

ARBINET Corp  
Form 425  
November 16, 2010

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Third Quarter 2010  
Earnings Conference Call  
November 16, 2010  
Filed by Primus Telecommunications Group, Incorporated  
Pursuant to Rule 425 under the Securities Act of 1933  
Subject Company: Arbinet  
Corporation  
Commission File No.: 000-51063

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Safe Harbor

In connection with the proposed merger, Primus Telecommunications Group, Incorporated ( Primus ) will file with the Securities and Exchange Commission a Registration Statement on Form S-4 that will include a preliminary proxy statement of Primus and Arbinet Corporation ( Arbinet ) that also includes a preliminary joint proxy statement/prospectus. A definitive joint proxy statement/prospectus will be sent to security holders of both Arbinet and Primus seeking their approval of the proposed transaction. We also plan to file other documents with the SEC regarding the proposed transaction. INVESTORS AND SECURITY HOLDERS SHOULD READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED WITH THE SEC WHEN THEY BECOME AVAILABLE. THESE DOCUMENTS MAY CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the joint proxy statement

documents filed by Primus and Arbinet with the SEC, without charge, at the SEC's web site at [www.sec.gov](http://www.sec.gov). Copies of the joint proxy statement/prospectus for the proposed merger and the company's SEC filings that will be incorporated by reference in the joint proxy statement/prospectus may also be obtained for (ii) Arbinet (Andrea Rose/Jed Repko Joele Frank, Wilkinson Brimmer Katcher (212) 355-4449).

Arbinet, Primus, and their respective directors, executive officers and other members of their management and employees may obtain proxies from their respective security holders in connection with the proposed merger. Investors and security holders may obtain information regarding the interests of Primus's directors, executive officers and other members of its management and employees in Primus's Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the SEC on April 5, 2010, and amended in a Form 10-K/A filed with the SEC on April 28, 2010, Primus's proxy statement for its 2010 Annual Meeting of Security Holders filed with the SEC on June 14, 2010, and any subsequent statements of changes in beneficial ownership on file with the SEC. Arbinet's proxy statement for its 2010 Annual Meeting of Security Holders filed with the SEC on March 17, 2010, Arbinet's proxy statement for its 2010 Annual Meeting of Security Holders filed with the SEC on June 14, 2010, and any subsequent statements of changes in beneficial ownership on file with the SEC. These documents can be obtained from the SEC's website at [www.sec.gov](http://www.sec.gov). Additional information regarding the interests of these individuals will also be included in the joint proxy statement/prospectus, which will be filed with the SEC and is available.

This document and related verbal statements include forward-looking statements as defined by the Securities and Exchange Commission. Historical fact, included herein that address activities, events or developments that Arbinet or Primus expects, believes or anticipates, and statements regarding benefits and other aspects of the proposed merger, are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could affect forward-looking statements include, but are not limited to, the following: (a) the proposed merger may not be consummated for reasons including that the conditions precedent to the completion of the acquisition may not be satisfied; (b) the proposed merger will not be realized, or will not be realized within the anticipated time period; (c) the risk that Primus's and Arbinet's business operations may be disrupted from the merger making it more difficult to maintain business and operational relationships; (d) any actions taken by either company in connection with restructuring or strategic initiatives (including capital investments or asset acquisitions or dispositions); (e) the ability to service our debt obligations as described from time to time in Arbinet's filings with the Securities and Exchange Commission; and (f) the risk factors or uncertainties identified in the Securities and Exchange Commission (including, among others, those listed under captions titled "Management's Discussion and Analysis of Operations, Liquidity and Capital Resources - Short- and Long-Term Liquidity Considerations and Risks;" "Special Notes to Financial Statements - Factors Affecting Our Financial Condition" in Primus's annual report on Form 10-K and quarterly reports on Form 10-Q) that cover matters and risks including, but not limited to, global recessionary economic conditions, including the effects of such conditions on our customers and our accounts receivable; (g) fluctuations in exchange rates of currencies, particularly any strengthening of the United States dollar relative to foreign currencies of the countries in which we operate; (h) possible inability to raise additional capital or refinance indebtedness when needed, or at all, whether due to adverse credit market conditions; (i) continuation or worsening of turbulent or weak financial and capital market conditions; (j) adverse regulatory rulings or changes in regulatory enforcement in the markets in which we operate and uncertainty regarding the nature and degree of regulation relating to certain aspects of our business; and (k) reduction efforts. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this document. Primus intends to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

Important  
Information  
and  
Where  
to  
Find  
It  
Participants  
in  
the  
Solicitation  
Forward-Looking  
Statements

Q3 and YTD 2010 Highlights

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Notes:

All results of operations exclude Discontinued Operations and severance unless otherwise specified.

1. EBITDA excludes impact of severance expenses, \$4.2 million in Q310 and \$1.8 million in Q110 and is a non-GAAP financial measure. Non-GAAP measures and relevant GAAP measures are available in the Appendix and in the Company's periodic SEC filings.

2. Free Cash Flow is defined as Cash Flow from Operating Activities less Capital Expenditures.

(US\$ 000s)

Q309  
Q310  
Change  
Q309  
Q310  
Change  
Revenue  
\$194.9  
\$188.2  
(\$6.7)  
\$560.2  
\$575.8  
\$15.6  
Gross Margin  
68.1  
67.3  
(0.8)  
196.4  
209.0  
12.6  
Gross Margin %  
34.9%  
35.8%  
0.9%  
35.1%  
36.3%  
1.2%  
Adjusted EBITDA  
(1)  
\$21.2  
\$20.0  
(\$1.2)  
\$60.7  
\$65.7  
\$5.1  
EBITDA %  
10.9%  
10.6%  
-0.3%  
10.8%  
11.4%  
0.6%  
Capex  
3.9  
6.4  
2.5  
9.5  
16.7  
7.2  
Free Cash Flow

(2)  
9.1  
14.5  
5.4  
30.3  
20.3  
(10.0)  
Cash Balance  
\$41.9  
\$49.6  
\$7.7  
\$41.9  
\$49.6  
\$7.7  
Quarter ended  
YTD

The Primus Portfolio  
Sum of the Parts  
Adjusted  
Adjusted  
EBITDA  
(US\$ 000s)  
Revenue  
EBITDA

(1)  
Capex  
less Capex  
Canada  
\$172.4  
\$34.9  
\$7.3  
\$27.6  
Australia  
205.7  
  
29.8  
  
7.6  
  
22.2  
  
Global Wholesale  
137.6  
  
3.2  
  
0.1  
  
3.1  
  
Sub-Total  
\$515.7  
\$67.9  
\$15.0  
\$52.9  
US Retail  
\$38.8  
\$4.1  
\$0.8  
\$3.3  
Brazil  
21.3  
  
1.3  
  
0.8  
  
0.4  
  
Corporate / India  
-  
  
(7.6)

-  
(7.6)  
\$575.8  
\$65.7  
\$16.7  
\$49.0  
Discontinued Operations  
36.4  
  
(0.4)  
0.3  
  
(0.8)  
  
Severance  
-  
  
(6.1)  
-  
  
(6.1)  
  
Total  
\$612.2  
\$59.2  
\$17.1  
\$42.2  
YTD Q310  
Total before  
Discontinued Operations  
Canada  
30%  
Australia  
35%  
Wholesale  
24%  
US  
7%  
Brazil  
4%  
4  
Canada  
48%  
Australia  
41%  
Wholesale

4%

US

5%

Brazil

2%

Notes:

1. A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measure

Primus Canada Highlights  
5

Headquartered in Toronto,  
Ontario

C\$240M revenue in annualized  
revenue

800 employees

Data centers and sales offices in  
BC, Alberta, and Ontario

450K customers across the  
country

70 DSLAMs  
(primarily in  
Ontario & Quebec)

Provide on-net equal access to  
~90% of population

Call centers in Ontario (Ottawa)  
and New Brunswick

Primus Australia Highlights  
6

Headquartered in Melbourne

A\$305 million in annualized  
revenue

575 employees

3 Data Centers in Melbourne  
and Sydney

Offices in Melbourne, Sydney,  
Adelaide, Brisbane and Perth

250K customers located in all  
territories

5 carrier-grade voice switches  
and 66 points of interconnect

281 DSLAMs  
primarily in major  
cities and surrounding suburbs

Central business district metro  
fiber in Sydney and Melbourne

Global Wholesale Services

Key

Combination

Considerations:

Increased scale in carrier services market

Benefits

of  
the exchange  
TM

Arbinet's  
world-class  
telecommunications  
trading  
platform

Added products and services and enhanced access to certain international routes

Complementary market presence

Synergy potential of \$3 million to \$7 million (when fully integrated)

Consolidation benefits for network and facilities

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Combined

PRIMUS

Before

(all figures in millions and annualized, except customers)

Carrier

Arbinet

Synergies

Revenue

(1)

\$183.4

\$330.0

\$513.4

Gross Margin

(1)

\$10.8

\$25.0

\$35.8

Gross Margin %

5.9%

7.6%

7.0%

Customers

262

1,237

Minutes of Use

4,340

12,667

(1) Revenue and Gross Margin are presented net of Bad Debt allowance.

YTD Q310 Annualized

Financial Summary  
Revenue  
Adjusted EBITDA  
(1) (2)  
Capital Expenditures  
Free  
Cash  
Flow

(1)  
(\$ Millions)  
8  
\$195  
\$203  
\$193  
\$195  
\$188  
\$0  
\$50  
\$100  
\$150  
\$200  
\$250  
Q309  
Q409  
Q110  
Q210  
Q310  
-3.3%  
% Sequential  
Change  
5.9 %  
4.0%  
-4.7%  
0.8%  
3.4%  
% of  
Revenue  
2.0%  
2.7%  
2.5%  
3.0%  
10.6%  
% of  
Revenue  
10.7%  
10.8%  
11.8%  
11.7%  
\$14  
(\$7)  
\$13  
\$6  
\$9  
-\$10  
-\$5  
\$0  
\$5  
\$10

\$15  
\$20  
Q309  
Q409  
Q110  
Q210  
Q310

\$21  
\$22  
\$23  
\$23  
\$20

\$0  
\$5  
\$10  
\$15  
\$20  
\$25

Q309  
Q409  
Q110  
Q210  
Q310

\$6  
\$6  
\$5  
\$6  
\$4

\$0  
\$2  
\$4  
\$6  
\$8

\$10  
Q309  
Q409  
Q110  
Q210  
Q310

7.4%

% of

Revenue

4.7%

3.0%

6.7%

(3.6)%

(1)

A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures

(2)

Adjusted EBITDA excludes impact of severance charges in Q109 (\$1.8 million) and Q310 (\$4.2 million).

Note:

All results of operations exclude Discontinued Operations unless otherwise specified.

9  
Canada Overview  
Net Revenue  
Adjusted EBITDA  
(1)  
(0.8)%  
59.1  
(CAD\$)

\$63.1

\$62.1

\$59.8

\$59.6

Sequential Change

(2.0)%

(1.6)%

(3.6)%

(0.4)%

20.0%

(3.3)%

\$11.8

(CAD\$)

\$12.8

\$11.8

\$12.1

\$12.2

Sequential Change

(7.9)%

(7.8)%

2.5%

0.8%

% of Revenue

20.3%

19.1%

20.2%

20.5%

(\$Millions)

(\$Millions)

Most profitable business unit  
in the portfolio

Stable EBITDA averaging  
20% of net revenue despite  
declining revenues

40% and 7% growth year-  
over-year in Hosted IP/PBX  
and data center revenues,  
respectively

Effective cost controls helped  
offset the impact of declining  
revenues on EBITDA and free  
cash flow

\$56.9

\$58.0

\$57.5

\$58.7

\$57.4

\$0

\$25

\$50

\$75  
Q309  
Q409  
Q110  
Q210  
Q310  
\$11.3  
\$12.0  
\$11.6  
\$11.2  
\$11.6  
\$0  
\$5  
\$10  
\$15  
\$20  
Q309  
Q409  
Q110  
Q210  
Q310  
(1)

A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures

10  
Australia Overview  
Net Revenue  
Adjusted EBITDA  
(1)  
(0.8)%  
\$75.8  
(AUS\$)

\$76.5

\$75.9

\$77.3

\$76.4

Sequential Change

(0.9)%

(0.8)%

1.9%

(1.2)%

13.2%

(2.9)%

\$10.0

(AUS\$)

\$9.8

\$9.7

\$12.9

\$10.3

Sequential Change

(10.1)%

(1.0)%

33.0%

(20.2)%

% of Revenue

12.9%

12.8%

16.6%

13.5%

(\$Millions)

(\$Millions)

Stable revenue stream

Declining residential revenue

replaced by higher margin

business revenue

46% growth year-over-year in

data center revenues and 6%

growth for business revenues in

aggregate

Adjusted EBITDA of 13.2% of

net revenue in Q310 versus

12.9% in Q309

\$68.4

\$69.9

\$63.7

\$69.0

\$67.5

\$60

\$64

\$68

\$72

Q309

Q409

Q110

Q210

Q310

\$9.0

\$9.1

\$11.6

\$8.8

\$8.2

\$0

\$2

\$4

\$6

\$8

\$10

\$12

\$14

Q309

Q409

Q110

Q210

Q310

(1) A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP mea

Global Wholesale Overview

Net Revenue

Gross Margin %

(1)

\$53.6

\$54.9

\$46.5

\$49.2

\$41.9

\$0

\$20

\$40

\$60

\$80

Q309

Q409

Q110

Q210

Q310

4.1%

3.9%

3.7%

4.9%

5.2%

0.0%

1.0%

2.0%

3.0%

4.0%

5.0%

6.0%

Q309

Q409

Q110

Q210

Q310

(1)

A

non-GAAP

financial

measure.

Gross

Margin

%

is

defined

as

Net

Revenue

less

costs

of

revenue

divided

by

Net

Revenue.

(14.9)%

Sequential Change

6.5%

2.5%

(15.3)%

5.8%

(\$Millions)

(\$Millions)

Gross margins, as a percentage of net revenue, improved 110 basis points to 5.2% in Q310 versus Q309 as we focused on higher margin US domestic terminations

Summer seasonality in Europe had expected effect on quarterly traffic

Focus on profitability vs. Revenue drove decision to prune less profitable traffic

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Primus

Other Businesses

United States:

Net Revenue for the quarter decreased \$4.1 million year over year to \$12.1 million

Adjusted EBITDA for the quarter decreased \$1.6 million year over year to \$0.9 million

Brazil:

Net Revenue for the quarter increased BRR 8.2 million year over year to BRR 15.9 million

Adjusted EBITDA for the quarter remained flat year over year as the significant increase in revenue was derived from low-margin reseller voice services

Europe Retail:

All European retail operations classified as Discontinued Operations in the financial statements

\$6.2 million (non-cash) impairment charge for goodwill and long-lived assets, primarily intangibles established as part of fresh start accounting

Adjusted EBITDA of ( 2K) and ( 71K) for the third quarters 2010 and 2009, respectively

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Foreign Currency Effects

More than 80% of revenue generated outside US

Natural in-country currency hedge

Revenue and costs are largely denominated in each country's local currency

Impact of currency fluctuations driven by US dollar

remittances from foreign units to service debt

.5688

0.9617

0.9023

Q310

0.5536

0.9602

0.9036

Q110

0.5559

0.9731

0.8835

Q210

0.5800

0.9900

0.9900

As of

11/15/10

Q309

Q409

AUD \$

0.8323

0.9087

CAN \$

0.9097

0.9460

BRR

0.5335

0.5728

Average Exchange Rate to US\$

14  
Balance Sheet  
(\$US Millions)  
Q309  
Q409  
Q110  
Q210  
Q310

Total Debt / LTM Adjusted EBITDA

3.30x

3.15x

2.99x

2.79x

2.81x

Net Debt / LTM Adjusted EBITDA

2.76x

2.63x

2.38x

2.40x

2.24x

Interest Coverage Ratio

2.50x

1.77x

2.45x

2.69x

2.31x

Note:

All results of operations exclude Discontinued Operations and severance unless otherwise specified.

Cash balance of \$49.6 million at September 30, 2010

Principal amount of total debt at 9/30/10 was \$245.9

million compared to \$246.3 million at 6/30/10

Improving leverage ratios

(1)

A non-GAAP financial measure. Definitions and reconciliations between non-GAAP measures and relevant GAAP measures periodic SEC filings.

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Adjusted EBITDA

Adjusted EBITDA, as defined by us, consists of net income (loss) before reorganization items, net, share-based compensation expense, depreciation and amortization, asset impairment expense, gain (loss) on sale or disposal of assets, interest expense, amortization or accretion on debt discount or premium, gain (loss) on early extinguishment or restructuring of debt, interest income and other income (expense), gain (loss) from contingent value rights valuation, foreign currency

transaction gain (loss), income tax benefit (expense), income (expense) attributable to the non-controlling interest, income (loss) from discontinued operations, net of tax, and income (loss) from sale of discontinued operations, net of tax. Our definition of Adjusted EBITDA may not be similar to Adjusted EBITDA measures presented by other companies, is not a measurement under generally accepted accounting principles in the United States, and should be considered in addition to, but not as a substitute for, the information contained in our statements of operations.

We believe Adjusted EBITDA is an important performance measurement for our investors because it gives them a metric to analyze our results exclusive of certain non-cash items and items which do not directly correlate to our business of selling and provisioning telecommunications services. We believe Adjusted EBITDA provides further insight into our current performance and period to period performance on a qualitative basis and is a measure that we use to evaluate our results and performance of our management team.

#### Free Cash Flow

Free Cash Flow, as defined by us, consists of net cash provided by (used in) operating activities before reorganization items less net cash used in the purchase of property and equipment. Free Cash Flow, as defined above, may not be similar to Free Cash Flow measures presented by other companies, is not a measurement under generally accepted accounting principles in the United States, and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statements of cash flows.

We believe Free Cash Flow provides a measure of our ability, after purchases of capital and other investments in our infrastructure, to meet scheduled debt principal payments. We use Free Cash Flow to monitor the impact of our operations on our cash reserves and our ability to generate sufficient cash flow to fund our scheduled debt maturities and other financing activities, including discretionary refinancings and retirements of debt. Because Free Cash Flow represents the amount of cash generated or used in operating activities less amounts used in the purchase of property and equipment before deductions for scheduled debt maturities and other fixed obligations (such as capital leases, vendor financing and other long-term obligations), you should not use it as a measure of the amount of cash available for discretionary expenditures.

#### Non-GAAP Measures

Note:

All results of operations excluded Discontinued Operations unless otherwise specified.

Three Months

Three Months

Three Months

Ended

Ended

Ended

September 30,

June 30,

September 30,

2010

2010

2009

NET INCOME (LOSS) ATTRIBUTABLE TO

PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED\$

5,080

(13,038)  
 \$  
 2,165  
 \$  
 Reorganization items, net  
 -  
 -  
 307  
 Share-based compensation expense  
 (12)  
 117  
 307  
 Depreciation and amortization  
 13,641  
 18,194  
 18,740  
 (Gain) loss on sale or disposal of assets  
 -  
 (189)  
 36  
 Interest expense  
 8,602  
 8,733  
 8,747  
 Accretion (amortization) on debt premium/discount, net  
 46  
 45  
 -  
 (Gain) loss on early extinguishment of debt  
 -  
 (164)  
 -  
 Interest and other (income) expense  
 (254)  
 (153)  
 (160)  
 (Gain) loss from Contingent Value Rights valuation  
 (33)  
 382  
 4,229  
 Foreign currency transaction (gain) loss  
 (14,006)  
 9,623  
 (13,448)  
 Income tax (benefit) expense  
 (3,238)  
 (1,883)  
 (2,121)  
 Income (expense) attributable to the non-controlling interest  
 74

(106)  
210  
(Income) loss from discontinued operations,  
net of tax  
5,464  
1,528  
2,110  
(Gain) loss from sale of discontinued operations,  
net of tax  
389  
(193)  
110  
ADJUSTED EBITDA  
15,753  
\$  
22,896  
\$  
21,232  
\$  
NET CASH PROVIDED BY (USED IN)  
OPERATING ACTIVITIES BEFORE REORGANIZATION ITEMS\$  
20,865  
(1,140)  
\$  
12,992  
\$  
Net cash used in purchase of property  
and equipment  
(6,410)  
(5,824)  
(3,886)  
FREE CASH FLOW  
14,455  
\$  
(6,964)  
\$  
9,106  
\$