

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **2004-02-12** | Period of Report: **2004-02-12**
SEC Accession No. **0001125282-04-000412**

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FILER

EASYLINK SERVICES CORP

CIK: **1081661** | IRS No.: **133787073** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-26371** | Film No.: **04588344**
SIC: **7389** Business services, nec

Mailing Address
399 THORNALL STREET
6TH FLOOR
EDISON NJ 08837

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399 THORNALL STREET
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EDISON NJ 08837
7329062000

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)
February 12, 2004

EasyLink Services Corporation

(Exact name of registrant as specified in its charter)

Delaware	000-26371	13-3787073
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

33 Knightsbridge Road
Piscataway, NJ 08854
(Address of principal executive offices)

Registrant's telephone number, including area code: (732) 652-3500

N/A

Former Name or Former Address, if Changed Since Last Report

Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits.

(c) Exhibits.

The following exhibits are filed herewith:

Exhibit No. 99.1 Press Release dated February 12, 2004.

Item 12. Results of Operations and Financial Condition

On February 12, 2004, EasyLink Services Corporation issued a press release reporting on its financial results for the quarter and year ended December 31, 2003. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information furnished under Items 7 and 12 of this report (including Exhibit 99.1) shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless specifically incorporated by reference in such filing.

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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.

Dated: February 12, 2004

EASYLINK SERVICES CORPORATION

By: s/Thomas Murawski

Thomas Murawski, Chief Executive Officer and President

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INDEX TO EXHIBITS

Exhibit No.	Description
99.1	Press Release dated February 12, 2004

NEWS ANNOUNCEMENT

FOR IMMEDIATE RELEASE

CONTACTS:

Debra L. McClister
Executive Vice President and
Chief Financial Officer
DMcClister@EasyLink.com

EASYLINK REPORTS FOURTH QUARTER 2003 NET INCOME OF \$0.9
MILLION, OR \$.02 PER SHARE

Income (Loss) From Operations for the Full Year 2003 Approaches
Breakeven on Revenues of \$101.3 Million

PISCATAWAY, NJ - February 12, 2004 - EasyLink Services Corporation (NASDAQ: EASY), a leading global provider of services that power the exchange of information between enterprises, their trading communities and their customers, today reported financial results for the fourth quarter and year ended December 31, 2003. Fourth quarter revenues were in line with EasyLink's previously announced guidance, with better than expected earnings per share and gross margin results.

The Company reports that it achieved its second consecutive quarter of positive income from operations. Net income was \$0.9 million or \$.02 per share as compared to a net loss \$(83.7) million or \$(4.86) per share for the fourth quarter of 2002. The fourth quarter 2002 net loss included a charge of \$78.8 million for the impairment of intangible assets. Revenues for the fourth quarter of 2003 were \$24.7 million as compared to \$25.1 million during the third quarter of 2003 and \$26.0 million in the fourth quarter of 2002. Gross margin was 53% in the fourth quarter of 2003 as compared to 48% in the fourth quarter of 2002.

Total operating expenses in the fourth quarter amounted to \$12.6 million as compared to \$93.9 million for the fourth quarter of 2002. The fourth quarter of 2002 included a charge of \$78.8 million for the impairment of intangible assets. Sales, marketing, G & A, and product development costs of \$11.4 million in the fourth quarter of 2003 reflected a decrease of \$1.6 million, or 12% from the \$13.0 million recorded in 2002.

The Company further reported that it achieved Earnings before interest, taxes, depreciation and amortization ("EBITDA") from continuing operations during the fourth quarter of 2003 of \$3.5 million as compared to a negative \$(77.8) million during the fourth quarter of 2002. The fourth quarter 2002 net loss included a charge of \$78.8 million for the impairment of intangible assets. EBITDA is not a financial measure within generally accepted accounting principles (GAAP). A reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, operating cash flows, is attached in addition to a reconciliation to net income (loss) for all periods presented. The Company considers EBITDA to be a financial indicator of its operational strength, its ability to service debt and its capacity to make new investments in its services.

EASYLINK RECORDS FOURTH QUARTER NET INCOME OF \$0.9 MILLION

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The Company increased its cash and cash equivalents balance during the fourth quarter by \$2.1 million to \$6.6 million as compared to \$4.5 million as of September 30, 2003.

Thomas Murawski, President and Chief Executive Officer of EasyLink, said, "Our second consecutive profitable quarter is a result of the structural improvements we have made to the business. Our cash flow from operations increased to \$3.9 million for the fourth quarter of 2003. This, along with our successful debt restructuring during 2003 will allow us to increase funding in strategic areas

going forward such as sales and marketing - investments in building the business for 2004 and beyond. We are using these resources to continue our evolution from a messaging services company to a strategic solutions provider to mid and large size enterprises. We successfully introduced industry-focused solutions this year such as EasyLink Financial Transaction Services and our industry-certified insurance claims solution. Related to this evolution, we continue to invest in our mission to become a customer satisfaction and quality leader. Over the course of 2003 we recorded an average 25% improvement in our customer's critical quality metrics through our Six Sigma initiative. Though we still have much work to do, these improvements bring EasyLink's quality levels in line with best in class global software solutions providers, well ahead, we believe, of our direct competitors." Murawski added "An additional positive outcome of our debt restructuring is the significant reduction in management time which was required over the past 18 months managing this process, as well as the uncertainty it periodically caused among customers, investors, and employees. We are glad we can now focus more of our time and attention to growing the business."

Financial Metrics

For the third and fourth quarters and full year 2003, revenues (in thousands) by service lines were:

	Third Quarter	Fourth Quarter	2003 YTD
EDI Services	\$ 4,699	\$ 4,919	\$ 19,101
Production Messaging	\$ 13,947	\$ 12,870	\$ 56,426
Integrated Desktop Messaging	\$ 1,854	\$ 2,123	\$ 7,023
MailWatch & Boundary Services	\$ 1,744	\$ 1,435	\$ 6,516
Other Services	\$ 2,821	\$ 3,392	\$ 12,281
	-----	-----	-----
Total	\$ 25,065	\$ 24,739	\$ 101,347

Full Year 2003 Results

Revenues for the year ended December 31, 2003 were \$101.3 million as compared to \$114.4 million in the year ended December 31, 2002. The Company reported net income for the year ended December 31, 2003 of \$51.1 million, or \$1.44 per share, compared to a net loss of \$(85.8) million, or \$(5.13) per share, for the year ended December 31, 2002. Net income(loss) for the years ended 2003 and 2002 included gains of \$54.1 million and \$6.6 million, respectively, on debt restructuring and settlements. These transactions in 2003 reflect the extinguishment of \$63.0 million of debt principal, \$6.5 million of capitalized interest, and \$2.4 million of accrued interest, net of deferred debt issuance costs. In exchange for this debt elimination the Company paid cash of \$3.1 million and issued 23.9 million shares of Class A common stock valued at \$13.6 million and \$1.1 million of new notes with \$0.2 million of capitalized interest. Also included in 2002 is a charge of \$78.8 million for the impairment of intangible assets.

EASYLINK RECORDS FOURTH QUARTER NET INCOME OF \$0.9 MILLION

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Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the full year 2003 amounted to \$63.8 million as compared to a negative \$(62.8) million for the full year 2002. The EBITDA results for the year ended December 31, 2003 and 2002 include \$54.1 million and \$6.6 million, respectively, in gains on debt restructuring and settlements. Also included in 2002 is a charge of \$78.8 million for the impairment of intangible assets.

Business Outlook

The following statements are forward looking and actual results may differ materially due to factors noted at the end of this release, among others.

EasyLink expects the following for the first quarter of 2004:

- o Revenues and gross margin are expected to approximate the fourth quarter 2003.
- o Net income is expected to approximate breakeven to \$0.01 per share.

For the full year 2004 EasyLink expects the following:

- o Revenues are expected to be in the range of \$100 - \$105 million.
- o Net income per share is expected to be in the range of \$0.02 - \$0.07 per share, based on a slightly increased number of shares outstanding as compared to the end of 2003.

o EBITDA is expected to be in the range of \$8-\$12 million.

Quarterly Conference Call

EasyLink will host its quarterly conference call today at 10:30 a.m. EST. Listeners should call five minutes prior to the start of the call to 800/839-3552 and the reservation number is 5249280. The call will also be broadcast over the Internet. Online listeners should visit the investor relations' pages of the EasyLink Web site, www.easylink.com, or www.streetevents.com prior to the start of the call for login information. If you are unable to participate, the online archive of the broadcast will be available on the investor relation's pages of www.EasyLink.com within two hours of the live call through Thursday, February 19th at 11:30 p.m. EST. You can also access the replay by calling 800/642-1687 and entering the reservation number 5249280.

About EasyLink Services Corporation

EasyLink Services Corporation (NASDAQ: EASY), headquartered in Piscataway, New Jersey, is a leading global provider of services that power the exchange of information between enterprises, their trading communities, and their customers. EasyLink's networks facilitate transactions that are integral to the movement of money, materials, products, and people in the global economy, such as insurance claims, trade and travel confirmations, purchase orders, invoices, shipping notices and funds transfers, among many others. EasyLink helps more than 20,000 companies, including over 400 of the Global 500, become more competitive by providing the most secure, efficient, reliable, and flexible means of conducting business electronically. For more information, please visit www.easylink.com.

EASYLINK RECORDS FOURTH QUARTER NET INCOME OF \$0.9 MILLION

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Investors are cautioned that the EBITDA information contained in this news announcement is not a financial measure under generally accepted accounting principles. In addition, it should not be construed as an alternative to any other measures of performance determined in accordance with generally accepted accounting principles, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that it fails to address. We present this information because we consider EBITDA to be a financial indicator of the Company's operational strength, its ability to service debt and its capacity to make new investments in its services.

This news release may contain statements of a forward-looking nature relating to the future events or the future financial results of EasyLink Services Corporation. Investors are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such statements, investors should specifically consider the various factors that could cause actual events or results to differ materially from those indicated from such forward-looking statements. These include: historic losses; the need to raise additional capital; the ability to service our remaining indebtedness; the ability to continue as a going concern being dependent upon the ability to generate sufficient cash flow to meet our obligations on a timely basis, to obtain additional financing or refinancing as may be required, and to maintain profitable operations; significant leverage; the ability to attract additional customers or to expand services sold to existing customers; the ability to successfully implement our business strategy; significant competition; the risks inherent in integrating the EasyLink business; and the risk of being delisted from NASDAQ. These and other risks and uncertainties are described in more detail in the Company's filings with the Securities and Exchange Commission.

EASYLINK RECORDS FOURTH QUARTER NET INCOME OF \$0.9 MILLION

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EasyLink Services Corporation
Condensed Consolidated Balance Sheets
(in thousands)

<TABLE>
<CAPTION>

Dec. 31, 2003

Dec. 31, 2002

<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	\$ 6,623	\$ 9,554
Accounts and other receivable, net	11,430	11,938
Other current assets	1,983	2,019
Property and equipment, net	10,641	14,833
Goodwill and other intangible assets, net	17,895	20,814
Other assets	1,025	1,853
	-----	-----
Total assets	\$ 49,597	\$ 61,011
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Accounts payable	\$ 9,082	\$ 10,235
Accrued expenses	14,336	20,853
Restructuring reserves payable	2,747	2,362
Net liabilities of discontinued operations	828	360
Other liabilities	2,542	1,788
Convertible notes and notes payable	13,468	75,550
Capitalized interest on restructured notes	1,996	11,685
	-----	-----
Total liabilities	44,999	122,833
Total stockholders' equity (deficit)	4,598	(61,822)
	-----	-----
Total liabilities and stockholders' equity (deficit)	\$ 49,597	\$ 61,011
	=====	=====

</TABLE>

-statements of operations and cash flow follow-

EASYLINK RECORDS FOURTH QUARTER NET INCOME OF \$0.9 MILLION

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EasyLink Services Corporation
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

<TABLE>

<CAPTION>

<S>	Three months ended December 31,		Year ended December 31,	
	2003	2002	2003	2002
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 24,739	\$ 26,003	\$ 101,347	\$ 114,354
Cost of revenues	11,621	13,434	49,553	57,601
	-----	-----	-----	-----
Gross profit	13,118	12,569	51,794	56,753
Operating expenses:				
Sales and marketing	4,315	3,951	18,379	20,151
General and administrative	5,705	6,923	24,405	28,694
Product development	1,343	2,096	6,383	7,412
Amortization of goodwill/other intangibles	517	1,688	2,066	6,751
Impairment of intangible assets	--	78,784	--	78,784
Restructuring and impairment charges	690	610	1,478	2,320
Gain on sale of businesses	--	(126)	--	(426)
	-----	-----	-----	-----
Total operating expenses	12,570	93,926	52,711	143,686
Income (loss) from operations	547	(81,357)	(917)	(86,933)
Gain on debt restructuring and settlements	412	--	54,078	6,558

Impairment/equity loss on investments	--	(1,515)	--	(1,515)
Interest and other income (expense), net	65	(800)	(1,092)	(3,955)
	-----	-----	-----	-----
Income (loss) from continuing operations	1,024	(83,672)	52,069	(85,845)
Loss from discontinued operations	(100)	--	(938)	--
	-----	-----	-----	-----
Net income (loss)	\$ 924	\$ (83,672)	\$ 51,131	\$ (85,845)
	=====	=====	=====	=====
Basic net income (loss) per share:				
Income (loss) from continuing operations	\$ 0.02	\$ (4.86)	\$ 1.47	\$ (5.13)
Loss from discontinued operations	\$ --	\$ --	(0.03)	\$ --
	-----	-----	-----	-----
Net income (loss)	\$ 0.02	\$ (4.86)	\$ 1.44	\$ (5.13)
	=====	=====	=====	=====
Diluted net income (loss) per share:				
Income (loss) from continuing operations	\$ 0.02	\$ (4.86)	\$ 1.46	\$ (5.13)
Loss from discontinued operations	\$ --	\$ --	(0.03)	\$ --
	-----	-----	-----	-----
Net income (loss)	\$ 0.02	\$ (4.86)	\$ 1.43	\$ (5.13)
	=====	=====	=====	=====
Weighted average basic shares outstanding	43,996	17,231	35,402	16,733
	=====	=====	=====	=====
Weighted average diluted shares outstanding	44,936	17,231	35,654	16,733
	=====	=====	=====	=====

</TABLE>

EASYLINK RECORDS FOURTH QUARTER NET INCOME OF \$0.9 MILLION

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EasyLink Services Corporation
Condensed Consolidated Statements of Cash Flows
(in thousands)

<TABLE>
<CAPTION>

	Year Ended December 31,	
	2003	2002
	----	----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	\$ 51,131	\$ (85,845)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from discontinued operations	(938)	--
Non-cash interest	183	1,830
Depreciation	8,295	10,417
Amortization of intangible assets	2,919	8,039
Provision for doubtful accounts	1	2,596
Provision for restructuring and impairments	1,478	2,320
Gain on debt restructuring and settlements	(54,078)	(6,558)
Issuance of shares as matching contributions to employee benefit plans	493	437
Impairments of goodwill	--	78,784
Impairments of investments	--	1,515
Other	184	(14)
Changes in operating assets and liabilities:		
Accounts receivable, net	507	7,278
Prepaid expenses and other current assets	330	(210)
Other assets	274	(83)
Accounts payable, accrued expenses and other liabilities	(2,900)	(18,203)
Deferred revenue	(120)	(143)
	-----	-----
Net cash provided by operating activities	7,759	2,160

Cash flows from investing activities:		
Purchases of property and equipment, including capitalized software	(4,214)	(3,498)
Proceeds from sale of business	--	426
Net cash used in investing activities	(4,214)	(3,072)
Cash flows from financing activities:		
Payments under capital lease obligations	(426)	(585)
Interest payments on restructured notes	--	(897)
Payments of capitalized interest	(843)	--
Principal payments of notes payable	(5,793)	(821)
Proceeds from issuance of Class A Common Stock	1,000	--
Net cash used in financing activities	(6,062)	(2,303)
Effect of foreign exchange rate changes on cash and cash equivalents	(18)	(209)
Net decrease in cash and cash equivalents	(2,535)	(3,424)
Cash used in discontinued operations	(396)	(300)
Cash and cash equivalents at beginning of the period	9,554	13,278
Cash and cash equivalents at the end of the period	\$ 6,623	\$ 9,554

</TABLE>

EASYLINK RECORDS FOURTH QUARTER NET INCOME OF \$0.9 MILLION

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EasyLink Services Corporation
Reconciliation of Non GAAP Financial Information to GAAP
(in thousands)

<TABLE>
<CAPTION>

	Three Months		Year	
	Ended December 31,		Ended December 31,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Net income (loss)	\$ 924	\$ (83,672)	\$ 51,131	\$ (85,845)
Add:				
Depreciation	1,707	2,802	8,295	10,417
Amortization of intangible assets	678	1,988	2,918	8,039
Interest expense, net and taxes	162	1,116	1,429	4,574
EBITDA	3,471	(77,766)	63,773	(62,815)
Interest expense, net and taxes	(162)	(1,116)	(1,429)	(4,574)
Add (subtract):				
Non-cash Interest	14	93	183	1,830
Provision for doubtful accounts	133	76	1	2,596
Provision for restructuring and impairments	690	610	1,478	2,320
Gain on debt restructuring and settlements	(412)	--	(54,078)	(6,558)
Impairments of goodwill	--	78,784	--	78,784
Impairments of Investment	--	1,515	--	1,515
Other non-cash items	132	218	677	423

Changes in operating assets and liabilities	162	(778)	(1,908)	(11,361)
Loss from discontinued operations	(100)	--	(938)	--
	-----	-----	-----	-----
Net cash provided by operations	\$ 3,928	\$ 1,636	\$ 7,759	\$ 2,160
	=====	=====	=====	=====

</TABLE>