

Hawaiian Telcom Holdco, Inc.
Form 10-Q
August 09, 2012
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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, 2012

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 9, 2012, 10,246,635 shares of the registrant's common stock were outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Hawaiian Telcom Holdco, Inc.****Condensed Consolidated Statements of Operations****(Unaudited, dollars in thousands, except per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Operating revenues	\$ 94,689	\$ 100,744	\$ 192,263	\$ 199,250
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	39,432	41,960	80,231	82,530
Selling, general and administrative	26,994	30,382	56,020	60,518
Depreciation and amortization	17,354	15,212	33,942	30,517
Total operating expenses	83,780	87,554	170,193	173,565
Operating income	10,909	13,190	22,070	25,685
Other income (expense):				
Interest expense	(5,414)	(6,235)	(11,400)	(12,494)
Loss on early extinguishment of debt			(5,112)	
Interest income and other	6	17	18	30
Total other expense	(5,408)	(6,218)	(16,494)	(12,464)
Income before reorganization items and income tax benefit	5,501	6,972	5,576	13,221
Reorganization items		239		950
Income before income tax benefit	5,501	6,733	5,576	12,271
Income tax benefit	(20)		(152)	
Net income	\$ 5,521	\$ 6,733	\$ 5,728	\$ 12,271
Net income per common share -				
Basic	\$ 0.54	\$ 0.66	\$ 0.56	\$ 1.21
Diluted	\$ 0.51	\$ 0.61	\$ 0.54	\$ 1.12

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Weighted average shares used to compute net income per
common share -

Basic	10,241,073	10,138,572	10,221,056	10,138,137
Diluted	10,730,095	11,023,118	10,616,201	10,978,578

See accompanying notes to condensed consolidated financial statements.

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Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited, dollars in thousands)

	Three Months Ended		Six Months Ended	
	2012	2011	2012	2011
Net income	\$ 5,521	\$ 6,733	\$ 5,728	\$ 12,271
Other comprehensive income (loss), net of tax -				
Unrealized holding gains (losses) arising during period	2	10	(1)	(14)
Retirement plan			33,388	
Other comprehensive income (loss), net of tax -	2	10	33,387	(14)
Comprehensive income	\$ 5,523	\$ 6,743	\$ 39,115	\$ 12,257

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, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 65,758	\$ 82,063
Receivables, net	33,091	37,712
Material and supplies	10,317	8,190
Prepaid expenses	5,832	4,107
Other current assets	2,467	2,127
Total current assets	117,465	134,199
Property, plant and equipment, net	489,994	482,371
Intangible assets, net	39,380	40,745
Other assets	9,693	4,457
Total assets	\$ 656,532	\$ 661,772
Liabilities and Stockholders Equity		
Current liabilities		
Current portion of long-term debt	\$ 2,250	\$ 2,600
Accounts payable	26,472	24,785
Accrued expenses	17,721	23,811
Advance billings and customer deposits	16,006	14,672
Other current liabilities	3,860	3,649
Total current liabilities	66,309	69,517
Long-term debt	293,512	297,400
Employee benefit obligations	117,022	155,428
Other liabilities	3,583	3,231
Total liabilities	480,426	525,576
Commitments and contingencies (Note 12)		
Stockholders equity		
Common stock, par value of \$0.01 per share, 245,000,000 shares authorized and 10,245,773 and 10,190,526 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	102	102
Additional paid-in capital	165,123	164,328
Accumulated other comprehensive loss	(24,131)	(57,518)
Retained earnings	35,012	29,284
Total stockholders equity	176,106	136,196
Total liabilities and stockholders equity	\$ 656,532	\$ 661,772

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,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 5,728	\$ 12,271
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	33,942	30,517
Loss on early extinguishment of debt	5,112	
Employee retirement benefits	(5,018)	(3,223)
Provision for uncollectibles	1,905	790
Reorganization items		950
Stock based compensation	840	972
Changes in operating assets and liabilities:		
Receivables	2,716	(4,279)
Material and supplies	(2,127)	1,293
Prepaid expenses and other current assets	(2,065)	2,947
Accounts payable and accrued expenses	(3,367)	(8,267)
Advance billings and customer deposits	1,334	(554)
Other current liabilities	211	863
Other	394	(962)
Net cash provided by operating activities before reorganization items	39,605	33,318
Operating cash flows used by reorganization items		(2,292)
Net cash provided by operating activities	39,605	31,026
Cash flows from investing activities:		
Capital expenditures	(41,235)	(35,413)
Net cash used in investing activities	(41,235)	(35,413)
Cash flows from financing activities:		
Repayment of debt including premium	(306,000)	
Proceeds from borrowing	295,500	
Loan refinancing costs	(4,130)	
Taxes paid related to net share settlement of equity awards	(45)	
Proceeds from sale of common stock		49
Net cash provided by (used in) financing activities	(14,675)	49
Net change in cash and cash equivalents	(16,305)	(4,338)
Cash and cash equivalents, beginning of period	82,063	81,647
Cash and cash equivalents, end of period	\$ 65,758	\$ 77,309
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 12,067	\$ 12,569
Non-cash investing activities - receipt of equipment for settlement of receivable for capital lease		2,250

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, 2012	10,190,526	\$ 102	\$ 164,328	\$ (57,518)	\$ 29,284	\$ 136,196
Stock based compensation			840			840
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes	55,247		(45)			(45)
Net income					5,728	5,728
Other comprehensive income, net of tax				33,387		33,387
Balance, June 30, 2012	10,245,773	\$ 102	\$ 165,123	\$ (24,131)	\$ 35,012	\$ 176,106
Balance, January 1, 2011	10,135,063	\$ 101	\$ 162,169	\$ 13,393	\$ 3,129	\$ 178,792
Stock based compensation			972			972
Sale of common stock under warrant agreement	3,537		49			49
Net income					12,271	12,271