

Consolidated Communications Holdings, Inc.  
Form 10-Q  
April 26, 2019  
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 March 31, 2019

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

Edgar Filing: Consolidated Communications Holdings, Inc. - Form 10-Q

(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 every Interactive Data File required to be submitted 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 such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company  Emerging growth company

Edgar Filing: Consolidated Communications Holdings, Inc. - Form 10-Q

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. \_\_\_\_

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 April 22, 2019, the registrant had 72,098,390 shares of Common Stock outstanding.

---

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u> <u>Financial Statements</u>	1
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	32
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	48
<u>Item 4.</u> <u>Controls and Procedures</u>	48
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	50
<u>Item 1A.</u> <u>Risk Factors</u>	50
<u>Item 6.</u> <u>Exhibits</u>	51
<u>SIGNATURES</u>	52

---

Table of Contents

## 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	
	March 31,	2018
	2019	2018
Net revenues	\$ 338,649	\$ 356,039
Operating expense:		
Cost of services and products (exclusive of depreciation and amortization)	148,319	152,916
Selling, general and administrative expenses	74,367	85,985
Depreciation and amortization	99,243	107,899
Income from operations	16,720	9,239
Other income (expense):		
Interest expense, net of interest income	(34,283)	(32,716)
Investment income	8,601	7,789
Other, net	(1,369)	242
Loss before income taxes	(10,331)	(15,446)
Income tax benefit	(3,145)	(4,248)
Net loss	(7,186)	(11,198)
Less: net income attributable to noncontrolling interest	79	100
Net loss attributable to common shareholders	\$ (7,265)	\$ (11,298)
Net loss per basic and diluted common shares attributable to common shareholders	\$ (0.11)	\$ (0.16)
Dividends declared per common share	\$ 0.39	\$ 0.39

See accompanying notes.



Table of Contents

## CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited; Amounts in thousands)

	Quarter Ended	
	March 31,	2018
	2019	
Net loss	\$ (7,186)	\$ (11,198)
Pension and post-retirement obligations:		
Amortization of actuarial losses and prior service credit to earnings, net of tax	1,026	922
Derivative instruments designated as cash flow hedges:		
Change in fair value of derivatives, net of tax	(6,689)	4,737
Cumulative adjustment upon adoption of ASU 2017-12	(576)	-
Reclassification of realized (gain) loss to earnings, net of tax	(207)	265
Comprehensive loss	(13,632)	(5,274)
Less: comprehensive income attributable to noncontrolling interest	79	100
Total comprehensive loss attributable to common shareholders	\$ (13,711)	\$ (5,374)

See accompanying notes.

Table of Contents

## CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

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

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,724	\$ 9,599
Accounts receivable, net of allowance for doubtful accounts	132,326	133,136
Income tax receivable	11,027	11,072
Prepaid expenses and other current assets	45,801	44,336
Total current assets	195,878	198,143
Property, plant and equipment, net	1,897,064	1,927,126
Investments	112,038	110,853
Goodwill	1,035,274	1,035,274
Customer relationships, net	212,638	228,959
Other intangible assets	11,205	11,483
Other assets	59,948	23,423
Total assets	\$ 3,524,045	\$ 3,535,261
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 26,005	\$ 32,502
Advance billings and customer deposits	50,529	47,724
Dividends payable	27,934	27,579
Accrued compensation	54,566	64,459
Accrued interest	17,961	9,232
Accrued expense	78,690	71,650
Current portion of long-term debt and finance lease obligations	29,343	30,468
Total current liabilities	285,028	283,614
Long-term debt and finance lease obligations	2,308,099	2,303,585
Deferred income taxes	182,593	188,129
Pension and other post-retirement obligations	306,663	314,134
Other long-term liabilities	65,498	30,145
Total liabilities	3,147,881	3,119,607
Commitments and contingencies (Note 12)		
Shareholders' equity:		
	721	712

Edgar Filing: Consolidated Communications Holdings, Inc. - Form 10-Q

Common stock, par value \$0.01 per share; 100,000,000 shares authorized,  
72,110,187 and 71,187,301 shares outstanding as of March 31, 2019 and December  
31, 2018, respectively

Additional paid-in capital	487,203	513,070
Accumulated deficit	(58,099)	(50,834)
Accumulated other comprehensive loss, net	(59,658)	(53,212)
Noncontrolling interest	5,997	5,918
Total shareholders' equity	376,164	415,654
Total liabilities and shareholders' equity	\$ 3,524,045	\$ 3,535,261

See accompanying notes.

3

---

Table of Contents

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited; Amounts in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss, net	Non- controlling Interest	Total
Balance at December 31, 2017	70,777	\$ 708	\$ 615,662	\$ —	\$ (48,083)	\$ 5,655	\$ 573,942
Cash dividends on common stock	—	—	(25,243)	(2,359)	—		