

Hawaiian Telcom Holdco, Inc.
Form 10-Q
May 06, 2013
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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, 2013

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.

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(Exact name of registrant as specified in its charter)

Delaware

16-1710376

(State or other jurisdiction of incorporation or organization)

(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

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

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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 6, 2013, 10,336,187 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 Income****(Unaudited, dollars in thousands, except per share amounts)**

	Three Months Ended March 31,	
	2013	2012
Operating revenues	\$ 95,965	\$ 97,574
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization)	40,284	40,799
Selling, general and administrative	28,379	29,026
Depreciation and amortization	18,717	16,588
Total operating expenses	87,380	86,413
Operating income	8,585	11,161
Other income (expense):		
Interest expense	(5,540)	(5,986)
Loss on early extinguishment of debt		(5,112)
Interest income and other	15	12
Total other expense	(5,525)	(11,086)
Income before income tax provision (benefit)	3,060	75
Income tax provision (benefit)	1,212	(132)
Net income	\$ 1,848	\$ 207
Net income per common share -		
Basic	\$ 0.18	\$ 0.02
Diluted	\$ 0.17	\$ 0.02
Weighted average shares used to compute net income per common share -		
Basic	10,291,897	10,201,039
Diluted	10,890,917	10,434,026

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	
	March 31,	
	2013	2012
Net income	\$ 1,848	\$ 207
Other comprehensive income, net of tax -		
Unrealized holding losses arising during period	(19)	(3)
Retirement plan	222	33,388
Income tax charge on comprehensive income	(88)	
Other comprehensive income, net of tax	115	33,385
Comprehensive income	\$ 1,963	\$ 33,592

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, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 55,942	\$ 66,993
Receivables, net	34,354	34,082
Material and supplies	12,148	11,352
Prepaid expenses	4,658	5,161
Deferred income taxes, current	5,727	5,727
Other current assets	1,768	2,181
Total current assets	114,597	125,496
Property, plant and equipment, net	508,907	507,197
Intangible assets, net	38,001	39,075
Goodwill	1,415	1,569
Deferred income taxes	101,295	102,680
Other assets	9,720	9,075
Total assets	\$ 773,935	\$ 785,092
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 1,612	\$ 3,000
Accounts payable	29,804	36,351
Accrued expenses	17,731	20,537
Advance billings and customer deposits	15,633	15,185
Other current liabilities	3,963	3,961
Total current liabilities	68,743	79,034
Long-term debt	291,865	292,410
Employee benefit obligations	129,060	132,004
Other liabilities	5,383	4,784
Total liabilities	495,051	508,232
Commitments and contingencies (Note 12)		
Stockholders' equity		
Common stock, par value of \$0.01 per share, 245,000,000 shares authorized and 10,291,897 shares issued and outstanding at March 31, 2013 and December 31, 2012	103	103
Additional paid-in capital	166,002	165,941
Accumulated other comprehensive loss	(28,335)	(28,450)
Retained earnings	141,114	139,266
Total stockholders' equity	278,884	276,860
Total liabilities and stockholders' equity	\$ 773,935	\$ 785,092

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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,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 1,848	\$ 207
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	18,717	16,588
Loss on early extinguishment of debt		5,112
Employee retirement benefits	(2,722)	(1,796)
Provision for uncollectibles	553	889
Stock based compensation	423	340
Deferred income taxes	1,297	
Changes in operating assets and liabilities:		
Receivables	(825)	(1,487)
Material and supplies	(796)	(1,421)
Prepaid expenses and other current assets	605	100
Accounts payable and accrued expenses	(4,987)	(7,064)
Advance billings and customer deposits	448	809
Other current liabilities	2	105
Other	303	92
Net cash provided by operating activities	14,866	12,474
Cash flows from investing activities:		
Capital expenditures	(23,254)	(19,814)
Net cash used in investing activities	(23,254)	(19,814)
Cash flows from financing activities:		
Repayment of capital lease and installment liability	(163)	
Repayment of debt including premium	(2,138)	(306,000)
Proceeds from borrowing		295,500
Loan refinancing costs		(4,130)
Taxes paid related to net share settlement of equity awards	(362)	(45)
Net cash used in financing activities	(2,663)	(14,675)
Net change in cash and cash equivalents	(11,051)	(22,015)
Cash and cash equivalents, beginning of period	66,993	82,063
Cash and cash equivalents, end of period	\$ 55,942	\$ 60,048
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 5,236	\$ 10,556

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	Additional	Accumulated		Total
	Shares	Paid-In	Other	Retained	Stockholders
	Amount	Capital	Comprehensive	Earnings	Equity
			Income (Loss)		