NASDAQ:ATNI Q1 2026 Earnings Call Transcript

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Carlos | Chief Financial Officer:

announced loss of the high-cost support subsidy, core telecom revenues grew 3% year over year. The improvement was driven primarily by increases in business, carrier services, and other ancillary revenues, which helped offset the expected subsidy-related decline. We delivered operating income of $11.7 million for the quarter, up $9 million versus last year. This improvement was largely driven by revenue growth, our ongoing cost management efforts, and reduced depreciation and amortization expense. We incurred approximately $2 million of restructuring and reorganization expenses in the first quarter and expect to incur an additional $1 million to $2 million of these costs in the second quarter. As we previously stated, these actions are embedded in our adjusted EBITDA outlook. On the bottom line, we reported a net loss attributable to ATN stockholders of 3 million, or 29 cents per share, an improvement of approximately 6 million compared to last year's first quarter loss of 9 million, or 69 cents per share. Across both our international and U.S. segments, we achieved growth in the quarter, bringing total adjusted EBITDA to 49 million for the quarter, up 10% year-over-year. Total adjusted EBITDA margin improved 200 basis points to 26.7% compared to the prior year period. This improvement reflects our continued focus on cost discipline and margin expansion across the business. Let me turn now to segment performance. In our international segment, we continue to see steady top line growth and margin expansion. Total revenue increased 2% to 96 million and adjusted EBITDA was $34 million, up 6% from the same period last year. The revenue increase reflects growth in carrier services and other ancillary revenues, combined with increases in business and post-paid consumer mobility subscribers, which offset the decline in prepaid mobility subs. Fixed consumer revenue declined year-over-year due to the anticipated end of the government support in the USBI. On a like-to-like basis, revenues grew 3% while normalizing the impact of the support revenue. Higher revenue combined with lower costs drove the increase in adjusted EBITDA and expanded the adjusted EBITDA margin by 140 basis points from 34.3% to 35.7% for the first quarter. In our domestic segment, Revenue was 86 million, up about 2% year-over-year. Adjusted EBITDA increased 11% in the quarter to 19 million. Higher carrier services revenue resulting from steady progress in some of our key projects combined with an increase in fixed business revenues more than offset the absence of construction revenues in the quarter. Normalizing the impact of construction revenues, revenues were up 3% year-over-year. Higher revenue levels combined with cost discipline drove the increase in profitability. Now turning to the balance sheet and cash flow. We ended the quarter with a total of $123 million in cash, cash equivalents, and restricted cash up $6 million from year end. Total debt was $570 million up $5 million from the end of 2025. Our net debt ratio improved to 2.3 times from 2.36 times at the end of 2025, benefiting from higher adjusted EBITDA. Approximately three-quarters of our outstanding debt sits at the subsidiary level and is non-recourse to ATN parents. Net cash from operating activities decreased by approximately $6 million compared to Q1 last year. primarily driven by higher working capital requirements related to the timing of certain government program payments. First quarter capital expenditures were flat at 21 million versus the same period last year. Reimbursable capex spend declined to 14 million versus 22 million last year. It's worth noting that we manage our capital expenditures on an annual basis, and we expect spending to remain in line with our guided range for 2026. Turning now to our outlook for 2026. As a reminder, in February, we announced that our ComNet subsidiaries entered into an agreement to sell a portfolio of 214 towers and related operations in the Southwestern US for up to 297 million. We remain on track for an initial closing in the second quarter with expected gross cash proceeds in the same range of $250 million to $270 million as initially communicated. Additional closings totaling $27 to $47 million are anticipated over the following 12 months tied to construction and operational milestones. Excluding any impact from the tower transaction, we expect full year 2026 adjusted EBITDA to increase modestly from 2025 levels in the range of $190 million to $200 million. Following the initial tower sale close in the second quarter, we would expect a reduction in annual adjusted EBITDA of approximately $6 million to $8 million. We plan to reassess and update, as appropriate, the 2026 full year outlook after the initial closing. We also expect capital expenditures net of reimbursable spending to remain in the range of $105 million to $115 million for the year. Overall, we experienced momentum and saw progress in the first quarter. Looking ahead, our financial priorities remain the same, improving margins, expanding cash flow generation, and maintaining a healthy balance sheet. We're encouraged by our recent performance And our 2026 outlook reflects the commitment towards those goals. With that, I'll turn the call back to Nati for closing comments before we open it up for questions.

Najee Khoury | Chief Executive Officer:

Thank you, Carlos. As you've heard, we started the year on a good note. And I stated at the beginning of the call, I am encouraged by the strength of our teams, the solid foundation across the business, and the revenue and profitability gains in the quarter. I see clear opportunities to simplify how we operate, sharpen execution, and continue to ensure discipline capital allocation. I am confident our team will deliver on our priorities. My focus will be to translate these observations into concrete action that support long-term value creation. With that, we'll now open the call for questions.

Operator | Conference Operator:

Thank you.

Operator | Conference Operator:

At this time, we will conduct the question and answer session. As a reminder, to ask a question, you will need to press star 11 on your telephone and wait for your name to be announced. To withdraw your question, please press star 11 again. Please stand by while we compile the Q&A roster.

Operator | Conference Operator:

Thank you.

Operator | Conference Operator:

Our first question comes from the line of Greg Burns of Sedoti. Your line is now open.

Greg Burns | Analyst, Sedoti & Co.:

Morning. Just in regards to your disclosures, why did you stop disclosing total broadband, homes past, and subscribers? Hey, Greg. How are you doing? This is Carlos.

Carlos | Chief Financial Officer:

Yeah, we felt that it included a number of the legacy products that we were actively decommissioning. So we thought that focusing on the high-speed SAPs, which is where we're putting all the effort and investment, was more appropriate.

Greg Burns | Analyst, Sedoti & Co.:

Okay. And then in terms of modernization of all the investment you've made over the last couple of years in your network, what do you think has been the biggest bottleneck in terms of driving faster growth or adoption in some of your markets? Has it been like increased competition? Has it been pricing pressure? Why haven't you been able to drive that kind of – stronger subscriber growth now that you've kind of moved past the investment phase and we're in the monetization phase? Why hasn't that monetization been stronger?

Carlos | Chief Financial Officer:

Yeah. So, you know, look, we believe that there's been a good amount of monetization. You know, Greg, you know, when you look at the revenue trends, you know, we've seen growth, you know, year over year. Certainly, there's been additional competition, especially on the mobility side of things, but we believe that things are tracking in the right direction. I don't know, Najee, if you want to add any comments.

Najee Khoury | Chief Executive Officer:

Greg, good morning. I think also we have to focus on migration from subscribers in our copper network as well. So there's a bit of execution on the ground, but everything indicates that we're heading in the right direction. So at this stage, I'm not worried about our ability to add subscribers to the fiber network.

Greg Burns | Analyst, Sedoti & Co.:

Okay. And then any update around BEAT or other government subsidy programs, maybe the pipeline of opportunities there or the timing on awards that you've won, the timing of like build and monetization of the awards you've already won?

Carlos | Chief Financial Officer:

Yeah, I think we're working through some of the programs that we already had and that we talked about in previous calls, you know, which are in the range of, you know, a couple hundred million bucks. In addition to that, then we have the provisional awards of BEAT that are over around 140 million in total between the Southwest and Alaska. And we're very excited. We believe that those are good areas that we were awarded and that they will give us access to around 10,000 or so homes and obviously whatever we're able to access on our way to some of those locations. So we're excited about that.

Greg Burns | Analyst, Sedoti & Co.:

Does your full year guidance for this year contemplate, I guess, the beginning of revenue monetization of some of these previous programs you've been awarded and would be more of like a 27, 28 incremental opportunity? Yeah, sorry.

Carlos | Chief Financial Officer:

You know, go ahead.

Greg Burns | Analyst, Sedoti & Co.:

No, I was done. Sorry.

Carlos | Chief Financial Officer:

Yeah, so, you know, BD is going to be more like, you know, the next, you know, the coming years is not going to have, you know, any significant impact or impact on 2026. You know, we're, you know, there's still a process to be completed before that gets going. So we'll see that in the future years.

Operator | Conference Operator:

Okay. All right. Thank you. Thank you.

Operator | Conference Operator:

This concludes the question and answer session. I would now like to turn it back to Najee Khoury, Chief Executive Officer, for closing remarks.

Najee Khoury | Chief Executive Officer:

Thank you again for joining us today and for your questions. Our team looks forward to continuing the dialogue through upcoming conferences and in one-on-one meetings and updating you on our progress as you move through 2026. Thank you.

Operator | Conference Operator:

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.