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# WEST CORP

## FORM 8-K
(Current report filing)

Filed 10/19/11 for the Period Ending 10/19/11

| | |
|---|---|
| Address | 11808 MIRACLE HILLS DR<br>OMAHA, NE 68154 |
| Telephone | 4025717700 |
| CIK | 0001024657 |
| SIC Code | 7389 - Business Services, Not Elsewhere Classified |
| Industry | Business Services |
| Sector | Services |
| Fiscal Year | 12/31 |

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# UNITED STATES
# 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**

**October 19, 2011**
**(Date of Earliest Event Reported)**

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

| Delaware | 000-21771 | 47-0777362 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

**11808 Miracle Hills Drive, Omaha, Nebraska 68154**
**(Address of principal executive offices)**

**Registrant's telephone number, including area code: (402) 963-1200**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02 Results of Operations and Financial Condition**

On October 19, 2011, West Corporation (the "Company") issued a press release reporting results of operations for the three months and nine months ended September 30, 2011. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference in its entirety.

The information contained in 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, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

**Item 9.01 Financial Statements and Exhibits**

**(d) Exhibits**

99.1 Press release, dated October 19, 2011, reporting results of operations for the three months and nine months ended September 30, 2011.

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 hereunto duly authorized.

WEST CORPORATION

Dated: October 19, 2011

By: /s/ Paul M. Mendlik
Paul M. Mendlik
Chief Financial Officer

**Exhibit 99.1**

**West Corporation**
11808 Miracle Hills Drive
Omaha, NE 68154

**AT THE COMPANY:**
**David Pleiss**
Investor Relations
(402) 963-1500
dmpleiss@west.com

# West Corporation Reports Third Quarter 2011 Results

**OMAHA, NE, October 19, 2011 –** West Corporation, a leading provider of technology-driven voice and data solutions, today announced its third quarter 2011 results.

**Financial Summary (unaudited)**
**(Dollars in millions)**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | Percent Change | 2011 | 2010 | Percent Change |
| Revenue | $632.8 | $592.4 | 6.8% | $1,866.4 | $1,788.8 | 4.3% |
| Adjusted EBITDA [1] | $175.1 | $160.9 | 8.8% | $ 513.2 | $ 491.8 | 4.4% |
| Adjusted EBITDA Margin | 27.7% | 27.2% | | 27.5% | 27.5% | |
| Cash Flows from Operations | $142.2 | $107.0 | 32.9% | $ 290.6 | $ 294.2 | -1.2% |
| Cash Flows used in Investing | -$ 53.8 | -$ 38.7 | NM | -$ 292.0 | -$ 113.1 | NM |
| Cash Flows used in Financing | -$ 76.3 | -$ 0.5 | NM | -$ 23.3 | -$ 100.9 | NM |
| Net Income (loss) | $ 37.3 | -$ 8.4 | NM | $ 106.3 | $ 63.9 | 66.4% |

[1] See Reconciliation of Financial Measures below.

## Consolidated Operating Results

For the third quarter of 2011, revenue was $632.8 million compared to $592.4 million for the same quarter last year, an increase of 6.8 percent. Revenue from acquired entities [2] was $24.7 million during the third quarter of 2011. The Unified Communications segment had revenue of $352.1 million in the third quarter of 2011, an increase of 14.5 percent over the same quarter last year. The Communication Services segment had revenue of $284.0 million in the third quarter of 2011, 0.9 percent lower than the third quarter of 2010. The Company's platform-based businesses [3] had revenue of $452.9 million in the third quarter of 2011, an increase of 11.9 percent over the previous year.

Adjusted EBITDA for the third quarter of 2011 was $175.1 million, or 27.7 percent of revenue, compared to $160.9 million, or 27.2 percent of revenue, for the third quarter of 2010. A reconciliation of Adjusted EBITDA to cash flows from operating activities is presented below.

Cash flows from operations was $142.2 million for the third quarter of 2011, 32.9 percent higher than the same quarter last year. This increase is largely due to changes in working capital as well as increased net income.

## Balance Sheet and Liquidity

At September 30, 2011, West Corporation had cash and cash equivalents totaling $74.8 million and working capital of $173.2 million. Interest expense was $67.4 million during the three months ended September 30, 2011 compared to $63.3 million during the comparable period last year.

During the third quarter of 2011, the Company invested $29.0 million in capital expenditures primarily for software and computer equipment.

During the third quarter, the Company expanded its accounts receivable line of credit to $150 million and extended the maturity to September 2014.

## Acquisition

In the third quarter, the Company finalized the previously announced acquisition of PivotPoint Solutions. As a result of this transaction, wireless carriers of all sizes in the United States and Canada can receive PivotPoint's industry-leading location accuracy reporting solution while also benefiting from Intrado's advanced and secure 9-1-1 services delivery platform. The total expenditure for this acquisition was $22.9 million.

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[2] Revenue from entities acquired includes the acquisitions of Twenty First Century Communications, PostCTI, Unisfair and Smoothstone in the Unified Communications segment and the acquisitions of TuVox, Specialty Pharmacy Network, Contact One and PivotPoint in the Communications Services segment.

[3] Platform-based businesses include the Unified Communications segment, Intrado and West Interactive.

**Conference Call**

The Company will hold a conference call to discuss these topics on Thursday, October 20, 2011 at 11:00 AM Eastern Time (10:00 AM Central Time). Investors may access the call by visiting the Financials section of the West Corporation website at www.west.com and clicking on the Webcast link. A replay of the call will also be available on the Company's website.

**About West Corporation**

West Corporation is a leading provider of technology-driven voice and data solutions. West offers its clients a broad range of communications and network infrastructure solutions that help them manage or support critical communications. West's customer contact solutions and conferencing services are designed to improve its clients' cost structure and provide reliable, high-quality services. West also provides mission-critical services, such as public safety and emergency communications.

Founded in 1986 and headquartered in Omaha, Nebraska, West serves Fortune 1000 companies and other clients in a variety of industries, including telecommunications, banking, retail, financial, technology and healthcare. West has sales and operations in the United States, Canada, Europe, the Middle East, Asia Pacific and Latin America. For more information on West Corporation, please call 1-800-841-9000 or visit www.west.com.

**Forward-Looking Statements**

This press release contains forward-looking statements. Forward-looking statements can be identified by the use of words such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "continue" or similar terminology. These statements reflect only West's current expectations and are not guarantees of future performance or results. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. These risks and uncertainties include, but are not limited to, competition in West's highly competitive industries; West's ability to keep pace with its clients' needs for rapid technological change and systems availability; the loss, financial difficulties or bankruptcy of any key clients; the effects of global economic trends on the businesses of West's clients; the non-exclusive nature of West's client contracts and the absence of revenue commitments; the cost of pending and future litigation; extensive regulation affecting many of West's businesses; security and privacy breaches of the systems West uses to protect personal data; the cost of defending West against intellectual property infringement claims; West's ability to protect its proprietary information or technology; service interruptions to West's data and operation centers; West's ability to retain key personnel and attract a sufficient number of qualified employees; increases in labor costs and turnover rates; increases in

the cost of voice and data services or significant interruptions in these services; the political, economic and other conditions in the countries where West operates; changes in foreign exchange rates; West's ability to complete future acquisitions and integrate or achieve the objectives of its recent and future acquisitions; future impairments of our substantial goodwill, intangible assets, or other long-lived assets; and West's ability to recover consumer receivables on behalf of its clients. In addition, West is subject to risks related to its level of indebtedness. Such risks include West's ability to generate sufficient cash to service its indebtedness and fund its other liquidity needs; West's ability to comply with covenants contained in its debt instruments; the incurrence of significant additional indebtedness by West and its subsidiaries and the ability of West's lenders to fulfill their lending commitments. West is also subject to other risk factors described in documents filed by the company with the United States Securities and Exchange Commission.

These forward-looking statements speak only as of the date on which the statements were made. West undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by applicable law.

**WEST CORPORATION**
**CONDENSED STATEMENTS OF OPERATIONS**
(Unaudited, in thousands except selected operating data)

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | % Change | 2011 | 2010 | % Change |
| Revenue | $632,803 | $592,410 | 6.8% | $1,866,441 | $1,788,780 | 4.3% |
| Cost of services | 284,406 | 259,723 | 9.5% | 832,229 | 783,979 | 6.2% |
| Selling, general and administrative expenses | 216,450 | 258,818 | -16.4% | 660,707 | 695,210 | -5.0% |
| Operating income | 131,947 | 73,869 | 78.6% | 373,505 | 309,591 | 20.6% |
| Interest expense, net | 67,342 | 63,186 | 6.6% | 203,485 | 182,117 | 11.7% |
| Other expense (income), net | 4,314 | (2,796) | NM | (1,498) | (2,611) | 42.6% |
| Income (loss) before tax | 60,291 | 13,479 | 347.3% | 171,518 | 130,085 | 31.9% |
| Income tax | 22,944 | 21,908 | 4.7% | 65,213 | 66,218 | -1.5% |
| Net income (loss) | $ 37,347 | $ (8,429) | NM | $ 106,305 | $ 63,867 | 66.4% |
| **SELECTED SEGMENT DATA:** | | | | | | |
| Revenue: | | | | | | |
| Unified Communications | $352,090 | $307,572 | 14.5% | $1,030,249 | $ 915,817 | 12.5% |
| Communication Services | 283,994 | 286,466 | -0.9% | 844,403 | 877,280 | -3.7% |
| Intersegment eliminations | (3,281) | (1,628) | -101.5% | (8,211) | (4,317) | -90.2% |
| Total | $632,803 | $592,410 | 6.8% | $1,866,441 | $1,788,780 | 4.3% |
| Depreciation & Amortization: | | | | | | |
| Unified Communications | $ 21,794 | $ 20,170 | 8.1% | $ 64,021 | $ 66,479 | -3.7% |
| Communication Services | 22,336 | 21,876 | 2.1% | 63,894 | 61,884 | 3.2% |
| Total | $ 44,130 | $ 42,046 | 5.0% | $ 127,915 | $ 128,363 | -0.3% |
| Operating Income: | | | | | | |
| Unified Communications | $100,279 | $ 81,661 | 22.8% | $ 290,760 | $ 242,509 | 19.9% |
| Communication Services | 31,668 | (7,792) | NM | 82,745 | 67,082 | 23.3% |
| Total | $131,947 | $ 73,869 | 78.6% | $ 373,505 | $ 309,591 | 20.6% |
| Operating Margin: | | | | | | |
| Unified Communications | 28.5% | 26.6% | 7.1% | 28.2% | 26.5% | 6.4% |
| Communication Services | 11.2% | -2.7% | NM | 9.8% | 7.6% | 28.9% |
| Total | 20.9% | 12.5% | 67.2% | 20.0% | 17.3% | 15.6% |
| **SELECTED OPERATING DATA ($M):** | | | | | | |
| Cash flows from operations | 142.2 | 107.0 | 32.9% | 290.6 | 294.2 | -1.2% |
| Term loan facility | 1,916.4 | 2,434.9 | -21.3% | | | |
| Senior and senior subordinated notes | 1,600.0 | 1,100.0 | 45.5% | | | |
| Revenue from platform-based services ($M) (3) | 452.9 | 404.8 | 11.9% | 1,328.3 | 1,213.2 | 9.5% |
| Revenue from agent-based services ($M) | 182.2 | 187.6 | -2.9% | 544.9 | 575.6 | -5.3% |

**Condensed Balance Sheets**

| | Sept. 30 2011 | Dec. 31, 2010 | % Change |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ 74,808 | $ 97,793 | -23.5% |
| Trust and restricted cash | 11,199 | 15,122 | -25.9% |
| Accounts receivable, net | 423,377 | 366,419 | 15.5% |
| Deferred income taxes receivable | 15,081 | 29,968 | -49.7% |
| Prepaid assets | 36,382 | 33,667 | 8.1% |
| Other current assets | 47,355 | 34,058 | 39.0% |
| Total current assets | 608,202 | 577,027 | 5.4% |
| Net property and equipment | 332,642 | 341,366 | -2.6% |
| Goodwill | 1,778,990 | 1,629,396 | 9.2% |
| Other assets | 503,038 | 457,461 | 10.0% |
| Total assets | $ 3,222,872 | $ 3,005,250 | 7.2% |
| Current liabilities | $ 435,028 | $ 363,562 | 19.7% |
| Long-term obligations | 3,504,796 | 3,518,141 | -0.4% |
| Other liabilities | 208,777 | 162,602 | 28.4% |
| Total liabilities | 4,148,601 | 4,044,305 | 2.6% |
| Class L common stock | 1,642,283 | 1,504,445 | 9.2% |
| Stockholders' deficit | (2,568,012) | (2,543,500) | -1.0% |
| Total liabilities and stockholders' deficit | $ 3,222,872 | $ 3,005,250 | 7.2% |

*NM: Not Meaningful*

**Reconciliation of Financial Measures**

The common definition of EBITDA is "Earnings Before Interest Expense, Taxes, Depreciation and Amortization." In evaluating liquidity, we use earnings before interest expense, share based compensation, taxes, depreciation and amortization, minority interest, non-recurring litigation settlement costs, other non-cash reserves, transaction costs and after acquisition synergies and excluding unrestricted subsidiaries, or "Adjusted EBITDA." Adjusted EBITDA is not a measure of financial performance or liquidity under generally accepted accounting principles ("GAAP"). Adjusted EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operations or other income or cash flows data prepared in accordance with GAAP. Adjusted EBITDA, as presented, may not be comparable to similarly titled measures of other companies. Adjusted EBITDA is presented as we understand certain investors use it as one measure of our historical ability to service debt. Adjusted EBITDA is also used in our debt covenants, although the precise adjustments used to calculate Adjusted EBITDA included in our credit facility and indentures vary in certain respects among such agreements and from those presented below. Set forth below is a reconciliation of Adjusted EBITDA to cash flows from operations.

| *Amounts in thousands* | Three Months Ended Sept. 30, 2011 | Three Months Ended Sept. 30, 2010 | Nine Months Ended Sept. 30, 2011 | Nine Months Ended Sept. 30, 2010 |
|---|---|---|---|---|
| Cash flow from operating activities | $ 142,183 | $ 107,007 | $ 290,608 | $ 294,202 |
| Income tax expense | 22,944 | 21,908 | 65,213 | 66,218 |
| Deferred income tax expense | (2,417) | 7,098 | (22,423) | (10,726) |
| Interest expense, net of amortization | 67,396 | 63,289 | 203,756 | 182,364 |
| Amortization of debt issuance costs | (3,363) | (4,000) | (10,056) | (12,009) |
| Other | 566 | (635) | 1,889 | (643) |
| Changes in operating assets and liabilities, net of business acquisitions | (53,655) | (37,224) | (20,174) | (38,237) |
| Acquisition synergies and transaction costs | 3,781 | 1,488 | 8,955 | 4,409 |
| Site closures, settlements and other costs | (785) | 1,158 | 810 | 4,209 |
| Non-cash foreign currency loss (gain) | 207 | 496 | (3,728) | 1,690 |
| Litigation costs | (1,732) | 319 | (1,662) | 330 |
| **Adjusted EBITDA** | $ 175,125 | $ 160,904 | $ 513,188 | $ 491,807 |

| *Amounts in thousands* | Three Months Ended Sept. 30, 2011 | Three Months Ended Sept. 30, 2010 | Nine Months Ended Sept. 30, 2011 | Nine Months Ended Sept. 30, 2010 |
|---|---|---|---|---|
| Cash flows from operating activities | $ 142,183 | $ 107,007 | $ 290,608 | $ 294,202 |
| Cash flows used in investing activities | $ (53,765) | $ (38,652) | $ (291,967) | $ (113,115) |
| Cash flows used in financing activities | $ (76,302) | $ (527) | $ (23,342) | $ (100,866) |

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