

Great Lakes Dredge & Dock CORP
Form 10-Q
May 04, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2018

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: 001-33225

Great Lakes Dredge & Dock Corporation

(Exact name of registrant as specified in its charter)

Delaware	20-5336063
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

2122 York Road, Oak Brook, IL	60523
(Address of principal executive offices)	(Zip Code)

(630) 574-3000

(Registrant's telephone number, including area code)

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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 (§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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

(Do not check if a smaller reporting company) Smaller reporting company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of April 30, 2018, 62,227,612 shares of the Registrant’s Common Stock, par value \$.0001 per share, were outstanding.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Quarterly Report Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

For the Quarterly Period ended March 31, 2018

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PART I — Financial Information

Item 1. Financial Statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except per share amounts)

	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$12,736	\$15,852
Accounts receivable—net	97,441	75,533
Contract revenues in excess of billings	55,122	90,788
Inventories	33,052	34,600
Prepaid expenses and other current assets	40,933	45,411
Total current assets	239,284	262,184
PROPERTY AND EQUIPMENT—Net	381,762	407,294
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	84,334	84,484
INVENTORIES—Noncurrent	54,906	54,023
INVESTMENTS IN JOINT VENTURES	1,963	2,714
ASSETS HELD FOR SALE—Noncurrent	8,463	8,530
OTHER	17,546	13,128
TOTAL	\$788,258	\$832,357
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$72,093	\$87,659
Accrued expenses	52,284	56,218
Billings in excess of contract revenues	8,772	3,615
Current portion of long-term debt	1,379	2,758
Total current liabilities	134,528	150,250
LONG-TERM DEBT	321,280	333,141
REVOLVING CREDIT FACILITY	91,000	95,000
DEFERRED INCOME TAXES	21,870	25,561
OTHER	8,078	7,109
Total liabilities	576,756	611,061
COMMITMENTS AND CONTINGENCIES (Note 9)		
EQUITY:		
Common stock—\$.0001 par value; 90,000 authorized, 62,485 and 61,897 shares issued; 62,207 and 61,619 shares outstanding at March 31, 2018 and December 31, 2017, respectively.	6	6

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Treasury stock, at cost	(1,433)	(1,433)
Additional paid-in capital	290,298	289,821
Accumulated deficit	(77,999)	(67,101)
Accumulated other comprehensive income	630	3
Total equity	211,502	221,296
TOTAL	\$788,258	\$832,357

See notes to unaudited condensed consolidated financial statements.

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Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
Contract revenues	\$146,593	\$170,586
Costs of contract revenues	131,888	155,774
Gross profit	14,705	14,812
General and administrative expenses	15,944	16,795
(Gain) loss on sale of assets—net	(199)	11
Operating loss	(1,040)	(1,994)
Interest expense—net	(8,660)	(5,582)
Other income (expense)	(2,916)	209
Loss from continuing operations before income taxes	(12,616)	(7,367)
Income tax benefit	3,295	2,793
Loss from continuing operations	(9,321)	(4,574)
Loss from discontinued operations, net of income taxes	—	(13,065)
Net loss	\$(9,321)	\$(17,639)
Basic loss per share attributable to continuing operations	\$(0.15)	\$(0.07)
Basic loss per share attributable to discontinued operations, net of tax	—	(0.21)
Basic loss per share	\$(0.15)	\$(0.28)
Basic weighted average shares	61,815	61,065
Diluted loss per share attributable to continuing operations	\$(0.15)	\$(0.07)
Diluted loss per share attributable to discontinued operations, net of tax	—	(0.21)
Diluted loss per share	\$(0.15)	\$(0.28)
Diluted weighted average shares	61,815	61,065

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2018	2017
Net loss	\$ (9,321)	\$ (17,639)
Currency translation adjustment—net of tax (1)	1,361	(28)
Net unrealized gain on derivatives—net of tax (2)	(734)	(734)
Other comprehensive income (loss)—net of tax	627	(762)
Comprehensive loss	\$ (8,694)	\$ (18,401)

(1) Net of income tax (provision) benefit of \$(535) and \$39 for the three months ended March 31, 2018 and 2017, respectively.

(2) Net of income tax (provision) benefit of \$260 and \$(479) for the three months ended March 31, 2018 and 2017, respectively.

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Equity

(Unaudited)

(in thousands)

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
BALANCE—January 1, 2018	61,897	\$ 6	(278)	\$(1,433)	\$289,821	\$(67,101)	\$ 3	\$221,296
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	(1,577)	—	(1,577)
Share-based compensation	40	—	—	—	1,009	—	—	1,009
Vesting of restricted stock units, including impact of shares withheld for taxes	430	—	—	—	(936)	—	—	(936)
Exercise of options and purchases from employee stock plans	118	—	—	—	404	—	—	404
Net loss	—	—	—	—	—	(9,321)	—	(9,321)
Other comprehensive income (loss)—net of tax	—	—	—	—	—	—	627	627
BALANCE—March 31, 2018	62,485	\$ 6	(278)	\$(1,433)	\$290,298	\$(77,999)	\$ 630	\$211,502

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
BALANCE—January 1, 2017	61,240	\$ 6	(278)	\$(1,433)	\$286,303	\$(35,841)	\$(1,145)	\$247,890
Share-based compensation	109	—	—	—	918	—	—	918
Vesting of restricted stock units, including impact of shares withheld for taxes	69	—	—	—	(164)	—	—	(164)
Exercise of options and purchases from employee	132	—	—	—	434	—	—	434

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stock plans

Net loss	—	—	—	—	—	(17,639)	—	(17,639)
Other comprehensive income	—	—	—	—	—	—	(762)	(762)
(loss) —net of tax	—	—	—	—	—	—	(762)	(762)
BALANCE—March 31, 2017	61,550	\$ 6	(278)	\$(1,433)	\$287,491	\$(53,480)	\$(1,907)	\$230,677

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2018	2017
OPERATING ACTIVITIES:		
Net loss	\$(9,321)	\$(17,639)
Loss from discontinued operations, net of income taxes	—	(13,065)
Loss from continuing operations	\$(9,321)	\$(4,574)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	15,641	13,478
Equity in earnings of joint ventures	750	(3,067)
Cash distributions from joint ventures	—	2,046
Deferred income taxes	(2,920)	(2,825)
Gain on sale of assets	(199)	11
Other non-cash restructuring items	2,015	—
Amortization of deferred financing fees	901	825
Unrealized net (gain) loss from mark-to-market valuations of derivatives	—	1,548
Unrealized foreign currency gain	(144)	(76)
Share-based compensation expense	1,009	918
Changes in assets and liabilities:		
Accounts receivable	(21,908)	(3,234)
Contract revenues in excess of billings	32,703	19,362
Inventories	665	(609)
Prepaid expenses and other current assets	11,548	(4,929)
Accounts payable and accrued expenses	(19,077)	(27,610)
Billings in excess of contract revenues	(2,527)	3,931
Other noncurrent assets and liabilities	(4,506)	(255)
Cash provided by (used in) operating activities	4,630	(5,060)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,549)	(17,452)
Proceeds from dispositions of property and equipment	5,015	265
Cash used in investing activities	(2,534)	(17,187)

	Three Months Ended March 31,	
	2018	2017
FINANCING ACTIVITIES:		
Deferred financing fees	—	(58)
Repayments of debt	(706)	(659)
Taxes paid on settlement of vested share awards	(936)	(164)
Exercise of options and purchases from employee stock plans	404	434
Borrowings under revolving loans	17,000	28,112
Repayments of revolving loans	(21,000)	(16,723)
Cash provided by (used in) financing activities	(5,238)	10,942
Effect of foreign currency exchange rates on cash and cash equivalents	26	(2)
Net decrease in cash, cash equivalents and restricted cash	(3,116)	(11,307)
Cash, cash equivalents and restricted cash at beginning of period	17,352	19,702
Cash, cash equivalents and restricted cash at end of period	\$14,236	\$8,395
Supplemental Cash Flow Information		
Cash paid for interest	\$1,872	\$11,473
Cash paid for income taxes	\$54	\$89
Non-cash Investing and Financing Activities		
Property and equipment purchased but not yet paid	\$3,614	\$2,187
Repayments of debt with proceeds from sale-leaseback transactions	\$13,034	\$—

See notes to unaudited condensed consolidated financial statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(dollar amounts in thousands, except per share amounts or as otherwise noted)

1. Basis of presentation

The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of Great Lakes Dredge & Dock Corporation and Subsidiaries (the “Company” or “Great Lakes”) and the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the SEC’s rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), that are necessary to present fairly the Company’s financial position as of March 31, 2018, and its results of operations for the three months ended March 31, 2018 and 2017 and cash flows for the three months ended March 31, 2018 and 2017 have been included.

The Company adopted Accounting Standard Update No. 2016-18 (“ASU 2016-18”), Statement of Cashflows (Topic 230): Restricted Cash on January 1, 2018. The amendments require that the statement of cash flows explain the changes during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore amounts generally described as restricted cash or restricted cash equivalents should be included with the cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The impact of the adoption of ASU 2016-18 has been applied retrospectively and the prior period presented has been recast.

The following table provides a reconciliation of cash, cash equivalents and restricted cash at March 31, 2018 and December 31, 2017 reported within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Condensed Consolidated Statements of Cash Flows.

	March 31, 2018	December 31, 2017
Cash and cash equivalents	\$12,736	\$ 15,852
Restricted cash included in other long-term assets	1,500	1,500
Cash, cash equivalents and restricted cash at end of period	\$14,236	\$ 17,352

Effective beginning the first quarter of 2018, the Company changed the method of accounting for allocated fixed equipment costs for interim periods such that fixed equipment costs are now recognized as incurred. The Company adopted this change as a result of management’s belief that the new method is preferable and results in a more objective measure of quarterly expense that will better support planning and resource allocation decisions by management. The change has been applied retrospectively and all prior interim periods presented have been recast.

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The Company's cost structure includes significant annual equipment-related costs, including depreciation, maintenance, insurance and long-term rentals. Previously, the Company allocated fixed equipment costs to interim periods in proportion to revenues recognized over the year. Specifically, at each interim reporting date the Company compared actual revenues earned to date on its dredging contracts to expected annual revenues and recognized equipment costs on the same proportionate basis. In the fourth quarter, any over or under allocated equipment costs are recognized such that the expense for the year equals actual equipment costs incurred during the year. The quarterly impact of the change in accounting policy on our Condensed Consolidated Statements of Operations and Condensed Consolidated Balance Sheets is as follows:

	Three Months Ended March 31, 2017
Costs of contract revenues	\$ 1,370
Income tax benefit	519
Loss from continuing operations	(851)
Net loss	\$ (851)
Comprehensive loss	\$ (851)
Basic loss per share attributable to continuing operations	\$ (0.01)