NASDAQ:ATNI Q2 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good day and thank you for standing by. Welcome to the ATN International Q2 2026 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask a question during the session, you will need to press star 1 1 on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star 1 1 again. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your first speaker today, Michele Satrowsky, Head of Investor Relations. Please go ahead.

Michele Satrowsky | Head of Investor Relations:

Thank you, operator, and good morning, everyone. I'm joined today by Naji Khoury, ATN's Chief Executive Officer, and Carlos Doglioli, ATN's Chief Financial Officer. This morning, we'll be reviewing our second quarter 2026 results and reaffirming our 2026 outlook. As a reminder, we announced our 2026 second quarter results yesterday after the market closed. Investors can find the earnings release and conference call slide presentation on our investor relations website. Our earnings release and the presentation contain certain forward-looking statements concerning our current expectations, objectives, underlying assumptions and many others. These statements are subject to risks and uncertainties and that could cause actual results to differ from those described. Also, in an effort to provide useful information for investors, our comments today include non-GAAP financial measures. For details on these measures and reconciliations to comparable GAAP measures and for further information regarding the factors that may affect our future operating results, Please refer to our earnings release on our website at ir.atni.com for the 8K filing provided to the SEC. I would now like to turn the call over to Naji.

Naji Khoury | Chief Executive Officer:

Thank you, Michele, and good morning, everyone. Before we turn to the slides, I would like to take a moment to share a high-level perspective after my first three months at ATN. During this time, I've had the opportunity to visit our markets meet with team members, customers, stakeholders, and investors and spend meaningful time understanding the strength of our platform. What I have seen gives me a high degree of confidence in ATN's future. We have experienced management teams, capable operating organizations, Strong Infrastructure Assets, and Customer Relationships that have been built over many years. And like any other providers, we have room to improve and optimize our operations. Now, turning to slide three, our second quarter results demonstrate continued progress across the business. Our segments delivered positive revenue growth and adjusted EBITDA growth, while expanding adjusted EBITDA and many others. We are also proud to present to you the first quarter of the U.S. Tower portfolio sales and the first quarter of the U.S. Tower portfolio sales. in cash, which has significantly increased our liquidity, financial flexibility, and optionality. In addition, we entered into an agreement to sell certain US Spectrum licenses for up to $41 million, with the transaction expected to close in 2027. Lastly, and most recently, the board expanded our share repurchase authorization to 30 million Reflecting our confidence in the outlook for the business, the strength of our financial position, and our commitment to disciplined capital allocation to create shareholder value. Turning on to the international segment on slide four. Across our international markets, we have a combination of stable operating platform and meaningful growth opportunities. Bermuda remains stable and well-established market while Guyana, the Cayman Islands, and the US Virgin Islands offer attractive runways for continued fiber expansion, market share gain, and brand-led growth. In Guyana, we continue to see the benefits of a very dynamic economic environment. The country's oil and gas-driven expansion is supporting broader economic activity, and we are beginning to see that translate into stronger demand for broadband services. Improving penetration and continued migration from prepaid to postpaid mobile subscribers. We are replacing legacy subscribers with fiber subscribers, and in more remote or lower density areas, we are using fixed wireless technology where it is the more efficient solution. The ability to deploy both fiber and fixed wireless gives us a flexible toolkit to serve customers and expand our adjustable market. We currently cover more than three-quarters of households with fiber. In the Cayman Islands, we continue to expand the fiber footprint, increase penetration, and gain share across both the consumer and enterprise markets. We have had several important enterprise wins recently, and we are pleased with the team's execution. In the US Virgin Islands, we operate an HFC network and are beginning the process of upgrading portions of that network to fiber. This is an important modernization opportunity and we will continue to take a disciplined approach as we evaluate the pace and economics of that transition. In Bermuda, we concluded a memorandum of understanding with Google to become a strategic partner to facilitate access to their new subsea cables in Bermuda, which are expected to go live in the second half of 2027. Now turning to slide five, our US segment includes two distinct operating areas, Alaska and the Southwest, which includes New Mexico and the Four Corners region. These markets have different growth profiles, but both are central to our strategy of modernizing infrastructure, expanding customer reach, and migrating customers from legacy networks to higher speed technologies over time. HomePass growth in the US segment is being driven by a combination of fiber deployment and fixed wireless technology. In both Alaska and New Mexico, We are also leveraging available government funding to further expand our footprint and bring high-speed connectivity to additional home and businesses. I was recently in Alaska, and the growth opportunity there is significant. The opportunity is centered on combining government-supported infrastructure funding with our own targeted investment to expand our reach and replace legacy copper infrastructure over time. We have already made meaningful progress and there is more work ahead. As we previously announced, we have appointed the new CEO, Cortland Maddock, for Alaska, who will begin in September. Today, most of our Alaska revenue comes from carrier and business customers, which provide a stable foundation. Looking forward, we see the growth opportunity is primarily in the residential market, where continued network expansion, copper replacement, and stronger commercial execution should support higher penetration over time. Similar opportunities exist across our Southwest markets, including New Mexico and the Four Corner region. There, we remain focused on expanding our fiber footprint and improving penetration as the network grows. We are actively constructing fiber this year under the series of government grants, and we believe these investments will strengthen our competitive position, improve service quality, and support long-term customer growth. Across both Alaska and the Southwest, we are particularly excited about the opportunities created by government broadband initiatives, including approximately $150 million BEAT funding available within our footprint later this year and into 2027. With our proven experience deploying and operating telecom infrastructure, we are well positioned to capitalize on this program. We expect these funds to help reduce the cost of serving rural America while enabling fiber expansion to communities and businesses that have historically been uneconomical to reach, creating meaningful long-term growth opportunities. With that, let me turn it over to Carlos to discuss the financials.

Carlos Doglioli | Chief Financial Officer:

Thank you, Naji, and good morning, everyone. Let me walk you through the second quarter of 2026 results and review our full year outlook. Turning to slide six, total revenue for the second quarter was $184.5 million, an increase of 2% year-over-year. Excluding the impact of reduced construction revenues and the expected loss of the subsidy in the U.S. Virgin Islands, revenue growth was 3% year-over-year. During the quarter, we saw top line growth in both of our business segments and across multiple product lines. I'll walk through the segment details in the next few slides. Operating income for the quarter was $240 million, which reflects the $230 million gain related to the initial closing of our US-towered portfolio sale. Excluding this gain and the associated transaction related charges of $6.3 million, we delivered operating income of approximately $16.1

million for the quarter. The $15.9 million improvement versus last year was driven by revenue growth, combined with lower expenses, including restructuring and reorganization, as well as depreciation and amortization. On the bottom line, We reported net income attributable to ATM stockholders of approximately $167 million, or $10.71 per share, on a diluted basis, which includes the gain recorded on the U.S. Tower portfolio sale. This compares to last year's second quarter loss of $7 million, or $0.56 per share. Adjusted EBITDA for the quarter was $49.7 million, at nearly 9% compared to the prior year period, with growth coming from both our international and U.S. segments. Total adjusted EBITDA margin expanded to 27% in the quarter, reflecting the revenue growth and the benefits of our ongoing focus on operating efficiency. Let me turn now to segment performance, starting on slide seven. In our international segment, we continued to deliver steady year-over-year revenue growth and margin expansion. Total revenue increased 1.4% to $96 million, while adjusted EBITDA rose 6.6% to $35.5 million. The associated adjusted EBITDA margin expanded by 180 basis points to 36.9%. Excluding the impact of the expected loss of government support in the U.S. Virgin Islands, which expired at the end of 2025, international revenue grew approximately 3%. We saw growth in most revenue categories, which, combined with our efforts to improve operating efficiencies throughout the business, allowed us to expand our adjusted dividend margin. Now turning to slide eight. In our domestic segment, revenue was $88 million, up a little over 2% year over year. Growth in carrier services, together with higher fixed business revenue, more than offset the decline in construction revenue during the quarter and the impact of the initial closing of the tower portfolio sale in June. Excluding these two items, U.S. segment revenue increased 4% year over year, reflecting the continued strengthening of our core business. Adjusted EBITDA increased 4.5% year-over-year to $19 million, with margin expanding 50 basis points to 21.6%. The initial closing of the US Tower portfolio sale in early June resulted in reduced revenues of approximately half a million from lost Tower rents. combined with a similar increase in costs generated a net impact of approximately one million on adjusted EBITDA. We expect a similar impact recurring in the remaining months of 2026, which is built into our outlook. Now turning to slide nine. Our liquidity and leverage at the end of the quarter benefited from the initial closing of the tower sale during June, which generated 268 million in cash proceeds. As previously announced, we continue to expect subsequent closings to occur over the next 10 months with the potential for up to an additional 30 million in proceeds from remaining sites deferred at the initial closing. We used 68 million of the cash received at the initial close to pay off the amounts outstanding in the CoBank revolver facility. and ended the quarter with $332 million in cash, cash equivalents and restricted cash, an increase of $215 million from year end. Total debt declined to $513 million and our net leverage ratio improved to 0.91 times from 2.36 times at the end of 2025. The reduction in leverage was driven by the transaction proceeds as well as 4% growth in our trailing four-quarter adjusted EBITDA. As a reminder, approximately two-thirds of our outstanding debt sits at the subsidiary level and is non-recourse to ATM parent. For the first six months of the year, net cash from operating activities decreased by $6.3 million compared to the same period last year, primarily reflecting movements related to the tower sales. Turning to slide 10, capital expenditures for the first six months of the year were $38.3 million, a $3.8 million decrease versus the same period last year. The reimbursable CAPEX spend was $27 million versus $46 million last year, reflecting the variable timing of our government programs. As a reminder, our capital expenditure plans are managed on a full-year basis, and while quarterly spending may fluctuate, we continue to expect capital expenditures for the year to remain within our guided range. Now turning to slide 11. During the quarter, we announced a 5.5% increase in our quarterly cash dividend to 29 cents per share. In late July, our board authorized an expansion of the share repurchase program to $30 million. These actions underscore our confidence in the long-term outlook for the business and our continued commitment to returning capital to shareholders. Turning now to slide 12 for our outlook for 2026. We reaffirm our full year 2026 adjusted EBITDA to be in the range of $193 million to $193 million, which includes the impact of the initial closing of the U.S. Tower portfolio sale. We also expect capital expenditures net of reimbursable spending to remain in the range of $105 million to $115 million for the year. The organization delivered another quarter of solid execution and continued to make meaningful progress against our strategic priorities, which remain improving margins, expanding cash flow generation, and maintaining a healthy balance sheet. With that financial overview, I will now turn the call to the operator to open it up for questions.

Operator | Conference Operator:

Thank you. At this time, we will conduct the question and answer session. As a reminder, to ask a question, you will need to press star 1 1 on your telephone and wait for your name to be announced. To withdraw your question, please press star 1 1 again. Please stand by while we compile the Q&A roster. I'm showing no questions at this time. I would now like to turn it back to Naji for closing remarks.

Naji Khoury | Chief Executive Officer:

Thank you again for joining us today and for your continued interest in ATN. We look forward to connecting with many of you at upcoming conferences and to providing an update on our continued progress during our third quarter 2026 earning call in November.

Unidentified Participant | Participant:

Thank you.

Operator | Conference Operator:

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