

TUTOR PERINI CORP
Form 10-Q
August 07, 2017

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, 2017

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, or a smaller reporting 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

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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 3, 2017 was 49,781,010.

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PART I. – FINANCIAL INFORMATION

Item 1. – Financial Statements

TUTOR PERINI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

(in thousands, except per common share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
REVENUE	\$ 1,247,274	\$ 1,308,130	\$ 2,364,635	\$ 2,393,499
COST OF OPERATIONS	(1,144,436)	(1,198,360)	(2,159,078)	(2,178,637)
GROSS PROFIT	102,838	109,770	205,557	214,862
General and administrative expenses	(68,793)	(60,941)	(134,495)	(125,911)
INCOME FROM CONSTRUCTION OPERATIONS	34,045	48,829	71,062	88,951
Other income, net	40,990	2,485	41,406	3,166
Interest expense	(22,519)	(15,534)	(38,083)	(29,614)
INCOME BEFORE INCOME TAXES	52,516	35,780	74,385	62,503
Provision for income taxes	(19,883)	(14,419)	(27,988)	(25,743)
NET INCOME	32,633	21,361	46,397	36,760
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2,537)	—	(2,537)	—
NET INCOME ATTRIBUTABLE TO TUTOR PERINI CORPORATION	\$ 30,096	\$ 21,361	\$ 43,860	\$ 36,760
BASIC EARNINGS PER COMMON SHARE	\$ 0.61	\$ 0.43	\$ 0.89	\$ 0.75
DILUTED EARNINGS PER COMMON SHARE	\$ 0.59	\$ 0.43	\$ 0.86	\$ 0.74
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING:				

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BASIC	49,735	49,131	49,510	49,105
DILUTED	50,755	49,561	50,853	49,423

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

UNAUDITED

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
NET INCOME	\$ 32,633	\$ 21,361	\$ 46,397	\$ 36,760
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Defined benefit pension plan adjustments	269	324	537	571
Foreign currency translation adjustments	649	(258)	595	672
Unrealized loss in fair value of investments	(3)	(153)	(24)	(145)
Unrealized gain (loss) in fair value of interest rate swap	—	11	—	(24)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	915	(76)	1,108	1,074
COMPREHENSIVE INCOME	33,548	21,285	47,505	37,834
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2,537)	—	(2,537)	—
COMPREHENSIVE INCOME ATTRIBUTABLE TO TUTOR PERINI CORPORATION	\$ 31,011	\$ 21,285	\$ 44,968	\$ 37,834

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, 2017	As of December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (\$37,445 and \$0 related to variable interest entities ("VIEs"))	\$ 172,927	\$ 146,103
Restricted cash	52,051	50,504
Accounts receivable ("AR") including retainage of \$602,581 and \$569,391 (AR of \$56,912 and \$0 related to VIEs)	1,838,359	1,743,300
Costs and estimated earnings in excess of billings	850,634	831,826
Other current assets	77,736	66,023
Total current assets	2,991,707	2,837,756
PROPERTY AND EQUIPMENT, net of accumulated depreciation		
of \$339,045 and \$313,783	456,001	477,626
GOODWILL	585,006	585,006
INTANGIBLE ASSETS, NET	91,226	92,997
OTHER ASSETS	40,926	45,235
TOTAL ASSETS	\$ 4,164,866	\$ 4,038,620
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 30,333	\$ 85,890
Accounts payable ("AP") including retainage of \$274,045 and \$258,294 (AP of \$57,888 and \$0 related to VIEs)	899,284	994,016
Billings in excess of costs and estimated earnings (\$30,293 and \$0 related to VIEs)	339,808	331,112
Accrued expenses and other current liabilities	176,148	107,925
Total current liabilities	1,445,573	1,518,943

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LONG-TERM DEBT, less current maturities, net of unamortized discounts and debt issuance costs totaling \$57,434 and \$56,072	832,327	673,629
DEFERRED INCOME TAXES	131,292	131,007
OTHER LONG-TERM LIABILITIES	155,810	162,018
TOTAL LIABILITIES	2,565,002	2,485,597
CONTINGENCIES AND COMMITMENTS (NOTE 7)		
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 49,760,256 and 49,211,353 shares	49,760	49,211
Additional paid-in capital	1,075,637	1,075,600
Retained earnings	517,485	473,625
Accumulated other comprehensive loss	(44,305)	(45,413)
Total Stockholders' Equity	1,598,577	1,553,023
Noncontrolling interests	1,287	—
TOTAL EQUITY	1,599,864	1,553,023
TOTAL LIABILITIES AND EQUITY	\$ 4,164,866	\$ 4,038,620

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,	
	2017	2016
Cash Flows from Operating Activities:		
Net income	\$ 46,397	\$ 36,760
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	28,987	28,185
Amortization of intangible assets	1,771	1,771
Share-based compensation expense	10,420	6,959
Change in debt discounts and deferred debt issuance costs	11,950	3,348
Deferred income taxes	(1)	(371)
(Gain) loss on sale of property and equipment	(349)	204
Other long-term liabilities	(2,801)	(3,811)
Other non-cash items	1,785	1,200
Changes in other components of working capital	(132,779)	(69,669)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(34,620)	4,576
Cash Flows from Investing Activities:		
Acquisition of property and equipment excluding financed purchases	(8,183)	(8,681)
Proceeds from sale of property and equipment	1,336	1,092
Investments in securities restricted in use	(9,297)	—
Change in restricted cash	(1,547)	(3,599)
NET CASH USED IN INVESTING ACTIVITIES	(17,691)	(11,188)
Cash Flows from Financing Activities:		
Proceeds from issuance of convertible notes	—	200,000
Proceeds from debt	1,276,457	711,092
Repayment of debt	(1,171,954)	(871,654)
Issuance of common stock and effect of cashless exercise	(10,809)	—
Distributions paid to noncontrolling interests	(2,500)	—
Contributions from noncontrolling interests	1,250	—
Debt issuance costs	(13,309)	(14,656)

NET CASH PROVIDED BY FINANCING ACTIVITIES	79,135	24,782
Net increase in cash and cash equivalents	26,824	18,170
Cash and cash equivalents at beginning of period	146,103	75,452
Cash and cash equivalents at end of period	\$ 172,927	\$ 93,622

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 accounting principles generally accepted in the United States (“GAAP”). Therefore, they should be read in conjunction with the audited consolidated financial statements and the related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016. The results of operations for the three and six months ended June 30, 2017 may not be indicative of the results that will be achieved for the full year ending December 31, 2017.

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, 2017 and its consolidated results of operations and cash flows for the interim periods presented. All significant intercompany transactions of consolidated subsidiaries have been eliminated. Management has evaluated all material events occurring subsequent to the date of the financial statements up to the filing of this Form 10-Q.

(2) Recent Accounting Pronouncements

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, “ASU 2014-09”). ASU 2014-09 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 guidance will be effective for the Company as of January 1, 2018. The amendments may be applied retrospectively to each prior period presented or with the cumulative effect recognized as of the date of initial application (modified retrospective method). The Company expects to adopt this new standard using the modified retrospective method. The Company is currently reviewing contracts in order to determine the impact, if any, that the adoption of ASU 2014-09 will have on its consolidated financial statements. The Company is also identifying and implementing changes to the Company’s business processes, systems and internal controls to support the adoption of this new standard and the related disclosure

requirements. A number of industry-specific implementation issues are still unresolved, and the final resolution of certain of these issues could impact the Company's current accounting policies and/or revenue recognition patterns. The Company will continue its evaluation of ASU 2014-09 (including how it may impact future contracts, as well as any new or emerging interpretations of the standard) through the date of adoption.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting. This ASU clarifies the scope of modification accounting under Topic 718 with respect to changes to the terms or conditions of a share-based payments award. Under this new guidance, modification accounting would not apply if a change to an award does not affect the total current fair value, vesting conditions or the classification of the award. This guidance will be effective for the Company as of January 1, 2018, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

(3) Earnings Per Common Share (EPS)

Basic EPS and diluted EPS are calculated by dividing net income attributable to Tutor Perini Corporation by the following: for basic EPS, the weighted-average number of common shares outstanding during the period; and for diluted EPS, the sum of the weighted-average number of both outstanding common shares and potentially dilutive securities, which for the Company can include restricted stock units, unexercised stock options and the Convertible Notes, as defined in Note 6. The Company calculates the effect of these potentially dilutive securities using the treasury stock method.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(in thousands, except per common share amounts)	2017	2016	2017	2016
Net income attributable to Tutor Perini Corporation	\$ 30,096	\$ 21,361	\$ 43,860	\$ 36,760