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Great Lakes Dredge & Dock CORP
Form 10-Q
May 03, 2016

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, 2016

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 (State or other jurisdiction of incorporation or organization)	20-5336063 (I.R.S. Employer Identification No.)
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2122 York Road, Oak Brook, IL (Address of principal executive offices)	60523 (Zip Code)
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(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 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 (Do not check if a smaller reporting company) 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 April 29, 2016, 60,656,931 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, 2016

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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, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 15,894	\$ 14,184
Accounts receivable—net	101,000	130,777
Contract revenues in excess of billings	74,576	81,195
Inventories	35,042	35,963
Prepaid expenses and other current assets	71,985	67,614
Total current assets	298,497	329,733
PROPERTY AND EQUIPMENT—Net	432,749	430,210
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	85,774	86,004
INVENTORIES—Noncurrent	45,170	41,646
INVESTMENTS IN JOINT VENTURES	3,131	3,761
OTHER	7,181	6,770
TOTAL	\$ 872,502	\$ 898,124
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 96,499	\$ 118,846
Accrued expenses	61,596	72,277
Billings in excess of contract revenues	6,158	7,061
Current portion of long term debt	7,530	7,506
Total current liabilities	171,783	205,690
7 3/8% SENIOR NOTES	272,248	271,998
REVOLVING CREDIT FACILITY	35,000	20,000
NOTES PAYABLE	52,265	53,792
DEFERRED INCOME TAXES	71,624	74,006
OTHER	19,693	20,465
Total liabilities	622,613	645,951
COMMITMENTS AND CONTINGENCIES (Note 8)		
EQUITY:		

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Common stock—\$.0001 par value; 90,000 authorized, 60,934 and 60,709 shares issued; 60,656 and 60,431 shares outstanding at March 31, 2016 and December 31, 2015, respectively.	6	6
Treasury stock, at cost	(1,433)	(1,433)
Additional paid-in capital	284,589	283,247
Accumulated deficit	(31,699)	(27,664)
Accumulated other comprehensive loss	(1,574)	(1,983)
Total equity	249,889	252,173
TOTAL	\$872,502	\$898,124

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2016	2015
Contract revenues	\$163,119	\$174,557
Costs of contract revenues	143,129	163,875
Gross profit	19,990	10,682
General and administrative expenses	20,089	17,948
Gain on sale of assets—net	(10)	(8)
Operating loss	(89)	(7,258)
Interest expense—net	(5,721)	(5,630)
Equity in loss of joint ventures	(115)	(1,098)
Other expense	(763)	(441)
Loss before income taxes	(6,688)	(14,427)
Income tax benefit	2,653	6,037
Net loss	\$(4,035)	\$(8,390)
Basic loss per share	\$(0.07)	\$(0.14)
Basic weighted average shares	60,507	60,265
Diluted loss per share	\$(0.07)	\$(0.14)
Diluted weighted average shares	60,507	60,265

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Loss

(Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2016	2015
Net loss	\$ (4,035)	\$ (8,390)
Currency translation adjustment—net of tax (1)	409	(808)
Comprehensive loss	\$ (3,626)	\$ (9,198)

(1) Net of income tax (provision) benefit of \$(271) and \$536 for the three months ended March 31, 2016 and 2015, 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, 2016	60,709	\$ 6	(278)	\$(1,433)	\$ 283,247	\$(27,664)	\$(1,983)	\$252,173
Share-based compensation	81	—	—	—	927	—	—	927
Exercise of options and purchases from employee stock plans	144	—	—	—	415	—	—	415
Net loss	—	—	—	—	—	(4,035)	—	(4,035)
Other comprehensive income—net of tax	—	—	—	—	—	—	409	409
BALANCE—March 31, 2016	60,934	\$ 6	(278)	\$(1,433)	\$ 284,589	\$(31,699)	\$(1,574)	\$249,889

	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, 2015	60,170	\$ 6	—	—	\$ 278,166	\$(21,475)	\$(734)	\$255,963
Share-based compensation	67	—	—	—	1,057	—	—	1,057
Vesting of restricted stock units, including impact of shares withheld for taxes	3	—	—	—	(13)	—	—	(13)
Exercise of options and purchases from employee stock plans	139	—	—	—	736	—	—	736
Excess income tax benefit from share-based compensation	—	—	—	—	8	—	—	8
Net loss	—	—	—	—	—	(8,390)	—	(8,390)
Other comprehensive loss—net of tax	—	—	—	—	—	—	(808)	(808)
BALANCE—March 31, 2015	60,379	\$ 6	—	\$ —	\$ 279,954	\$(29,865)	\$(1,542)	\$248,553

See notes to unaudited condensed consolidated financial statements.

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Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2016	2015
OPERATING ACTIVITIES:		
Net loss	\$ (4,035)	\$ (8,390)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	13,928	13,153
Equity in (earnings) loss of joint ventures	(419)	1,098
Deferred income taxes	(2,108)	(6,045)
Gain on sale of assets	(10)	(8)
Amortization of deferred financing fees	623	492
Unrealized net gain from mark-to-market valuations of derivatives	(1,332)	(1,051)
Unrealized foreign currency gain	(77)	(736)
Share-based compensation expense	927	1,057
Excess income tax benefit from share-based compensation	—	(8)
Changes in assets and liabilities:		
Accounts receivable	29,748	37,746
Contract revenues in excess of billings	6,748	(20,160)
Inventories	(2,603)	1,572
Prepaid expenses and other current assets	(3,418)	(1,114)
Accounts payable and accrued expenses	(33,322)	(24,463)
Billings in excess of contract revenues	(910)	(2,245)
Other noncurrent assets and liabilities	(780)	(1,475)
Cash provided by (used in) operating activities	2,960	(10,577)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(14,917)	(20,777)
Proceeds from dispositions of property and equipment	25	40
Cash used in investing activities	(14,892)	(20,737)

	Three Months Ended March 31,	
	2016	2015
FINANCING ACTIVITIES:		
Deferred financing fees	—	(29)
Repayments of long term note payable	(265)	—
Taxes paid on settlement of vested share awards	—	(13)
Repayments of term loan facility	(1,250)	(1,250)
Repayments of equipment debt	(367)	(214)
Proceeds from equipment debt	—	408
Exercise of options and purchases from employee stock plans	415	736
Excess income tax benefit from share-based compensation	—	8
Borrowings under revolving loans	38,000	53,000
Repayments of revolving loans	(23,000)	(33,000)
Net cash provided by financing activities	13,533	19,646
Effect of foreign currency exchange rates on cash and cash equivalents	109	(102)
Net increase (decrease) in cash and cash equivalents	1,710	(11,770)
Cash and cash equivalents at beginning of period		