

4th Quarter & Full Year 2012 Earnings Conference Call

March 14, 2013

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 March 14, 2013. It is possible that subsequent events and developments will cause estimates to change.

Company Overview

Eric Yeaman, President & CEO

2012 Company Highlights

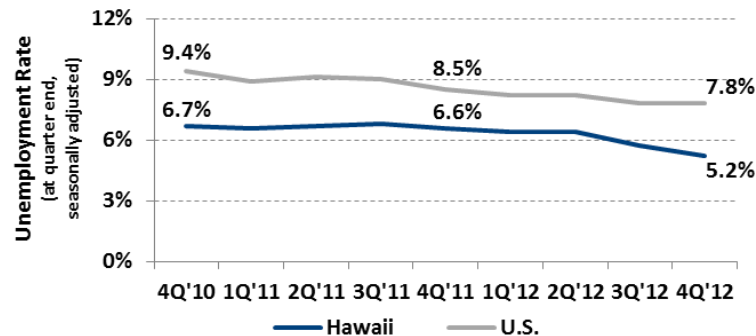
- ▶ **Revenue was \$97M for fourth quarter and \$385M for full year 2012**
 - **Consumer revenue increased QoQ and full year 2012** – driven by growth in video revenue of \$1.6M and \$4.6M
 - **HTTV subscriber penetration increased to 15% of 65K households enabled EOY** – up from 14% of 59.4K households enabled at end of 3Q12
 - **Added 1.8K HSI subs in the quarter** – ending the year with 107.6K, up 4.2% YoY
 - **Business data revenue up 6.4% & 4.5% YoY for 4Q12 and full year** – driven by growth in switched Ethernet, IP-VPN and dedicated Internet access revenue
- ▶ **Fourth quarter and full year 2012 adjusted EBITDA of \$33M and \$122M, up \$3.5M and \$0.9M year-over-year** – fourth quarter 2012 included a \$2.5M net settlement gain associated with Wavecom acquisition
- ▶ **Generated fourth quarter and full year 2012 net income of \$99M and \$110M** – favorably impacted by \$91M non-cash tax benefit
- ▶ **Completed acquisition of Wavecom for \$8.3M** – net of cash acquired and final purchase price adjustments
- ▶ **Ratified new five-year collective bargaining agreement**

Hawaii Economic Outlook

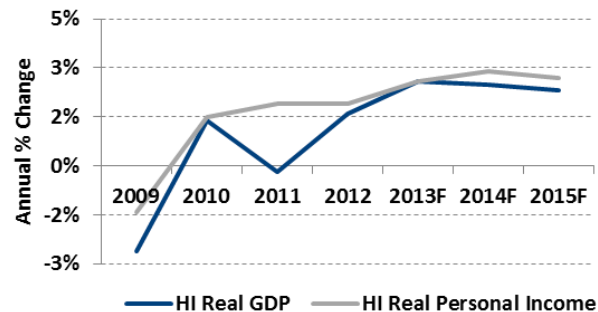
Tourism Best Year on Record
 2012 Visitor Spending up 19% &
 Arrivals up 10%



Unemployment Rate Lowest in 4 Years
 2.6 Percentage Points below National Average



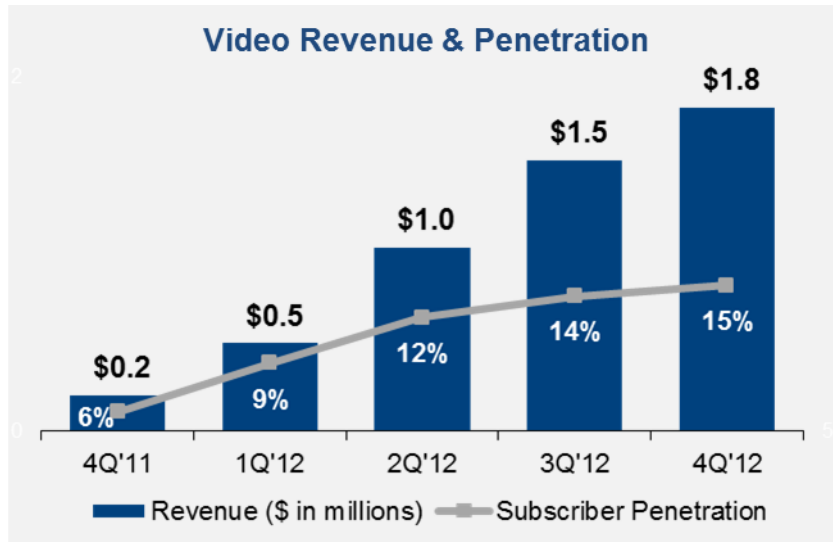
Overall Hawaii Economy
 Expected to Continue to Improve



*Sources: Visitor Statistics: Hawaii Tourism Authority;
 Unemployment Rates: U.S. Bureau of Labor Statistics;
 Real GDP & Personal Income: Hawaii Department of Business, Economic
 Development & Tourism. Data extracted on 2/25/13.*

Grow the Business – Consumer Market

Hawaiian Telcom TV Delivering Strong Results

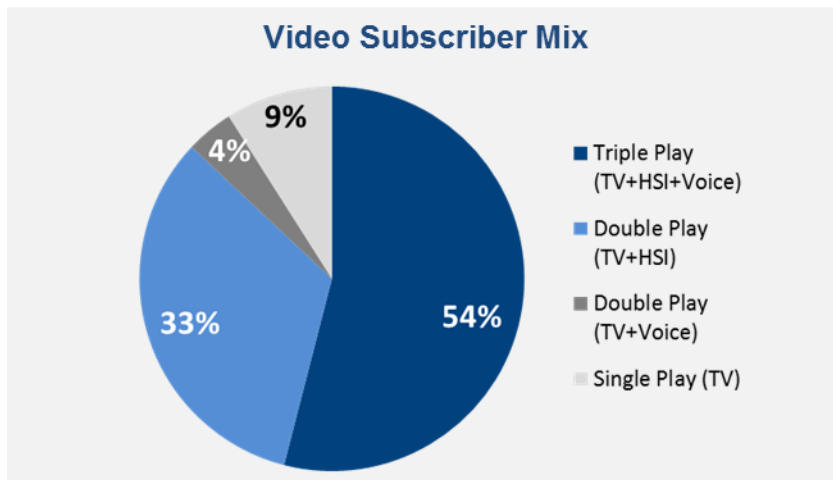


Video revenue grew to \$1.8M in 4Q'12

- 3% increase in monthly video ARPU from 4Q'11
- Increased focus on premium subscription package & international content

65,000 total households enabled

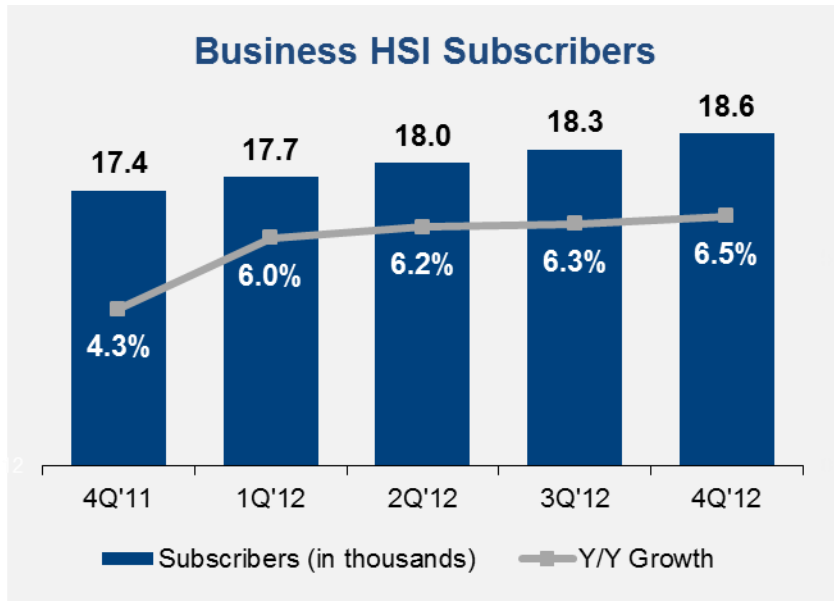
- ~9,800 subscribers, up 16% sequentially
- 15% subscriber penetration, up from over 14% in 3Q'12
- Enabled 10,000 homes in Jan. & Feb. '13
- On track for additional 8,000 in Mar '13



Added BTN2GO & PAC-12 Now to TV Everywhere platform

Grow the Business – Business Market

Data Demand Driving SOHO & SMB HSI Growth



Business bundles drive **6.5%** Y/Y HSI growth

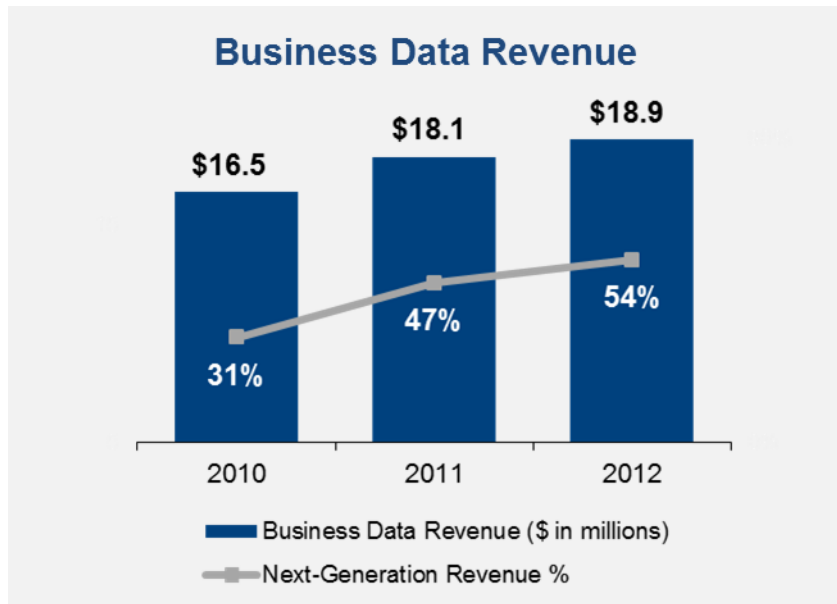
~60% of Business Choice Connect bundles sold in 2012 signed up for new HSI service

2.5x Y/Y increase in Business All-in-One customers in 2012



Grow the Business – Business Market

Next-Generation Services Driving Growth



2012 business data revenue increased **4.5%** Y/Y

54% of business data revenue in 2012 from next-generation services



Won \$100K Ethernet over fiber contract from major Fortune 100 technology company

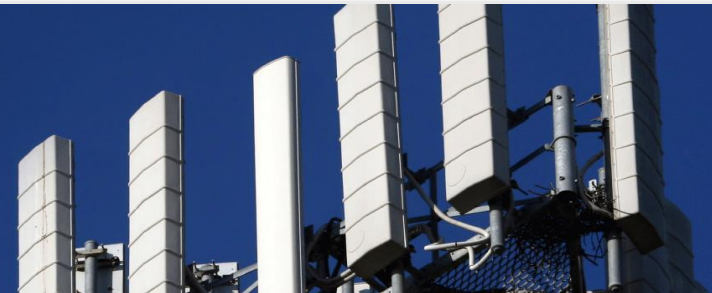
Grow the Business – Wholesale Market



230 fiber cell sites
completed at year-end

\$3.3 million
annualized revenue

160 additional sites
under contract to build



2013 Outlook

- ▶ **Expand the footprint and capabilities of our next-generation network**
- ▶ **Grow Hawaiian Telcom TV subscriber base and add new content and features**
- ▶ **Drive business revenue growth from new and existing IP-based services, and evaluate strategic opportunities**
- ▶ **Wholesale revenue growth driven by increased bandwidth demand**

Increase Shareholder Value

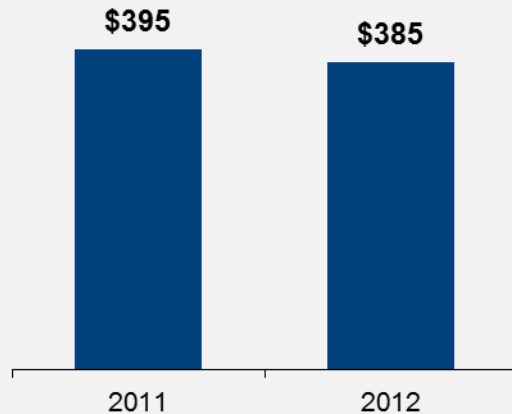
Operational & Financial Review

Robert Reich, SVP & CFO

Full Year Revenue & Adjusted EBITDA

Total Revenue

(\$ in millions)

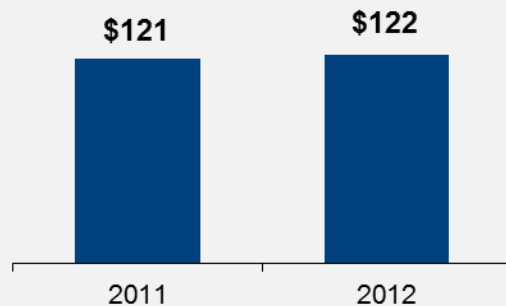


Full year 2012 revenue \$385M

- Growth from video, high-speed Internet services and IP-based business services
- Impact from access line loss and lower levels of equipment sales

Adjusted EBITDA

(\$ in millions)



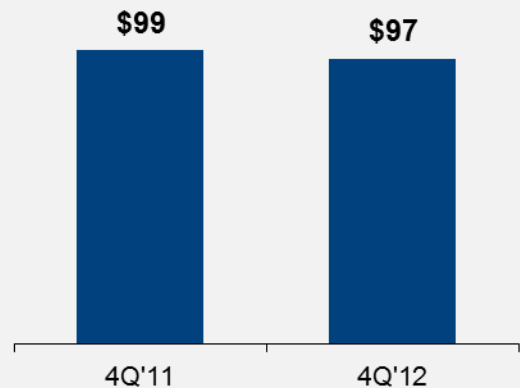
Adjusted EBITDA \$122M

- Expense reductions from declines in wages and employee benefit costs
- Expense increases from COGS related to video and higher energy costs

Quarterly Revenue & Adjusted EBITDA

Total Revenue

(\$ in millions)

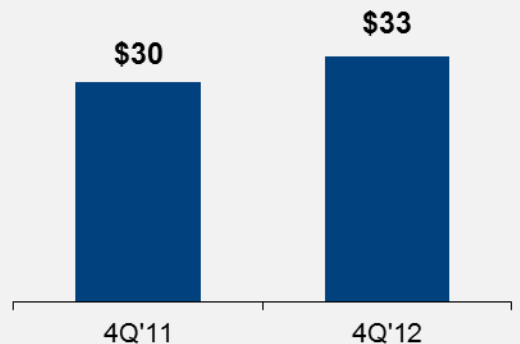


Fourth quarter revenue \$97M

- Growth from video & high-speed Internet services
- Impact from access line loss and lower levels of equipment sales

Adjusted EBITDA

(\$ in millions)



Adjusted EBITDA \$33M

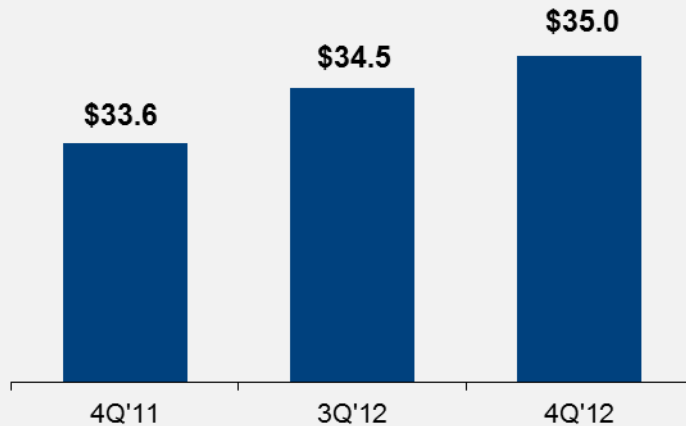
- After adjusting for \$2.5M net settlement gain, up 3.4% Y/Y
- Expense reductions from declines in wages and employee benefit costs and decreased COGS related to lower levels of equipment sales
- Expense increases from COGS related to video and higher energy costs



Consumer Channel

Consumer Revenue

(\$ in millions)



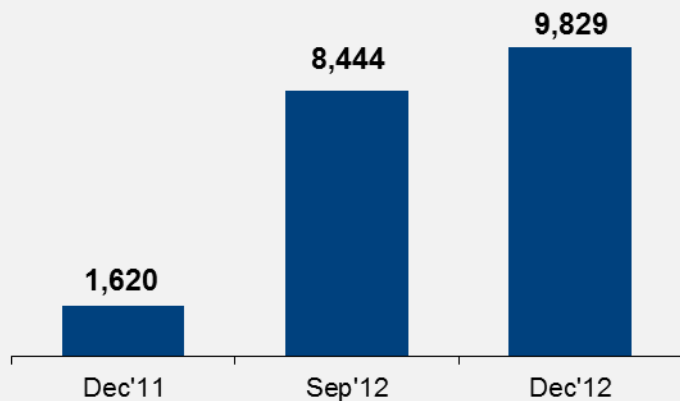
Consumer revenue \$35M

- 4.0% Y/Y increase driven by \$1.6M increase in video revenue
- Continued secular decline in access and LD lines

Video subs increased 16% in 4Q12

- Subscriber penetration increased to 15%

Video Subscribers



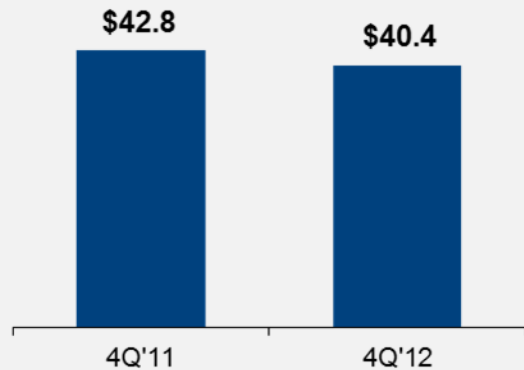
4% consumer HSI sub growth Y/Y

- 87 percent of existing video subscribers have TV and broadband

Business Channel

Business Revenue

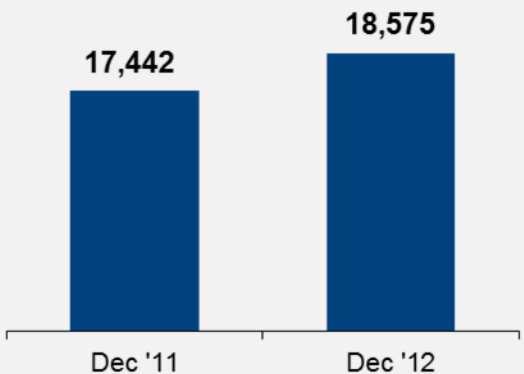
(\$ in millions)



Business revenue \$40.4M

- \$1.8M Y/Y decrease in equipment and managed services revenue
- 2.1% Y/Y decline in business access lines, a 33% improvement over prior year period
- 6.4% Y/Y increase in business data revenue
- 6.5% business HSI subscriber growth Y/Y driven by business bundles

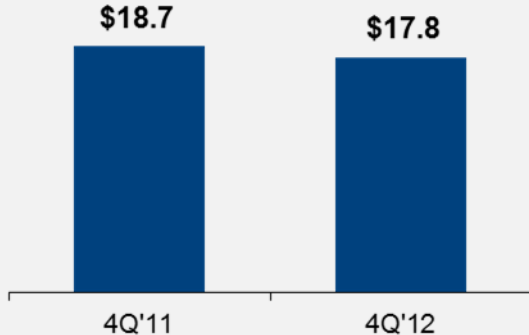
Business HSI Subscribers



Wholesale Channel

Wholesale Revenue

(\$ in millions)



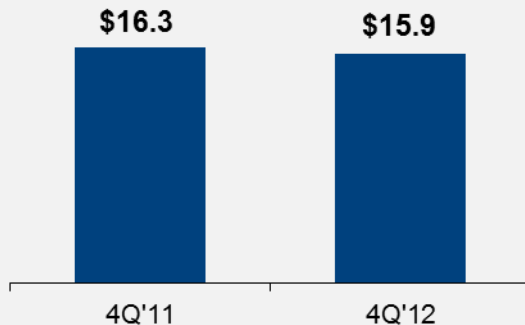
Wholesale revenue \$17.8M

Wholesale carrier data revenue down 2.7% Y/Y

- Decrease related to special construction revenue
- Transition from lower bandwidth legacy circuits to higher bandwidth Ethernet circuits

Wholesale Carrier Data

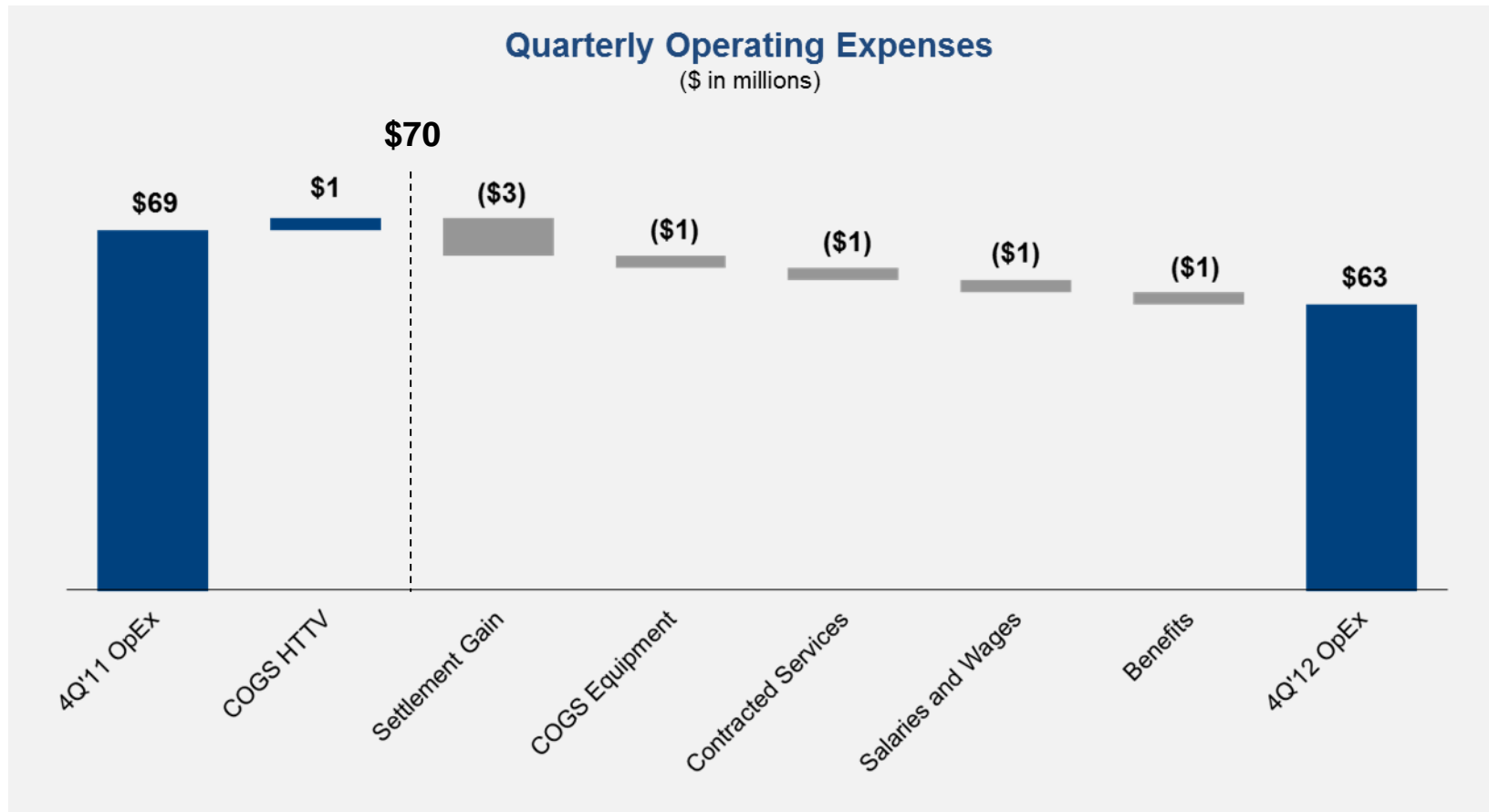
(\$ in millions)



Switched carrier access revenue down 14.6% Y/Y

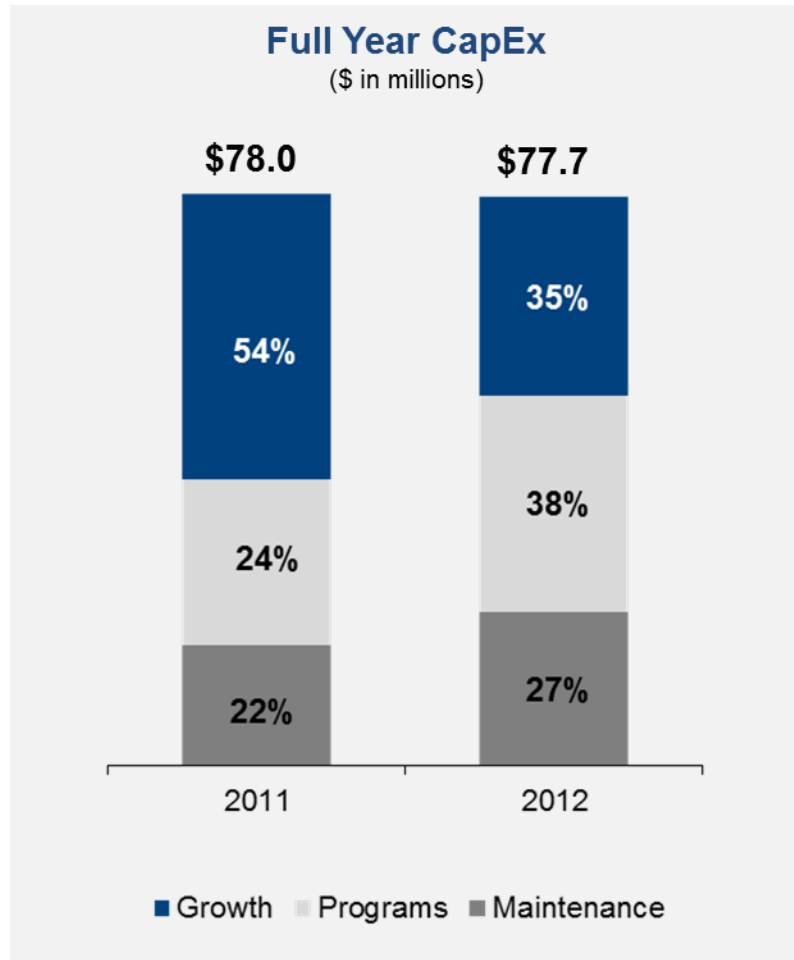
- ICC reform
- Secular decline in access lines and voice traffic

Operating Expenses



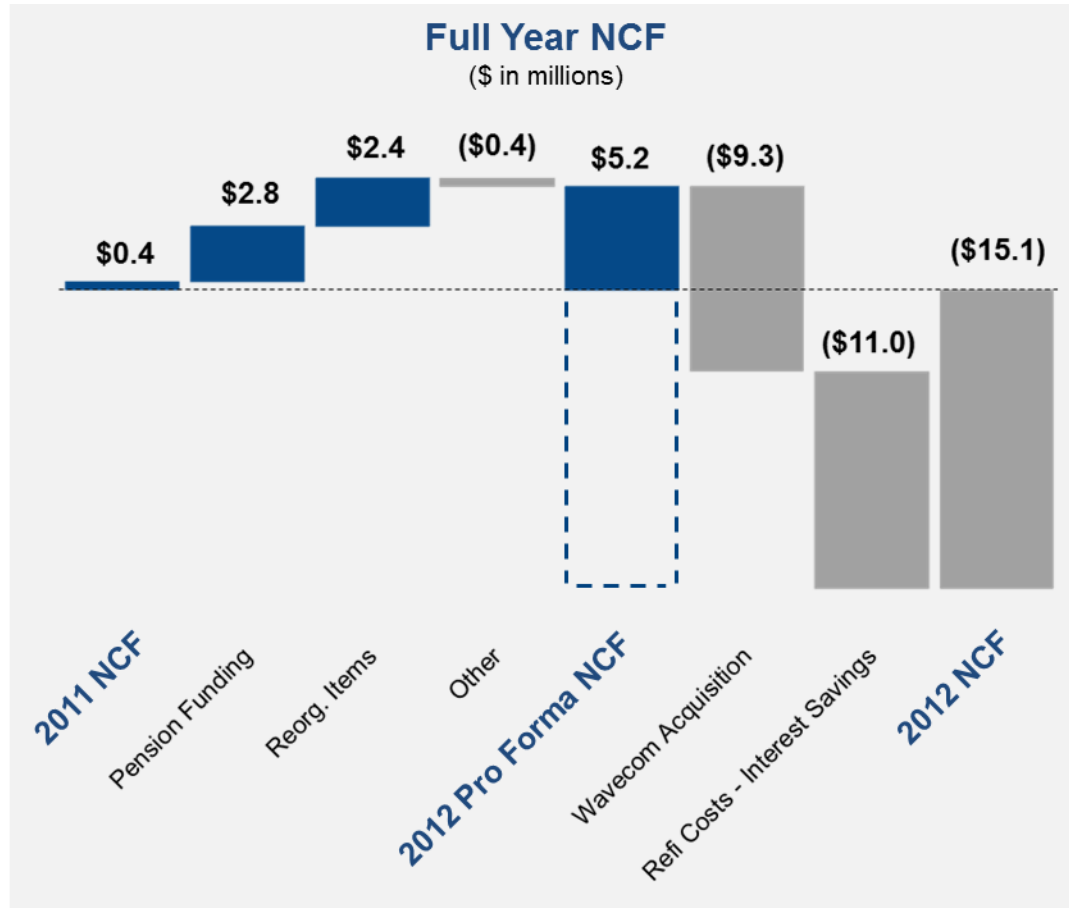
- ▶ Overall operating expense reductions totaling \$6.5M offset increased direct cost of goods related to video content

Capital Expenditures



- ▶ 2012 capital expenditures comparable with 2011
- ▶ Shift from growth FTTT investments in 2011 to program investments for broadband network infrastructure and expansion of video enabled households
- ▶ Total 2013 expected to be approximately \$80M

Net Cash Flow



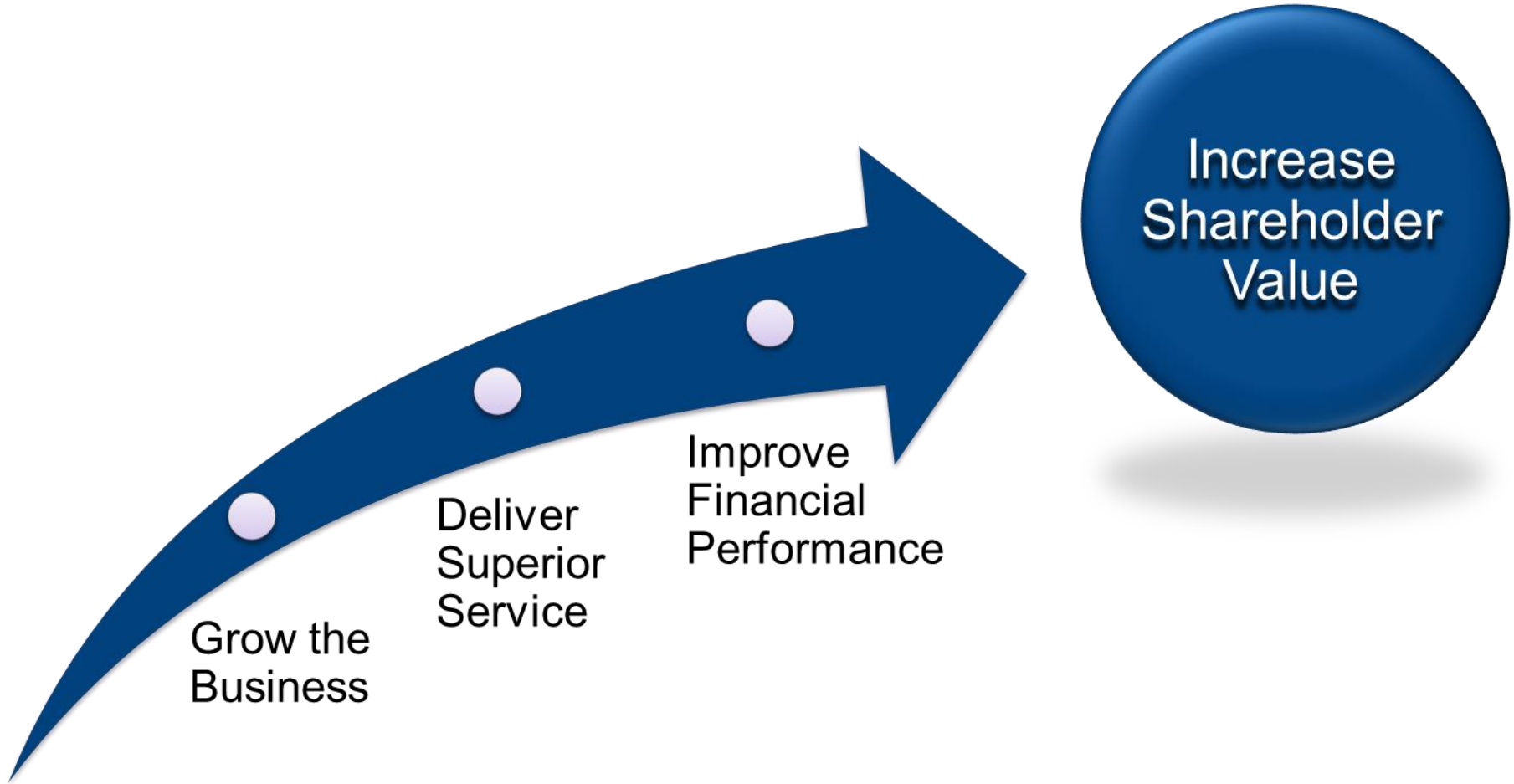
2012 Pro Forma NCF of \$5.2M

- Cash flow favorability from pension funding and reorganization items

2012 NCF of (\$15.1M)

- \$9.3M Wavecom acquisition
- \$14.8M in costs associated with the \$300M term loan refinancing in Feb'12 less \$3.8M of cash interest savings

Summary Remarks



Q&A
