

3rd Quarter 2014 Earnings Conference Call

November 10, 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 above 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 November 10, 2014. It is possible that subsequent events and developments will cause estimates to change.



Company Overview

Eric Yeaman, President & CEO

Third Quarter Highlights

3Q'14 Revenue of \$97M

- ✓ Revenue totaled \$97M, consistent with same period a year ago
- ✓ Adjusted EBITDA of \$29M
- ✓ Generated net income of \$1.5M

Consumer Revenue Growth of 5.2%

- ✓ Consumer revenue totaled \$37M, up 5.2% Y/Y driven by video & HSI
- ✓ Added over 2,600 video subs & ~900 HSI subs
- ✓ Expanded reach of HTTV to 152,000 households on Oahu

Business Data Revenue Growth of 3.0%

- ✓ Business revenue totaled \$41M
- ✓ Business data revenue grew 3.0% Y/Y driven by increased demand for IP-based services and bandwidth

Third Quarter Highlights

Landmark SEA–US Trans-Pacific Cable System



Transaction Details:

- Construction and maintenance agreement and supply contract signed August 28th
- \$25M investment over multi-year construction period for fractional ownership
- 100GB system with initial 20TB of capacity over approx. 15K kilometers

Transaction Benefits:

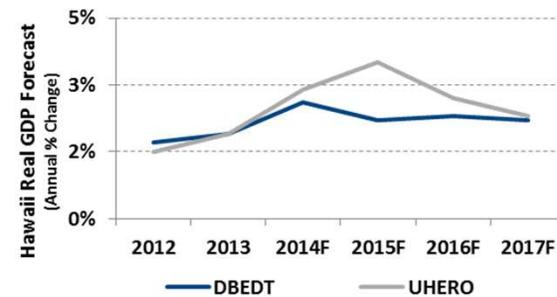
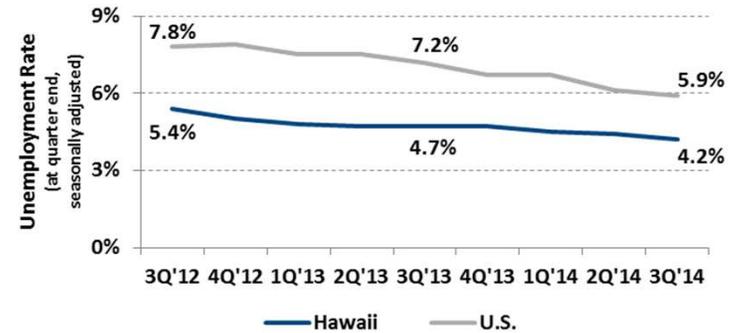
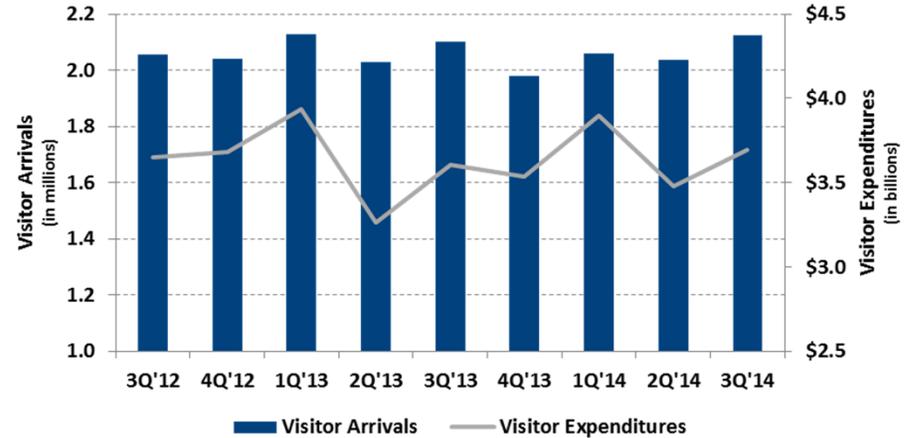
- Enables us to cost-effectively meet future bandwidth requirements
- Strengthens role as a key strategic hub for traffic diversity and redundancy
- Strong indications of interest from various carriers for purchasing capacity

Hawaii Economic Outlook

Tourism Y/Y Growth
YTD Visitor Arrivals flat &
Spending up 2%

Unemployment Rate Lowest in 6 Years
6th Lowest in Nation

Positive Economic Outlook
Construction Leading Growth in 2015

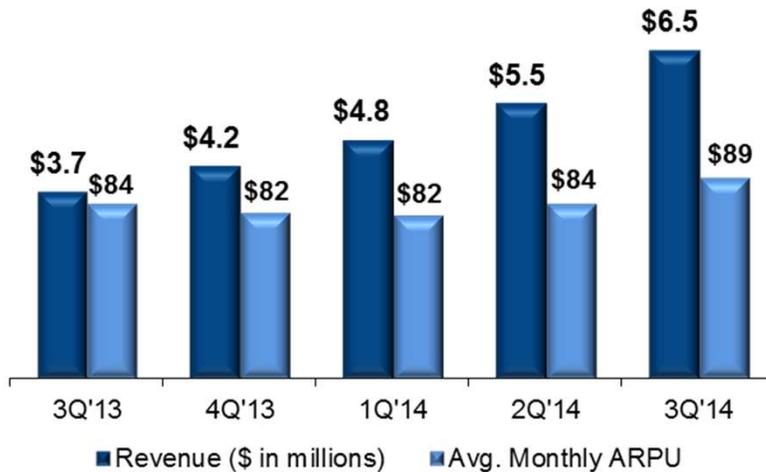


Sources: Visitor Statistics: Hawaii Tourism Authority; Unemployment Rates: U.S. Bureau of Labor Statistics; Real GDP Forecast: Hawaii Department of Business, Economic Development & Tourism (DBEDT) & The Economic Research Organization at the University of Hawaii (UHERO). Data extracted on 10/31/14.

Grow the Business – Consumer Market

Hawaiian Telcom TV Delivering Strong Results

Video Revenue & ARPU



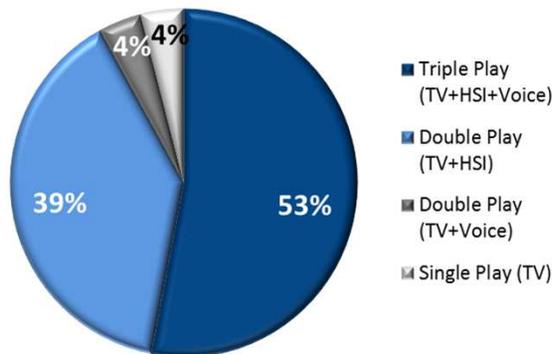
3Q'14 video revenue grew to \$6.5M

- 5.7% Y/Y increase in video ARPU
- Increased penetration of premium add-on services

Added ~2.6K video subs in 3Q'14

- ~25.8K total video subs
- ~17% penetration of households enabled

Video Subscriber Mix



Expanded enabled footprint to 152K

- Enabled 10K households in 3Q'14
- 54% of households enabled fiber-fed

Grow the Business – Business Market

Deliver new & enhanced IP products

Grow data center services

Grow Cloud-based services

- ✓ Started the first phase of a integrated hosted voice conversion for the State
- ✓ Continued deployment of GPON capabilities for commercial customers
- ✓ Won a 10Gbps next-generation packet optical contract with the State
- ✓ Integrated solutions demand pulling through data center & Cloud-based services
- ✓ Launched Palo Alto Networks virtual firewall solution

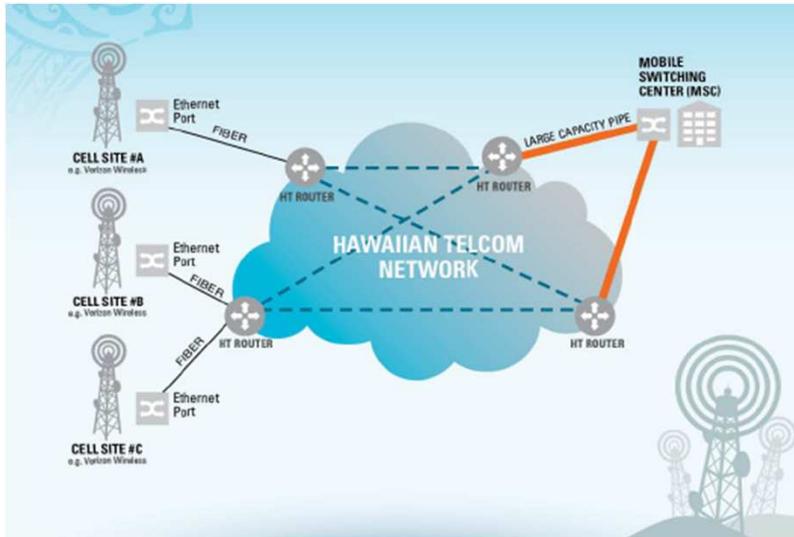
Grow the Business – Wholesale Market



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

- ✓ **\$5.5** million annualized revenue

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





Operational & Financial Review

Robert Reich, SVP & CFO

Quarterly Revenue & Adjusted EBITDA

Total Revenue

(\$ in millions)

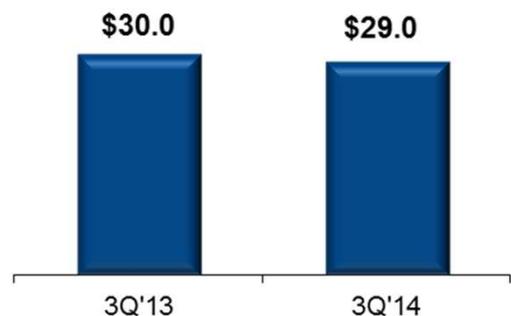


Third quarter revenue \$97.3M

- 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 COGS related to video

Consumer Channel

Consumer Revenue

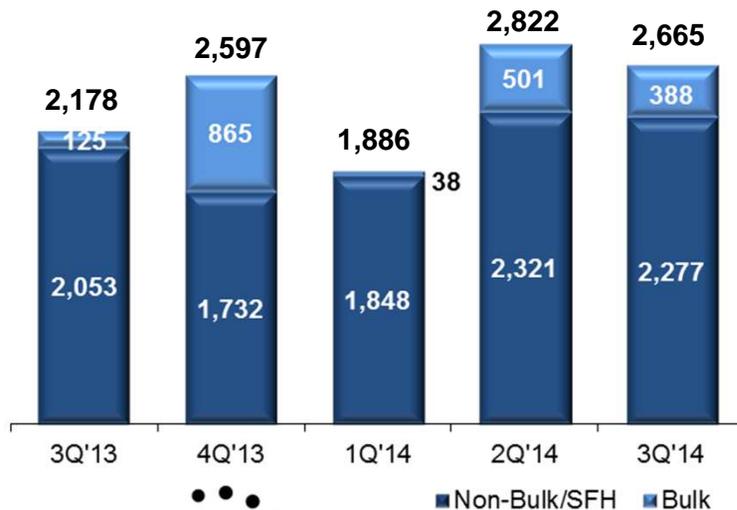
(\$ in millions)



Consumer revenue \$37.1M

- 5.2% Y/Y increase driven by \$2.8M increase in video revenue
- Continued secular decline in access and LD lines

Video Subscriber Adds



Record HTTV sub growth of 2,665

- ~25,800 total subscribers, 75% non-bulk/SFH drive higher Y/Y blended ARPU
- 64% of video additions new to Hawaiian Telcom

2.2% consumer HSI sub growth Y/Y

- 92% of existing video subscribers have TV and broadband
- Nearly 9.5% increase in HSI ARPU as a result of higher speed tiers

Business Channel

Business Revenue

(\$ in millions)



Business Data Revenue

(\$ in millions)



Business revenue \$41.7M

- \$2.4M Y/Y decrease in equipment and managed services revenue
- SystemMetrics added \$2.2M of net incremental revenue
- 3.0% Y/Y increase in business data revenue
- 2.0% business HSI subscriber growth Y/Y driven by business bundles

Wholesale Channel

Wholesale Revenue

(\$ in millions)



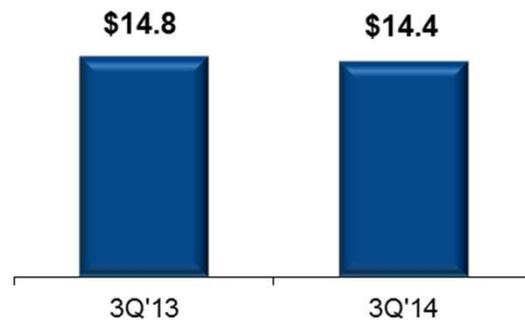
Wholesale revenue \$15.8M

Wholesale carrier data revenue declined \$0.4M Y/Y

- Transitioning with wireless carriers replacing legacy circuits with Ethernet circuits

Wholesale Carrier Data

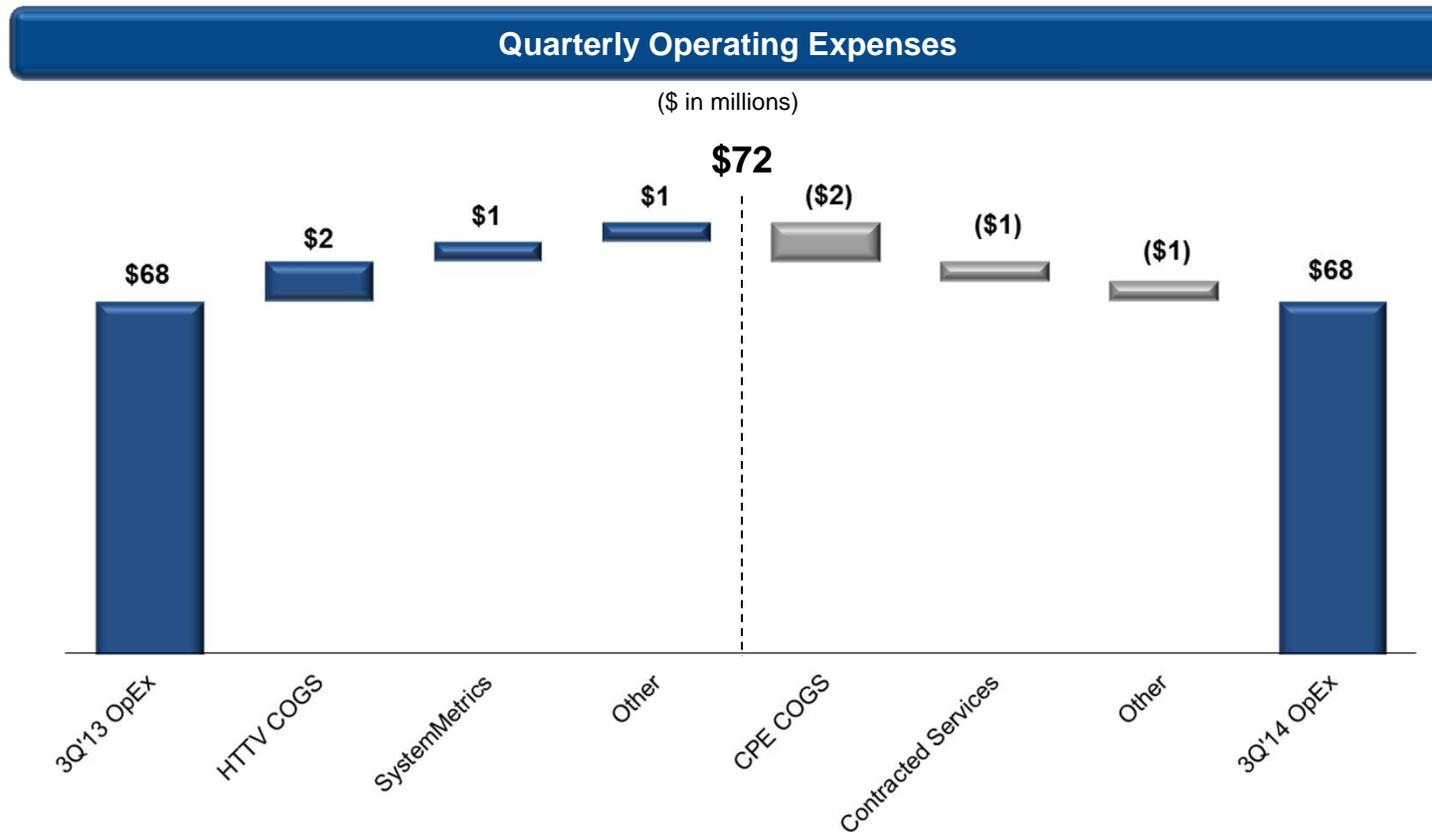
(\$ in millions)



Wholesale switched carrier access revenue declined \$0.2M Y/Y

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

Operating Expenses

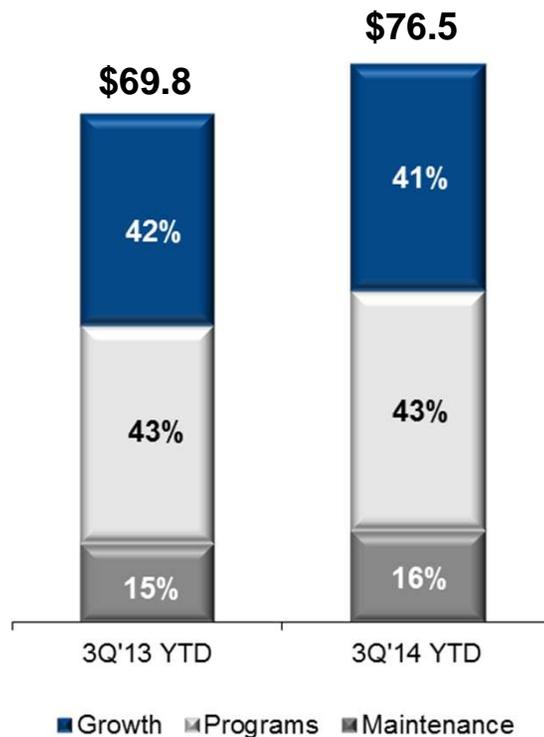


- ✓ Overall operating expense increased \$0.6M primarily due to increased direct cost of services related to video and incremental costs related to SystemMetrics, partially offset by decreased cost of goods related to lower levels of equipment sales and lower contracted services costs

Capital Expenditures

YTD CapEx

(\$ in millions)

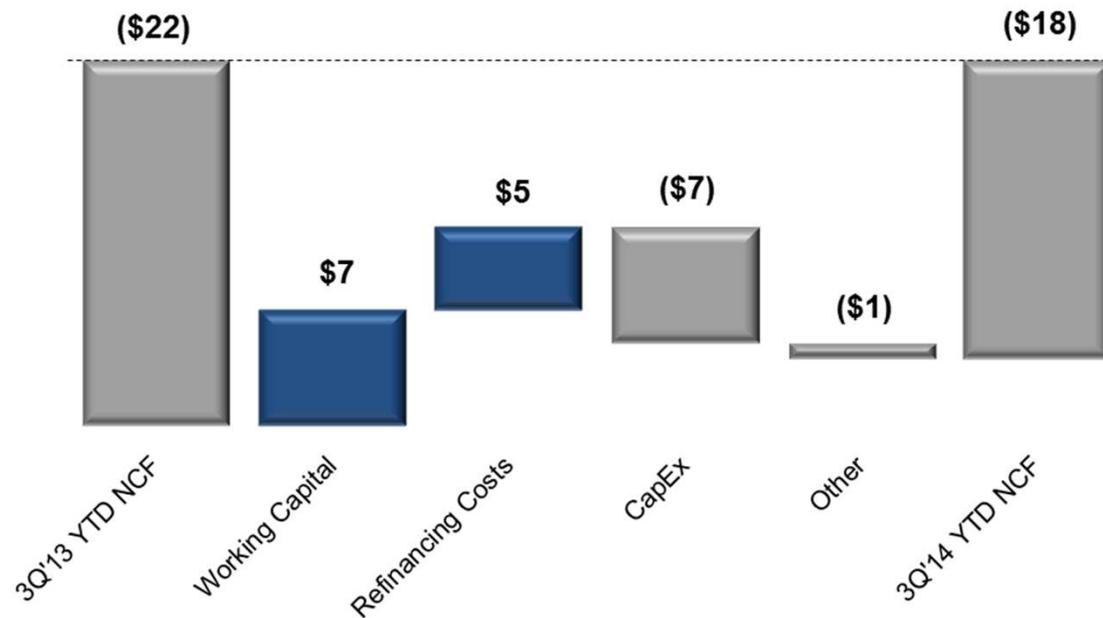


- ✓ Overall \$6.7M increase in capital expenditures YTD
- ✓ Capital spending focused primarily on next-generation fiber network, growth of HTTV FTTP subs and cell site FTTT
- ✓ Total 2014 expected to be in the high-\$90M range

Net Cash Flow

YTD Net Cash Flow

(\$ in millions)



- ✓ Cash flow improvement from working capital, offset by higher capex



Q&A
