

Consolidated Communications Holdings, Inc.

Form 10-Q

November 04, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 000-51446

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

02-0636095

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(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
121 South 17th Street, Mattoon, Illinois	61938-3987
(Address of principal executive offices)	(Zip Code)

(217) 235-3311

(Registrant's telephone number, including area code)

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 the 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

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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  X

On October 28, 2016, the registrant had 50,654,989 shares of Common Stock outstanding.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; Amounts in thousands except per share amounts)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net revenues	\$ 191,541	\$ 193,958	\$ 567,258	\$ 587,546
Operating expense:				
Cost of services and products (exclusive of depreciation and amortization)	85,646	83,209	246,129	249,477
Selling, general and administrative expenses	39,935	51,044	119,664	136,737
Loss on impairment	—	—	610	—
Depreciation and amortization	43,224	46,057	130,855	133,264
Income from operations	22,736	13,648	70,000	68,068
Other income (expense):				
Interest expense, net of interest income	(19,075)	(19,174)	(56,827)	(60,277)
Loss on extinguishment of debt	—	—	—	(41,242)
Investment income	8,735	10,601	24,636	26,046
Other, net	(316)	(110)	(374)	(207)
Income (loss) before income taxes	12,080	4,965	37,435	(7,612)
Income tax expense (benefit)	4,991	2,220	22,287	(2,258)
Net income (loss)	7,089	2,745	15,148	(5,354)
Less: net income attributable to noncontrolling interest	77	150	211	209
Net income (loss) attributable to common shareholders	\$ 7,012	\$ 2,595	\$ 14,937	\$ (5,563)
Net income (loss) per basic and diluted common shares attributable to common shareholders	\$ 0.14	\$ 0.05	\$ 0.29	\$ (0.11)

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Dividends declared per common share	\$ 0.39	\$ 0.39	\$ 1.16	\$ 1.16
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See accompanying notes.

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## CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited; Amounts in thousands)

	Quarter Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income (loss)	\$ 7,089	\$ 2,745	\$ 15,148	\$ (5,354)
Pension and post-retirement obligations:				
Amortization of actuarial losses and prior service credit to earnings, net of tax	679	401	2,036	1,267
Derivative instruments designated as cash flow hedges:				
Change in fair value of derivatives, net of tax	3	(390)	(595)	(1,192)
Reclassification of realized loss to earnings, net of tax	159	185	466	676
Comprehensive income (loss)	7,930	2,941	17,055	(4,603)
Less: comprehensive income attributable to noncontrolling interest	77	150	211	209
Total comprehensive income (loss) attributable to common shareholders	\$ 7,853	\$ 2,791	\$ 16,844	\$ (4,812)

See accompanying notes.

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## CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited; Amounts in thousands except share and per share amounts)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 33,403	\$ 15,878
Accounts receivable, net of allowance for doubtful accounts	68,447	68,848
Income tax receivable	9,132	23,867
Prepaid expenses and other current assets	18,081	17,815
Total current assets	129,063	126,408
Property, plant and equipment, net	1,065,528	1,093,261
Investments	106,916	105,543
Goodwill	760,998	764,630
Other intangible assets	34,758	43,497
Other assets	6,896	5,187
Total assets	\$ 2,104,159	\$ 2,138,526
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 15,010	\$ 12,576
Advance billings and customer deposits	29,255	27,616
Dividends payable	19,623	19,551
Accrued compensation	17,569	21,883
Accrued interest	17,564	9,353
Accrued expense	38,154	42,384
Current portion of long-term debt and capital lease obligations	14,429	10,937
Total current liabilities	151,604	144,300
Long-term debt and capital lease obligations	1,377,549	1,377,892
Deferred income taxes	238,359	236,529
Pension and other post-retirement obligations	109,035	112,966
Other long-term liabilities	16,091	16,140
Total liabilities	1,892,638	1,887,827

Commitments and contingencies (Note 11)

Shareholders' equity:

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Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 50,654,989 and 50,470,096 shares outstanding as of September 30, 2016 and December 31, 2015, respectively	507	505
Additional paid-in capital	239,559	281,738
Retained earnings (deficit)	—	(881)
Accumulated other comprehensive loss, net	(33,792)	(35,699)
Noncontrolling interest		