

HUNGARIAN TELEPHONE & CABLE CORP

Form 10-Q

November 09, 2006

Table of Contents

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, 2006

Commission file number 1-11484

HUNGARIAN TELEPHONE AND CABLE CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

1201 Third Avenue, Suite 3400 Seattle, WA 98101-3034

(Address of principal executive offices)

(206) 654-0204

(Registrant's telephone number, including area code)

13-3652685
(I.R.S. Employer

Identification No.)

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

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to such filing requirements for the past ninety days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest possible date:

Common Stock, \$.001 par value
(Class)

12,811,165 Shares
(Outstanding at November 8, 2006)

Table of Contents

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Table of Contents

	Page No.
<u>Part I. Financial Information:</u>	
<u>Consolidated Condensed Balance Sheets</u>	3
<u>Consolidated Condensed Statements of Operations and Comprehensive Income (Loss)</u>	4
<u>Consolidated Condensed Statements of Stockholders' Equity</u>	5
<u>Consolidated Condensed Statements of Cash Flows</u>	6
<u>Notes to Consolidated Condensed Financial Statements</u>	7
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	45
<u>Controls and Procedures</u>	46
<u>Part II. Other Information</u>	47
<u>Signatures</u>	49

Table of Contents

Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Item 1. Financial Statements

Consolidated Condensed Balance Sheets

(In thousands, except share data)

	September 30, 2006 (unaudited)	December 31, 2005
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 22,832	15,083
Restricted cash	11,916	10,650
Accounts receivable, net	37,629	33,527
Current deferred tax asset	994	1,034
Other current assets	7,244	9,335
Total current assets	80,615	69,629
Property, plant and equipment, net	158,511	164,248
Goodwill	8,348	8,461
Other intangibles, net	43,074	45,741
Deferred costs	861	1,237
Deferred tax asset	3,078	3,109
Interest rate swaps	2,080	
Other assets	7,079	6,392
Total assets	\$ 303,646	298,817
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Current installments of long-term debt	\$ 50,027	21,938
Current obligations under capital leases	412	388
Accounts payable	6,456	13,261
Accruals and deferred revenue	33,796	24,965
Interest rate swaps		254
Advance customer payment	2,461	
Other current liabilities	3,338	4,475
Due to related parties	2,287	1,052
Total current liabilities	98,777	66,333
Long-term debt, excluding current installments	130,559	158,227
Long-term obligations under capital leases, excluding current portion	460	779
Deferred credits and other liabilities	2,217	2,597
Total liabilities	232,013	227,936

Commitments and Contingencies

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Stockholders' equity:		
Cumulative Convertible Preferred stock, \$.01 par value; \$70.00 liquidation value. Authorized 200,000 shares; issued and outstanding 30,000 shares in 2006 and 2005		
Common stock, \$.001 par value. Authorized 25,000,000 shares; issued and outstanding 12,811,165 shares in 2006 and 12,796,461 shares in 2005	14	14
Additional paid-in capital	156,857	156,406
Accumulated deficit	(99,661)	(100,624)
Accumulated other comprehensive income	14,423	15,085
Total stockholders' equity	71,633	70,881
Total liabilities and stockholders' equity	\$ 303,646	298,817

See accompanying notes to consolidated condensed financial statements.

Table of Contents

Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Consolidated Condensed Statements of Operations and Comprehensive Income (Loss)

For the Three and Nine Month Periods Ended September 30, 2006 and 2005

(In thousands, except share and per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Telephone service revenues, net	\$ 26,744	\$ 31,133	\$ 80,964	\$ 82,233
Operating expenses:				
Selling, general and administrative	13,360	11,954	41,990	38,165
Severance and benefit	700	1,112	700	1,112
Depreciation and amortization	6,506	6,675	19,069	17,627
Total operating expenses	20,566	19,741	61,759	56,904
Income from operations	6,178	11,392	19,205	25,329
Other income (expenses):				
Foreign exchange gains (losses), net	4,537	(1,775)	(11,198)	(6,274)
Interest expense	(3,281)	(3,496)	(10,399)	(10,605)
Interest income	332	243	823	596
Fair value changes on interest rate swaps	(782)	1,381	2,336	(2,406)
Equity in earnings of affiliate				934
Other, net	(70)	(57)	469	313
Net income before income taxes	6,914	7,688	1,236	7,887
Income tax expense	(1,084)	(1,149)	(194)	(1,178)
Net income	\$ 5,830	\$ 6,539	\$ 1,042	\$ 6,709
Cumulative convertible preferred stock dividends	(27)	(27)	(79)	(79)
Net income attributable to common stockholders	5,803	6,512	963	6,630
Comprehensive income (loss) adjustments	2,048	(1,216)	(662)	(11,933)
Total comprehensive income (loss)	\$ 7,851	\$ 5,296	\$ 301	\$ (5,303)
Earnings per common share:				
Basic	\$ 0.45	\$ 0.51	\$ 0.08	\$ 0.52
Diluted	\$ 0.41	\$ 0.46	\$ 0.07	\$ 0.47
Weighted average number of common shares outstanding:				
Basic	12,812,372	12,727,938	12,809,577	12,725,379

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Diluted	14,195,595	14,359,306	14,299,185	14,388,774
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See accompanying notes to consolidated condensed financial statements.

Table of Contents

Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Consolidated Condensed Statements of Stockholders' Equity

(In thousands, except share data)

(unaudited)

	Shares	Common Stock	Preferred Stock	Additional Paid-in Capital	Accumulated deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balances at December 31, 2005	12,796,461	\$ 14		156,406	(100,624)	15,085	\$ 70,881
Net settlement of stock option exercise	10,204			(109)			(109)
Common stock granted to Directors	4,500			69			69
Stock based compensation				491			491
Cumulative convertible preferred stock dividends					(79)		(79)
Net income					1,042		1,042
Foreign currency translation adjustment						(662)	(662)
Balances at September 30, 2006	12,811,165	\$ 14		156,857	(99,661)	14,423	\$ 71,633

See accompanying notes to consolidated condensed financial statements.

Table of Contents

Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

For the Nine Month Periods Ended September 30, 2006 and 2005

(In thousands)

(unaudited)

	2006	2005
Net cash provided by operating activities	\$ 32,221	37,969
Cash flows from investing activities:		
Acquisition of telecommunications network equipment and other intangibles	(13,490)	(12,374)
Acquisition of subsidiaries, net of cash acquired		(7,125)
Grant funding received	157	
Proceeds from sale of assets	652	329
Net cash used in investing activities	(12,681)	(19,170)
Cash flows from financing activities:		
Repayments of long-term debt	(12,068)	(85,347)
Proceeds from new long-term debt borrowings		109,720
Deferred financing costs paid under long-term debt agreement		(5,861)
Principal payments under capital lease obligations	(287)	
Funding of debt service account		(11,796)
Net cash provided by/(used in) financing activities	(12,355)	6,716
Effect of foreign exchange rate changes on cash	564	(4,176)