

MATRIX SERVICE CO
Form 10-Q
November 09, 2012
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, 2012

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 No. 1-15461

MATRIX SERVICE COMPANY

(Exact name of registrant as specified in its charter)

Edgar Filing: MATRIX SERVICE CO - Form 10-Q

DELAWARE
(State of incorporation)

73-1352174
(I.R.S. Employer Identification No.)

5100 East Skelly Drive, Suite 700, Tulsa, Oklahoma 74135

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (918) 838-8822

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 Inter Active Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 definition of accelerated filer, large accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer 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

As of November 1, 2012 there were 27,888,217 shares of the Company's common stock, \$0.01 par value per share, issued and 25,910,013 shares outstanding.

Table of Contents**TABLE OF CONTENTS**

	PAGE
<u>PART I</u>	
	FINANCIAL INFORMATION
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Statements of Income for the Three Months Ended September 30, 2012 and 2011</u>	1
<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended September 30, 2012 and 2011</u>	2
<u>Condensed Consolidated Balance Sheets as of September 30, 2012 and June 30, 2012</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended September 30, 2012 and 2011</u>	5
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended September 30, 2012 and 2011</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
Item 4. <u>Controls and Procedures</u>	23
<u>PART II</u>	
	OTHER INFORMATION
Item 1. <u>Legal Proceedings</u>	24
Item 1A. <u>Risk Factors</u>	24
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
Item 3. <u>Defaults Upon Senior Securities</u>	25
Item 4. <u>Mine Safety Disclosures</u>	25
Item 5. <u>Other Information</u>	25
Item 6. <u>Exhibits</u>	25
<u>Signature</u>	25

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Matrix Service Company****Condensed Consolidated Statements of Income**

(In thousands, except per share data)

(unaudited)

	Three Months Ended	
	September 30, 2012	September 30, 2011
Revenues	\$ 209,608	\$ 169,321
Cost of revenues	187,364	151,228
Gross profit	22,244	18,093
Selling, general and administrative expenses	14,320	11,483
Operating income	7,924	6,610
Other income (expense):		
Interest expense	(183)	(277)
Interest income	8	3
Other	57	(676)
Income before income tax expense	7,806	5,660
Provision for federal, state and foreign income taxes	3,122	2,151
Net income	\$ 4,684	\$ 3,509
Basic earnings per common share	\$ 0.18	\$ 0.13
Diluted earnings per common share	\$ 0.18	\$ 0.13
Weighted average common shares outstanding:		
Basic	25,788	26,400
Diluted	26,148	26,722

See accompanying notes.

Table of Contents

Matrix Service Company

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(unaudited)

	Three Months Ended	
	September 30, 2012	September 30, 2011
Net income	\$ 4,684	\$ 3,509
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	467	(959)
Comprehensive income	\$ 5,151	\$ 2,550

See accompanying notes.

Table of Contents**Matrix Service Company****Condensed Consolidated Balance Sheets**

(In thousands)

(unaudited)

	September 30, 2012	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,170	\$ 39,726
Accounts receivable, less allowances (September 30, 2012 \$1,906 and June 30, 2012 \$1,201)	156,844	108,034
Costs and estimated earnings in excess of billings on uncompleted contracts	77,598	68,562
Inventories	3,267	2,482
Deferred income taxes	5,760	6,024
Other current assets	5,560	5,688
Total current assets	266,199	230,516
Property, plant and equipment at cost:		
Land and buildings	29,357	28,846
Construction equipment	60,207	59,176
Transportation equipment	26,027	25,865
Office equipment and software	17,391	16,892
Construction in progress	5,984	2,910
	138,966	133,689
Accumulated depreciation	(81,407)	(78,814)
	57,559	54,875
Goodwill	28,763	28,675
Other intangible assets	6,392	6,504
Other assets	3,937	2,565
Total assets	\$ 362,850	\$ 323,135

See accompanying notes.

Table of Contents**Matrix Service Company****Condensed Consolidated Balance Sheets**

(In thousands, except share data)

(unaudited)

	September 30, 2012	June 30, 2012
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 61,664	\$ 48,931
Billings on uncompleted contracts in excess of costs and estimated earnings	45,637	30,293
Accrued wages and benefits	15,281	15,298
Accrued insurance	7,055	6,912
Income taxes payable	3,238	1,115
Acquisition payable	400	400
Other accrued expenses	3,334	3,014
Total current liabilities	136,609	105,963
Deferred income taxes	6,063	6,075
Long term debt	3,355	
Total liabilities	146,027	112,038
Commitments and contingencies		
Stockholders equity:		
Common stock \$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of September 30, 2012, and June 30, 2012	279	279
Additional paid-in capital	117,297	116,693
Retained earnings	122,103	117,419
Accumulated other comprehensive income	1,238	771
	240,917	235,162
Less: Treasury stock, at cost 2,051,764 shares as of September 30, 2012, and 2,141,990 shares as of June 30, 2012	(24,094)	(24,065)
Total stockholders equity	216,823	211,097
Total liabilities and stockholders equity	\$ 362,850	\$ 323,135

See accompanying notes.

Table of Contents**Matrix Service Company****Condensed Consolidated Statements of Cash Flows**

(In thousands)

(unaudited)

	Three Months Ended	
	September 30,	September 30,
	2012	2011
Operating activities:		
Net income	\$ 4,684	\$ 3,509
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	2,826	2,826
Deferred income tax	98	(977)
Gain on sale of property, plant and equipment	(33)	(42)
Allowance for uncollectible accounts	705	(33)
Stock-based compensation expense	866	969
Other	8	34
Changes in operating assets and liabilities increasing (decreasing) cash:		
Accounts receivable	(49,515)	(965)
Costs and estimated earnings in excess of billings on uncompleted contracts	(9,036)	(10,445)
Inventories	(785)	(79)
Other assets	(1,292)	(1,591)
Accounts payable	12,541	7,474
Billings on uncompleted contracts in excess of costs and estimated earnings	15,344	(9,943)
Accrued expenses	2,591	(2,858)
Net cash used by operating activities	(20,998)	(12,121)
Investing activities:		
Acquisition of property, plant and equipment	(5,092)	(2,988)
Proceeds from asset sales	37	166
Net cash used by investing activities	\$ (5,055)	\$ (2,822)

See accompanying notes.

Table of Contents**Matrix Service Company****Condensed Consolidated Statements of Cash Flows (continued)**

(In thousands)

(unaudited)

	Three Months Ended	
	September 30,	September 30,
	2012	2011
Financing activities:		
Issuances of common stock	\$ 61	\$ 49
Capital lease payments	(22)	(108)
Excess tax benefit of exercised stock options and vesting of deferred shares	30	
Advances under credit agreement	7,828	
Repayments of advances under credit agreement	(4,473)	
Treasury shares purchased by Employee Stock Purchase Plan	8	14
Open market purchase of treasury shares		(4,872)
Other treasury share purchases	(350)	(108)