

HUNGARIAN TELEPHONE & CABLE CORP

Form 10-Q

November 09, 2007

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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, 2007

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

13-3652685
(I.R.S. Employer

incorporation or organization)

Identification No.)

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

(Address of principal executive offices)

(206) 654-0204

(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

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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)

16,410,500 Shares
(Outstanding at November 8, 2007)

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HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Item 1. Financial Statements**Condensed Consolidated Balance Sheets**

(In thousands, except share and per share data)

Assets

	September 30, 2007 (unaudited)	December 31, 2006 (unaudited) as restated (1)
Current assets:		
Cash and cash equivalents	\$ 24,991	\$ 18,794
Restricted cash		11,850
Accounts receivable, net of allowance of \$21,596 in 2007 and \$5,608 in 2006	81,237	38,336
Current deferred tax asset, net		1,685
Derivative financial instruments	995	1,138
Other current assets	9,351	7,785
Total current assets	116,574	79,588
Property, plant and equipment, net of depreciation of \$192,712 in 2007 and \$150,864 in 2006	675,696	180,329
Goodwill, net	88,965	9,622
Other intangibles, net of amortization of \$29,467 in 2007 and \$8,725 in 2006	186,612	49,364
Deferred costs	6,412	5,751
Deferred tax asset, net		3,286
Derivative financial instruments	2,272	1,818
Other assets	772	2,868
Total assets	\$ 1,077,303	\$ 332,626

(1) See Note 1(b) Restatements in Notes to Condensed Consolidated Financial Statements.
See accompanying notes to condensed consolidated financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

Liabilities and Stockholders' Equity

	September 30, 2007 (unaudited)	December 31, 2006 (unaudited) as restated (1)
Current liabilities:		
Current installments of long-term debt	\$ 34,257	\$ 34,749
Short-term debt to related party		24,657
Current obligations under capital leases	560	469
Accounts payable and other accrued liabilities	121,939	43,758
Derivative financial instruments	22,616	
Warrants		13,050
Advance customer payment		2,310
Other current liabilities	4,692	7,573
Due to related parties	1,784	2,881
Total current liabilities	185,848	129,447
Long-term debt, excluding current installments	788,643	115,351
Long-term obligations under capital leases, excluding current portion		399
Derivative financial instruments	26,885	935
Deferred tax liabilities	10,310	
Other non-current liabilities	7,561	7,796
Total liabilities	1,019,247	253,928
Commitments and contingencies		
Minority interest	18	
Stockholders' equity:		
Cumulative Convertible Preferred Stock, \$.01 par value; \$70.00 liquidation value. Authorized 200,000 shares; issued and outstanding 30,000 shares in 2007 and 2006		
Common Stock, \$.001 par value. Authorized 25,000,000 shares; issued and outstanding 16,410,500 shares in 2007 and 12,812,665 shares in 2006		
Additional paid-in capital	15	14
Accumulated deficit	208,062	140,001
Accumulated other comprehensive income	(169,376)	(87,353)
	19,337	26,036
Total stockholders' equity	58,038	78,698
Total liabilities and stockholders' equity	\$ 1,077,303	\$ 332,626

(1) See Note 1(b) Restatements in Notes to Condensed Consolidated Financial Statements.
See accompanying notes to condensed consolidated financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

For the Three and Nine Month Periods Ended September 30, 2007 and 2006

(In thousands, except share and per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006 as restated (1)	2007	2006 as restated (1)
Revenue	\$ 116,139	\$ 47,242	\$ 258,127	\$ 139,936
Cost of Sales	57,455	24,950	124,309	71,772
Gross margin	58,684	22,292	133,818	68,164
Operating expenses				
Selling, general and administrative	19,044	8,232	52,600	27,401
Depreciation and amortization	26,334	6,505	51,757	19,069
Total operating expenses	45,378	14,737	104,357	46,470
Income from operations	13,306	7,555	29,461	21,694
Other income (expenses)				
Foreign exchange gains (losses), net	(8,187)	4,537	(1,688)	(11,198)
Interest expense	(19,170)	(3,281)	(37,323)	(10,399)
Interest income	471	331	953	823
Gains (losses) on derivative financial instruments	6,573	(783)	(59,327)	2,336
Gains (losses) from fair value changes of warrants		(1,550)	(15,075)	1,175
Loss on extinguishment of debt			(2,918)	
Other, net	(16)	(69)	70	469
Income (loss) before income taxes	(7,023)	6,740	(85,847)	4,900
Income tax benefit (expense)				
Current	(2,354)	(927)	(5,868)	(3,142)
Deferred	(1,783)	(1,071)	9,758	(29)
Total income tax benefit (expense)	(4,137)	(1,998)	3,890	(3,171)
Net income (loss) before cumulative effect of change in accounting principle	\$ (11,160)	\$ 4,742	\$ (81,957)	\$ 1,729
Cumulative impact of change in accounting principle				(373)
Minority interest	(1)		6	
Net income (loss)	\$ (11,161)	\$ 4,742	\$ (81,951)	\$ 1,356
Cumulative convertible preferred stock dividends	(21)	(26)	(72)	(79)
Net income (loss) attributable to common stockholders	(11,182)	4,716	(82,023)	1,277
Foreign currency translation adjustment	4,142	1,300	6,699	662

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Total comprehensive income (loss)	(7,040)	6,016	(75,324)	1,939
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(1) See Note 1(b) Restatements in Notes to Condensed Consolidated Financial Statements.
See accompanying notes to condensed consolidated financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

For the Three and Nine Month Periods Ended September 30, 2007 and 2006

(In thousands, except share and per share data)

(unaudited)

(Continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006 as restated (1)	2007	2006 as restated (1)
Basic net income (loss) per common share:				
Prior to cumulative effect of change in accounting principle	\$ (0.68)	\$ 0.37	\$ (5.40)	\$ 0.13
Cumulative effect of change in accounting principle	\$	\$	\$	\$ (0.03)
	\$ (0.68)	\$ 0.37	\$ (5.40)	\$ 0.10
Diluted net income (loss) per common share:				
Prior to cumulative effect of change in accounting principle	\$ (0.68)	\$ 0.33	\$ (5.40)	\$ 0.09
Cumulative effect of change in accounting principle	\$	\$	\$	\$ (0.03)
	\$ (0.68)	\$ 0.33	\$ (5.40)	\$ 0.06
Weighted average number of common shares outstanding:				
Basic	16,418,244	12,812,372	15,187,502	12,809,577
Diluted	16,418,244	14,195,595	15,187,502	14,299,185

(1) See Note 1(b) Restatements in Notes to Condensed Consolidated Financial Statements.
See accompanying notes to condensed consolidated financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARIES

Condensed Consolidated 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
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