

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-30**
SEC Accession No. **0000928816-95-000029**

([HTML Version](#) on [secdatabase.com](#))

FILER

TOTAL TEL USA COMMUNICATIONS INC

CIK: **34497** | IRS No.: **221656895** | State of Incorporation: **NJ** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **000-02180** | Film No.: **95546637**
SIC: **4813** Telephone communications (no radiotelephone)

Mailing Address

150 CLOVE ROAD
LITTLE FALLS NJ 07424-0449

Business Address

150 CLOVE RD
LITTLE FALLS NJ 07424-049
2018121100

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended April 30, 1995

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 0-2180

TOTAL-TEL USA COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

New Jersey

22-1656895

(State or other Jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
150 Clove Road, 8th Floor, Little Falls, NJ 07424

(Address of principal executive offices) (Zip Code)

Registrant's telephone number,
including area code: (201) 812-1100

Not applicable

(Former address of principal executive offices) (Zip Code)

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

Class	Outstanding at June 9, 1995
-----	-----
Common Share, \$.05 par value	1,449,751 shares

TOTAL-TEL USA COMMUNICATIONS, INC.

AND SUBSIDIARIES

FIRST QUARTER REPORT ON FORM 10-Q

INDEX

Page No.

PART I. FINANCIAL INFORMATION

Condensed Consolidated Statement of Earnings Three months ended April 30, 1995 and 1994 (unaudited)	3
Condensed Consolidated Balance Sheets April 30, 1995 (unaudited), and January 31, 1995	4-5
Condensed Consolidated Statements of Cash Flows Three months ended April 30, 1995 and 1994 (unaudited)	6
Notes to Condensed Consolidated Financial Statements (unaudited)	7
Management's Discussion and Analysis of Financial Condition and Results of Operations	8-10

PART II. OTHER INFORMATION

Items 1-5	11
Item 6. Exhibits and Reports on Form 8-K	11

SIGNATURES 11

<TABLE>
<CAPTION>

TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Three months ended	
	April 30.	
	1995	1994
	----	----
<S> Net Sales	<C> \$10,515,612 -----	<C> \$5,414,453 -----
Costs and Expenses		
Cost of Sales	7,401,128	3,773,815
Selling, general and administrative	2,545,892 -----	1,408,187 -----
	9,947,020 -----	5,182,002 -----
Operating Income	568,592 -----	232,451 -----
Other Income (Expense)		
Interest income	30,117	30,961
Other income	1,002	7,408
Interest expense	(4,007) -----	(374) -----

Total Other Income	27,112	37,995
	-----	-----
Earnings before provision for income taxes	595,704	270,446
Provision for Income Tax	230,100	(103,000)
NET EARNINGS	\$365,604	\$167,446
	-----	-----
NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	\$.23	\$.10
	-----	-----
Weighted Average Shares Outstanding	1,615,063	1,629,876
	-----	-----
Dividends Per Share	NONE	NONE
	-----	-----
See notes to condensed consolidated financial statements.		

</TABLE>

<TABLE>
<CAPTION>

TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	APRIL 30, 1995	JANUARY 31, 1995
	-----	-----
	(Unaudited)	(Note)
	<C>	<C>
<S> ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,027,043	\$ 1,347,625
Investments available for sale	1,803,745	--
Marketable securities	--	1,923,424
Accounts receivable	6,816,545	5,939,634
Notes receivable	631,180	653,792
Deferred income taxes	278,900	263,000
Prepaid expenses and other current assets	450,316	420,309
	-----	-----
TOTAL CURRENT ASSETS	12,007,729	10,547,784
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	4,239,694	3,924,139
OTHER ASSETS:		
Deferred income taxes	75,000	44,000
Deferred line installation costs, less accumulated amortization	226,425	220,985
Other assets	537,165	372,665
	-----	-----

	\$ 838,590	\$ 637,650
	-----	-----
	\$17,086,013	\$15,109,573
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,695,999	\$ 4,120,841
Other current and accrued liabilities	964,895	1,098,884
Salaries and wages payable	311,771	296,659
	-----	-----
TOTAL CURRENT LIABILITIES	6,972,665	5,516,384
	-----	-----
OTHER LONG-TERM LIABILITIES	187,889	110,814
	-----	-----
DEFERRED INCOME TAXES	447,581	389,581
	-----	-----
SHAREHOLDERS' EQUITY		
Common stock	93,240	93,240
Additional paid-in capital	3,621,324	3,621,324
Retained earnings	7,401,344	7,035,740
	-----	-----
	11,115,908	10,750,304
Treasury stock	(1,584,687)	(1,584,687)
Receivable from shareholder	(100,000)	(100,000)
Unrealized gain on available-for-sale securities	46,657	27,177
	-----	-----
Total shareholders' equity	9,477,878	9,092,794
	-----	-----
	\$17,086,013	\$15,109,573
	-----	-----

NOTE: The balance sheet at January 31, 1995 has been taken from the audited consolidated financial statements at that date.

See notes to condensed consolidated financial statements.

</TABLE>

<TABLE>
<CAPTION>

TOTAL TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended	

	April 30,	

	1995	1994
	----	----
	<C>	<C>
OPERATING ACTIVITIES		
Net earnings	\$ 365,604	\$ 167,446
Adjustment for non-cash charges	359,784	149,682
Changes in assets and liabilities	307,299	(756,059)
	-----	-----

Net cash provided by (used in) operating activities	1,032,687	(438,931)
	-----	-----
INVESTING ACTIVITIES:		
Maturities of securities available for sale	152,161	--
Decrease in marketable securities	--	105,162
Collection of notes receivable	22,612	22,612
Purchase of property and equipment	(503,457)	(315,670)
Additions to deferred line installation costs	(24,585)	(16,366)
Other	--	(58,232)
	-----	-----
Net cash used in investing activities	(353,269)	(262,494)
	-----	-----
FINANCING ACTIVITIES:		
Exercise by employee of stock option	--	49,275
	-----	-----
Net cash provided by financing activities	--	49,275
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	679,418	(652,150)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,347,625	1,368,471
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$2,027,043	\$ 716,321
	-----	-----
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 2,187	\$ 374
Income taxes	\$ 235,375	\$ 50,000

See notes to condensed consolidated financial statements.

</TABLE>

TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note A--Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to consolidated financial statements included in the Annual Report on Form 10-K of Total-Tel USA Communications, Inc. and Subsidiaries (the Company) for the fiscal year ended January 31, 1995. In the opinion of Management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended April 30, 1995 are not necessarily indicative of the results that may be expected for the year ending January 31, 1996.

On July 15, 1994, the Company distributed 131,795 shares of common stock valued at \$16.75 per share, in connection with a 10% stock dividend on all outstanding shares as of June 30, 1994. All references in the accompanying financial statements to the number of common shares and per-share amounts for 1994 have been restated to reflect the stock dividend.

TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULT OF OPERATIONS

Results of Operations

Net sales were approximately \$10,516,000 for the first quarter of the current fiscal year, an increase of approximately \$5,101,000 or 94.2%, as compared to the first quarter of the prior fiscal year. This increase was attributable to continued, intensive sales and marketing efforts by the Registrant, and an expanded agency sales network. However, given the competitive climate in the long distance telephone industry, there can be no assurance that this rate of growth will continue throughout the remainder of the current fiscal year.

For the current fiscal quarter, the telephone service billed approximately 71,501,000 minutes of calling as compared to approximately 36,566,000 minutes of calling for the comparable quarter of the prior year, resulting in an increase of approximately 34,935,000 minutes, or 96.1%. The average revenue per minute decreased slightly in the current fiscal quarter as compared to the prior fiscal year's quarter, and was primarily attributable to the intense competition faced by the registrant.

Cost of sales increased approximately \$3,627,000 or 96.1% to approximately \$7,401,000 for the current quarter. The increase was slightly unfavorable in relation to the 94.2% increase in sales. While the Registrant was able to continue to negotiate lower line rates from several of its major suppliers the gross margin for the current quarter decreased to approximately 29.6% as compared to approximately 30.3% for the same quarter of the prior fiscal year. This decrease in the gross margin is reflective of the lower charge per minute billed by the Registrant which was approximately \$.0015 per minute lower for the current fiscal quarter compared to the same quarter of the prior fiscal year.

Selling, general and administrative expense for the current first quarter was approximately \$2,546,000, an increase of approximately \$1,138,000, or 80.8%, as compared to the first quarter of the prior fiscal year due primarily to increased sales and administrative salaries of \$477,000, sales commissions of \$370,000, provision for bad debts of \$72,000 and data processing services of \$42,000, all of which can be attributed to the increased sales volume in the quarter.

Earnings per share from continuing operations increased to \$.23 per share for the current quarter as compared to \$.10 per share for the quarter ended April 30, 1994.

Liquidity and Capital Resources

At April 30, 1995, the Registrant had working capital of \$5,035,064, an increase of \$3,664 as compared to January 31, 1995. The ratio of current assets to current liabilities at April 30, 1995 was 1.7:1, as compared to 1.9:1 at January

31, 1995. The slight increase in working capital at April 30, 1995 was attributable to increases in (i) cash of approximately \$679,000 (ii) accounts receivable of \$877,000 and (iii) prepaid expenses and other current assets of approximately \$30,000; a decrease in other current and accrued liabilities of \$134,000, partially offset by an increase in accounts payable of approximately \$1,575,000, a decrease in investments available for sale of approximately \$120,000 and an increase in salaries and wages payable of \$15,000. The Registrant has continued to maintain a strong liquidity position.

The increase in cash of approximately \$679,000 was the result primarily of earnings of approximately \$366,000, an increase in accounts payable of approximately \$1,438,000, non-cash charges of approximately \$360,000 and maturities of investments available for sale of approximately \$152,000, partially offset by an increase in accounts receivable of approximately \$877,000, the purchase of property and equipment for approximately \$508,000 and an increase in prepaid expenses and other current assets of approximately \$165,000.

Capital expenditures during the first three months of fiscal year 1996 totaled approximately \$503,000 and were financed from funds provided by operations. Approximately \$258,000 of these expenditures were applicable to the switching system to maintain the speed and quality of the network and \$58,000 was expended for equipment at customer's locations. In addition, approximately \$144,000 was expended for the local area network in the Little Falls, New Jersey office to improve management information systems and operating efficiencies. The balance of capital expenditures was for furniture and fixtures.

Capital expenditures for the balance of fiscal year 1996 are estimated at approximately \$1,650,000. Approximately \$500,000 of these expenditures are planned for upgrading the Company's switching equipment which should substantially increase its calling capabilities. Approximately \$500,000 is proposed to be expended for office improvements, and furniture and equipment in connection with the expansion of the main office and sales office location in Little Falls, New Jersey and its research facility in Belleville, New Jersey. In addition, approximately \$600,000 is expected to be invested in new data processing equipment and continued development of the Company's local area network. These expenditures would be financed through a combination of funds from operations and current working capital.

As of April 30, 1995, the Registrant had no short or long-term bank lines of credit and during the current fiscal quarter had no new bank borrowings. The Company is currently in the process of negotiating a line of credit for \$500,000 with a major New Jersey bank.

TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

THREE MONTHS ENDED APRIL 30, 1995

ITEMS 1 - 5 Not applicable

ITEM 6 Exhibits and reports on Form 8-K

 (a) Exhibits - none

 (b) There were no reports on Form 8-K

filed for the three months ended April 30, 1995.

SIGNATURES

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 thereunto duly authorized.

TOTAL-TEL USA COMMUNICATIONS, INC.
(Registrant)

Date: June 9, 1995

/s/By

Warren H. Feldman, Esq.
President and Chief
Executive Officer

Date: June 9, 1995

/s/By

Thomas P. Gunning
Chief Financial Officer,
Secretary, Controller and
Principal Accounting Officer