

Hawaiian Telcom Holdco, Inc.
Form 10-Q
August 01, 2016
Table of Contents

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, 2016

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: 001-34686

Hawaiian Telcom Holdco, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

16-1710376
(I.R.S. Employer Identification No.)

1177 Bishop Street

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Honolulu, Hawaii 96813

(Address of principal executive offices)

808-546-4511

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 90 days. Yes [X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] 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 definition 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 [X] Non-Accelerated Filer [] Smaller reporting company []
(Do not check if 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 [X]

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [X] No []

As of August 1, 2016, 11,511,591 shares of the registrant's common stock were outstanding.

Table of Contents

Table of Contents

	Page	
<u>Part I</u>	<u>Financial Information</u>	
<u>Item 1</u>	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	3
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
<u>Item 4</u>	<u>Controls and Procedures</u>	30
<u>Part II</u>	<u>Other Information</u>	
<u>Item 1</u>	<u>Legal Proceedings</u>	31
<u>Item 1A</u>	<u>Risk Factors</u>	31
<u>Item 5</u>	<u>Other Information</u>	32
<u>Item 6</u>	<u>Exhibits</u>	33

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statements of Income

(Unaudited, dollars in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Operating revenues	\$ 99,541	\$ 96,187	\$ 198,335	\$ 193,303
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	40,605	39,219	83,084	79,402
Selling, general and administrative	29,554	29,767	59,419	59,499
Depreciation and amortization	22,493	21,941	44,443	43,221
Total operating expenses	92,652	90,927	186,946	182,122
Operating income	6,889	5,260	11,389	11,181
Other income (expense):				
Interest expense	(4,484)	(4,166)	(8,724)	(8,503)
Interest income and other	—	4	—	11
Total other expense	(4,484)	(4,162)	(8,724)	(8,492)
Income before income tax provision	2,405	1,098	2,665	2,689
Income tax provision	960	643	1,066	1,257
Net income	\$ 1,445	\$ 455	\$ 1,599	\$ 1,432
Net income per common share -				
Basic	\$ 0.13	\$ 0.04	\$ 0.14	\$ 0.13
Diluted	\$ 0.13	\$ 0.04	\$ 0.14	\$ 0.13
Weighted average shares used to compute net income per common share -				
Basic	11,511,591	10,797,111	11,493,712	10,744,944
Diluted	11,525,850	11,258,178	11,523,215	11,261,535

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited, dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Net income	\$ 1,445	\$ 455	\$ 1,599	\$ 1,432
Other comprehensive income (loss):				
Unrealized holding loss arising during period	—	(2)	—	—
Retirement plan gain	247	4,093	494	2,075
Income tax provision on comprehensive income	(94)	(1,571)	(188)	(792)
Other comprehensive income, net of tax	153	2,520	306	1,283
Comprehensive income	\$ 1,598	\$ 2,975	\$ 1,905	\$ 2,715

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Balance Sheets

(Unaudited, dollars in thousands, except per share amounts)

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 26,155	\$ 30,312
Receivables, net	29,120	32,736
Material and supplies	8,603	8,499
Prepaid expenses	5,580	4,068
Other current assets	3,184	2,102
Total current assets	72,642	77,717
Property, plant and equipment, net	589,551	579,107
Intangible assets, net	33,779	34,828
Goodwill	12,104	12,104
Deferred income taxes, net	88,331	89,896
Other assets	6,193	6,043
Total assets	\$ 802,600	\$ 799,695
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 3,000	\$ 3,000
Accounts payable	50,546	44,841
Accrued expenses	16,561	14,491
Advance billings and customer deposits	15,958	17,551
Other current liabilities	6,305	5,932
Total current liabilities	92,370	85,815
Long-term debt	282,161	283,046
Employee benefit obligations	100,207	104,597
Other liabilities	17,468	18,538
Total liabilities	492,206	491,996
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common stock, par value of \$0.01 per share, 245,000,000 shares authorized and 11,511,591 and 11,466,398 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	115	115
Additional paid-in capital	178,809	178,019
Accumulated other comprehensive loss	(29,082)	(29,388)
Retained earnings	160,552	158,953
Total stockholders' equity	310,394	307,699
Total liabilities and stockholders' equity	\$ 802,600	\$ 799,695

See accompanying notes to condensed consolidated financial statements.

5

Table of Contents

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited, dollars in thousands)

	Six Months Ended June 30, 2016	2015
Cash flows from operating activities:		
Net income	\$ 1,599	\$ 1,432
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,443	43,221
Deferred financing amortization	1,005	953
Employee retirement benefits	(3,896)	(3,565)
Provision for uncollectible receivables	2,139	1,634
Stock based compensation	1,141	900
Deferred income taxes	1,377	1,621
Changes in operating assets and liabilities:		
Receivables	1,477	(3,025)
Material and supplies	(104)	(92)
Prepaid expenses and other current assets	(2,594)	(1,944)
Accounts payable and accrued expenses	6,837	(2,037)
Advance billings and customer deposits	(1,593)	668
Other current liabilities	(385)	(465)
Other	(157)	492
Net cash provided by operating activities	51,289	39,793
Cash flows from investing activities:		
Capital expenditures	(52,898)	(52,916)
	—	400

Funds released from restricted cash account		
Net cash used in investing activities	(52,898)	(52,516)
Cash flows from financing activities:		
Proceeds from exercise of warrant	—	3,341
Proceeds from installment financing	1,698	2,279
Repayment of capital lease and installment financing	(1,707)	(1,976)
Repayment of debt	(1,500)	(1,500)
Refinancing and loan amendment costs	(688)	(150)
Taxes paid related to net share settlement of equity awards	(351)	(928)
Net cash used in financing activities	(2,548)	1,066
Net change in cash and cash equivalents	(4,157)	(11,657)
Cash and cash equivalents, beginning of period	30,312	39,885
Cash and cash equivalents, end of period	\$ 26,155	\$ 28,228
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 6,350	\$ 7,604

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statement of Changes in Stockholders' Equity

(Unaudited, dollars in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2016	11,466,398	\$ 115	\$ 178,019	\$ (29,388)	\$ 158,953	\$ 307,699
Stock based compensation	—	—	1,141	—	—	1,141
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes	45,193	—	(351)	—	—	(351)
Net income	—	—	—	—	1,599	1,599
Other comprehensive income, net of tax	—	—	—	306	—	306
Balance, June 30, 2016	11,511,591	\$ 115	\$ 178,809	\$ (29,082)	\$ 160,552	\$ 310,394
Balance, January 1, 2015	10,673,292	\$ 107	\$ 170,521	\$ (23,947)	\$ 157,853	\$ 304,534