

2nd Quarter 2014 Earnings Conference Call

August 4, 2014

The logo for Hawaiian Telcom, featuring the company name in a white sans-serif font and a graphic of five white dots of varying sizes arranged in an arc to the right of the text.

Hawaiian Telcom

Agenda

✓ **Company Overview**

Eric Yeaman
President & CEO

✓ **Operational & Financial Review**

Robert Reich
SVP & CFO

✓ **Q & A**

Presented Information

In addition to historical information, this presentation 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 Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The information contained in this presentation is as of August 4, 2014. It is possible that subsequent events and developments will cause estimates to change.



Company Overview

Eric Yeaman, President & CEO

Second Quarter Highlights

2Q'14 Revenue of \$97M

- ✓ Revenue totaled \$97M, consistent with same period a year ago
- ✓ Adjusted EBITDA of \$29M
- ✓ Generated net income of \$2.2M

Consumer Revenue Growth of 4.3%

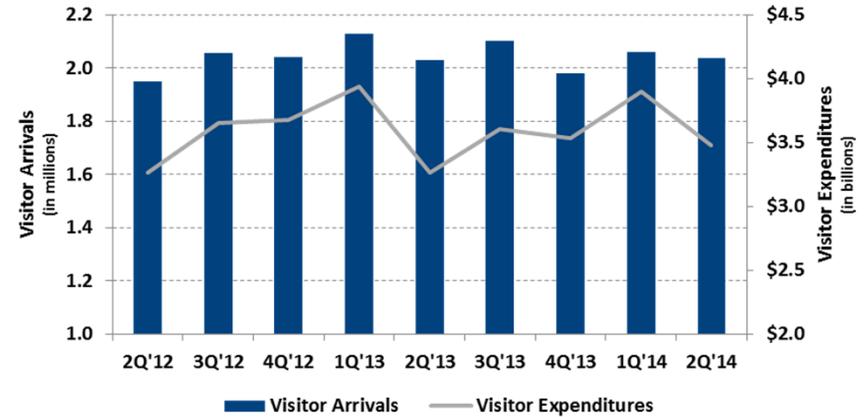
- ✓ Consumer revenue totaled \$36M, up 4.3% Y/Y driven by video & HSI
- ✓ Added a record 2,800 video subs
- ✓ Expanded reach of HTTV to 142,000 households on Oahu

Business Data Revenue Growth of 4.6%

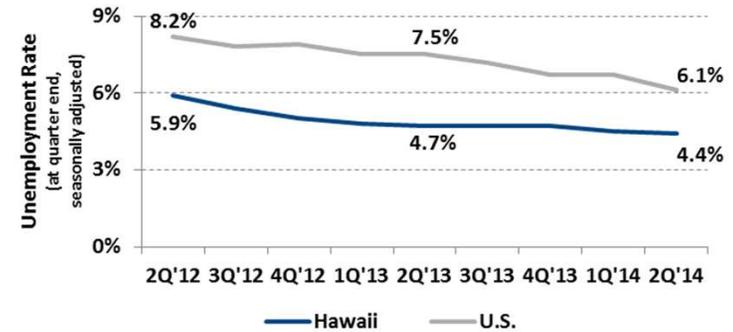
- ✓ Business revenue totaled \$42M, down \$0.5M Y/Y
- ✓ Business data revenue grew 4.6% Y/Y driven by increased demand for IP-based services and bandwidth

Hawaii Economic Outlook

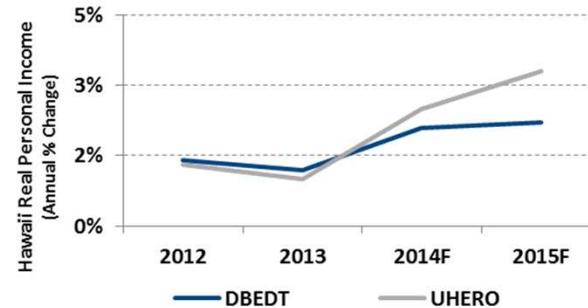
Tourism Y/Y Growth
YTD Visitor Arrivals flat &
Spending up 2.5%



Unemployment Rate Improves and
Below National Rate



Overall Moderate Economic Growth
Expected

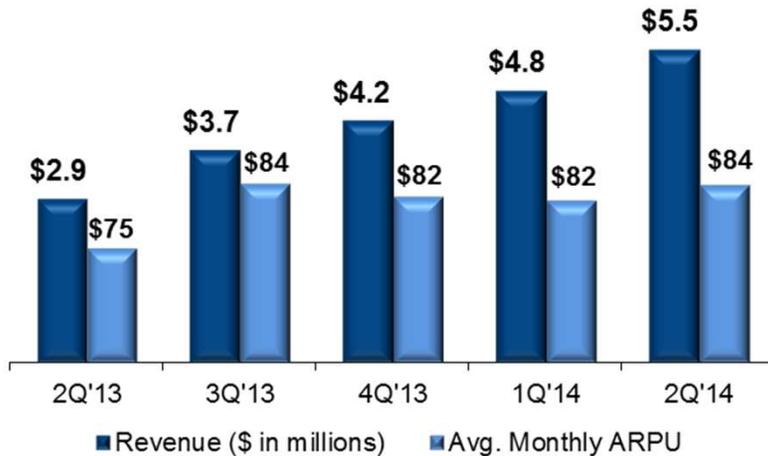


Sources: Visitor Statistics: Hawaii Tourism Authority; Unemployment Rates: U.S. Bureau of Labor Statistics; Real Personal Income: Hawaii Department of Business, Economic Development & Tourism (DBEDT) & The Economic Research Organization at the University of Hawaii (UHERO). Data extracted on 8/1/14.

Grow the Business – Consumer Market

Hawaiian Telcom TV Delivering Strong Results

Video Revenue & ARPU



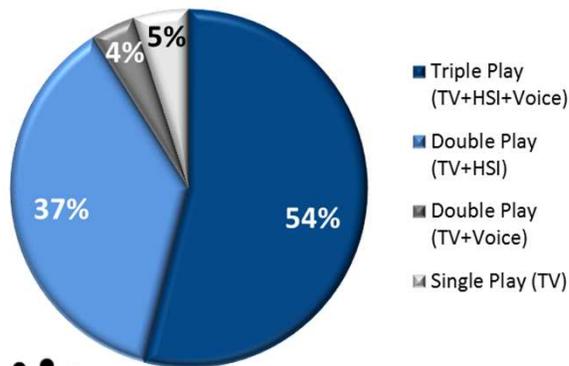
2Q'14 video revenue grew to \$5.5M

- 11% Y/Y increase in video ARPU
- Higher % of premium subscription packages
- Increased penetration of premium add-on services

Added ~2.8K video subs in 2Q'14

- ~23.1K total video subs
- ~16% penetration of households enabled

Video Subscriber Mix



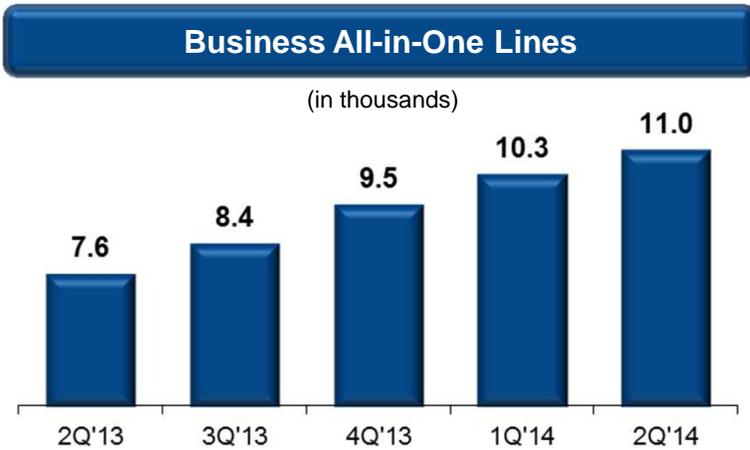
Expanded enabled footprint to 142K

- Enabled 12K households in 2Q'14
- 51% of households enabled fiber-fed

Launched New Advertising Campaign

Grow the Business – Business Market

Bandwidth Demand & Next-Gen Services Driving Growth

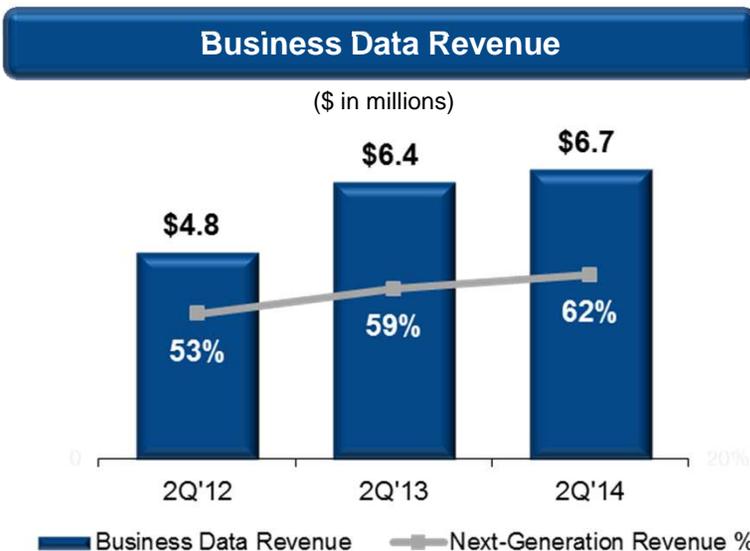


Business bundles drive 2.5% Y/Y HSI subscriber growth

- 44% Y/Y increase in Business All-in-One lines in 2Q'14

Business data revenue grew 4.6% Y/Y

- 62% of business data revenue in 2Q'14 from next-generation services



Won multi-year contract from major financial services company

SystemMetrics Highlights

- Won \$1.3M 3-year contract from major hospitality company
- Established new Hawaii Internet peering point

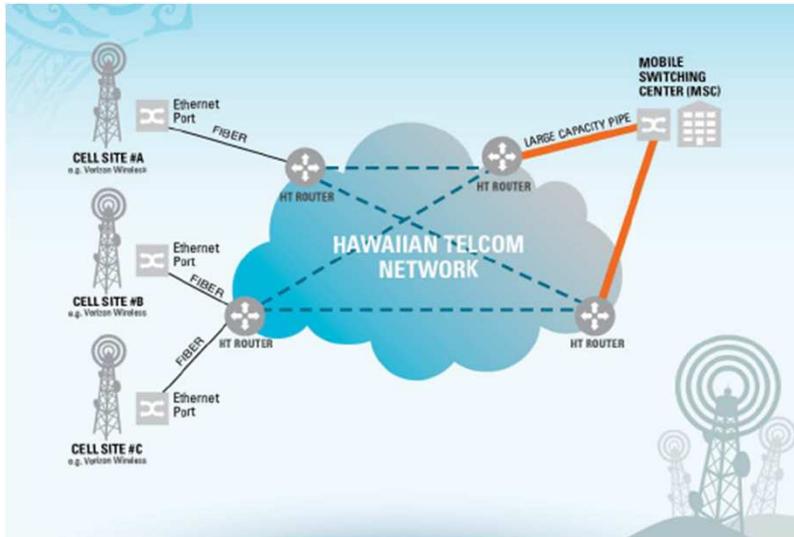
Grow the Business – Wholesale Market



- ✓ **338** fiber cell sites completed at quarter-end

- ✓ **\$4.9** million annualized revenue

- ✓ **140** additional sites under contract to build





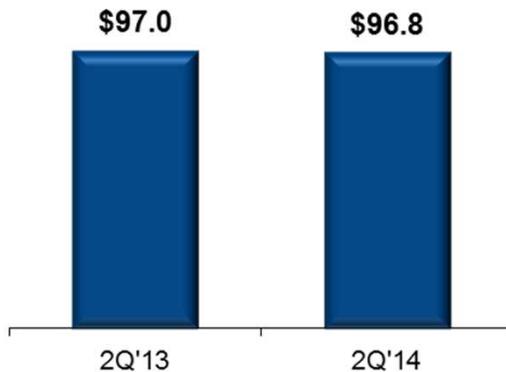
Operational & Financial Review

Robert Reich, SVP & CFO

Quarterly Revenue & Adjusted EBITDA

Total Revenue

(\$ in millions)

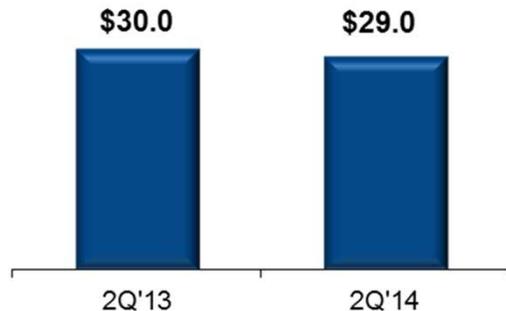


Second quarter revenue \$96.8M

- Growth from video & high-speed Internet services, and SystemMetrics
- Impact from legacy voice declines and lower levels of equipment sales

Adjusted EBITDA

(\$ in millions)



Adjusted EBITDA \$29M

- Expense increases from higher advertising and COGS related to video

Consumer Channel

Consumer Revenue

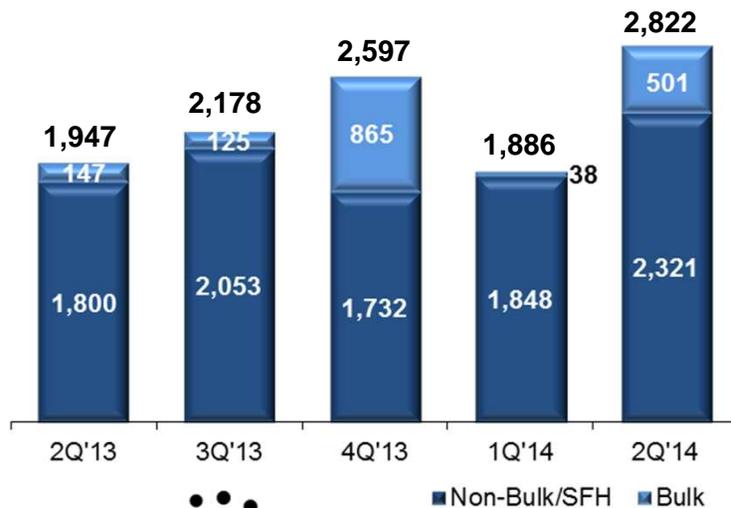
(\$ in millions)



Consumer revenue \$36.3M

- 4.3% Y/Y increase driven by \$2.6M increase in video revenue
- Continued secular decline in access and LD lines

Video Subscriber Adds



Record HTTPV sub growth of 2,822

- ~23,100 total subscribers, 74% non-bulk/SFH drive higher Y/Y blended ARPU
- 58% of video additions new to Hawaiian Telcom

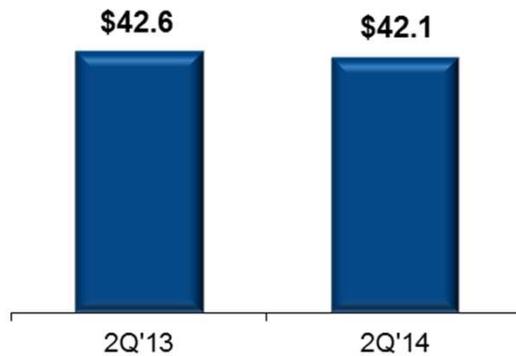
1.9% consumer HSI sub growth Y/Y

- 91% of existing video subscribers have TV and broadband
- Nearly 9% increase in HSI ARPU as a result of higher speed tiers

Business Channel

Business Revenue

(\$ in millions)



Business revenue \$42.1M

- \$2.4M Y/Y decrease in equipment and managed services revenue
- SystemMetrics added \$2.1M of net incremental revenue
- 4.6% Y/Y increase in business data revenue
- 2.5% business HSI subscriber growth Y/Y driven by business bundles

Business Data Revenue

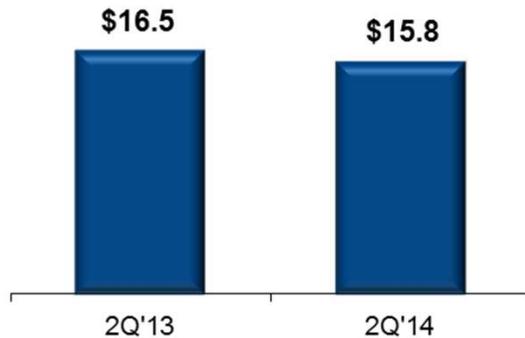
(\$ in millions)



Wholesale Channel

Wholesale Revenue

(\$ in millions)



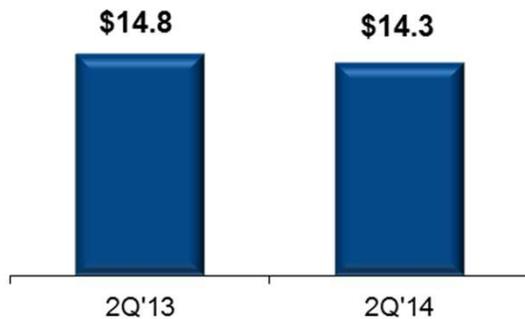
Wholesale revenue \$15.8M

Wholesale carrier data revenue declined \$0.5M Y/Y

- Transitioning with wireless carriers replacing legacy circuits with Ethernet circuits

Wholesale Carrier Data

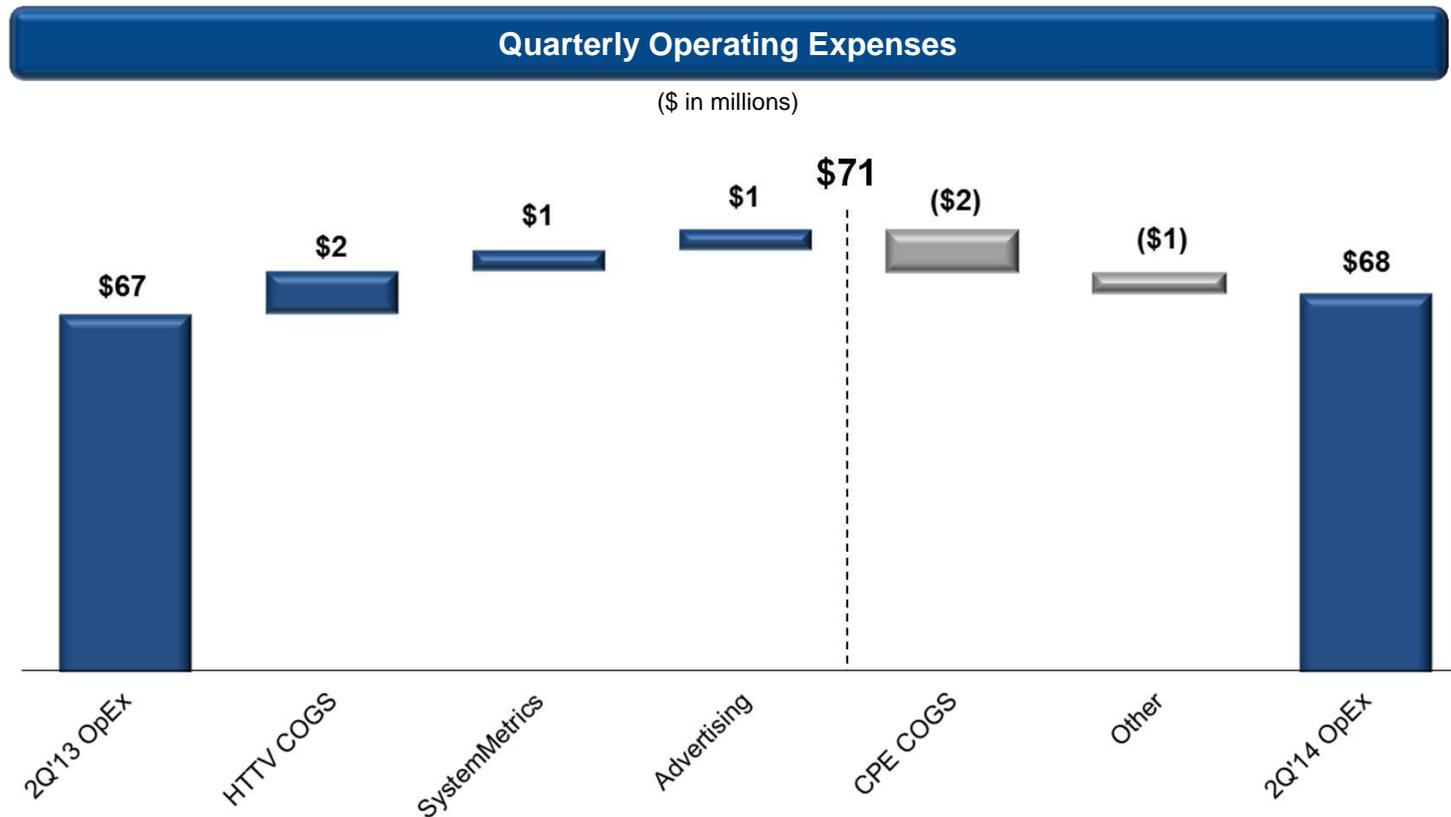
(\$ in millions)



Wholesale switched carrier access revenue declined \$200K Y/Y

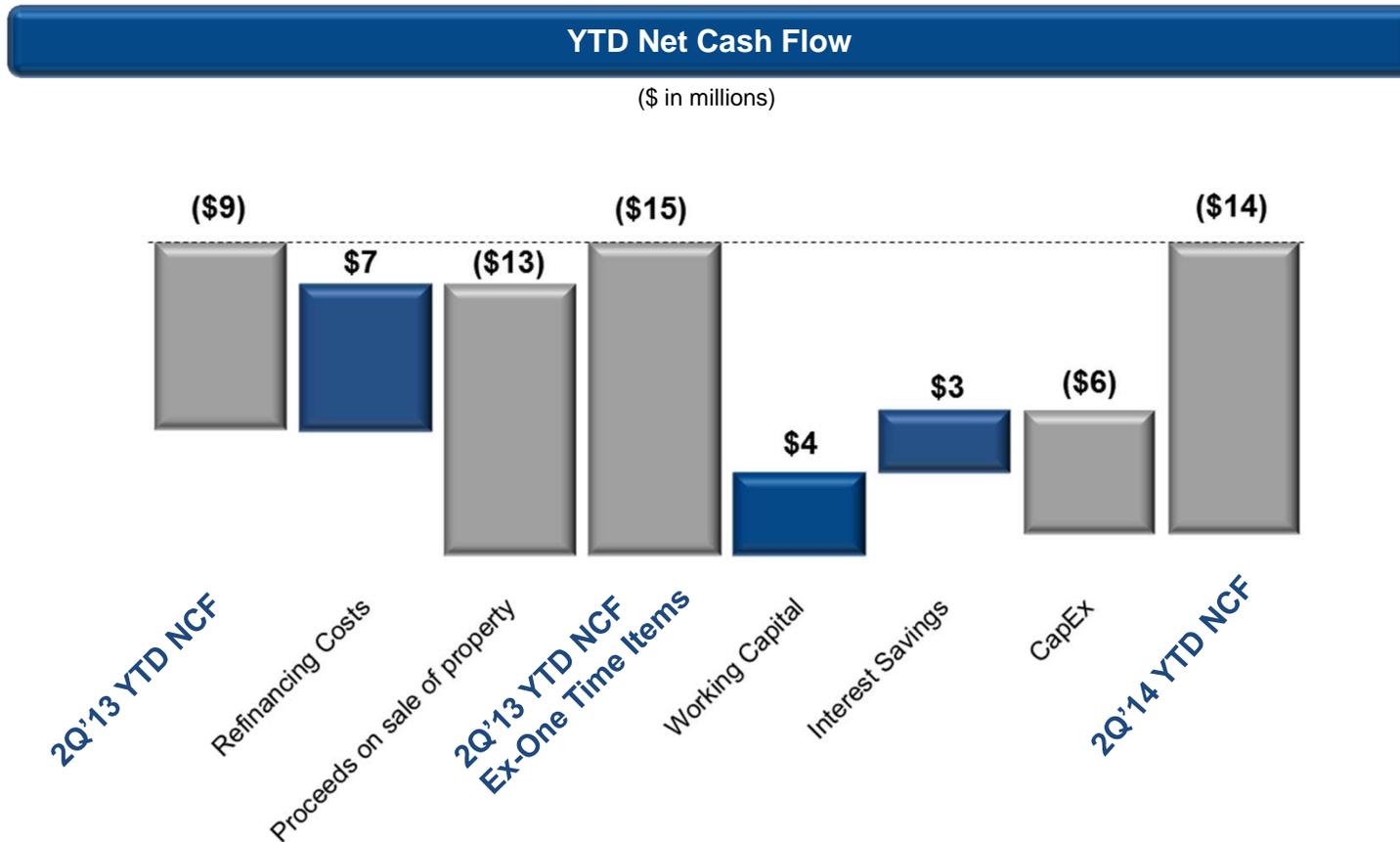
- Secular decline in access lines and voice traffic
- Regulatory reform

Operating Expenses



- ✓ Overall operating expense increased \$0.7M primarily due to increased direct cost of services related to video, incremental costs related to SystemMetrics and higher advertising spending, partially offset by decreased cost of goods related to lower levels of equipment sales.

Net Cash Flow



- ✓ Cash flow improvement from cash interest savings, offset by higher capex.



Q&A
