

SPRINT Corp
Form 10-Q
November 07, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

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 1-04721

SPRINT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 46-1170005
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6200 Sprint Parkway, Overland Park, Kansas 66251
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (913) 794-1091

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

COMMON SHARES OUTSTANDING AT NOVEMBER 6, 2018:

Sprint Corporation Common Stock 4,077,576,840

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SPRINT CORPORATION
CONSOLIDATED BALANCE SHEETS

| | September 30, 2018 | March 31, 2018 |
|--|---|-------------------|
| | (in millions, except share and per share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,726 | \$ 6,610 |
| Short-term investments | 3,186 | 2,354 |
| Accounts and notes receivable, net of allowance for doubtful accounts and deferred interest of \$321 and \$409, respectively | 3,555 | 3,711 |
| Device and accessory inventory | 859 | 1,003 |
| Prepaid expenses and other current assets | 1,121 | 575 |
| Total current assets | 14,447 | 14,253 |
| Property, plant and equipment, net | 20,816 | 19,925 |
| Costs to acquire a customer contract | 1,379 | — |
| Intangible assets | | |
| Goodwill | 6,598 | 6,586 |
| FCC licenses and other | 41,373 | 41,309 |
| Definite-lived intangible assets, net | 2,075 | 2,465 |
| Other assets | 1,163 | 921 |
| Total assets | \$ 87,851 | \$ 85,459 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,210 | \$ 3,409 |
| Accrued expenses and other current liabilities | 3,370 | 3,962 |
| Current portion of long-term debt, financing and capital lease obligations | 5,346 | 3,429 |
| Total current liabilities | 12,926 | 10,800 |
| Long-term debt, financing and capital lease obligations | 35,329 | 37,463 |
| Deferred tax liabilities | 7,704 | 7,294 |
| Other liabilities | 3,428 | 3,483 |
| Total liabilities | 59,387 | 59,040 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, voting, par value \$0.01 per share, 9.0 billion authorized, 4.079 billion and 4.005 billion issued, respectively | 41 | 40 |
| Paid-in capital | 28,251 | 27,884 |
| Treasury shares, at cost | (15 |) — |
| Retained earnings (accumulated deficit) | 432 | (1,255) |
| Accumulated other comprehensive loss | (308 |) (313) |
| Total stockholders' equity | 28,401 | 26,356 |
| Noncontrolling interests | 63 | 63 |
| Total equity | 28,464 | 26,419 |
| Total liabilities and equity | \$ 87,851 | \$ 85,459 |

See Notes to the Consolidated Financial Statements

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SPRINT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | Three Months Ended | | Six Months Ended | |
|---|--|-----------|-----------------------|----------|
| | September 30, 2018 | 2017 | September 30, 2018 | 2017 |
| | (in millions, except per share amounts) | | | |
| Net operating revenues: | | | | |
| Service | \$5,762 | \$5,967 | \$11,502 | \$12,038 |
| Equipment sales | 1,418 | 994 | 2,591 | 2,181 |
| Equipment rentals | 1,253 | 966 | 2,465 | 1,865 |
| | 8,433 | 7,927 | 16,558 | 16,084 |
| Net operating expenses: | | | | |
| Cost of services (exclusive of depreciation and amortization included below) | 1,694 | 1,698 | 3,371 | 3,407 |
| Cost of equipment sales | 1,517 | 1,404 | 2,787 | 2,949 |
| Cost of equipment rentals (exclusive of depreciation below) | 151 | 112 | 275 | 224 |
| Selling, general and administrative | 1,861 | 2,013 | 3,728 | 3,951 |
| Severance and exit costs | 25 | — | 33 | — |
| Depreciation - network and other | 1,021 | 997 | 2,044 | 1,974 |
| Depreciation - equipment rentals | 1,181 | 888 | 2,317 | 1,742 |
| Amortization | 159 | 209 | 330 | 432 |
| Other, net | 46 | 5 | 80 | (359) |
| | 7,655 | 7,326 | 14,965 | 14,320 |
| Operating income | 778 | 601 | 1,593 | 1,764 |
| Other (expense) income: | | | | |
| Interest expense | (633) | (595) | (1,270) | (1,208) |
| Other income (expense), net | 79 | 44 | 121 | (8) |
| | (554) | (551) | (1,149) | (1,216) |
| Income before income taxes | 224 | 50 | 444 | 548 |
| Income tax expense | (17) | (98) | (64) | (390) |
| Net income (loss) | 207 | (48) | 380 | 158 |
| Less: Net income attributable to noncontrolling interests | (11) | — | (8) | — |
| Net income (loss) attributable to Sprint Corporation | \$196 | \$(48) | \$372 | \$158 |
| Basic net income (loss) per common share attributable to Sprint Corporation | \$0.05 | \$(0.01) | \$0.09 | \$0.04 |
| Diluted net income (loss) per common share attributable to Sprint Corporation | \$0.05 | \$(0.01) | \$0.09 | \$0.04 |
| Basic weighted average common shares outstanding | 4,061 | 3,998 | 4,036 | 3,996 |
| Diluted weighted average common shares outstanding | 4,124 | 3,998 | 4,095 | 4,080 |
| Other comprehensive income (loss), net of tax: | | | | |
| Net unrealized holding gains (losses) on securities and other | \$1 | \$13 | \$(7) | \$18 |
| Net unrealized holding gains (losses) on derivatives | 7 | 2 | 17 | (7) |
| Net unrecognized net periodic pension and other postretirement benefits | 1 | 1 | 3 | 1 |
| Cumulative effect of accounting change | — | — | (8) | — |
| Other comprehensive income | 9 | 16 | 5 | 12 |
| Comprehensive income (loss) | \$216 | \$(32) | \$385 | \$170 |

See Notes to the Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six Months Ended September 30, 2018 (in millions) | 2017 |
|---|--|--------|
| Cash flows from operating activities: | | |
| Net income | \$ 380 | \$ 158 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,691 | 4,148 |
| Provision for losses on accounts receivable | 166 | 199 |
| Share-based and long-term incentive compensation expense | 68 | 87 |
| Deferred income tax expense | 39 | 364 |
| Gains from asset dispositions and exchanges | — | (479) |
| Loss on early extinguishment of debt | — | 65 |
| Amortization of long-term debt premiums, net | (67) | (90) |
| Loss on disposal of property, plant and equipment | 343 | 410 |
| Deferred purchase price from sale of receivables | (223) | (640) |
| Other changes in assets and liabilities: | | |
| Accounts and notes receivable | 85 | (179) |
| Inventories and other current assets | 168 | 541 |
| Accounts payable and other current liabilities | (95) | (161) |

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| | | | | |
|--|--------|---|--------|---|
| Non-current assets and liabilities, net | (384 |) | 183 | |
| Other, net | 186 | | 120 | |
| Net cash provided by operating activities | 5,357 | | 4,726 | |
| Cash flows from investing activities: | | | | |
| Capital expenditures - network and other | (2,398 |) | (1,843 |) |
| Capital expenditures - leased devices | (3,524 |) | (3,065 |) |
| Expenditures relating to FCC licenses | (70 |) | (19 |) |
| Proceeds from sales and maturities of short-term investments | 4,002 | | 5,582 | |
| Purchases of short-term investments | (4,834 |) | (1,748 |) |
| Proceeds from sales of assets and FCC licenses | 272 | | 218 | |
| Proceeds from deferred purchase price from sale of receivables | 223 | | 640 | |
| Other, net | 42 | | (2 |) |
| Net cash used in investing activities | (6,287 |) | (237 |) |
| Cash flows from financing activities: | | | | |
| Proceeds from debt and financings | 2,944 | | 1,860 | |
| Repayments of debt, financing and capital lease obligations | (2,928 |) | (4,261 |) |
| Debt financing costs | (248 |) | (9 |) |
| Call premiums paid on debt redemptions | — | | (129 |) |
| Proceeds from issuance of common stock, net | 276 | | 1 | |
| Other, net | — | | (22 |) |