation**

**General.** Our unaudited condensed consolidated financial statements have been prepared under the rules and regulations of the Securities and Exchange Commission, or the SEC. While they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements, they reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for interim periods. In addition, the year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

You should read these condensed consolidated financial statements in conjunction with the consolidated financial statements and notes contained in our annual report on Form 10-K for the year ended December 31, 2010. You should not expect results of operations for interim periods to be an indication of the results for a full year.

**Accumulated Other Comprehensive Income (Loss).** The components of our accumulated other comprehensive income (loss), net of taxes, are as follows:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in thousands)</b>	
Cumulative foreign currency translation adjustment	\$ 18,417	\$ (56,333)
Other	(4,406)	(4,918)