

1st Quarter 2017 Earnings Conference Call

May 9, 2017



Agenda

Company Overview

Scott Barber
President & CEO

Operational & Financial Review

Dan Bessey
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: failures in Hawaiian Telcom’s critical back office systems and IT infrastructure; breach of the our data security systems; increases in the amount of capital expenditures required to execute our business plan; the loss of certain outsourcing agreements, or the failure of any third party to perform under these agreements; our ability to sell capacity on the new submarine fiber cable project; adverse changes to applicable laws and regulations; the failure to adequately adapt to technological changes in the telecommunications industry, including changes in consumer technology preferences; adverse economic conditions in Hawaii; the availability of lump sum distributions under our union pension plan; limitations on the ability to utilize net operating losses due to an ownership change under Internal Revenue Code Section 382; the inability to service our indebtedness; limitations imposed on our business from restrictive covenants in the credit agreements; and severe weather conditions and natural disasters.

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 May 9, 2017. It is possible that subsequent events and developments will cause estimates to change.



Company Overview

Scott Barber, President & CEO

First Quarter 2017 Highlights

Continued Strategic Plan Execution

- Total revenue of \$94.5M
- Adjusted EBITDA of \$27.1M
- Net loss of \$2.0M due to \$3.7M in non-cash pension expense and other related one-time costs associated with employee retirements

Business & Consumer Strategic Growth from Fiber Investment

- Normalized business strategic revenue¹ grew 8% Y/Y driven by strong growth in Ethernet, dedicated Internet access, and VoIP revenues
- Consumer strategic revenue increased 1% Y/Y driven by 12% growth in video services revenue
- TV subscribers grew 15% Y/Y to nearly 42,800

Other Notable Accomplishments

- Successfully landed trans-Pacific undersea cable to Hawaii cable landing station; system on track to be ready for services in 3Q'17
- Closed on new \$320M term loan A to refinance existing credit facility, extending maturity, lowering effective rate, and providing added flexibility to use cash for shareholder friendly actions

Grow the Business – Business Market

Small & Medium Sized Business

Enterprise & Government

Strategic Focus

Gaining market share by offering cost effective bundles of voice and high speed Internet mixed with cloud solutions designed to help customers solve technology needs

Gaining wallet share by delivering timely, competitive, tailored solutions to help customers deliver business outcomes

1Q'17 Accomplishments

- 14% Y/Y increase in BVoIP revenue driven by 16% Y/Y increase in BVoIP lines
- BVoIP line growth offset 1/3 legacy voice line decline; hosted voice bundles increase customer stickiness
- Fiber-enabled 300 targeted business addresses in 1Q using GPON technology
- Over 7,000 LTD business addresses fiber-enabled statewide
- Ethernet & RNS revenue increased 16% Y/Y, 4th quarter of double-digit Y/Y growth
- Won renewal of HATS contract with State of Hawaii, strengthens position as strategic partner with the state



Grow the Business – Consumer Market

Strategic Focus

- Increase TV penetration & NGN penetration
- Win additional bulk MDUs
- Grow high-bandwidth Internet
- Enhance products & improve customer experience
- Improve operating efficiency

1Q'17 Accomplishments

- Increased TV penetration to 21% & NGN penetration to 24%
- 1Q'17 blended TV churn of 1.6%
- Won 2 single-play bulk MDU contracts totaling 130 units
- 73 of ~300 bulk MDUs on Oahu currently under Hawaiian Telcom TV contracts
- 95% of TV subs bundle with Internet
- Subscribers on 100Mbps – 1Gbps packages grew 86% Y/Y



Grow the Business – Wholesale Market

Strategic Focus

Leveraging strategic fiber infrastructure throughout state of Hawaii and trans-Pacific undersea fiber to provide high-capacity competitive Ethernet solutions and wavelength services to wholesale customers to serve their customers' growing bandwidth needs

1Q'17 Accomplishments

- 4% Y/Y increase in Ethernet revenue
- 498 FTTT cell sites completed at quarter-end
- 51 more sites left under contract to build when the carriers are ready
- Trans-Pacific undersea cable system on track to go into service in 3Q'17





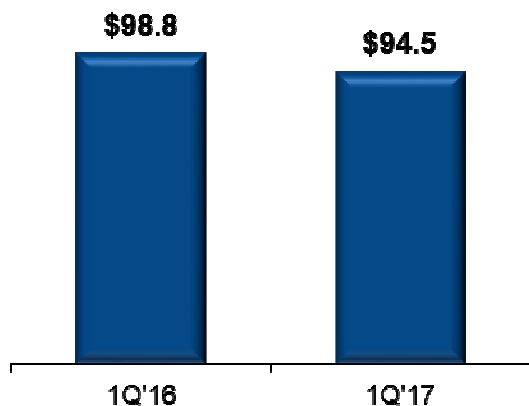
Operational & Financial Review

Dan Bessey, SVP & CFO

Quarterly Revenue & Adjusted EBITDA

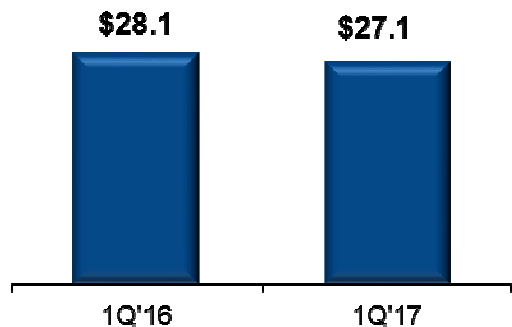
Total Revenue

(\$ in millions)



Adjusted EBITDA

(\$ in millions)

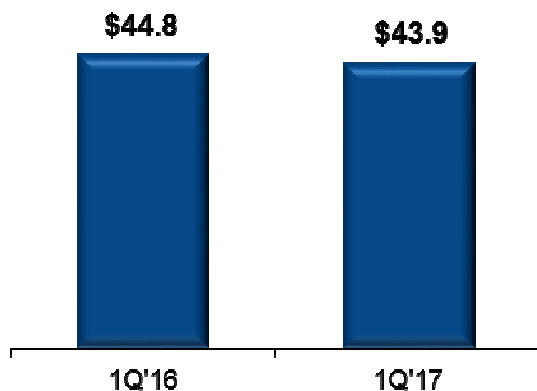


- 1Q'17 Revenue \$94.5M
 - 1Q'16 revenue benefited from \$2.3M of non-recurring revenues associated with two large institutional customers
 - Strategic services revenue growth offset by revenue decline in legacy voice and low-bandwidth services
- 1Q'17 Adjusted EBITDA \$27.1M
 - 1Q'16 Adjusted EBITDA benefitted from the above non-recurring items
- 1Q'17 Net loss of \$2M
 - Due to \$1.7M one-time severance costs & \$2M non-cash pension expense

Business Channel

Business Revenue

(\$ in millions)

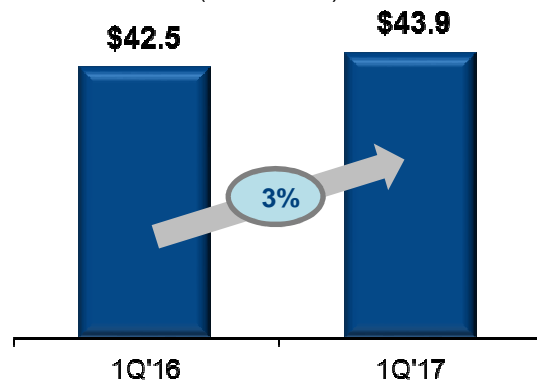


• Business revenue \$43.9M

- Normalized business revenue¹ up 3% Y/Y as strategic services and CPE revenue offset Y/Y decline in legacy voice revenue
- Normalized business data services revenue up 9% Y/Y; next-generation data services are cornerstone of commercial and SMB strategy
- CPE & related services revenue up 22% Y/Y

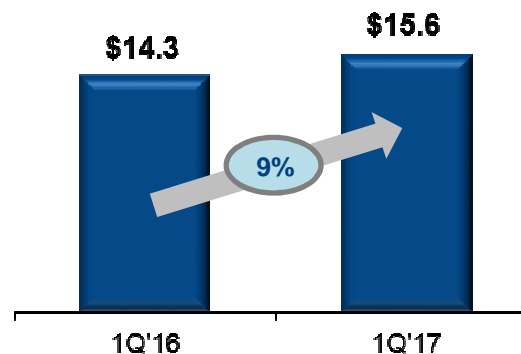
Normalized Business Revenue¹

(\$ in millions)



Normalized Business Data Services Revenue

(\$ in millions)

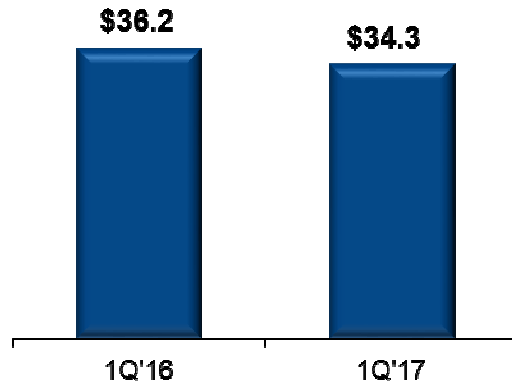


¹ Normalized for \$2.3M of total non-recurring revenues recognized in 1Q'16 in the following revenue lines: \$1.2M in Dedicated Internet Access related to a one-year contract to connect 250 sites for a large government agency; \$0.3M in Equipment & Related Services associated with the same contract; \$0.8M in Legacy Data Services associated with another large institutional customer.

Consumer Channel

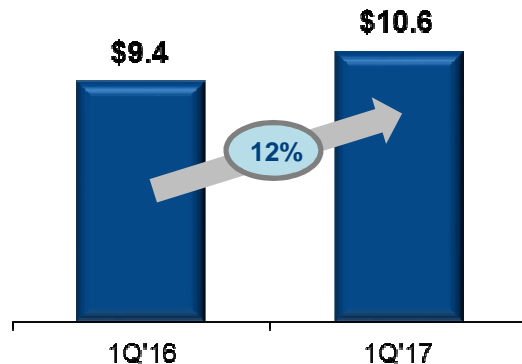
Consumer Revenue

(\$ in millions)



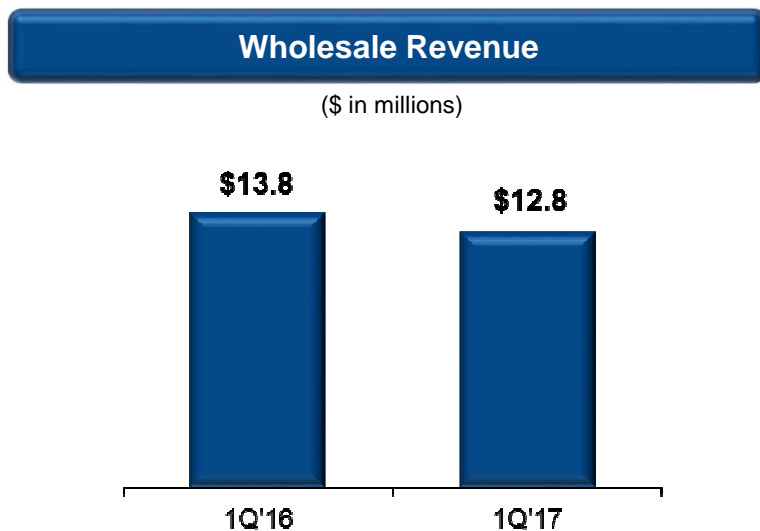
Video Revenue

(\$ in millions)



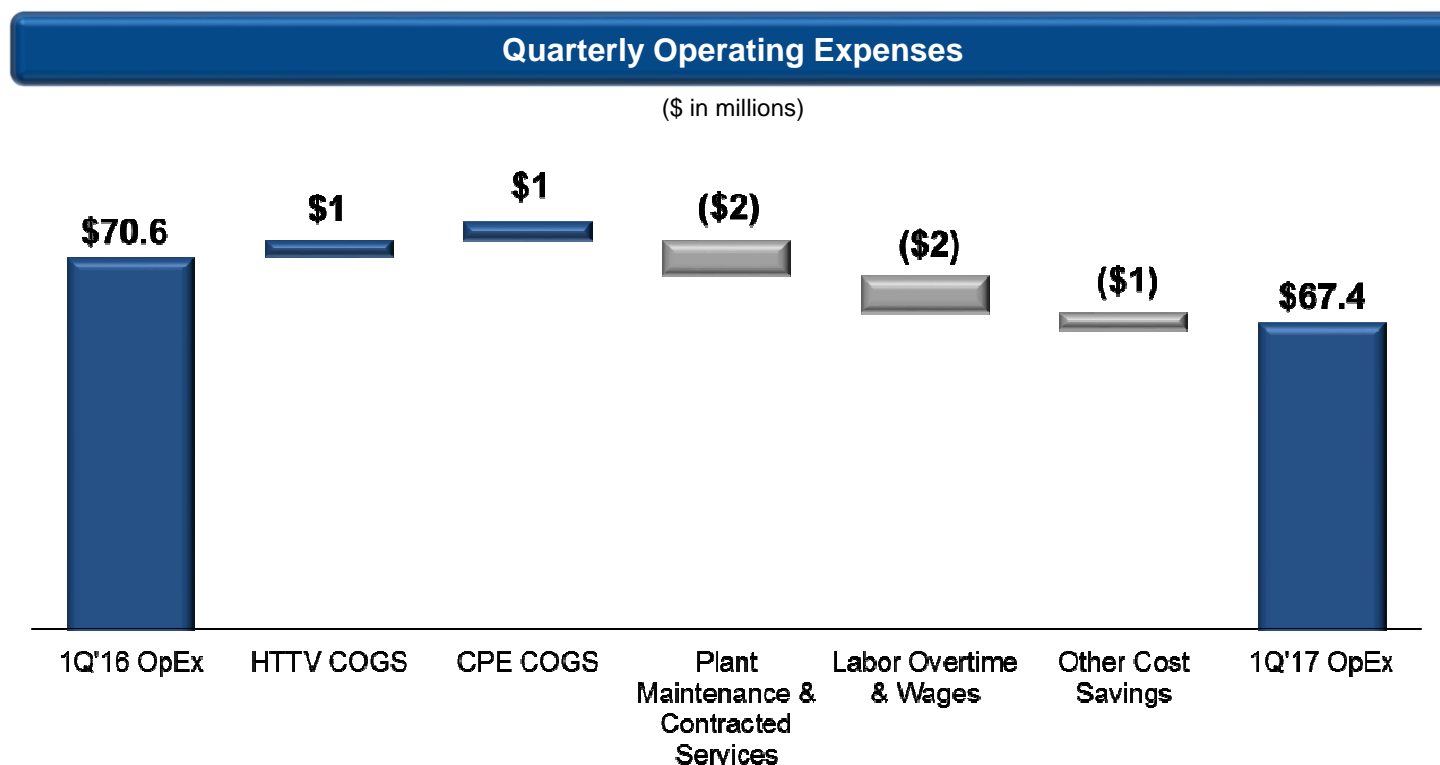
- Consumer revenue \$34.3M
 - Revenue growth from video & high-bandwidth Internet services offset by revenue decline in legacy voice & low-bandwidth Internet services
- 1Q'17 video net adds of 1,214
 - 887 non-bulk/SFH, 327 bulk MDU units
 - ~42,800 total video subscribers, 74% non-bulk/SFH
 - Blended TV ARPU of \$83.75
- 1Q'17 Internet revenue down \$1M Y/Y
 - Y/Y subscriber growth in high-speed tiers offset by disconnects in low-speed areas, esp. neighbor islands and outside NGN
 - Lower Y/Y ARPU

Wholesale Channel



- Wholesale revenue \$12.8M
 - Y/Y decline mainly due to legacy TDM circuits on month-to-month rates moving to more efficient fiber Ethernet circuits on multi-year contracts
- Growth drivers from sales of Ethernet circuits, new fiber cell sites, and wholesale customer capacity upgrades
- Opportunities from trans-Pacific cable capacity sales and other potential new revenue opportunities

Operating Expenses

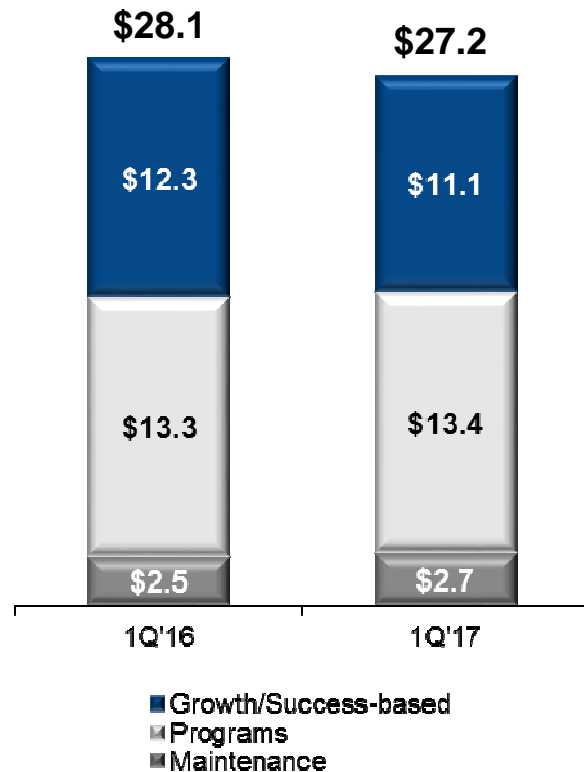


- Overall operating expense decrease primarily due to reduced costs of plant maintenance, lower labor overtime & wages, and benefits of various other cost savings initiatives, partly offset by higher direct cost of services related to video from increased number of subscribers and increased cost of goods as a result of higher levels of equipment sales

Capital Expenditures

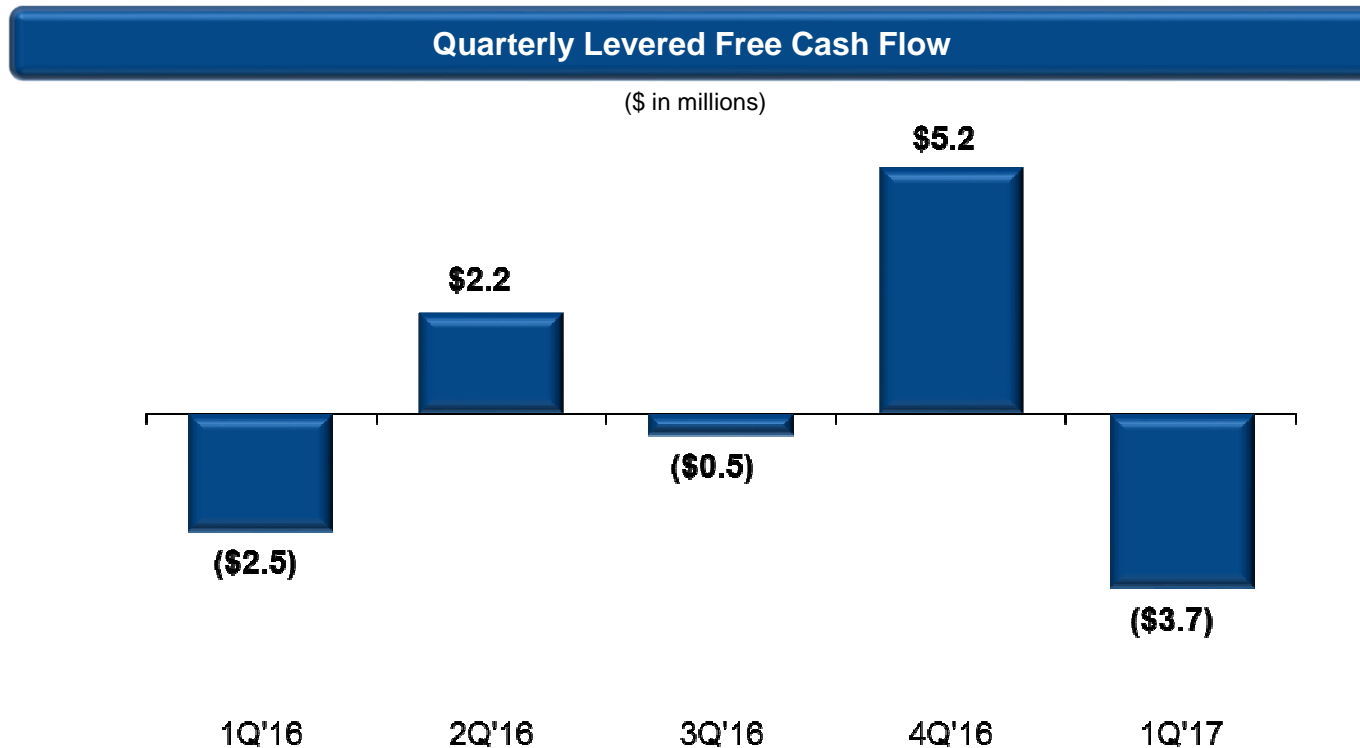
Quarterly CapEx

(\$ in millions)



- Overall \$0.9M decrease in capital expenditures
- In program CapEx, lower Y/Y spending on consumer fiber build primarily offset by higher trans-Pac payments and spending on CAF II build out
- In growth/success-based CapEx, Y/Y decrease primarily due to lower spending on high-capacity circuit provisioning (1Q'16 CapEx included provisioning costs for a large one-year government agency contract)
- Total 2017 CapEx expected to be in the high-\$80M range

Cash Flow



- 1Q'17 net cash flow of -\$5.3M, compared to -\$9.5M in 1Q'16.
- 1Q'17 levered free cash flow of -\$3.7M. Quarterly LFCF fluctuates due to the level and timing of capital spending.
- Significant increase in cash balance is expected when trans-Pac system is ready for service.

Q&A



Appendix

Historical Quarterly Data

(UNAUDITED)
(Dollars in thousands)

| | For the Three Months Ended | | | | | | | | | For the Year Ended December 31, | | |
|---|----------------------------|-----------|------------|-----------|------------|-----------|-----------|-----------|------------|------------------------------------|------------|----------------|
| | 3/31/15 | 6/30/15 | 9/30/15 | 12/31/15 | 3/31/16 | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 2015 | 2016 | 3/31/17 LTM |
| Operating revenues: | | | | | | | | | | | | |
| Business | | | | | | | | | | | | |
| Data services: | | | | | | | | | | | | |
| Ethernet and RNS..... | \$ 3,883 | \$ 3,765 | \$ 3,923 | \$ 3,937 | \$ 4,128 | \$ 4,374 | \$ 4,454 | \$ 4,432 | \$ 4,791 | \$ 15,508 | \$ 17,388 | \$ 18,051 |
| Dedicated Internet Access..... | 1,693 | 1,657 | 1,856 | 2,675 | 3,519 | 5,424 | 2,634 | 2,674 | 2,603 | 7,881 | 14,251 | 13,335 |
| Internet..... | 3,363 | 3,321 | 3,397 | 3,359 | 3,562 | 3,399 | 3,401 | 3,347 | 3,354 | 13,440 | 13,709 | 13,501 |
| BVoIP..... | 2,471 | 2,642 | 2,746 | 2,807 | 2,907 | 3,154 | 3,284 | 3,340 | 3,326 | 10,666 | 12,685 | 13,104 |
| Legacy data services..... | 1,942 | 1,773 | 1,777 | 1,602 | 2,268 | 1,686 | 1,653 | 1,492 | 1,543 | 7,094 | 7,099 | 6,374 |
| Total data services..... | 13,352 | 13,158 | 13,699 | 14,380 | 16,384 | 18,037 | 15,426 | 15,285 | 15,617 | 54,589 | 65,132 | 64,365 |
| Voice services..... | 24,085 | 23,223 | 23,720 | 22,944 | 22,412 | 21,752 | 21,687 | 21,520 | 21,258 | 93,972 | 87,371 | 86,217 |
| Data center services..... | — | — | — | — | — | — | — | — | — | — | — | — |
| Hosted and managed services..... | 1,241 | 1,403 | 1,385 | 1,553 | 1,581 | 1,706 | 1,523 | 1,620 | 1,532 | 5,582 | 6,430 | 6,381 |
| Equipment and related services..... | 4,265 | 4,779 | 5,993 | 5,510 | 4,465 | 5,178 | 6,161 | 5,925 | 5,443 | 20,546 | 21,729 | 22,707 |
| | 42,943 | 42,563 | 44,797 | 44,387 | 44,842 | 46,673 | 44,797 | 44,350 | 43,850 | 174,689 | 180,662 | 179,670 |
| Consumer | | | | | | | | | | | | |
| Video services..... | 7,522 | 8,280 | 8,677 | 9,187 | 9,426 | 9,997 | 10,483 | 10,652 | 10,594 | 33,666 | 40,558 | 41,726 |
| Internet services..... | 8,128 | 8,187 | 8,283 | 8,088 | 7,725 | 7,328 | 7,053 | 6,887 | 6,681 | 32,687 | 28,993 | 27,949 |
| Voice services..... | 20,516 | 20,033 | 19,683 | 19,042 | 19,054 | 18,627 | 18,144 | 17,563 | 16,986 | 79,273 | 73,388 | 71,320 |
| | 36,166 | 36,500 | 36,643 | 36,317 | 36,205 | 35,952 | 35,680 | 35,102 | 34,261 | 145,626 | 142,939 | 140,995 |
| Wholesale carrier data..... | 14,333 | 13,789 | 14,245 | 14,063 | 13,762 | 13,172 | 13,440 | 13,290 | 12,828 | 56,430 | 53,664 | 52,730 |
| Other..... | 3,673 | 3,336 | 5,218 | 4,439 | 3,985 | 3,745 | 3,931 | 4,036 | 3,571 | 16,668 | 15,697 | 15,283 |
| Total operating revenues..... | \$ 97,115 | \$ 96,188 | \$ 100,903 | \$ 99,206 | \$ 98,794 | \$ 99,542 | \$ 97,848 | \$ 96,778 | \$ 94,510 | \$ 393,413 | \$ 392,962 | \$ 388,678 |
| Operating expenses: | | | | | | | | | | | | |
| Cost of revenues (exclusive of depreciation and amortization)..... | 40,183 | 39,219 | 41,013 | 42,059 | 42,479 | 40,605 | 41,903 | 40,848 | 41,191 | 162,474 | 165,835 | 164,547 |
| Selling, general and administrative expenses..... | 29,732 | 29,767 | 33,146 | 31,153 | 29,865 | 29,554 | 29,206 | 29,795 | 31,395 | 123,798 | 118,420 | 119,950 |
| Depreciation and amortization..... | 21,280 | 21,941 | 22,551 | 22,107 | 21,950 | 22,493 | 23,036 | 22,437 | 21,269 | 87,879 | 89,916 | 89,235 |
| Total operating expenses..... | \$ 91,195 | \$ 90,927 | \$ 96,710 | \$ 95,319 | \$ 94,294 | \$ 92,652 | \$ 94,145 | \$ 93,080 | \$ 93,855 | \$ 374,151 | \$ 374,171 | \$ 373,732 |
| Operating income..... | 5,920 | 5,261 | 4,193 | 3,888 | 4,500 | 6,890 | 3,703 | 3,698 | 655 | 19,262 | 18,791 | 14,946 |
| Depreciation and amortization..... | 21,280 | 21,941 | 22,551 | 22,107 | 21,950 | 22,493 | 23,036 | 22,437 | 21,269 | 87,879 | 89,916 | 89,235 |
| Non-cash stock and other performance-based compensation.... | 375 | 525 | 186 | 497 | 779 | 789 | 737 | 641 | 725 | 1,584 | 2,946 | 2,892 |
| SystemMetrics earn-out..... | 272 | 272 | (350) | 64 | 515 | 216 | (71) | 105 | — | 258 | 765 | 250 |
| Pension settlement loss..... | 850 | 1,397 | 4,118 | 1,722 | — | — | 486 | 791 | 1,956 | 8,088 | 1,277 | 3,233 |
| Early retirement plan severance..... | — | — | — | — | — | — | — | — | 1,743 | — | — | 1,743 |
| Other special items..... | 476 | 394 | 550 | 1,045 | 390 | 396 | 675 | 826 | 714 | 2,464 | 2,287 | 2,611 |
| Adjusted EBITDA (1)..... | \$ 29,173 | \$ 29,790 | \$ 31,248 | \$ 29,323 | \$ 28,134 | \$ 30,784 | \$ 28,566 | \$ 28,498 | \$ 27,062 | \$ 119,535 | \$ 115,982 | \$ 114,910 |
| Capital expenditures..... | \$ 29,172 | \$ 23,744 | \$ 23,816 | \$ 22,302 | \$ 28,139 | \$ 24,759 | \$ 25,436 | \$ 19,507 | \$ 27,242 | \$ 99,034 | \$ 97,841 | \$ 96,944 |
| Levered Free Cash Flow (2)..... | \$ (3,952) | \$ 2,395 | \$ 3,802 | \$ 2,077 | \$ (2,497) | \$ 2,167 | \$ (458) | \$ 5,223 | \$ (3,717) | \$ 4,323 | \$ 4,435 | \$ 3,215 |

(1) Adjusted EBITDA is a non-GAAP financial measure used by management to evaluate the effectiveness of the Company's operating performance. Adjusted EBITDA is defined as net income plus interest expense (net of interest income and other), income taxes, depreciation and amortization, gain on sale of property, non-cash stock and other performance-based compensation, SystemMetrics earn-out, pension settlement loss and other special items. The Company believes this non-GAAP measure is a meaningful performance measure for investors because it is used by our Board and management to evaluate performance, enhance comparability between periods and make operating decisions. Our use of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in the telecommunications industry.

(2) Levered Free Cash Flow is a non-GAAP financial measure used by management to measure operational performance and liquidity. The Company defines Levered Free Cash Flow as Adjusted EBITDA less cash interest expense and capital expenditures.

Beginning in the first quarter of 2017, the Company no longer reports data center services as a separate segment and a separate revenue line item in the business channel. This is as a result of the Company's evolving strategy to increase emphasis on bundling of strategic communications services to customers as well as maximize the efficiency benefits of an integrated operation. Data center services revenue has been reclassified to the appropriate revenue line items in the business channel. Prior period information has been revised to reflect the current presentation.

Historical Quarterly Data

VOLUME INFORMATION

| | 3/31/15 | 6/30/15 | 9/30/15 | 12/31/15 | 3/31/16 | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 |
|------------------------------|---------|---------|---------|----------|---------|---------|---------|----------|---------|
| Business | | | | | | | | | |
| Data lines..... | 19,624 | 19,759 | 19,835 | 20,081 | 19,954 | 19,851 | 19,754 | 19,596 | 19,341 |
| BVoIP lines..... | 13,875 | 15,469 | 16,273 | 16,749 | 17,281 | 18,101 | 18,593 | 19,091 | 20,034 |
| Voice access lines..... | 173,425 | 170,506 | 169,120 | 168,058 | 166,073 | 163,860 | 162,587 | 160,829 | 158,621 |
| Consumer | | | | | | | | | |
| Video subscribers..... | 29,721 | 31,921 | 34,009 | 35,876 | 37,108 | 38,593 | 39,774 | 41,557 | 42,771 |
| Internet lines..... | 93,090 | 93,338 | 93,202 | 93,002 | 92,820 | 91,820 | 91,000 | 91,089 | 90,693 |
| Voice access lines..... | 165,074 | 160,819 | 156,311 | 151,996 | 147,375 | 143,441 | 139,167 | 135,363 | 131,142 |
| Homes enabled for video..... | 166,000 | 175,000 | 183,000 | 190,000 | 195,000 | 198,000 | 201,000 | 202,000 | 203,000 |

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES--ADJUSTED EBITDA & Levered Free Cash Flow (1) (2)

(UNAUDITED)

(Dollars in thousands)

| | For the Three Months Ended | | | | | | | | | For the Year Ended | | |
|--|----------------------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|------------|--------------------|------------|------------|
| | 3/31/15 | 6/30/15 | 9/30/15 | 12/31/15 | 3/31/16 | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | December 31, | | 3/31/17 |
| | | | | | | | | | | 2015 | 2016 | LTM |
| Net income (loss)..... | \$ 975 | \$ 455 | \$ 105 | \$ (435) | \$ 154 | \$ 1,445 | \$ (279) | \$ (214) | \$ (1,952) | \$ 1,100 | \$ 1,106 | \$ (1,000) |
| Income tax provision (benefit)..... | 614 | 643 | (54) | 153 | 106 | 960 | (174) | (302) | (1,386) | 1,357 | 591 | (902) |
| Interest expense & other income & expense, net..... | 4,330 | 4,162 | 4,144 | 4,169 | 4,240 | 4,484 | 4,156 | 4,216 | 3,993 | 16,805 | 17,095 | 16,849 |
| Operating income | 5,920 | 5,261 | 4,193 | 3,888 | 4,500 | 6,890 | 3,703 | 3,698 | 655 | 19,262 | 18,791 | 14,946 |
| Depreciation and amortization..... | 21,280 | 21,941 | 22,551 | 22,107 | 21,950 | 22,493 | 23,036 | 22,437 | 21,269 | 87,879 | 89,916 | 89,235 |
| Non-cash stock and other performance-based compensatio | 375 | 525 | 186 | 497 | 779 | 789 | 737 | 641 | 725 | 1,584 | 2,946 | 2,892 |
| SystemMetrics earn-out..... | 272 | 272 | (350) | 64 | 515 | 216 | (71) | 105 | — | 258 | 765 | 250 |
| Pension settlement loss..... | 850 | 1,397 | 4,118 | 1,722 | — | — | 486 | 791 | 1,956 | 8,088 | 1,277 | 3,233 |
| Early retirement plan severance..... | — | — | — | — | — | — | — | — | 1,743 | — | — | 1,743 |
| Other special items..... | 476 | 394 | 550 | 1,045 | 390 | 396 | 675 | 826 | 714 | 2,464 | 2,287 | 2,611 |
| Adjusted EBITDA (1)..... | \$ 29,173 | \$ 29,790 | \$ 31,248 | \$ 29,323 | \$ 28,134 | \$ 30,784 | \$ 28,566 | \$ 28,498 | \$ 27,062 | \$ 119,535 | \$ 115,982 | \$ 114,910 |
| Adjusted EBITDA (1)..... | \$ 29,173 | \$ 29,790 | \$ 31,248 | \$ 29,323 | \$ 28,134 | \$ 30,784 | \$ 28,566 | \$ 28,498 | \$ 27,062 | \$ 119,535 | \$ 115,982 | \$ 114,910 |
| Cash interest expense..... | (3,953) | (3,651) | (3,630) | (4,944) | (2,492) | (3,858) | (3,588) | (3,768) | (3,537) | (16,178) | (13,706) | (14,751) |
| Capital expenditures..... | (29,172) | (23,744) | (23,816) | (22,302) | (28,139) | (24,759) | (25,436) | (19,507) | (27,242) | (99,034) | (97,841) | (96,944) |
| Levered Free Cash Flow (2)..... | \$ (3,952) | \$ 2,395 | \$ 3,802 | \$ 2,077 | \$ (2,497) | \$ 2,167 | \$ (458) | \$ 5,223 | \$ (3,717) | \$ 4,323 | \$ 4,435 | \$ 3,215 |

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(2) Levered Free Cash Flow is a non-GAAP financial measure used by management to measure operational performance and liquidity. The Company defines Levered Free Cash Flow as Adjusted EBITDA less cash interest expense and capital expenditures.