

Primoris Services Corp
Form 10-Q
November 05, 2013
[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2013

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _____ to _____ .

Commission file number 0001-34145

Primoris Services Corporation

Edgar Filing: Primoris Services Corp - Form 10-Q

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-4743916
(I.R.S. Employer
Identification No.)

2100 McKinney Avenue, Suite 1500
Dallas, Texas
(Address of Principal Executive Offices)

75201
(Zip Code)

Registrant's telephone number, including area code: **(214) 740-5600**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Do not check if a smaller reporting company.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At November 6, 2013, 51,571,394 shares of the registrant's common stock were outstanding.

Table of Contents

PRIMORIS SERVICES CORPORATION

INDEX

Page No.

Part I. Financial Information

Item 1. Financial Statements:

<u>Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012</u>	3
<u>Condensed Consolidated Statements of Income for the three months and nine months ended September 30, 2013 and 2012</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	39
<u>Item 4. Controls and Procedures</u>	39

Part II. Other Information

<u>Item 1. Legal Proceedings</u>	40
<u>Item 1A. Risk Factors</u>	40
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
<u>Item 3. Defaults Upon Senior Securities</u>	40
<u>Item 4. (Removed and Reserved)</u>	40
<u>Item 5. Other Information</u>	40
<u>Item 6. Exhibits</u>	41
<u>Signatures</u>	42

[Table of Contents](#)**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

PRIMORIS SERVICES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Amounts)

(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 174,034	\$ 157,551
Short term investments	3,179	3,441
Customer retention deposits and restricted cash	15,377	35,377
Accounts receivable, net	284,497	268,095
Costs and estimated earnings in excess of billings	80,434	41,701
Inventory and uninstalled contract materials	43,616	37,193
Deferred tax assets	10,477	10,477
Prepaid expenses and other current assets	12,830	10,800
Total current assets	624,444	564,635
Property and equipment, net	220,179	184,840
Investment in non-consolidated entities	6,546	12,813
Intangible assets, net	48,002	51,978
Goodwill	118,626	116,941
Other long-term assets	1,214	
Total assets	\$ 1,019,011	\$ 931,207
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 119,882	\$ 151,546
Billings in excess of costs and estimated earnings	147,464	158,892
Accrued expenses and other current liabilities	101,881	76,152
Dividends payable	1,805	
Current portion of capital leases	3,928	3,733
Current portion of long-term debt	26,910	19,446
Current portion of contingent earnout liabilities	8,763	10,900
Total current liabilities	410,633	420,669
Long-term capital leases, net of current portion	2,760	3,831
Long-term debt, net of current portion	188,713	128,367
Deferred tax liabilities	20,018	20,018
Long-term contingent earnout liabilities, net of current portion	6,083	12,531
Other long-term liabilities	13,243	13,153
Total liabilities	641,450	598,569
Commitments and contingencies		

Edgar Filing: Primoris Services Corp - Form 10-Q

Stockholders' equity			
Common stock, \$.0001 par value, 90,000,000 shares authorized, 51,571,394 and 51,403,686 issued and outstanding at September 30, 2013 and December 31, 2012		5	5
Additional paid-in capital		159,058	155,605
Retained earnings		217,540	175,517
Noncontrolling interests		958	1,511
Total stockholders' equity		377,561	332,638
Total liabilities and stockholders' equity	\$	1,019,011	\$ 931,207

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**PRIMORIS SERVICES CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(In Thousands, Except Per Share Amounts)****(Unaudited)**

	Three Months Ended September 30,		Nine months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 551,333	\$ 431,842	\$ 1,406,341	\$ 1,060,851
Cost of revenues	475,868	375,551	1,225,243	922,960
Gross profit	75,465	56,291	181,098	137,891
Selling, general and administrative expenses	36,478	26,014	96,657	69,684
Operating income	38,987	30,277	84,441	68,207
Other income (expense):				
Income (loss) from non-consolidated entities	113	(159)	169	895
Foreign exchange gain (loss)	91	18	3	(30)
Other expense	(376)	(382)	(809)	(961)
Interest income	32	96	95	143
Interest expense	(1,579)	(937)	(4,501)	(3,044)
Income before provision for income taxes	37,268	28,913	79,398	65,210
Provision for income taxes	(14,075)	(10,965)	(30,272)	(24,875)
Net income	\$ 23,193	\$ 17,948	\$ 49,126	\$ 40,335
Less net income attributable to noncontrolling interests	(1,348)	(432)	(1,947)	(600)
Net income attributable to Primoris	\$ 21,845	\$ 17,516	\$ 47,179	\$ 39,735
Earnings per share:				
Basic	\$ 0.42	\$ 0.34	\$ 0.92	\$ 0.77
Diluted	\$ 0.42	\$ 0.34	\$ 0.91	\$ 0.77
Weighted average common shares outstanding:				
Basic	51,568	51,398	51,529	51,387
Diluted	51,671	51,404	51,595	51,402

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**PRIMORIS SERVICES CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands)****(Unaudited)**

	Nine months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 49,126	\$ 40,335
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	31,003	20,719
Amortization of intangible assets	5,576	4,669
Gain on sale of property and equipment	(1,176)	(2,396)
Income from non-consolidated entities	(169)	(895)
Impairment expense for non-consolidated entities	3,250	
Non-consolidated entity distributions	3,186	1,260
Stock based compensation expense	229	
Changes in assets and liabilities:		
Customer retention deposits and restricted cash	20,000	(3,324)
Accounts receivable	(16,402)	(64,933)
Costs and estimated earnings in excess of billings	(38,733)	(21,089)
Other current assets	(8,665)	475
Accounts payable	(32,551)	20,433
Billings in excess of costs and estimated earnings	(11,428)	7,329
Contingent earnout liabilities	(9,287)	(2,489)
Accrued expenses and other current liabilities	26,626	20,688
Other long-term liabilities	90	(1,510)
Net cash provided by operating activities	20,675	19,272
Cash flows from investing activities:		
Purchase of property and equipment	(68,749)	(23,720)
Proceeds from sale of property and equipment	6,554	7,683
Purchase of short-term investments	(5,620)	(6,380)
Sale of short-term investments	5,882	23,000
Cash paid for acquisitions	(2,273)	(38,110)
Net cash used in investing activities	(64,206)	(37,527)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	97,035	16,671
Repayment of capital leases	(3,399)	(8,018)
Repayment of long-term debt	(29,225)	(12,177)
Repayment of subordinated debt		(17,501)
Proceeds from issuance of common stock purchased by management under long-term incentive plan	1,455	1,240
Dividends paid	(3,352)	(4,611)
Payment of accumulated earnings to non-controlling interest holder	(2,500)	
Repurchase of common stock		(1,001)
Net cash provided by (used in) financing activities	60,014	(25,397)
Net change in cash and cash equivalents	16,483	(43,652)
Cash and cash equivalents at beginning of the period	157,551	120,306
Cash and cash equivalents at end of the period	\$ 174,034	\$ 76,654

Edgar Filing: Primoris Services Corp - Form 10-Q

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Nine months Ended September 30,	
2013	2012