

TUTOR PERINI CORP
Form 10-Q
August 07, 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 June 30, 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: 1-6314

Tutor Perini Corporation

(Exact name of registrant as specified in its charter)

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MASSACHUSETTS 04-1717070
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

15901 OLDEN STREET, SYLMAR, CALIFORNIA 91342-1093

(Address of principal executive offices)

(Zip code)

(818) 362-8391

(Registrant's telephone number, including area code)

(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 website, 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, a 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. (Check one):

Large accelerated filer

Accelerated filer

Non-Accelerated filer

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

The number of shares of common stock, \$1.00 par value per share, of the registrant outstanding at August 1, 2018 was 50,016,328.

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PART I. – FINANCIAL INFORMATION

Item 1. – Financial Statements

TUTOR PERINI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

UNAUDITED

(in thousands, except per common share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
REVENUE	\$ 1,120,085	\$ 1,247,274	\$ 2,148,241	\$ 2,364,635
COST OF OPERATIONS	(1,001,445)	(1,144,436)	(1,962,533)	(2,159,078)
GROSS PROFIT	118,640	102,838	185,708	205,557
General and administrative expenses	(63,825)	(68,793)	(131,818)	(134,495)
INCOME FROM CONSTRUCTION OPERATIONS	54,815	34,045	53,890	71,062
Other income, net	1,050	40,990	1,830	41,406
Interest expense	(15,998)	(22,519)	(31,063)	(38,083)
INCOME BEFORE INCOME TAXES	39,867	52,516	24,657	74,385
Provision for income taxes	(11,971)	(19,883)	(7,703)	(27,988)
NET INCOME	27,896	32,633	16,954	46,397
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3,013	2,537	4,195	2,537
NET INCOME ATTRIBUTABLE TO TUTOR PERINI CORPORATION	\$ 24,883	\$ 30,096	\$ 12,759	\$ 43,860
BASIC EARNINGS PER COMMON SHARE	\$ 0.50	\$ 0.61	\$ 0.26	\$ 0.89
DILUTED EARNINGS PER COMMON SHARE	\$ 0.49	\$ 0.59	\$ 0.25	\$ 0.86
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING:				

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BASIC	49,946	49,735	49,880	49,510
DILUTED	50,440	50,755	50,127	50,853

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

UNAUDITED

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
NET INCOME	\$ 27,896	\$ 32,633	\$ 16,954	\$ 46,397
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Defined benefit pension plan adjustments	354	269	735	537
Foreign currency translation adjustments	(634)	649	(1,808)	595
Unrealized loss in fair value of investments	(929)	(3)	(1,014)	(24)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(1,209)	915	(2,087)	1,108
COMPREHENSIVE INCOME	26,687	33,548	14,867	47,505
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3,013	2,537	4,195	2,537
COMPREHENSIVE INCOME ATTRIBUTABLE TO TUTOR PERINI CORPORATION	\$ 23,674	\$ 31,011	\$ 10,672	\$ 44,968

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED

(in thousands, except share and per share amounts)	As of June 30, 2018	As of December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (\$53,575 and \$53,067 related to variable interest entities (VIEs))	\$ 138,569	\$ 192,868
Restricted cash	3,434	4,780
Restricted investments	52,900	53,014
Accounts receivable (\$57,008 and \$30,003 related to VIEs)	1,272,932	1,265,717
Retainage receivable (\$24,288 and \$12,410 related to VIEs)	490,751	535,939
Costs and estimated earnings in excess of billings	1,044,233	932,758
Other current assets (\$35,657 and \$0 related to VIEs)	141,472	89,316
Total current assets	3,144,291	3,074,392
PROPERTY AND EQUIPMENT ("P&E"), net of accumulated depreciation		
of \$337,101 and \$359,188 (net P&E of \$41,150 and \$11,641 related to VIEs)	490,614	467,499
GOODWILL	585,006	585,006
INTANGIBLE ASSETS, NET	87,683	89,454
OTHER ASSETS	50,171	47,772
TOTAL ASSETS	\$ 4,357,765	\$ 4,264,123
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 28,105	\$ 30,748
Accounts payable (\$44,118 and \$19,243 related to VIEs)	625,436	699,971
Retainage payable	236,545	261,820
Billings in excess of cost and estimated earnings (\$240,545 and \$120,952 related to VIEs)	574,392	456,869
Accrued expenses and other current liabilities	134,264	132,438
Total current liabilities	1,598,742	1,581,846

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LONG-TERM DEBT, less current maturities, net of unamortized

discounts and debt issuance costs totaling \$40,437 and \$45,631	794,509	705,528
DEFERRED INCOME TAXES	106,284	108,504
OTHER LONG-TERM LIABILITIES	145,764	163,465
TOTAL LIABILITIES	2,645,299	2,559,343

COMMITMENTS AND CONTINGENCIES (NOTE 9)

EQUITY

Stockholders' Equity:

Preferred stock - authorized 1,000,000 shares (\$1 par value), none issued	—	—
Common stock - authorized 75,000,000 shares (\$1 par value), issued and outstanding 50,010,863 and 49,781,010 shares	50,011	49,781
Additional paid-in capital	1,093,874	1,084,205
Retained earnings	631,004	622,007
Accumulated other comprehensive loss	(44,805)	(42,718)
Total stockholders' equity	1,730,084	1,713,275
Noncontrolling interests	(17,618)	(8,495)
TOTAL EQUITY	1,712,466	1,704,780
TOTAL LIABILITIES AND EQUITY	\$ 4,357,765	\$ 4,264,123

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

(in thousands)	Six Months Ended June 30,	
	2018	2017
Cash Flows from Operating Activities:		
Net income	\$ 16,954	\$ 46,397
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	19,393	28,987
Amortization of intangible assets	1,771	1,771
Share-based compensation expense	12,063	10,420
Change in debt discounts and deferred debt issuance costs	5,914	11,950
Deferred income taxes	116	(1)
Loss (gain) on sale of property and equipment	1,474	(349)
Changes in other components of working capital	(113,887)	(132,779)
Other long-term liabilities	(5,276)	(2,801)
Other, net	(902)	1,785
NET CASH USED IN OPERATING ACTIVITIES	(62,380)	(34,620)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(48,303)	(8,183)
Proceeds from sale of property and equipment	4,120	1,336
Investment in securities	(8,549)	(9,297)
Proceeds from maturities and sales of investments in securities	7,982	—
NET CASH USED IN INVESTING ACTIVITIES	(44,750)	(16,144)
Cash Flows from Financing Activities:		
Proceeds from debt	1,246,677	1,276,457
Repayment of debt	(1,165,283)	(1,171,954)
Business acquisition related payment	(15,951)	—
Issuance of common stock and effect of cashless exercise	(2,458)	(10,809)
Distributions paid to noncontrolling interests	(12,500)	(2,500)

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Contributions from noncontrolling interests	1,000	1,250
Debt issuance and extinguishment costs	—	(13,309)
NET CASH PROVIDED BY FINANCING ACTIVITIES	51,485	79,135
Net increase (decrease) in cash, cash equivalents and restricted cash	(55,645)	28,371
Cash, cash equivalents and restricted cash at beginning of period	197,648	196,607
Cash, cash equivalents and restricted cash at end of period	\$ 142,003	\$ 224,978

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

(1) Basis of Presentation

The Condensed Consolidated Financial Statements do not include footnotes and certain financial information normally presented annually under generally accepted accounting principles in the United States (“GAAP”). Therefore, they should be read in conjunction with the audited consolidated financial statements and the related notes included in Tutor Perini Corporation’s (the “Company”) Annual Report on Form 10-K for the year ended December 31, 2017. The results of operations for the three and six months ended June 30, 2018 may not be indicative of the results that will be achieved for the full year ending December 31, 2018.

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments, including those of a normal recurring nature, necessary to present fairly the Company’s consolidated financial position as of June 30, 2018 and its consolidated statements of income and cash flows for the interim periods presented. All significant intercompany transactions of consolidated subsidiaries have been eliminated.

(2) Recent Accounting Pronouncements

New accounting pronouncements implemented by the Company during the six months ended June 30, 2018 are discussed below.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended by subsequent ASUs (collectively, “ASC 606”). ASC 606 amends the existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods or services. The Company adopted this ASU effective January 1, 2018 using the modified retrospective transition method. The Company recognized the cumulative effect of initially applying the new revenue standard to all contracts not yet completed or substantially completed as of January 1, 2018 as an immaterial reduction to beginning retained earnings. The impact of adoption on the Company’s opening balance

sheet was primarily related to the deferral of costs incurred to fulfill certain contracts that were previously recorded in income in the period incurred, but under the new standard will be capitalized and amortized over the period of contract performance. The prior year comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods; however, certain balances have been reclassified to conform to the current year presentation.

The effect of the changes made to the Company's consolidated January 1, 2018 balance sheet for the adoption of ASC 606 were as follows:

BALANCE SHEET	Balance as	Adjustments	Balance as
(in thousands)	of	due to	of
	December	ASC 606	January 1,
	31, 2017(a)		2018
ASSETS			
Accounts receivable(b)	\$ 1,801,656	\$ (535,939)	\$ 1,265,717
Retainage receivable(b)	—	535,939	535,939
Other current assets	89,316	32,773	122,089