

IDT CORP  
Form S-3  
April 03, 2003  
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As filed with the Securities and Exchange Commission on April 3, 2003

Registration No. 333-\_\_\_\_\_

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM S-3**

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

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**IDT CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**22-3415036**  
(I.R.S. Employer  
Identification No.)

**520 Broad Street**  
**Newark, NJ 07102**  
**(973) 438-1000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**James A. Courter**  
**Chief Executive Officer**  
**IDT Corporation**  
**520 Broad Street**  
**Newark, NJ 07102**  
**(973) 438-1000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Copy to:**

**Joyce J. Mason, Esq.**  
**General Counsel**  
**IDT Corporation**  
**520 Broad Street**

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Newark, NJ 07102

(973) 438-1000

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities To Be Registered</b>	<b>Amount To Be Registered</b>	<b>Proposed Maximum Offering Price Per Share<sup>(1)</sup></b>	<b>Proposed Maximum Aggregate Offering Price<sup>(1)</sup></b>	<b>Amount of Registration Fee</b>
Class B Common Stock, par value \$.01 per share	2,078,783	\$14.535	\$30,215,110.91	\$2,444.40

- (1) Determined solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, based on the average of the high and low prices of the Registrant's Class B common stock as reported on the New York Stock Exchange on March 27, 2003. Because the Class B Common Stock may be offered from time to time by the selling stockholders described herein, the Registrant does not know the actual price or prices at which the Class B Common Stock may be offered.

**The Registrant hereby amends this Registration Statement on the date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on the date the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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SUBJECT TO COMPLETION, DATED APRIL 3, 2003.

**The information in this prospectus is not complete and may be changed. We have filed a registration statement relating to these securities with the Securities and Exchange Commission. The selling stockholders may not sell these securities nor may they accept offers to buy these securities prior to the time the registration statement becomes effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state in which the offer or sale is not permitted.**

**PRELIMINARY PROSPECTUS**

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**2,078,783 Shares**

**IDT Corporation**

**Class B Common Stock**

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This prospectus covers 2,078,783 shares of IDT Corporation's Class B common stock which the selling stockholders identified in this prospectus under Selling Stockholders (or donees, pledgees, transferees or other successors-in-interest of selling stockholders who receive shares after the date of this prospectus from selling stockholders as a gift, pledge or other non-sale transfer) may offer and sell from time to time. The shares of Class B common stock covered by this prospectus include: (i) 990,267 shares issued as part of the purchase price for our December 2001 acquisition, through our then 95% owned subsidiary, Winstar Holdings, LLC, of the core domestic telecommunications assets of Winstar Communications, Inc. and certain of its subsidiaries; (ii) 792,079 shares issued pursuant to our April 2002 acquisition of the 5% of Winstar Holdings, LLC which we did not already own; (iii) 262,992 shares issued as part of the purchase price for our March 2002 acquisition, through a subsidiary, of Beltway Communications Corp., which operates WMET 1150AM; and (iv) 33,445 shares issued to a consultant pursuant to a compensation arrangement authorized by our Board of Directors. Under the terms of the foregoing issuances, as the case may be, we agreed that, among other things, we would file a registration statement covering the resale of the shares of Class B common stock owned by the selling stockholders.

The selling stockholders may sell their shares, directly or through broker-dealers or underwriters, on the New York Stock Exchange, in the over-the-counter market, in any securities exchange or market in which our Class B common stock may in the future be traded, in privately negotiated transactions or otherwise. Sales may be made at market prices prevailing at the time of sale, at prices related to such market prices or at negotiated prices. See Plan of Distribution on page 5.

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The selling stockholders will receive all of the net proceeds from sales of their shares and will pay all brokerage commissions and similar selling expenses, if any. We will not receive any proceeds from sales of the shares by the selling stockholders. We will be responsible for paying certain other expenses relating to the registration of the shares.

Our Class B common stock currently trades on the New York Stock Exchange under the symbol IDT. The last sales price of our Class B common stock on the New York Stock Exchange on April 2, 2003 was \$15.09.

**Investing in our Class B common stock involves risks which are described under Risk Factors beginning on page 2.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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The date of this prospectus is April , 2003.

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As used in this prospectus, unless the context otherwise requires, the terms the Company, IDT, us, we, and our refer to IDT Corporation, a Delaware corporation, its predecessor, International Discount Telecommunications, Corp., a New York corporation, and their subsidiaries, collectively. All information in this prospectus gives effect to the 1995 reincorporation of the Company in Delaware. Our fiscal year ends on July 31 of each calendar year. Each reference to a fiscal year in this prospectus refers to the fiscal year ending in the calendar year indicated (e.g., Fiscal 2002 refers to the fiscal year ended July 31, 2002).

**CAUTION ABOUT FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that contain the words believes, anticipates, expects, plans, intends, foresees and similar words and phrases. Actual results could differ from those projected in any forward-looking statements. Forward-looking statements are based on management's current views and assumptions and involve known and unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied in those statements. These risks include, but are not limited to, the risks that are described under Risk Factors beginning on page 2. The forward-looking statements are made as of the date of this prospectus, and we assume no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements. Investors should consult all of the information set forth or incorporated herein from our reports filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, including our reports on Forms 10-K, 10-Q and 8-K.

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**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the Securities and Exchange Commission, or SEC, a registration statement on Form S-3 under the Securities Act of 1933 with respect to our Class B common stock covered by this prospectus. This prospectus, which is part of the registration statement, does not contain all of the information contained in the registration statement or in the exhibits to the registration statement. For further information with respect to us and our Class B common stock, you should review the registration statement, including the exhibits to the registration statement. We also file annual, quarterly and special reports, proxy statements and other information with the SEC. The registration statement, as well as the periodic reports and other information we have filed with the SEC, may be inspected and copied at the Public Reference Section of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, NW, Washington, DC 20549. You may obtain information as to the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site that contains reports, proxy statements and other information about issuers, like IDT, who file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov). You can also inspect reports, proxy statements and other information about IDT at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you about us by referring you to those documents. Statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are not necessarily complete, and in each instance we refer you to the copy of the contract or document filed as an exhibit to the registration statement, each statement being qualified in all respects by this reference. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below as well as any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, until the offering is terminated:

our Annual Report filed on Form 10-K for Fiscal 2002, filed on October 29, 2002;

our Quarterly Report on Form 10-Q for the quarter ended January 31, 2003, filed on March 14, 2003;

our Quarterly Report on Form 10-Q for the quarter ended October 31, 2002, filed on December 16, 2002;

our Proxy Statement on Schedule 14A for the 2002 Annual Meeting of Stockholders of IDT Corporation, filed on November 5, 2002;

our Current Report on Form 8-K, filed on January 10, 2003;

our Current Report on Form 8-K, filed on October 29, 2002; and

our Information Statement on Schedule 14C, which contains the description of our Class B common stock, filed on June 12, 2000.



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You may request a copy of these filings or any filings subsequently incorporated by reference into this prospectus at no cost, by writing or telephoning Joyce J. Mason, Esq., our General Counsel, at: IDT Corporation, 520 Broad Street, Newark, NJ 07102. Our main telephone number is (973) 438-1000.

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**THE COMPANY**

IDT Corporation is a facilities-based, multinational carrier that provides services and products to retail and wholesale customers worldwide, including prepaid debit and rechargeable calling cards, wholesale carrier services and consumer long distance services.

We deliver our telecommunications services over a network consisting of more than 190 switches in the United States, Europe and South America, including nine international gateway switches. We also own and lease capacity on 14 undersea fiber-optic cables that connect our U.S. facilities with our international facilities and with third-party facilities in Europe, Latin America and Asia.

We operate our business primarily through the following four subsidiaries:

*IDT Telecom, Inc.* IDT Telecom, Inc. ( IDT Telecom ) operates our principal telecommunications operations. We own 95.2% of IDT Telecom's common stock, with Liberty Media Corporation ( Liberty Media ) holding the remaining 4.8%. IDT Telecom provides both retail and wholesale telecommunications services. Retail services include prepaid debit and rechargeable calling cards, private label calling cards and consumer long distance services. Wholesale services consist of our carrier services for other telecommunications companies, or carrier's carrier services. As of January 31, 2003, we provided consumer long distance services to approximately 600,000 individuals and business customers located in the United States. In addition, as of January 31, 2003, we had approximately 214 wholesale carrier customers located in the United States and Europe.

*Winstar Holdings, LLC.* Winstar Holdings, LLC ( Winstar ), our wholly-owned subsidiary, is a broadband and telephony services provider to commercial and governmental customers that offers a cost-effective last mile (the connection between a telecommunications switch and the end user) telecommunications solution through its fixed-wireless and fiber infrastructure, including local and long distance phone services, high speed Internet and data communications, wide-area-network, or WAN, solutions, co-location, mobile network infrastructure and web hosting. In December 2002, we announced that the services offered by Winstar would begin to be offered under the name IDT Solutions.

*IDT Media, Inc.* IDT Media, Inc. ( IDT Media ), our wholly-owned subsidiary, operates several media and entertainment-related businesses, most of which are currently in the early stages of development, including the Talk America Radio Network, our WMET 1150 AM radio station, Digital Production Solutions and CTM Brochure Display. IDT Media comprises five business lines: radio, 3-D animation, brochure distribution, video to desktop delivery and call center services.

*Net2Phone, Inc.* Net2Phone, Inc. ( Net2Phone ), which we reconsolidated effective August 1, 2002, provides voice over Internet protocol, or VoIP, telephony products and services primarily to resellers and other carriers. In October, 2001, we formed a limited liability company, or LLC, with Liberty Media and AT&T Corporation ( AT&T ), which, through a series of transactions among us, Liberty Media and AT&T, holds an aggregate ownership interest of approximately 48% of the outstanding capital stock and approximately 65% of the shareholder voting power in Net2Phone. As a result of a recent transaction, AT&T is no longer a member of the LLC. IDT continues to hold the controlling membership interest in the LLC and is the managing member of the LLC. As of January 31, 2003, IDT's effective equity investment in Net2Phone (through the LLC) was 18.8%.

We were incorporated in New York in 1990 as International Discount Telecommunications Corp. We were renamed IDT Corporation and reincorporated in Delaware in December 1995. Our main offices are located at 520 Broad Street, Newark, New Jersey 07102. Our headquarters telephone number is (973) 438-1000 and our Internet address is [www.idt.net](http://www.idt.net). Information contained on our Web site is not intended to be a part of this prospectus and is not incorporated into this prospectus.



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**RISK FACTORS**

*Our business, operating results or financial condition could be materially adversely affected by any of the following risks. The trading price of our Class B common stock could decline due to any of these risks, and you may lose all or part of your investment. You should carefully consider these risks before investing in shares of our Class B common stock. The risks described below are not the only ones that we face. You should also refer to the other information contained in this prospectus, as well as the information and financial statements incorporated by reference in this prospectus from our other SEC filings, especially the regulatory, legal proceedings and intellectual property sections contained in our Annual Report on Form 10-K for Fiscal 2002 (as such sections may be amended, supplemented or superseded in subsequent SEC filings). In addition, we may face other risks not currently known to us or that we currently deem immaterial.*

***Each of our telecommunications business lines is highly sensitive to declining prices, which may adversely affect our revenues and margins.***

The worldwide telecommunications industry has been characterized in recent years by intense price competition, which has resulted in a significant decline in both our average per-minute price realizations and our average per-minute termination costs. The lower price environment has led some of our competitors to de-emphasize their retail services and/or wholesale carrier operations in order to focus on higher margin telecommunications businesses. In addition, many of our competitors in both of these market segments have ceased operations altogether. This has helped us gain some market share, particularly in the retail calling card business. However, in both the retail telecommunications services and wholesale carrier businesses, our remaining competitors, although fewer in number, have continued to aggressively price their services. This has led to continued erosion in pricing power, both in our retail and wholesale markets, and we have generally had to pass along our per-minute cost savings to our customers, in the form of lower prices. Therefore, although our telecommunications minutes of use have been increasing strongly, our telecommunications revenues have increased at a much slower rate. If this trend continues or increases, it could have a material adverse effect on the revenues and margins generated by our telecommunications business lines.

***Because our retail telecommunications services, particularly our prepaid calling cards, generate the bulk of our revenue, our growth is substantially dependent upon continuing growth in that area.***

During Fiscal 2002, prepaid calling cards accounted for 70.5% of our IDT Telecom division's total consolidated revenues, and we sold more than 198 million prepaid calling cards, a 57% increase from 127 million calling cards sold in Fiscal 2001. However, we compete in the prepaid calling card market with many of the established facilities-based carriers, such as AT&T, Worldcom Inc.'s MCI unit ( MCI ) and Sprint Corporation ( Sprint ). These companies are substantially larger and have greater technical, engineering, personnel and marketing resources, longer operating histories, greater name recognition and larger customer bases than we do. The resources of these competitors could significantly impact our ability to compete successfully.

***We may not be able to obtain sufficient or cost-effective termination capacity to particular destinations.***

Minutes of use from our telecommunications operations grew to 11.3 billion minutes in Fiscal 2002, an increase from 7.0 billion minutes in Fiscal 2001 and 4.2 billion minutes in Fiscal 2000. In order to keep pace with our growth of minutes of use, we may need to obtain additional termination capacity. We may not be able to obtain sufficient termination capacity to particular destinations or may have to pay significant amounts to obtain such capacity. This could result in our not being able to sustain growth in minutes of use or in higher costs per minute to particular destinations, which could adversely affect our revenues and margins.

*Our customers, particularly our wholesale carrier customers, could experience financial difficulties which could adversely affect our revenues and profitability if we experience difficulties in collecting our receivables.*

As a wholesale provider of international long distance services, we depend upon traffic from other long distance providers, and the collection of receivables from these customers. If we experience difficulties in the collection of our accounts receivable from our major customers, particularly our wholesale carrier customers, our

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revenues may be substantially reduced. While our most significant customers vary from quarter to quarter, our five largest wholesale carrier customers accounted for 15.2% of revenues in Fiscal 2002 and 12.7% of revenues in Fiscal 2001. This concentration of revenues increases the risk of non-payment by customers, and we may experience significant write-offs related to the provision of wholesale carrier services if any of our large customers fail to pay their outstanding balances. This risk has, in general, become more acute for us in recent quarters as several of our customers have declared bankruptcy or are facing financial difficulties, and now pose increased credit risks.

*The termination of our carrier agreements with foreign partners or our inability to enter into carrier agreements in the future could materially and adversely affect our ability to compete in foreign countries, which could reduce our revenues and profits.*

We rely upon our carrier agreements with foreign partners in order to provide our telecommunication services to our customers. Our ability to compete in foreign countries would be adversely affected if our carrier agreements with foreign partners were terminated or we were unable to enter into carrier agreements in the future to provide our telecommunications services to our customers, which could result in a reduction of our revenues and profits.

*Our revenues and our growth will suffer if our distributors and sales representatives, particularly Union Telecard Alliance, LLC, fail to effectively market and distribute our prepaid calling card products and other services.*

We rely on our distributors and representatives for marketing and distribution of our prepaid calling card products and other services. We hold a 51% ownership interest in Union Telecard Alliance, LLC, or UTA, which utilizes a network of more than 1,000 sub-distributors in the United States to distribute our prepaid calling cards. In foreign countries, we are dependent upon our distributors and independent sales representatives, many of which also sell services or products of other companies. As a result, we can