

ATLANTIC TELE NETWORK INC /DE

Form 10-Q

November 09, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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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, 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 001-12593

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Atlantic Tele-Network, Inc.

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(Exact name of registrant as specified in its charter)

Delaware	47-0728886
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

600 Cummings Center

Beverly, MA 01915

(Address of principal executive offices, including zip code)

(978) 619-1300

(Registrant's telephone number, including area code)

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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 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

Smaller reporting company

(Do not check if a 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

As of November 9, 2015, the registrant had outstanding 16,062,167 shares of its common stock (\$.01 par value).

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FORM 10-Q

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Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (or the “Report”) contains forward-looking statements relating to, among other matters, our future financial performance and results of operations; the competitive environment in our key markets, demand for our services and industry trends; the outcome of regulatory matters; our continued access to the credit and capital markets; the pace of our network expansion and improvement, including our level of estimated future capital expenditures and our realization of the benefits of these investments; and management’s plans and strategy for the future. These forward-looking statements are based on estimates, projections, beliefs, and assumptions and are not guarantees of future events or results. Actual future events and results could differ materially from the events and results indicated in these statements as a result of many factors, including, among others, (1) the general performance of our operations, including operating margins, revenues, and the future growth and retention of our subscriber base and consumer demand for solar power; (2) government regulation of our businesses, which may impact our FCC and other telecommunications licenses or our renewables business; (3) economic, political and other risks facing our operations; (4) our ability to maintain favorable roaming arrangements; (5) our ability to efficiently and cost-effectively upgrade our networks and IT platforms to address rapid and significant technological changes in the telecommunications industry; (6) the loss of or an inability to recruit skilled personnel in our various jurisdictions, including key members of management; (7) our ability to find investment or acquisition or disposition opportunities that fit our strategic goals for the Company; (8) increased competition; (9) our ability to operate in the renewable energy industry; (10) our reliance on a limited number of key suppliers and vendors for timely supply of equipment and services relating to our network infrastructure; (11) the adequacy and expansion capabilities of our network capacity and customer service system to support our customer growth; (12) the occurrence of weather events and natural catastrophes; (13) our continued access to capital and credit markets; (14) our ability to realize the value that we believe exists in our businesses; and (15) our ability to receive requisite regulatory consents and approvals and satisfy other conditions needed to complete our proposed acquisitions. These and other additional factors that may cause actual future events and results to differ materially from the events and results indicated in the forward-looking statements above are set forth more fully under Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 16, 2015 and the other reports we file from time to time with the SEC. The Company undertakes no obligation and has no intention to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors that may affect such forward-looking statements.

In this Report, the words “the Company”, “we,” “our,” “ours,” “us” and “ATN” refer to Atlantic Tele-Network, Inc. and its subsidiaries. This Report contains trademarks, service marks and trade names that are the property of, or licensed by, ATN, and its subsidiaries.

Reference to dollars (\$) refer to U.S. dollars unless otherwise specifically indicated.



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## PART I—FINANCIAL INFORMATION

## Item 1. Unaudited Condensed Consolidated Financial Statements

## ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	December 31, 2014	September 30, 2015
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 326,216	\$ 397,797
Restricted cash	39,703	797
Accounts receivable, net of allowances of \$11.3 million and \$10.9 million, respectively	52,873	47,419
Materials and supplies	10,546	9,270
Deferred income taxes	2,588	2,673
Prepayments and other current assets	19,273	20,596
Assets of discontinued operations	175	44
Total current assets	451,374	478,596
Fixed Assets:		
Property, plant and equipment	763,417	787,778
Less accumulated depreciation	(393,835)	(421,763)
Net fixed assets	369,582	366,015
Telecommunication licenses, net	44,090	43,622
Goodwill	45,077	45,077
Trade name license, net	417	417
Customer relationships, net	1,496	1,161
Restricted cash	5,475	5,013
Other assets	7,519	6,557
Total assets	\$ 925,030	\$ 946,458
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 6,083	\$ 6,254
Accounts payable and accrued liabilities	61,737	46,127
Dividends payable	4,631	5,150
Accrued taxes	5,667	10,935
Advance payments and deposits	7,898	8,194
Deferred income taxes	213	201
Other current liabilities	16,593	10,433
Liabilities of discontinued operations	1,247	1,293



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Total current liabilities	104,069	88,587
Deferred income taxes	30,366	37,694
Other liabilities	19,619	28,738
Long-term debt, excluding current portion	32,794	28,141
Total liabilities	186,848	183,160
Commitments and contingencies (Note 12)		
Atlantic Tele-Network, Inc. Stockholders' Equity:		
Preferred stock, \$0.01 par value per share; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value per share; 50,000,000 shares authorized; 16,647,334 and 16,802,073 shares issued, respectively, and 15,925,748 and 16,051,111 shares outstanding, respectively	166	166
Treasury stock, at cost; 721,586 and 750,962 shares, respectively	(15,549)	(17,504)
Additional paid-in capital	145,563	151,466
Retained earnings	549,963	548,280
Accumulated other comprehensive loss	(2,921)	(2,892)
Total Atlantic Tele-Network, Inc. stockholders' equity	677,222	679,516
Non-controlling interests	60,960	83,782
Total equity	738,182	763,298
Total liabilities and equity	\$ 925,030	\$ 946,458

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

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## ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 and 2015

(Unaudited)

(In thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2015	2014	2015
<b>REVENUE:</b>				
U.S. wireless	\$ 44,306	\$ 47,047	\$ 110,153	\$ 122,993
International wireless	21,557	20,392	67,127	61,787
Wireline	21,531	21,815	64,344	64,497
Renewable energy	—	5,052	—	15,631
Equipment and other	1,999	2,476	6,212	7,545
Total revenue	89,393	96,782	247,836	272,453
<b>OPERATING EXPENSES (excluding depreciation and amortization unless otherwise indicated):</b>				
Termination and access fees	19,321	21,343	58,188	60,827
Engineering and operations	7,525	10,631	21,508	26,218
Sales and marketing	5,827	5,797	16,499	16,315
Equipment expense	2,924	3,431	8,938	10,093
General and administrative	12,823	15,930	38,596	44,743
Transaction-related charges	(27)	2,536	341	2,852
Depreciation and amortization	12,842	14,590	37,752	43,813
Gain on disposition of long-lived assets	—	—	—	(2,823)
Total operating expenses	61,235	74,258	181,822	202,038
Income from operations	28,158	22,524	66,014	70,415
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense, net	(13)	(795)	(220)	(2,153)
Loss on deconsolidation of subsidiary (note 5)	—	—	—	(19,937)
Other income , net	338	53	302	114
Other income (expense), net	325	(742)	82	(21,976)
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>				
Income taxes	28,483	21,782	66,096	48,439
Income taxes	9,569	10,134	22,460	22,655
<b>INCOME FROM CONTINUING OPERATIONS</b>	18,914	11,648	43,636	25,784
<b>INCOME FROM DISCONTINUED OPERATIONS:</b>				
Income from discontinued operations, net of tax	—	—	—	390
<b>NET INCOME</b>	18,914	11,648	43,636	26,174
Net income attributable to non-controlling interests, net of tax:	(2,747)	(5,072)	(8,116)	(13,417)

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NET INCOME ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS	\$ 16,167	\$ 6,576	\$ 35,520	\$ 12,757
NET INCOME PER WEIGHTED AVERAGE BASIC SHARE ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS:				
Continuing operations	\$ 1.02	\$ 0.41	\$ 2.24	\$ 0.77
Discontinued operations:	\$ —	\$ —	\$ —	\$ 0.02
Total	\$ 1.02	\$ 0.41	\$ 2.24	\$ 0.79
NET INCOME PER WEIGHTED AVERAGE DILUTED SHARE ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS:				
Continuing operations	\$ 1.01	\$ 0.41	\$ 2.22	\$ 0.77
Discontinued operations	\$ —	\$ —	\$ —	\$ 0.02
Total	\$ 1.01	\$ 0.41	\$ 2.22	\$ 0.79
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				