

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Cogent Communications Group Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from [Frank Malvin – Raymond James]

[Frank Malvin – Raymond James]

Can you give us an ideal of the flow through on the FX impact down to the EBITDA line and going forward, how much do you think of the traffic growth that you've seen in the last couple of months has been due to Olympics' and election coverage and do you think that's going to subside or is that traffic related to something else? And can you give us an update on the announcement with regards to Sprint.

David Schaeffer

We have had for some time a settlement free agreement with Sprint. Sprint elected to try to charge Cogent for our internet connection which was not called for in our agreement. That matter has been in litigation in Northern Virginia and continues to be in front of the courts where we are vigorously protesting that litigation.

Last Thursday at 4:00 p.m., Sprint elected to unilaterally sever the connections between the two networks. Three days later, on Sunday at 4:00 p.m. Sprint unilaterally elected to re-establish those connections. I think that re-establishment was primarily as a result of the impact that the disconnection from Cogent caused to their customers.

We received literally hundreds of calls from Sprint wireless customers who could not reach content or customers on the Cogent network. While we remain uncertain of Sprint's intentions, we hope that they wait for the final ruling from the court and Cogent remains absolutely committed to abiding by whatever ruling the court has.

Now let me touch on traffic. Part of traffic growth is associated with seasonality, not so much to specific events such as the Olympics or the election, but rather just the return of people from vacations in the summer and because Cogent has a large concentration in the educational sector where we serve over 600 universities and the number of K through 12 systems, we tend to see a pick up in September.

So I think part of our September pick up was as a result of seasonality. I think also part of it was a result of the volume based pricing that we put in place earlier in the summer. In 2007 we actually

saw a negative traffic load in August. This year we saw positive growth. So I think that shows that seasonality is only partially a result of why we grew traffic.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.