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**For Immediate Release**

## **Hawaiian Telcom Reports Fourth Quarter and Full Year 2011 Results**

*Delivers Fourth Quarter and Full Year 2011 Adjusted EBITDA Growth of 9% and 6%  
Full Year Free Cash Flow Positive for First Time*

HONOLULU (Thursday, March 15, 2012) -- Hawaiian Telcom Holdco, Inc. (NASDAQ: HCOM) reported financial results for the fourth quarter and full year of 2011. The highlights of 2011 and recent developments in 2012 are as follows:

- Revenue was \$98.9 million for the fourth quarter and \$395.2 million for the year:
  - Business revenue increased 2% year-over-year as a result of continued growth in IP-based voice, data and managed services as well as increased equipment sales.
  - Wholesale revenue increased 1.8% for the full year 2011 driven by the fiber-to-the-tower initiative that supports wireless carriers' need for greater bandwidth.
  - Consumer revenue well-positioned to grow from the targeted rollout of Hawaiian Telcom TV (HTTV) which has resulted in higher sales penetration and high-speed internet pull-through rates than the Company's expectations.
- Fourth quarter and full year 2011 Adjusted EBITDA<sup>(1)</sup> of \$29.8 million and \$121.1 million, grew 9 percent and 6 percent year-over-year, respectively.
- Generated fourth quarter and full year 2011 net income of \$6.5 million and \$26.2 million, or \$0.63 and \$2.41 per diluted share, respectively
- On February 29, 2012, the Company successfully refinanced its \$300 million term loan, extending maturity, lowering borrowing costs and providing added flexibility to execute its strategic plan and enhance shareholder value.

"2011 was an important year in which we took key steps to improve our growth profile and continue our transformation into a next-generation communications company," said Eric K. Yeaman, Hawaiian Telcom's president and CEO. "We delivered solid financial results in the fourth quarter and full year 2011 by growing business and wholesale revenues year-over-year, successfully executing our initial rollout of HTTV in the consumer market, improving Adjusted EBITDA margins over 200 basis points for the year and delivering full year positive free cash flow for the first time."

"We continued to see growth in our IP-based business services in 2011 driven by a 10 percent year-over-year increase in enterprise data services revenue. Our business sales team is doing a great job selling our next-generation services and we further enhanced our business product suite with the recent launch of our cloud-based data protection service, so we now have the ability to offer our customers a secure storage, backup and recovery solution.

"Wholesale revenue growth is being driven by our fiber-to-the-tower initiative to support the wireless carriers' need for greater bandwidth. We completed an additional 43 fiber builds in the fourth quarter increasing to 184 the total number of sites we installed in 2011. We are currently billing for all of those sites, which equates to annualized revenue of approximately \$2.7 million. We expect to build fiber to another 62 towers in 2012 and are pursuing other possible opportunities.

"2011 was the year we delivered real choice for home video entertainment with our July 1<sup>st</sup> launch of HTTV. Customer demand continued to be strong in the fourth quarter, and our penetration and pull-through results are

exceeding expectations and giving us increased confidence we are well-positioned to drive growth in consumer revenues. We ended the year with approximately 1,600 subscribers, or nearly 6% subscriber penetration of 27,400 households enabled. At year-end, taking into account signed bulk multi-dwelling unit contracts and other customer sales, HDTV sales penetration was 12.1%. We are excited about expanding this service to other parts of Oahu in 2012 and increasing our share of the significant TV and entertainment market opportunity.

“In 2012, we plan to continue investing in our next-generation network to expand and enhance our broadband capabilities and strengthen our competitive position. This should allow Hawaiian Telcom to capitalize on the opportunities that exist in our marketplace and continue to execute our strategic plan. I am pleased with our performance, and excited about the prospects and opportunities that lie ahead for us to drive long-term shareholder value,” concluded Yeaman.

#### **Fourth Quarter 2011 Results**

Fourth quarter revenue was \$98.9 million, compared to \$100.1 million in the fourth quarter of 2010. The \$1.2 million decrease was due primarily to the impact from access line loss, largely offset by increased equipment sales and growth from consumer high-speed Internet (HSI) and new IP-based business services. Adjusted EBITDA was \$29.8 million, an increase of 9 percent year-over-year, due primarily to lower operating expenses as a result of various cost improvement initiatives. The Company generated net income of \$6.5 million, or \$0.63 per diluted share.

Fourth quarter local services revenue was \$35.9 million, down 4 percent from the same period a year ago, primarily due to the 5.6 percent year-over-year decline in access lines compared to a 6.1 percent decline in fourth quarter 2010. The continued improvement in line loss was driven by successful retention and acquisition programs like the Company’s “Price for Life” consumer bundle. With the addition of its next-generation IP-based video service, *Hawaiian Telcom TV*, to its consumer bundle, the competitive playing field is more level and better positions the Company to further improve its retention efforts, as well as address new customer acquisition and winback opportunities.

Fourth quarter network access services revenue was \$33.3 million, down 1 percent from the same period a year ago, driven principally by a decline in retail subscriber line and switched access revenue largely due to the overall decline in access lines. The decline was partially offset by growth in special access revenue, which was driven by a 5 percent year-over-year increase in enterprise data services revenue.

Revenue from long distance services was \$7.5 million in the fourth quarter, down 10 percent from the same period a year ago, due to a 6.3 percent year-over-year decline in long distance lines and a decline in average revenue per line as a result of lower minutes of use due to wireless substitution and increased use of VoIP based technologies for long distance calling.

Fourth quarter HSI revenue was \$9.0 million, up 3 percent from the same period a year ago, driven by a 3.5 percent year-over-year increase in HSI subscribers. The Company added over 1,250 subscribers in the fourth quarter, increasing its total subscribers to over 103,230. Fourth quarter other services and sales revenue was \$12.1 million, up \$1.5 million from the same period a year ago, driven primarily by higher levels of sales and installations of customer premise equipment, which can vary significantly from quarter to quarter due to timing.

Operating expenses, exclusive of depreciation and amortization and one-time charges, decreased 4 percent to \$69.8 million, primarily due to lower costs related to various IT outsourcing contracts and a decline in wages and employee benefit costs on lower headcount and pension costs, partially offset by higher energy costs and increased direct cost of goods related to higher equipment sales.

#### **Full Year 2011 Results**

Revenues were \$395.2 million, compared to \$401.4 million for the prior year<sup>(2)</sup>, as revenue increases driven by growth from new IP-based business services, higher demand for communications systems and equipment, and higher demand for network capacity from wireless carriers were more than offset by revenue declines as a result of access line losses. Adjusted EBITDA was \$121.1 million, up 6 percent compared to \$114.5 million in 2010, due primarily to cost saving initiatives implemented during the year.

Operating expenses, exclusive of depreciation and amortization, reorganization items and non-recurring costs, decreased 4 percent from the prior year to \$276.2 million, due primarily to lower costs associated with various IT outsourcing contracts.

Capital expenditures totaled \$78.0 million for the full year 2011, a decrease of 1 percent from \$78.9 million in 2010. The Company's capital program included significant investments to enhance its broadband capabilities and for the deployment of fiber to 184 wireless cell sites to support the increased demand for network capacity from the wireless carriers.

At the end of 2011, the Company had \$82.1 million in cash and cash equivalents compared to \$81.6 million at the end of 2010, recording its first full year of positive free cash flow. Net Debt<sup>(3)</sup> was \$217.9 million, resulting in a Net Debt to Adjusted EBITDA ratio as of December 31, 2011 of 1.80x.

"We recently announced the successful execution of a debt refinancing, which extends our maturity profile with a new five-year \$300 million term loan, lowers our borrowing costs and provides us with added flexibility to execute our strategic plan and enhance shareholder value," said Robert F. Reich, Hawaiian Telcom's Chief Financial Officer. "We were pleased with the market's response to the offering and the confidence our lenders displayed in Hawaiian Telcom. Pricing on the new term loan was set at LIBOR plus 5.75 percent with a 1.25 percent LIBOR floor, and sold at \$98.5 per \$100 of principal amount, which saves the Company \$6 million in interest costs per year," concluded Reich.

### **Conference Call**

The Company will host a conference call to discuss its fourth quarter and full year 2011 results at 8:00 a.m. (Hawaii Time), or 2:00 p.m. (Eastern Time) on Thursday, March 15<sup>th</sup>, 2012.

To access the call, participants should dial (877) 556-5921 (US/Canada), or (617) 597-5474 (International) ten minutes prior to the start of the call and enter passcode 95504830.

A live webcast of the conference call, including a slide presentation, will be available from the Investor Relations section of the Company's website at <http://hawaiiantel.com>. The webcast will be archived at the same location.

A telephonic replay of the conference call will be available one hour after the conclusion of the call until 11:59 p.m. (Eastern Time) March 22<sup>nd</sup>, 2012. Access the replay by dialing (888) 286-8010 and entering passcode 51656214. Alternatively, the replay can be accessed by dialing (617) 801-6888 and entering passcode 51656214.

### **Use of Non-GAAP Financial Measures**

This press release contains information about adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) and Net Debt. These are non-GAAP financial measures used by Hawaiian Telcom management when evaluating results of operations. Management believes these measures also provide users of the financial statements with additional and useful comparisons of current results of operations with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. Detailed reconciliations of Adjusted EBITDA and Net Debt to comparable GAAP financial measures have been included in the tables distributed with this release and are available in the Investor Relations section of [www.hawaiiantel.com](http://www.hawaiiantel.com).

### **Forward-Looking Statements**

In addition to historical information, this release includes certain statements and predictions that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, any statement, projection or estimate that includes or references the words "believes", "anticipates", "intends", "expects", or any similar expression falls within the safe harbor of forward-looking statements contained in the Reform Act. Actual results or outcomes may differ materially from those indicated or suggested by any such forward-looking statement for a variety of reasons, including, but not limited to, Hawaiian Telcom's ability to maintain its market position in communications services, including wireless, wireline and Internet services; general economic trends affecting the purchase or supply of communication services; world and national events that may affect the ability to provide services; changes in the regulatory environment; any rulings, orders or decrees that may

be issued by any court or arbitrator; restrictions imposed under various credit facilities and debt instruments; work stoppages caused by labor disputes; adjustments resulting from year-end audit procedures; and Hawaiian Telcom's ability to develop and launch new products and services. More information on potential risks and uncertainties is available in recent filings with the Securities and Exchange Commission, including Hawaiian Telcom's 2011 Annual Report on Form 10-K. The information contained in this release is as of March 15, 2012. It is anticipated that subsequent events and developments may cause estimates to change.

### **About Hawaiian Telcom**

Hawaiian Telcom Holdco, Inc., headquartered in Honolulu, is Hawaii's leading provider of integrated communications solutions for business and residential customers. With roots in Hawaii beginning in 1883, the Company offers a full range of services including voice, video, Internet, data, wireless, and advanced communication and network services supported by the reach and reliability of its network and Hawaii's only 24/7 state-of-the-art network operations center. With employees statewide sharing a commitment to innovation and a passion for delivering superior service, Hawaiian Telcom provides an Always On<sup>SM</sup> customer experience. For more information, visit [www.hawaiiantel.com](http://www.hawaiiantel.com).

<sup>(1)</sup> **Adjusted EBITDA** is EBITDA plus non-recurring costs not expected to occur regularly in the ordinary course of business. EBITDA is defined as net income plus interest expense (net of interest income and other), income taxes, depreciation and amortization, and non-cash stock compensation. The Company believes both of these non-GAAP measures, Adjusted EBITDA and EBITDA, are meaningful performance measures for investors because they are used by our Board and management to evaluate performance, enhance comparability between periods and make operating decisions. Our use of Adjusted EBITDA and EBITDA may not be comparable to similarly titled measures used by other companies in the telecommunications industry. A detailed reconciliation of adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) to comparable GAAP financial measures has been included in the tables distributed with this release.

<sup>(2)</sup> The Company emerged from Chapter 11 as of October 28, 2010 and adopted fresh-start reporting as of October 31, 2010. References to "Predecessor" refer to the Company prior to and on October 31, 2010. References to "Successor" refer to the Company after October 31, 2010 after giving effect to the plan of reorganization and application of fresh-start reporting. As a result of the application of fresh-start reporting, the Successor's financial statements are not comparable with the Predecessor's financial statements. However, for purposes of the discussion of the results of operations, the Successor results for the three-month and twelve-month periods ended December 31, 2011 have been compared to the Predecessor results for the three-month and twelve-month periods ended December 31, 2010. In this press release, we will disclose the fresh-start and other impacts on our results of operations that vary from historical Predecessor periods to aid in the understanding of our performance.

<sup>(3)</sup> **Net Debt** provides a useful measure of liquidity and financial health. The Company defines Net Debt as the sum of the face amount of short-term and long-term debt and unamortized premium and/or discount, offset by cash and cash equivalents. A detailed reconciliation of Net Debt has been included in the tables distributed with this release.

**Hawaiian Telcom Holdco, Inc.**  
**Consolidated Statements of Operations**  
(Dollars in thousands, except per share amounts)

	Successor		Predecessor	
	For the Year Ended December 31, 2011	Period from November 1 to December 31, 2010	Period from January 1 to October 31, 2010	For the Year Ended December 31, 2009
Operating revenues	\$ 395,156	\$ 66,759	\$ 334,686	\$ 408,595
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	159,822	27,117	135,114	158,196
Selling, general and administrative	120,390	21,938	105,813	142,817
Depreciation and amortization	63,806	9,723	136,661	164,376
Total operating expenses	344,018	58,778	377,588	465,389
Operating income (loss)	51,138	7,981	(42,902)	(56,794)
Other income (expense):				
Interest expense (contractual interest was \$62,642 for the period from January 1 to October 31, 2010 and \$79,667 for the year ended December 31, 2009)	(25,339)	(4,329)	(23,398)	(30,089)
Loss on interest rate swaps	-	-	-	(3,967)
Interest income and other	65	16	74	136
Total other expense	(25,274)	(4,313)	(23,324)	(33,920)
Income (loss) before reorganization items and income tax benefit	25,864	3,668	(66,226)	(90,714)
Reorganization items - (income) expense	1,050	539	(251,674)	43,005
Income (loss) before income tax benefit	24,814	3,129	185,448	(133,719)
Income tax benefit	(1,341)	-	(346)	(2,985)
Net income (loss)	\$ 26,155	\$ 3,129	\$ 185,794	\$ (130,734)
Net income (loss) per common share -				
Basic	\$ 2.58	\$ 0.31	\$ 434.10	\$ (305.45)
Diluted	\$ 2.41	\$ 0.30	\$ 434.10	\$ (305.45)
Weighted average shares used to compute net income (loss) per common share -				
Basic	10,147,561	10,135,063	428,000	428,000
Diluted	10,843,542	10,302,542	428,000	428,000

**Hawaiian Telcom Holdco, Inc.**  
**Consolidated Balance Sheets**  
(Dollars in thousands, except per share amounts)

	December 31, 2011	December 31, 2010
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 82,063	\$ 81,647
Receivables, net	37,712	39,222
Material and supplies	8,190	8,431
Prepaid expenses	4,107	5,707
Other current assets	2,127	4,566
Total current assets	134,199	139,573
Property, plant and equipment, net	482,371	459,781
Intangible assets, net	40,745	43,315
Other assets	4,457	3,367
Total assets	\$ 661,772	\$ 646,036
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Current portion of long-term debt	\$ 2,600	\$ -
Accounts payable	24,785	24,162
Accrued expenses	23,811	28,752
Advance billings and customer deposits	14,672	14,948
Other current liabilities	3,649	2,810
Total current liabilities	69,517	70,672
Long-term debt	297,400	300,000
Employee benefit obligations	155,428	94,453
Other liabilities	3,231	2,119
Total liabilities	525,576	467,244
Commitments and contingencies		
Stockholders' equity		
Common stock, par value of \$0.01 per share, 245,000,000 shares authorized and 10,190,526 and 10,135,063 shares issued and outstanding at December 31, 2011 and 2010, respectively	102	101
Additional paid-in capital	164,328	162,169
Accumulated other comprehensive income (loss)	(57,518)	13,393
Retained earnings	29,284	3,129
Total stockholders' equity	136,196	178,792
Total liabilities and stockholders' equity	\$ 661,772	\$ 646,036

**Hawaiian Telcom Holdco, Inc.**  
**Consolidated Statements of Cash Flows**  
(Dollars in thousands)

	Successor		Predecessor	
	For the Year Ended December 31, 2011	Period from November 1 to December 31, 2010	Period from January 1 to October 31, 2010	For the Year Ended December 31, 2009
Cash flows from operating activities:				
Net income (loss)	\$ 26,155	\$ 3,129	\$ 185,794	\$ (130,734)
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Depreciation and amortization	63,806	9,723	136,661	164,376
Employee retirement benefits	(9,920)	1,463	(13,366)	11,244
Stock based compensation	2,135	109	65	80
Provision for uncollectibles	2,940	674	4,851	8,898
Loss on interest rate swaps	-	-	-	3,967
Interest cost added to loan principal	-	-	11,573	11,297
Reorganization items	1,050	539	(251,674)	43,005
Changes in operating assets and liabilities:				
Receivables	(2,930)	840	(2,961)	2,244
Material and supplies	240	(2,936)	(1,624)	2,391
Prepaid expenses and other current assets	4,039	4,626	(4,925)	(3,462)
Accounts payable and accrued expenses	(6,058)	(1,615)	(1,158)	5,964
Advance billings and customer deposits	(276)	(714)	1,708	(1,363)
Other current liabilities	1,421	174	413	72
Other, net	(990)	(26)	1,410	2,494
Net cash provided by operating activities before reorganization items	81,612	15,986	66,767	120,473
Operating cash flows used by reorganization items	(2,393)	(3,065)	(17,858)	(25,361)
Net cash provided by operating activities	79,219	12,921	48,909	95,112
Cash flows from investing activities:				
Capital expenditures	(77,992)	(21,235)	(57,659)	(87,537)
Net cash used in investing activities	(77,992)	(21,235)	(57,659)	(87,537)
Cash flows from financing activities:				
Proceeds from stock issuance	49	-	2,161	-
Repayments of capital lease	(582)	-	-	-
Revolving loan refinancing costs	(253)	-	-	-
Taxes paid related to net share settlement on equity awards	(25)	-	-	-
Net cash provided by (used in) financing activities	(811)	-	2,161	-
Net change in cash and cash equivalents	416	(8,314)	(6,589)	7,575
Cash and cash equivalents, beginning of period	81,647	89,961	96,550	88,975
Cash and cash equivalents, end of period	\$ 82,063	\$ 81,647	\$ 89,961	\$ 96,550

**Hawaiian Telcom Holdco, Inc.**  
**Annual Revenue by Category**  
(Dollars in thousands)

	Successor	Combined	Successor	Predecessor		
	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	Period from November 1 to December 31, 2010	Period from January 1 to October 31, 2010	Year-over-Year Change	
					Amount	Percentage
Wireline Services						
Local services	\$ 146,921	\$ 155,982	\$ 25,004	\$ 130,978	\$ (9,061)	-5.8%
Network access services	133,748	132,771	22,764	110,007	977	0.7%
Long distance services	31,945	34,694	5,539	29,155	(2,749)	-7.9%
High-Speed Internet	35,426	34,302	5,949	28,353	1,124	3.3%
Other services and sales	42,845	38,961	6,732	32,229	3,884	10.0%
	390,885	396,710	65,988	330,722	(5,825)	-1.5%
Other	4,271	4,735	771	3,964	(464)	-9.8%
	\$ 395,156	\$ 401,445	\$ 66,759	\$ 334,686	\$ (6,289)	-1.6%

**Hawaiian Telcom Holdco, Inc.**  
**Quarterly Revenue by Category**  
(Dollars in thousands)

	Successor	Predecessor		
	For the Quarter Ended December 31, 2011	For the Quarter Ended December 31, 2010	Quarter-over-Quarter Change	
			Amount	Percentage
Wireline Services				
Local services	\$ 35,941	\$ 37,505	\$ (1,564)	-4.2%
Network access services	33,311	33,787	(476)	-1.4%
Long distance services	7,517	8,354	(837)	-10.0%
High-Speed Internet	8,960	8,685	275	3.2%
Other services and sales	12,142	10,634	1,508	14.2%
	97,871	98,965	(1,094)	-1.1%
Other	995	1,151	(156)	-13.6%
	\$ 98,866	\$ 100,116	\$ (1,250)	-1.2%



**Hawaiian Telcom Holdco, Inc.**  
**Schedule of Annual Adjusted EBITDA Calculation**  
(Unaudited, dollars in thousands)

	Successor		Predecessor
	For the Year Ended December 31, 2011	Period from November 1 to December 31, 2010	Period from January 1 to October 31, 2010
Net income (loss)	\$ 26,155	\$ 3,129	\$ 185,794
Income tax benefit	(1,341)	-	(346)
Interest expense and other income and expense, net	25,274	4,313	23,324
Reorganization items	1,050	539	(251,674)
Depreciation and amortization	63,806	9,723	136,661
Non-cash stock compensation	2,135	109	65
EBITDA	117,079	17,813	93,824
Non-recurring costs	1,890	499	2,391
Severance and lease termination costs	2,102	-	-
Adjusted EBITDA	<u>\$ 121,071</u>	<u>\$ 18,312</u>	<u>\$ 96,215</u>
Combined adjusted EBITDA for 2010	<u>\$ 114,527</u>		

**Hawaiian Telcom Holdco, Inc.**  
**Schedule of Quarterly Adjusted EBITDA Calculation**  
(Unaudited, dollars in thousands)

	Successor		Predecessor
	For the Quarter Ended December 31, 2011	Period from November 1 to December 31, 2010	Period from October 1 to October 31, 2010
Net income (loss)	\$ 6,511	\$ 3,129	\$ 254,897
Income tax benefit	(528)	-	-
Interest expense and other income and expense, net	6,467	4,313	2,335
Reorganization items	170	539	(258,975)
Depreciation and amortization	16,203	9,723	10,387
Non-cash stock compensation	646	109	6
EBITDA	29,469	17,813	8,650
Non-recurring costs	386	499	286
Severance and lease termination costs	(98)	-	-
Adjusted EBITDA	<u>\$ 29,757</u>	<u>\$ 18,312</u>	<u>\$ 8,936</u>
Combined adjusted EBITDA for Q4 2010	<u>\$ 27,248</u>		

