

Hawaiian Telcom Holdco, Inc.
Form 10-Q
May 04, 2015
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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 March 31, 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 May 4, 2015, 10,757,666 shares of the registrant's common stock were outstanding.

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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 March 31,	
	2015	2014
Operating revenues	\$ 97,114	\$ 97,072
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization)	40,183	40,948
Selling, general and administrative	29,732	29,266
Depreciation and amortization	21,280	18,720
Total operating expenses	91,195	88,934
Operating income	5,919	8,138
Other income (expense):		
Interest expense	(4,337)	(4,188)
Interest income and other	7	10
Total other expense	(4,330)	(4,178)
Income before income tax provision	1,589	3,960
Income tax provision	614	1,592
Net income	\$ 975	\$ 2,368
Net income per common share -		
Basic	\$ 0.09	\$ 0.22
Diluted	\$ 0.09	\$ 0.21
Weighted average shares used to compute net income per common share -		
Basic	10,692,198	10,528,039
Diluted	11,272,922	11,271,827

See accompanying notes to condensed consolidated financial statements.

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Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited, dollars in thousands)

	Three Months Ended March 31,	
	2015	2014
Net income	\$ 975	\$ 2,368
Other comprehensive income (loss) -		
Unrealized holding gains (losses) arising during period	2	(3)
Retirement plan loss	(2,018)	(289)
Income tax credit on comprehensive loss	779	117
Other comprehensive loss, net of tax	(1,237)	(175)
Comprehensive income (loss)	\$ (262)	\$ 2,193

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)**

	March 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 26,940	\$ 39,885
Receivables, net	32,357	32,662
Material and supplies	9,791	9,337
Prepaid expenses	3,688	3,598
Deferred income taxes	6,840	6,840
Other current assets	3,512	3,481
Total current assets	83,128	95,803
Property, plant and equipment, net	568,169	565,956
Intangible assets, net	36,704	37,328
Goodwill	12,104	12,104
Deferred income taxes	81,568	81,626
Other assets	10,554	9,151
Total assets	\$ 792,227	\$ 801,968
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 3,000	\$ 3,000
Accounts payable	45,218	50,499
Accrued expenses	14,956	19,399
Advance billings and customer deposits	15,170	14,686
Other current liabilities	5,901	6,790
Total current liabilities	84,245	94,374
Long-term debt	288,863	289,423
Employee benefit obligations	99,432	99,366
Other liabilities	15,968	14,271
Total liabilities	488,508	497,434
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common stock, par value of \$0.01 per share, 245,000,000 shares authorized and 10,757,666 and 10,673,292 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	108	107
Additional paid-in capital	169,967	170,521
Accumulated other comprehensive loss	(25,184)	(23,947)
Retained earnings	158,828	157,853
Total stockholders' equity	303,719	304,534
Total liabilities and stockholders' equity	\$ 792,227	\$ 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)**

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 975	\$ 2,368
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	21,280	18,720
Employee retirement benefits	(1,952)	(3,475)
Provision for uncollectibles	1,248	513
Stock based compensation	375	1,074
Deferred income taxes	837	1,685
Changes in operating assets and liabilities:		
Receivables	(943)	957
Material and supplies	(91)	459
Prepaid expenses and other current assets	(121)	810
Accounts payable and accrued expenses	(3,782)	(10,010)
Advance billings and customer deposits	484	(210)
Other current liabilities	(185)	89
Other	808	390
Net cash provided by operating activities	18,933	13,370
Cash flows from investing activities:		
Capital expenditures	(29,172)	(23,939)
Net cash used in investing activities	(29,172)	(23,939)
Cash flows from financing activities:		
Repayments of capital lease and installment financing	(1,382)	(489)
Repayment of debt	(750)	(750)
Proceeds from installment financing	354	
Taxes paid related to net share settlement of equity awards	(928)	(1,005)
Net cash used in financing activities	(2,706)	(2,244)
Net change in cash and cash equivalents	(12,945)	(12,813)
Cash and cash equivalents, beginning of period	39,885	49,551
Cash and cash equivalents, end of period	\$ 26,940	\$ 36,738
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 3,953	\$ 3,824

See accompanying notes to condensed consolidated financial statements.

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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, 2015	10,673,292	\$ 107	\$	170,521	\$	(23,947)	\$	157,853	<u>157,853</u>