NASDAQ:ATNI Q3 2026 Earnings Call Transcript

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Conference Operator | Operator:

Good day and thank you for standing by. Welcome to the ATN International Q3 2026 earnings conference call. 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 11 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. Please go ahead.

Michele Satrowsky | Investor Relations:

Thank you, operator, and good morning, everyone. I'm joined today by Naji Khoury, APN's Chief Executive Officer, and Carlos Doglioli, APN's Chief Financial Officer. This morning we'll be reviewing our third quarter 2026 results and updating our 2026 outlook. As a reminder, we announced our 2026 third 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 and Mary Mabey. 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 our investors, our comments today include non-GAAP financial measures. For details on those 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 FCC. I would now like to turn the call over to Naji.

Naji Khoury | President and Chief Executive Officer:

Thank you, Michele, and good morning, everyone. During the third quarter, I continued to spend time in our market, listening to employees, customers, and investors. Those conversations reinforced my belief that the best way to unlock the potential of each market is to stay close to our customers and simplify how we operate. We have a clear sense of where we want to go over the next several years, and while the work will take time, we are focused on making steady progress. I'm confident that a more customer-focused organization will be better positioned to drive growth, improve profitability, and create lasting value. I'll begin with a high-level overview of our quarterly performance and then discuss developments across our markets, including the opportunities we see ahead. Now, let's turn to slide three. During the third quarter, Consolidated revenue and adjusted EBITDA remained flat year-over-year, while operating income and earnings per share increased even with the impact of the second quarter US Tower portfolio sale. Excluding impact of the sale, communications services revenue would have increased by 1% and adjusted EBITDA by 6%. Strong performance in international segments amid a heightened competitive environment Together, we continue the movement in our U.S. segment, particularly Alaska, reflects the benefits of our strategic initiatives and underscores the resilience of our business. These results demonstrate how targeted capital deployment and discipline execution continue to support operating performance. Based on our performance to date and expectations for the remaining of the year, we are updating our full year outlook and now anticipate adjusted EBITDA will be at the high end of a modestly above our previously communicated guidance range. Our strong financial position provides flexibility for future investment while we remain focused on long-term shareholder value. Turning now to the international segment on slide 4. Mobility subscriber trends reflect a

favorable shift in customer mix, with post-paid subscriber increasing 4%. A recent billing system upgrade was the primary driver of the prepaid subscriber loss in the quarter. Since last year, we have expanded our high-speed broadband footprint, growing homes by 4%. While our international operations remain predominantly consumer-focused, we continue to see opportunities to broaden our business services reach. Now let me provide you a brief update on each of our international markets. In Guyana, we continue to expand the fiber footprint, increasing homes passed and growing fixed customer revenue. We believe the country's economic expansion will continue to create new demand for connectivity and more opportunities for business offerings. We have also invested in our mobile network, enhancing our service offerings and growing both our post-bid subscriber base and consumer mobility webinars. In conjunction with the investment, we have decommissioned the 2G network, and are on track to decommission the copper network. Lastly, we recently announced a partnership with IDB Lab to expand access to digital financial services for Guyana unbanked and underbanked population. In the Cayman Islands, our business continues to build momentum with growth across both residential broadband and business services. As we invest in growing our customer base, the team's deep roots in the community and focus on execution continue to strengthen our competitive position and support growth. We recently were awarded a managed services contract in connection with the planned development of a purpose-built STEM facility financed by DART. In the US Virgin Islands, the market dynamics are complex and challenging, driven primarily by an unstable power grid. We remain focused on reinforcing our leading position in broadband while improving customer experience. In Bermuda, solid execution continues to support our market leading position in mobility and broadband services. Now moving to slide five. Across the U.S. segment, high-speed broadband home paths increased 4% year-over-year, while high-speed broadband subscribers increased 7%. We continue to see opportunities to modernize our network, expand our reach through government-funded broadband initiatives, and migrate customers from legacy networks to higher-performance platforms. In Alaska, strong fixed business and carrier services performance continues this quarter. Looking forward, we have an opportunity to build on our beat award by expanding broadband access and continuing the modernization of our network. We also see meaningful opportunities in the residential market as we expand our reach and improve execution with Cortland Madoc in place as of September 1st as the new CEO. Across our Southwest markets, we remain focused on expanding our fiber footprint and increasing penetration as we leverage government-supported projects. Our focus has been, and will continue to be, executing these projects effectively and converting network investments into sustainable customer and revenue growth. The progress across our markets reflect our continued focus on execution, Operation Improvement, and Discipline Investment. While realizing the potential of these opportunities will take time, we believe the actions we've taken today are strengthening the business and positioning it for sustainable growth and long-term value creation. In closing, I would like to thank our teams across all markets for their commitment and hard work. Their efforts continue to drive meaningful progress across the business and were instrumental in delivering this quarter's results. With that, I'll turn it over to Carlos to walk us through our financial results for the quarter.

Carlos Doglioli | Chief Financial Officer:

Thank you, Naji, and good morning, everyone. Let me walk you through the third quarter of 2026 yourself and review our updated full-year outlook. Turning to slide six, total revenue for the third quarter was flat at $183 million. Strong performance across several areas helped offset the anticipated impact created by the US dollar portfolio sale during the quarter. Isolating this impact, the revenue would have grown by 1% as Naji highlighted in his opening remarks. Operating income for the quarter increased $3 million, or 32%, to $13 million compared to the same quarter last year. The improvement was driven primarily by lower depreciation and amortization and lower losses on asset dispositions. These items partially offset the expected increase in cost of services resulting from the U.S. Power portfolio sale. On the bottom line, we reported net income attributable to ATM stockholders of approximately $19 million or $1.09 per share on a diluted basis, which compares to last year's third quarter net income of approximately $4 million or $0.18 per diluted share. The year-over-year improvement reflects higher operating income, lower interest expense, and a greater tax benefit. Adjusted EBITDA for the quarter was $50 million and relatively flat compared to the prior year period,

with the adjusted EBITDA margin holding steady at 27.3%. Excluding the impact of the US dollar portfolio sale, adjusted EBITDA would have increased 6% year-over-year, highlighting the focus on improving profitability. Let me turn now to the segment performance. Starting on slide seven, in our international segment, we continued to deliver year-over-year revenue growth and margin expansion. Total revenue increased 2% to $97 million, while adjusted EBITDA grew 9% to $36 million, and adjusted EBITDA margin increased by 240 basis points to 37.4%. Growth in ancillary communication services together with certain non-recurring items in carrier services and mobility helped to offset the previously disclosed loss of government support in the U.S. Virgin Islands. We have one remaining quarter of unfavorable year-over-year comparisons related to this item. Revenue growth combined with favorable operating expense timing contributed to the expansion in adjusted EBITDA margins. Now turning to slide A. In our domestic segment, revenue was $86 million, down 2% or nearly $2 million year-over-year. Growth in carrier services and fixed business revenue partly helped offset the revenue decline anticipated and announced following the US dollar portfolio sale, as well as lower construction activity. Communication service revenues would have increased by 1% when excluding the $1.4 million in foregone tower rent revenue resulting from the transaction. Adjusted EBITDA for the quarter was approximately $19 million and the adjusted EBITDA margin was 21.7% and consistent with the second quarter post-sale level. Adjusted EBITDA would have increased 2%, and the adjusted EBITDA margin would have expanded 60 basis points, excluding the $1.5 million increase in operating costs and the reduction in tower rent revenue resulting from the US tower portfolio sale. We expect a similar impact in the fourth quarter, which is built into our outlook. As discussed last quarter, we continue to expect subsequent closings to occur over the next seven months. with the potential for up to an additional 30 million in proceeds from remaining sites deferred at the initial closing. With that, let's turn to slide nine to go over leverage and liquidity. We ended the quarter with 351 million in cash, cash equivalents, and restricted cash representing an increase of 234 million from year end. Total debt declined to $538 million and our net leverage ratio improved to 0.94 times from 2.36 times at year end 2025. The improvement was driven primarily by the debt reduction enabled by proceeds from the initial close of the tower sale earlier in the year. As a reminder, approximately 45% of our debt is currently insulated from interest rate fluctuations. In addition, Roughly three quarters of our outstanding debt is ring fenced at the subsidiary level and is non-recourse to the ATN parent company. For the first nine months of the year, net cash from operating activities was $77 million compared with $98 million in the prior year period. The decrease primarily reflects working capital timing. Turning to slide 10. Capital expenditures for the first nine months of the year were $66 million, a $5 million increase versus the same period last year. The reimbursable CAPEX spend was $35 million versus $67 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 full year to remain within our guided range. Now turning to slide 11, quarterly cash dividends of 29 cents per share paid on October 9 reflected the 5.5% increase approved by the board in June. In July, the board authorized an expansion of the share repurchase program to 30 million, and the full amount remained available as of September 30, 2026. Turning now to slide 12 for our outlook for 2026. We updated the full year 2026 adjusted EBITDA expectations to be at the high end of or modestly above the previously communicated range of $183 million to $193 million. We also expect capital expenditures net of reimbursable spending to remain in the range of $105 million to $115 million for the year. In closing, we delivered another quarter of solid execution. While we faced heightened competition and some operational challenges during the quarter, we delivered stable revenue and exactly the results. Combined with the strength of our balance sheet, we remain well-positioned to invest in our operations, maintain financial flexibility, and create long-term value for shareholders. With that financial overview, I will now turn the call to the operator for questions.

Conference Operator | 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. Our first question comes from Greg Burns from

Sedoti. Please go ahead.

Greg Burns | Analyst, Sidoti:

Morning. Can you just give us a little bit more color on the increased, the higher competition that you're seeing in certain international markets, which markets particularly, and maybe which services are seeing the most competition?

Naji Khoury | President and Chief Executive Officer:

Greg, good morning. This is Naji. We're seeing in high-tech competition across the market, it's mostly in broadband and in prepaid. The dynamic is quite different. On the mobile side, we see a lot of activity on prepaid, and we've been offsetting a lot of that with focusing on postpaid, which has worked really well for us in mostly all the markets. So we're really strong about our mobile positioning. On the broadband side, you know, we hold good position in most of the market. There is some markets where we have a bit more competition than others. But, you know, we feel we're in a good position either with a fiber network or an HFC network. So, you know, we have a good position and some of the markets have a higher penetration than others. But that's just dynamic, you know, of different markets. But there's a bit of higher competition and You might ask about Starlink. We're seeing some of it, but so far it has not been a significant impact on our business, specifically in the Caribbean.

Greg Burns | Analyst, Sidoti:

Okay, so from a broadband perspective, it's crossed the markets. There's not one particular market where you're seeing increased competition?

Naji Khoury | President and Chief Executive Officer:

We did mention in our release there was a bit of more high competition in the Virgin Islands. We'll see it as well. But we've been able to manage it well. But that would be the single market I would point out, yes. Okay.

Greg Burns | Analyst, Sidoti:

All right. And then in the U.S., it looks like you're gaining some traction, had good broadband subscriber growth. Was that in Alaska or the Southwest or across those markets? And maybe could you highlight maybe some of the commercial go-to-market changes you're making to grow the consumer side of that business?

Naji Khoury | President and Chief Executive Officer:

Yeah, listen, no, it is in fact in both markets in the Southwest and Alaska. Heavy focus on commercial execution, price discipline. So the team has shifted a bit the way we do things on the ground. We're seeing improvement on our fiber uptake. We're seeing improvement on our penetration. We're seeing also a decrease in churn. So all the key metrics or all the leading indicator metrics are heading the right direction. So yes, we're happy with some of the results on the domestic side, absolutely.

Greg Burns | Analyst, Sidoti:

Okay, in the press release you mentioned the timing of subsidy payments in the U.S. Can you just give us a little more color on that, how much that was and is that expected to hit in the fourth quarter?

Carlos Doglioli | Chief Financial Officer:

I think, you know, hey Greg, this is Carlos. Yeah, it was probably what we usually recommend, you know, for like, you know, it's in the Southwest, you know, mostly it's timing of some of those, you know, monthly payments. We expect those to regularize over the next, you know, quarter or two. So if there's an impact, we expect that it's really going to be more like, you know, timing and we should get back on track, you know, as that regularizes.

Greg Burns | Analyst, Sidoti:

Did you How big was the number this quarter?

Carlos Doglioli | Chief Financial Officer:

I would say it was probably around like, you know, it's got to be around like half a million bucks. Okay.

Greg Burns | Analyst, Sidoti:

Okay. And then the, can you just give us a little bit more detail on the tax benefit this quarter and what is a normalized tax rate we should be considering going forward?

Carlos Doglioli | Chief Financial Officer:

I think from a tax perspective, given the different jurisdictions, we continue to focus on the cash tax, which will remain around four or five million bucks. The benefit that we had in Q3 was a discrete benefit related to a foreign entity. So it's a non-recurring item. The regular rate we have is between 15% and 20%. But again, from a cash perspective, it remains around that $4 million or $5 million annually.

Greg Burns | Analyst, Sidoti:

Okay, great. And then just lastly, obviously strong margin performance internationally and even better than I think expected in the U.S. considering the sale of the towers. What are your views on the margin profiles of both those businesses and where you could get them over time given the current scale or the current revenue trends you're seeing in those businesses?

Naji Khoury | President and Chief Executive Officer:

As we said it before, we haven't guided to a specific number, but we did mention that we're seeing an improvement in the profitability and you see it Sequential Quarter on the international side by about 200 basis points. So we are in the right trend. We're seeing a good trend in the international market. We're seeing a good trend in the domestic market. We haven't got a specific number, but you can easily assume that the number will improve over time. So more to come, but at this stage, that's how much I can tell you.

Greg Burns | Analyst, Sidoti:

Okay, great. All right, thank you.

Conference Operator | Operator:

Thank you. I'm showing no further questions at this time. I would now like to turn it back to Naji for closing remarks.

Naji Khoury | President and Chief Executive Officer:

Thank you, operator, and thank you again for joining us today and for your continued interest in ATN. We look forward to updating you on our continued progress during our fourth quarter earning call in early March. Thank you.

Conference Operator | Operator:

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