

Consolidated Communications Holdings, Inc.

Form 10-Q

November 05, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended September 30, 2010

OR

o 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 000-51446

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

02-0636095
(IRS Employer Identification No.)

121 South 17th Street
Mattoon, Illinois
(Address of Principal Executive Offices)

61938-3987
(Zip Code)

(217) 235-3311

(Registrant's Telephone Number, including Area Code)

Indicate by checkmark 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 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 NO

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by checkmark 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 class of Common Stock, as of the latest practicable date

Class
Common Stock, \$0.01 Par Value

Outstanding as of November 3, 2010
29,816,659 Shares

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QUARTERLY REPORT

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Consolidated Communications Holdings, Inc. and Subsidiaries****Condensed Consolidated Statements of Operations**

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net revenues	\$ 95,576	\$ 101,590	\$ 289,615	\$ 305,342
Operating expense:				
Cost of services and products (exclusive of depreciation and amortization shown separately below)	36,371	36,151	107,960	108,595
Selling, general and administrative expenses	21,686	25,600	65,879	79,327
Depreciation and amortization	21,918	21,341	64,920	63,999
Operating income	15,601	18,498	50,856	53,421
Other income (expense):				
Interest expense, net	(11,723)	(14,775)	(37,675)	(43,794)
Investment income	6,830	6,237	20,268	18,046
Other, net	210	(183)	(242)	1,032
Income before income taxes	10,918	9,777	33,207	28,705
Income tax expense (benefit)	(1,049)	2,494	7,015	10,066
Net income	11,967	7,283	26,192	18,639
Less: net income attributable to noncontrolling interest	130	226	385	769
Net income attributable to common stockholders	\$ 11,837	\$ 7,057	\$ 25,807	\$ 17,870
Net income per common share basic	\$ 0.40	\$ 0.24	\$ 0.86	\$ 0.60
Net income per common share diluted	\$ 0.40	\$ 0.24	\$ 0.86	\$ 0.60
Cash dividends per common share	\$ 0.38	\$ 0.39	\$ 1.16	\$ 1.16

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Consolidated Communications Holdings, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets**

(In thousands, except share and per share amounts)	September 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and equivalents	\$ 55,961	\$ 42,758
Accounts receivable, net of allowance for doubtful accounts of \$3,263 in 2010 and \$1,796 in 2009	41,647	42,125
Income taxes receivable	5,425	3,564
Inventories	7,339	6,874
Deferred income taxes	6,992	5,970
Prepaid expenses and other current assets	7,440	6,639
Total current assets	124,804	107,930
Property, plant and equipment, net	359,618	377,200
Investments	98,123	98,748
Goodwill	520,562	520,562
Customer lists, net	85,484	102,088
Tradenames	13,446	13,446
Deferred debt issuance costs, net and other assets	6,023	6,633
Total assets	\$ 1,208,060	\$ 1,226,607
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 9,590	\$ 13,482
Advance billings and customer deposits	21,861	20,025
Dividends payable	11,553	11,476
Accrued expense	19,603	23,133
Current portion of capital lease obligations		344
Current portion of derivative liability	10,176	6,074
Current portion of pension and postretirement benefit obligations	2,908	2,908
Total current liabilities	75,691	77,442
Senior secured long-term debt	880,000	880,000
Deferred income taxes	70,380	74,711
Pension and other postretirement obligations	82,568	80,298
Other long-term liabilities	27,492	33,439
Total liabilities	1,136,131	1,145,890
Stockholders equity:		
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 29,816,659 and 29,608,653, shares outstanding as of September 30, 2010 and December 31, 2009, respectively	298	296
Additional paid-in capital	102,639	109,746
Retained earnings		
Accumulated other comprehensive loss	(37,608)	(35,540)
Noncontrolling interest	6,600	6,215
Total stockholders equity	71,929	80,717
Total liabilities and stockholders equity	\$ 1,208,060	\$ 1,226,607

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Consolidated Communications Holdings, Inc. and Subsidiaries****Consolidated Statement of Changes in Stockholders' Equity**

(Unaudited)

(In thousands, except share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non- controlling Interest	Total
Balance - December 31, 2009	29,608,653	\$ 296	\$ 109,746	\$	\$ (35,540)	\$ 6,215	\$ 80,717
Dividends on common stock			(4,626)	(6,920)			(11,546)
Shares issued under employee plan, net of forfeitures	213,951	2	(2)				
Non-cash, stock-based compensation			503				503
Comprehensive income:							
Net income				6,920		131	7,051
Change in prior service cost and net loss, net of tax of \$26					47		47
Change in fair value of cash flow hedges, net of tax of \$54					90		90
Total comprehensive income							7,188
Balance - March 31, 2010	29,822,604	\$ 298	\$ 105,621	\$	\$ (35,403)	\$ 6,346	\$ 76,862
Dividends on common stock			(4,503)	(7,050)			(11,553)
Non-cash, stock-based compensation			616				616
Comprehensive income:							
Net income				7,050		124	7,174
Change in prior service cost and net loss, net of tax of \$26					48		48
Change in fair value of cash flow hedges, net of tax of \$(722)					(1,253)		(1,253)
Total comprehensive income							5,969
Balance - June 30, 2010	29,822,604	\$ 298	\$ 101,734	\$	\$ (36,608)	\$ 6,470	\$ 71,894
Dividends on common stock			284	(11,837)			(11,553)
Share forfeitures	(5,945)						
Non-cash, stock-based compensation			621				621
Comprehensive income:							
Net income				11,837		130	11,967
Change in prior service cost and net loss, net of tax of \$35					61		61
Change in fair value of cash flow hedges, net of tax of \$(616)					(1,061)		(1,061)
Total comprehensive income							10,967
Balance - September 30, 2010	29,816,659	\$ 298	\$ 102,639	\$	\$ (37,608)	\$ 6,600	\$ 71,929

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Consolidated Communications Holdings, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows**

(Unaudited)

(In thousands)	Nine Months ended September 30,	
	2010	2009
Operating Activities		
Net income	\$ 26,192	\$ 18,639
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,920	63,999
Deferred income taxes	(24)	(833)
Loss on disposal of assets	902	
Non-cash change in uncertain tax positions	(5,186)	
Cash distributions from wireless partnerships in excess of/(less than) current earnings	304	(2,299)
Stock-based compensation expense	1,740	1,434
Amortization of deferred financing costs	970	978
Changes in operating assets and liabilities:		
Accounts receivable, net	478	102
Income tax receivable	(4,936)	(1,316)
Inventories	(451)	364
Other assets	(732)	651
Accounts payable	(3,892)	(869)
Accrued expenses and other liabilities	(540)	1,360
Net cash provided by operating activities	79,745	82,210
Investing Activities		
Additions to property, plant and equipment, net	(32,578)	(30,952)
Proceeds from the sale of assets	997	300
Proceeds from the sale of investments	35	
Net cash used for investing activities	(31,546)	(30,652)
Financing Activities		
Payment of capital lease obligation	(344)	(685)
Repurchase and retirement of common stock		(9)
Dividends on common stock	(34,652)	(34,452)
Net cash used for financing activities		