

Hawaiian Telcom Holdco, Inc.
Form 10-Q
August 04, 2015
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, 2015

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
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 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 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

Non-Accelerated Filer
(Do not check if smaller
reporting company)

Smaller reporting company

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

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 No

As of August 4, 2015, 11,007,318 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>	31
<u>Item 4</u>	<u>Controls and Procedures</u>	32
<u>Part II</u>	<u>Other Information</u>	
<u>Item 1</u>	<u>Legal Proceedings</u>	33
<u>Item 1A</u>	<u>Risk Factors</u>	33
<u>Item 5</u>	<u>Other Information</u>	34
<u>Item 6</u>	<u>Exhibits</u>	35

Table of Contents**PART I FINANCIAL STATEMENTS****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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating revenues	\$ 96,187	\$ 96,784	\$ 193,303	\$ 193,856
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	39,219	41,288	79,402	82,236
Selling, general and administrative	29,767	28,720	59,499	57,986
Depreciation and amortization	21,941	18,884	43,221	37,604
Total operating expenses	90,927	88,892	182,122	177,826
Operating income	5,260	7,892	11,181	16,030
Other income (expense):				
Interest expense	(4,166)	(4,109)	(8,503)	(8,298)
Interest income and other	4	5	11	13
Total other expense	(4,162)	(4,104)	(8,492)	(8,285)
Income before income tax provision	1,098	3,788	2,689	7,745
Income tax provision	643	1,549	1,257	3,141
Net income	\$ 455	\$ 2,239	\$ 1,432	\$ 4,604
Net income per common share -				
Basic	\$ 0.04	\$ 0.21	\$ 0.13	\$ 0.44
Diluted	\$ 0.04	\$ 0.20	\$ 0.13	\$ 0.41
Weighted average shares used to compute net income per common share -				
Basic	10,797,111	10,585,736	10,744,944	10,557,047
Diluted	11,258,178	11,263,618	11,261,535	11,300,608

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 455	\$ 2,239	\$ 1,432	\$ 4,604
Other comprehensive income (loss) -				
Unrealized holding gains (losses) arising during period	(2)	2		(1)
Retirement plan gain (loss)	4,093	44	2,075	(245)
Income tax credit (charge) on comprehensive income	(1,571)	(17)	(792)	100
Other comprehensive income (loss), net of tax	2,520	29	1,283	(146)
Comprehensive income	\$ 2,975	\$ 2,268	\$ 2,715	\$ 4,458

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, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 28,228	\$ 39,885
Receivables, net	34,053	32,662
Material and supplies	9,792	9,337
Prepaid expenses	5,334	3,598
Deferred income taxes	6,840	6,840
Other current assets	3,289	3,481
Total current assets	87,536	95,803
Property, plant and equipment, net	570,667	565,956
Intangible assets, net	36,079	37,328
Goodwill	12,104	12,104
Deferred income taxes	79,213	81,626
Other assets	10,513	9,151
Total assets	\$ 796,112	\$ 801,968
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 3,000	\$ 3,000
Accounts payable	45,797	50,499
Accrued expenses	16,102	19,399
Advance billings and customer deposits	15,354	14,686
Other current liabilities	7,488	6,790
Total current liabilities	87,741	94,374
Long-term debt	288,307	289,423
Employee benefit obligations	93,728	99,366
Other liabilities	15,774	14,271
Total liabilities	485,550	497,434
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common stock, par value of \$0.01 per share, 245,000,000 shares authorized and 11,005,434 and 10,673,292 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	110	107
Additional paid-in capital	173,831	170,521
Accumulated other comprehensive loss	(22,664)	(23,947)
Retained earnings	159,285	157,853
Total stockholders' equity	310,562	304,534
Total liabilities and stockholders' equity	\$ 796,112	\$ 801,968

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See accompanying notes to condensed consolidated financial statements.

Table of Contents**Hawaiian Telcom Holdco, Inc.****Condensed Consolidated Statements of Cash Flows****(Unaudited, dollars in thousands)**

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 1,432	\$ 4,604
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	43,221	37,604
Employee retirement benefits	(3,565)	(6,494)
Provision for uncollectibles	1,634	1,478
Stock based compensation	900	2,099
Deferred income taxes	1,621	3,544
Changes in operating assets and liabilities:		
Receivables	(3,025)	979
Material and supplies	(92)	121
Prepaid expenses and other current assets	(1,944)	(2,090)
Accounts payable and accrued expenses	(2,037)	(3,896)
Advance billings and customer deposits	668	(181)
Other current liabilities	(465)	113
Other	1,445	758
Net cash provided by operating activities	39,793	38,639
Cash flows from investing activities:		
Capital expenditures	(52,916)	(51,315)
Funds released from restricted cash account	400	
Net cash used in investing activities	(52,516)	(51,315)
Cash flows from financing activities:		
Proceeds from stock issuance	3,341	
Proceeds from installment financing	2,279	2,085
Repayment of capital lease and installment financing	(1,976)	(856)
Repayment of debt	(1,500)	(1,500)
Refinancing costs	(150)	
Taxes paid related to net share settlement of equity awards	(928)	(1,005)
Net cash provided by (used in) financing activities	1,066	(1,276)
Net change in cash and cash equivalents	(11,657)	(13,952)
Cash and cash equivalents, beginning of period	39,885	49,551
Cash and cash equivalents, end of period	\$ 28,228	\$ 35,599
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 7,604	\$ 7,433

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)**

	Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders Equity
Balance, January 1, 2015	10,673,292	\$ 107	\$ 170,521	\$ (23,947)	\$ 157,853	\$ 304,534
Stock based compensation			900			900
Exercise of warrant agreement	260,068	2	3,339			3,341
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes	72,074	1	(929)			(928)
Net income					1,432	1,432
Other comprehensive income, net of tax				1,283		1,283
Balance, June 30, 2015	11,005,434	\$ 110	\$ 173,831	\$ (22,664)	\$ 159,285	\$ 310,562
Balance, January 1, 2014	10,495,856	\$ 105	\$ 167,869	\$ (4,716)	\$ 149,754	\$ 313,012
Stock based compensation			2,099			2,099
Exercise of warrant agreement	15,361					
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes	74,824	1	(1,006)			(1,005)
Net income						