

HUNGARIAN TELEPHONE & CABLE CORP
Form 10-Q
August 11, 2008
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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 June 30, 2008

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 1-11484

HUNGARIAN TELEPHONE AND CABLE CORP.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

13-3652685
(I.R.S. Employer
Identification No.)

1201 Third Avenue, Suite 3400 Seattle, WA 98101-3034

(Address of principal executive offices)

(206) 654-0204

(Registrant's telephone number, including area 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 ninety days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated Filer

Accelerated filer

Non-accelerated Filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest possible date:

Common Stock, \$.001 par value
(Class)

16,425,733 Shares
(Outstanding as of August 8, 2008)

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HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Item 1. Financial Statements**Condensed Consolidated Balance Sheets**

(In thousands, except share and per share data)

Assets

	June 30, 2008 (unaudited)	December 31, 2007
Current assets:		
Cash and cash equivalents	\$ 31,538	\$ 20,897
Receivable from escrow	17,077	
Accounts receivable, net of allowance of \$26,255 in 2008 and \$17,633 in 2007	101,282	85,684
Derivative financial instruments	1,045	977
Prepaid expenses and accrued income	5,410	5,049
Other current assets	9,836	6,228
Total current assets	166,188	118,835
Property, plant and equipment, net of depreciation of \$296,659 in 2008 and \$216,090 in 2007	917,773	691,485
Goodwill, net	83,589	81,534
Intangibles assets, net of amortization of \$50,641 in 2008 and \$35,310 in 2007	311,676	200,948
Deferred costs	18,239	14,828
Deferred tax asset	653	
Derivative financial instruments	2,403	2,076
Other non-current assets	1,248	485
Total assets	\$ 1,501,769	\$ 1,110,191

See accompanying notes to condensed consolidated financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

Liabilities and Stockholders' Equity

	June 30, 2008 (unaudited)	December 31, 2007
Current liabilities:		
Current installments of long-term debt	\$ 74,604	\$ 37,114
Current obligations under capital leases	8,661	430
Accounts payable	55,720	58,797
Accrued expenses and deferred income	84,610	70,169
Derivative financial instruments	29,913	22,138
Other current liabilities	22,742	9,499
Due to related parties	1,153	1,706
Total current liabilities	277,403	199,853
Long-term debt, excluding current installments	1,046,236	812,865
Long-term obligations under capital leases, excluding current portion	9,484	13
Derivative financial instruments	42,951	17,381
Deferred tax liabilities	20,262	19,642
Deferred income	58,949	17,265
Other non-current liabilities	7,144	7,020
Total liabilities	1,462,429	1,074,039
Commitments and contingencies		
Minority interest	11	8
Redeemable equity securities	15,049	15,049
Stockholders' equity:		
Cumulative convertible preferred stock, \$.01 par value; \$70.00 liquidation value. Authorized 200,000 shares; issued and outstanding 30,000 shares in 2008 and 2007		
Common stock, \$.001 par value. Authorized 25,000,000 shares; issued and outstanding 15,487,183 shares in 2008 and 15,471,950 shares in 2007	15	15
Additional paid-in capital	193,013	193,013
Accumulated deficit	(212,116)	(188,298)
Accumulated other comprehensive income	43,368	16,365
Total stockholders' equity	24,280	21,095
Total liabilities and stockholders' equity	\$ 1,501,769	\$ 1,110,191

See accompanying notes to condensed consolidated financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

For the Three and Six Month Periods Ended June 30, 2008 and 2007

(In thousands, except share and per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue	\$ 148,060	\$ 92,850	\$ 279,522	\$ 141,988
Cost of Sales	59,533	41,710	115,192	66,854
Gross margin	88,527	51,140	164,330	75,134
Operating expenses				
Selling, general and administrative	34,850	23,691	61,483	33,556
Depreciation and amortization	32,246	17,979	58,933	25,423
Total operating expenses	67,096	41,670	120,416	58,979
Income from operations	21,431	9,470	43,914	16,155
Other income (expenses)				
Foreign exchange gains (losses), net	47,346	3,455	34,122	6,500
Interest expense	(30,304)	(14,403)	(57,948)	(18,153)
Interest income	402	185	832	482
Gains (losses) on derivative financial instruments	(66,672)	(21,841)	(37,586)	(65,901)
Gains (losses) from fair value changes of warrants				(15,075)
Loss on extinguishment of debt		(2,807)		(2,087)
Other, net	(1,390)	28	(2,000)	(25)
Income before income taxes	(29,187)	(25,913)	(18,666)	(78,824)
Income tax benefit (expense)				
Current	(1,964)	(968)	(3,821)	(3,514)
Deferred	3,360	10,734	(1,276)	11,542
Total income tax benefit (expense)	1,396	9,766	(5,097)	8,028
Minority interest	2	8	(3)	8
Net income (loss)	\$ (27,789)	\$ (16,139)	\$ (23,766)	\$ (70,788)
Cumulative convertible preferred stock dividends	(26)	(26)	(52)	(52)
Net income (loss) attributable to common stockholders	(27,815)	(16,165)	(23,818)	(70,840)
Foreign currency translation adjustment	(38,139)	(879)	(27,003)	2,557
Total comprehensive income (loss)	(65,954)	(17,044)	(50,821)	(68,283)

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Net income (loss) per common share:

Basic	\$	(1.69)	\$	(1.00)	\$	(1.45)	\$	(4.87)
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Diluted	\$	(1.69)	\$	(1.00)	\$	(1.45)	\$	(4.87)
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Weighted average number of common shares outstanding:

Basic	16,421,302	16,154,120	16,419,011	14,561,931
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Diluted	16,421,302	16,154,120	16,419,011	14,561,931
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See accompanying notes to condensed consolidated financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders Equity

(In thousands, except share data)

(unaudited)

	Shares	Common Stock	Preferred Stock	Additional Paid-in Capital	Accumulated deficit	Accumulated Other Comprehensive Income	Total Stockholders Equity
Balances at December 31, 2007	15,471,950	\$ 15		193,013	(188,298)	16,365	\$ 21,095
Net settlement of stock option exercise	9,233						
Issue of shares to directors	6,000						
Cumulative convertible preferred stock dividends					(52)		(52)
Net loss					(23,766)		(23,766)
Foreign currency translation adjustment						27,003	27,003
Balances at June 30, 2008	15,487,183	15		193,013	(212,116)	43,368	\$ 24,280