

GRANITE CONSTRUCTION INC
Form 10-Q
November 03, 2014

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 September 30, 2014

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: 1-12911

GRANITE CONSTRUCTION INCORPORATED

State of Incorporation:
Delaware

I.R.S. Employer Identification Number:
77-0239383

Address of principal executive offices:
585 W. Beach Street
Watsonville, California 95076
(831) 724-1011

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, 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.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 21, 2014.

Class	Outstanding
Common Stock, \$0.01 par value	39,152,547

Index

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Condensed Consolidated Balance Sheets as of September 30, 2014, December 31, 2013 and September 30, 2013 (As Revised)

Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2014 and 2013 (As Revised)

Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013 (As Revised)

Notes to the Condensed Consolidated Financial Statements (As Revised)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Mine Safety Disclosures

Item 5. Other Information

Item 6. Exhibits

SIGNATURES

EXHIBIT 10.1

EXHIBIT 10.2

EXHIBIT 31.1

EXHIBIT 31.2

EXHIBIT 32

EXHIBIT 95

EXHIBIT 101.INS

EXHIBIT 101.SCH

EXHIBIT 101.CAL

EXHIBIT 101.DEF

EXHIBIT 101.LAB

EXHIBIT 101.PRE

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

GRANITE CONSTRUCTION INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands, except share and per share data)

	September 30, 2014	December 31, 2013	September 30, 2013 As Revised
ASSETS			
Current assets			
Cash and cash equivalents (\$29,518, \$38,800 and \$57,133 related to consolidated construction joint ventures ("CCJVs"))	\$ 167,174	\$ 229,121	\$ 212,463
Short-term marketable securities	27,950	49,968	22,892
Receivables, net (\$45,483, \$38,372 and \$47,696 related to CCJVs)	417,628	313,598	422,609
Costs and estimated earnings in excess of billings (\$21,105, \$178 and \$81 related to CCJVs)	62,823	33,306	40,837
Inventories	74,605	62,474	61,667
Real estate held for development and sale	11,773	12,478	50,250
Deferred income taxes	55,874	55,874	36,687
Equity in construction joint ventures	181,259	162,673	161,063
Other current assets	21,743	30,711	32,836
Total current assets	1,020,829	950,203	1,041,304
Property and equipment, net (\$16,172, \$22,216 and \$28,194 related to CCJVs)	424,272	436,859	458,024
Long-term marketable securities	74,140	67,234	64,014
Investments in affiliates	34,177	32,480	31,338
Goodwill	53,799	53,799	53,799
Other noncurrent assets	75,826	76,580	78,655
Total assets	\$ 1,683,043	\$ 1,617,155	\$ 1,727,134
LIABILITIES AND EQUITY			
Current liabilities			
Current maturities of long-term debt	\$ 21	\$ 21	\$ 20
Current maturities of non-recourse debt	1,226	1,226	2,147
Accounts payable (\$22,951, \$16,937 and \$20,075 related to CCJVs)	205,493	160,706	198,282
Billings in excess of costs and estimated earnings (\$23,138, \$60,185 and \$70,518 related to CCJVs)	115,809	138,375	146,343
Accrued expenses and other current liabilities (\$3,110, \$11,299 and \$12,816 related to CCJVs)	221,618	197,242	219,169
Total current liabilities	544,167	497,570	565,961
Long-term debt	270,127	270,127	270,148
Long-term non-recourse debt	5,822	6,741	7,048
Other long-term liabilities	45,887	48,580	46,474
Deferred income taxes	9,977	7,793	7,988
Commitments and contingencies			
Equity			
Preferred stock, \$0.01 par value, authorized 3,000,000 shares, none outstanding	—	—	—
	391	389	388

Edgar Filing: GRANITE CONSTRUCTION INC - Form 10-Q

Common stock, \$0.01 par value, authorized 150,000,000 shares; issued and outstanding 39,152,255 shares as of September 30, 2014, 38,917,728 shares as of December 31, 2013 and 38,878,194 shares as of September 30, 2013

Additional paid-in capital	132,396	126,449	123,681
Retained earnings	648,017	655,102	689,181
Total Granite Construction Incorporated shareholders' equity	780,804	781,940	813,250
Non-controlling interests	26,259	4,404	16,265
Total equity	807,063	786,344	829,515
Total liabilities and equity	\$ 1,683,043	\$ 1,617,155	\$ 1,727,134

The accompanying notes are an integral part of these condensed consolidated financial statements.

3

Table of Contents

GRANITE CONSTRUCTION INCORPORATED
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited - in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013 As Revised	2014	2013 As Revised
Revenue				
Construction	\$447,097	\$470,567	\$873,357	\$956,287
Large Project Construction	179,446	185,997	611,110	539,268
Construction Materials	93,214	83,172	200,985	173,107
Real Estate	7	16	29	141
Total revenue	719,764	739,752	1,685,481	1,668,803
Cost of revenue				
Construction	398,295	419,848	790,584	868,298
Large Project Construction	173,767	188,160	538,846	497,139
Construction Materials	81,010	75,884	185,536	167,839
Real Estate	—	—	—	14
Total cost of revenue	653,072	683,892	1,514,966	1,533,290
Gross profit	66,692	55,860	170,515	135,513
Selling, general and administrative expenses	47,386	45,527	147,731	149,477
Gain on sales of property and equipment	3,004	3,259	6,891	7,653
Operating income (loss)	22,310	13,592	29,675	(6,311)
Other income (expense)				
Interest income	451	602	1,343	1,110
Interest expense	(2,488)	(3,736)	(10,426)	(11,081)
Equity in income of affiliates	1,109	(2)	2,310	273
Other (expense) income, net	(1,196)	1,022	450	1,630
Total other expense	(2,124)	(2,114)	(6,323)	(8,068)
Income (loss) before provision for (benefit from) income taxes	20,186	11,478	23,352	(14,379)
Provision for (benefit from) income taxes	6,081	4,946	8,301	(2,867)
Net income (loss)	14,105	6,532	15,051	(11,512)
Amount attributable to non-controlling interests	1,177	6,505	(6,681)	3,986
Net income (loss) attributable to Granite Construction Incorporated	\$15,282	\$13,037	\$8,370	\$(7,526)
Net income (loss) per share attributable to common shareholders (see Note 12)				
Basic	\$0.39	\$0.34	\$0.21	\$(0.19)
Diluted	\$0.38	\$0.33	\$0.21	\$(0.19)
Weighted average shares of common stock				
Basic	39,150	38,876	39,073	38,773
Diluted	39,813	39,759	39,790	38,773
Dividends per common share	\$0.13	\$0.13	\$0.39	\$0.39

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

GRANITE CONSTRUCTION INCORPORATED
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited - in thousands)

Nine Months Ended September 30,	2014	2013 As Revised
Operating activities		
Net income (loss)	\$15,051	\$(11,512)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation, depletion and amortization		