

TUTOR PERINI Corp
Form 10-Q
May 02, 2013
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

- x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2013

OR

- o 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
(State or other jurisdiction of
incorporation or organization)

04-1717070
(I.R.S. Employer
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 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

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

The number of shares of common stock, \$1.00 par value per share, of the registrant outstanding at April 30, 2013 was 47,575,692.

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Table of Contents**Part I. Financial Information**Item 1. Financial Statements**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED BALANCE SHEETS
MARCH 31, 2013 AND DECEMBER 31, 2012**

(in thousands, except share data)

	March 31, 2013 (unaudited)	December 31, 2012
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 132,318	\$ 168,056
Restricted cash	45,231	38,717
Accounts receivable, including retainage	1,331,555	1,224,613
Costs and estimated earnings in excess of billings	479,361	465,002
Deferred income taxes	9,721	10,071
Other current assets	74,500	75,388
Total current assets	2,072,686	1,981,847
LONG-TERM INVESTMENTS	46,283	46,283
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$154,405 in 2013 and \$146,553 in 2012)	487,385	485,095
OTHER ASSETS:		
Goodwill	570,646	570,646
Intangible assets, net	123,551	126,821
Other	86,887	85,718
Total assets	\$ 3,387,438	\$ 3,296,410

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

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED BALANCE SHEETS (continued)****MARCH 31, 2013 AND DECEMBER 31, 2012****(in thousands, except share data)**

	March 31, 2013	December 31, 2012
	(unaudited)	
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 67,330	\$ 67,710
Accounts payable, including retainage	705,916	696,473
Billings in excess of costs and estimated earnings	295,265	301,761
Accrued expenses and other current liabilities	176,249	168,326
Total current liabilities	1,244,760	1,234,270
LONG-TERM DEBT, less current maturities	737,083	669,380
DEFERRED INCOME TAXES	109,988	109,900
OTHER LONG-TERM LIABILITIES	133,909	138,996
Total liabilities	2,225,740	2,152,546
CONTINGENCIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$1 par value:		
Authorized 1,000,000 shares		
Issued and outstanding none		
Common stock - \$1 par value: 75,000,000 shares authorized;		
Shares issued and outstanding: 47,575,692 shares and 47,556,056 shares	47,576	47,556
Additional paid-in capital	1,005,534	1,002,603
Retained earnings	152,079	137,279
Accumulated other comprehensive loss	(43,491)	(43,574)
Total stockholders' equity	1,161,698	1,143,864
Total liabilities and stockholders' equity	\$ 3,387,438	\$ 3,296,410

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

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TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

(in thousands, except per share data)

	THREE MONTHS ENDED MARCH 31,	
	2013	2012
Revenues	\$ 992,928	\$ 912,534
Cost of operations	892,571	826,375
Gross profit	100,357	86,159
General and administrative expenses	64,278	69,196
INCOME FROM CONSTRUCTION OPERATIONS	36,079	16,963
Other expense, net	(827)	(2,308)
Interest expense	(11,336)	(11,082)
Income before income taxes	23,916	3,573
Provision for income taxes	(9,116)	(4,776)
NET INCOME (LOSS)	\$ 14,800	\$ (1,203)
BASIC EARNINGS (LOSS) PER COMMON SHARE	\$ 0.31	\$ (0.03)
DILUTED EARNINGS (LOSS) PER COMMON SHARE	\$ 0.31	\$ (0.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
BASIC	47,559	47,330
Effect of dilutive stock options and restricted stock units	954	
DILUTED	48,513	47,330

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

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME****(UNAUDITED)****(in thousands)**

	THREE MONTHS ENDED	
	MARCH 31,	
	2013	2012
NET INCOME (LOSS)	\$ 14,800	\$ (1,203)
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation (net of tax of \$(149) and \$198)	(186)	323
Change in fair value of investments (net of tax of \$77 and \$154)	101	202
Change in fair value of interest rate swap (net of tax of \$112 and \$(420))	168	(685)
Realized loss on sale of investments recorded in net income (loss) (net of tax of \$0 and \$1,219)		2,005
Total other comprehensive income	83	1,845
TOTAL COMPREHENSIVE INCOME	\$ 14,883	\$ 642

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

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TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2013

(in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance - December 31, 2012	\$ 47,556	\$ 1,002,603	\$ 137,279	\$ (43,574)	\$ 1,143,864
Net income			14,800		14,800
Other comprehensive income				83	83
Total comprehensive income					14,883
Tax effect of stock-based compensation		32			32
Stock-based compensation expense		3,078			3,078
Issuance of common stock, net	20	(179)			(159)
Balance - March 31, 2013	\$ 47,576	\$ 1,005,534	\$ 152,079	\$ (43,491)	\$ 1,161,698

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

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS****(UNAUDITED)****(in thousands)**

	THREE MONTHS ENDED MARCH 31,	
	2013	2012
Cash Flows from Operating Activities:		
Net income (loss)	\$ 14,800	\$ (1,203)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	13,793	15,790
Stock-based compensation expense	3,078	3,419
Deferred income taxes	348	5,693
Adjustment of interest rate swap to fair value		264
Loss on sale of investments		2,699
Gain on sale of property and equipment	(76)	(79)
Other long-term liabilities	1,851	214
Other non-cash items	(197)	767
Changes in other components of working capital	(118,052)	(52,602)
NET CASH USED IN OPERATING ACTIVITIES	(84,455)	(25,038)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(12,179)	(10,649)
Proceeds from sale of property and equipment	239	3,968
Investments in available-for-sale securities		(535)
Proceeds from sale of available-for-sale securities		16,553
Change in restricted cash	(6,514)	(13)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(18,454)	9,324
Cash Flows from Financing Activities:		
Proceeds from debt	293,014	98,500
Repayment of debt	(225,684)	(95,107)
Business acquisition related payments		(1,188)
Issuance of common stock and effect of cashless exercise	(159)	(307)
Debt issuance costs		(10)
NET CASH PROVIDED BY FINANCING ACTIVITIES	67,171	1,888
Net Decrease in Cash and Cash Equivalents	(35,738)	(13,826)
Cash and Cash Equivalents at Beginning of Year	168,056	204,240
Cash and Cash Equivalents at End of Period	\$ 132,318	\$ 190,414
Supplemental Disclosure of Cash Paid (Received) For:		
Interest	\$ 5,107	\$ 3,320
Income taxes	\$ (2,902)	\$ 781
Supplemental Disclosure of Non-cash Transactions:		
Property and equipment acquired through financing arrangements	\$	\$ 2,050
Grant date fair value of common stock issued for services	\$ 439	\$ 1,421

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

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(1) Basis of Presentation

The unaudited consolidated condensed financial statements presented herein include the accounts of Tutor Perini Corporation and its wholly owned subsidiaries (Tutor Perini or the Company). The Company s interests in construction joint ventures are accounted for using the proportionate consolidation method whereby the Company s proportionate share of each joint venture s assets, liabilities, revenues and cost of operations are included in the appropriate classifications in the consolidated financial statements. All intercompany transactions and balances have been eliminated in consolidation.

The unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States (U.S. GAAP) as codified in the Financial Accounting Standards Board s (FASB) *Accounting Standards Codification*. These statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

In the opinion of management, the accompanying unaudited consolidated condensed financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company s financial position as of March 31, 2013 and December 31, 2012, results of operations and comprehensive income for the three months ended March 31, 2013 and 2012, and cash flows for the three months ended March 31, 2013 and 2012. The results of operations for the three months ended March 31, 2013 are not indicative of the results that may be expected for the year ending December 31, 2013 because, among other reasons, such results can vary depending on the timing of progress achieved and changes in estimated profitability of projects being reported.

Prior to the quarterly reporting period ended June 30, 2012, the Company had presented payments related to the deferred purchase price obligation of previous acquisitions within cash flows used by investing activities in the Consolidated Condensed Statement of Cash Flows. The Company corrected this presentation to appropriately reflect the cash paid to settle the liability recognized at fair value at the conclusion of the measurement period within cash flows used by financing activities, and the remaining cash paid (e.g., changes in fair value of the liability after the conclusion of the measurement period) was reclassified within cash flows used by operating activities. For the three months ended March 31, 2012, this correction resulted in an increase in cash flows provided by investing activities of \$1.2 million, and a corresponding decrease in cash flows provided by financing activities of \$1.2 million in the Consolidated Condensed Statement of Cash Flows. There was no impact on the Company s Consolidated Condensed Statements of Operations or Balance Sheets.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosures.

(2) Significant Accounting Policies

The significant accounting policies followed by the Company and its subsidiaries in preparing its consolidated financial statements are set forth in Note 1 to such financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Recently Issued Accounting Pronouncements

In July 2012, the FASB issued Accounting Standard Update (ASU) 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, a staff position that gives an entity the option to make a qualitative evaluation about the likelihood of indefinite-lived intangible asset impairment. An entity that adopts this option will be required to perform the quantitative test only if it concludes that the fair value of the indefinite-lived intangible asset is more likely than not less than its carrying value. The effective date is for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this update did not have a material effect on the Company's financial statements.

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

In January 2013, the FASB issued ASU 2013-01, which clarifies which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. ASU 2013-01 is effective for the fiscal years beginning on or after January 1, 2013, and interim periods within. Retrospective application is required for any period presented that begins before the entity's initial application of the new requirements. The adoption of this guidance did not have a material impact on the Company's financial statements.

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, an amendment to FASB ASC Topic 220, *Comprehensive Income*. The update requires disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This ASU is effective prospectively for the Company fiscal years, and interim periods within those years beginning after December 15, 2012. The adoption of this guidance did not have any impact on the Company's financial statements.

In February 2013, the FASB issued ASU 2013-04, which provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This ASU is an update to FASB ASC Topic 405, *Liabilities*. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is currently evaluating the impact of this guidance on its financial statements.

Use of and Changes in Estimates

The Company's construction business involves making significant estimates and assumptions in the normal course of business relating to its contracts and its joint venture contracts. Management focuses on evaluating the performance of contracts individually. These estimates can vary in the normal course of business as projects progress, when estimated productivity assumptions change based on experience to date and uncertainties are resolved. Change orders and claims, as well as changes in related estimates of costs to complete, are considered revisions in estimates. The Company uses the cumulative catch-up method applicable to construction contract accounting to account for revisions in estimates. The impact on operating margin in a reporting period and future periods from a change in estimate will depend on the stage of contract completion. There were no significant changes in contract estimates at completion that impacted gross profit for both the three months ended March 31, 2013 and 2012.

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(3) Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when acquired.

Cash and cash equivalents, as reported in the accompanying Consolidated Condensed Balance Sheets, consist of amounts held by the Company that are available for general corporate purposes and the Company's proportionate share of amounts held by construction joint ventures that are available only for joint venture-related uses, including future distributions to joint venture partners. Restricted cash is primarily held to secure insurance-related contingent obligations, such as insurance claim deductibles, in lieu of letters of credit.

Cash and cash equivalents and restricted cash consisted of the following:

	March 31, 2013		December 31, 2012
	(in thousands)		
Corporate cash and cash equivalents (available for general corporate purposes)	\$ 35,107		\$ 70,780
Company's share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	97,211		97,276
Total Cash and Cash Equivalents	\$ 132,318		\$ 168,056
Restricted Cash	\$ 45,231		\$ 38,717

(4) Costs and estimated earnings in excess of billings

Costs and estimated earnings in excess of billings related to the Company's contracts and joint venture contracts consisted of the following:

	March 31, 2013		December 31, 2012
	(in thousands)		
Unbilled costs and profits incurred to date*	\$ 170,088		\$ 157,119
Unapproved change orders	133,523		141,596
Claims	175,750		166,287
	\$ 479,361		\$ 465,002

* Represents the excess of contract costs and profits recognized to date on the percentage of completion accounting method over the amount of contract billings to date on certain contracts.

Of the balance of Unapproved change orders and Claims included above in costs and estimated earnings in excess of billings at March 31, 2013 and December 31, 2012, approximately \$62.5 million and \$62.0 million, respectively, are amounts subject to pending litigation or dispute resolution proceedings as described in Note 7 *Contingencies and Commitments*. These amounts are management's estimate of the probable cost recovery from the disputed claims considering such factors as evaluation of entitlement, settlements reached to date and experience with the customer. In the event that future facts and circumstances, including the resolution of disputed claims, cause a reduction in the aggregate amount of the estimated probable cost recovery from the disputed claims, the amount of such reduction will be recorded against earnings in the relevant future period.

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The prerequisite for billing Unbilled costs and profits incurred to date is provided in the defined billing terms of each of the applicable contracts. The prerequisite for billing Unapproved change orders or Claims is the final resolution and agreement between the parties.

(5) Fair Value Measurements

The Company measures certain financial instruments, including cash and cash equivalents, such as money market funds, at fair value. The fair values were determined based on a three-tier valuation hierarchy for disclosure of significant inputs. These hierarchical tiers are defined as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are other than quoted prices in active markets that are either directly or indirectly observable through market corroboration.

Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions based on the best information available in the circumstances.

The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these items. The carrying value of receivables, payables and other amounts arising out of normal contract activities, including retainage, which may be settled beyond one year, is estimated to approximate fair value. Of the Company's long-term debt, the fair values of the fixed rate senior unsecured notes as of March 31, 2013 and December 31, 2012 were \$315.0 million and \$309.8 million, respectively, compared to the carrying value of \$298.3 million at both March 31, 2013 and December 31, 2012. The fair value of the senior unsecured notes was estimated using Level 1 inputs based on market quotations including broker quotes or interest rates for the same or similar financial instruments at March 31, 2013 and December 31, 2012. The carrying values of the remaining balance of the Company's long-term debt of \$506.1 million and \$438.8 million at March 31, 2013 and December 31, 2012, respectively, were estimated to approximate their fair values.

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The following is a summary of financial statement items carried at estimated fair values measured on a recurring basis as of the dates presented:

At March 31, 2013

		Fair Value Measurements Using		
		Quoted prices	Significant other	Significant
	Total	in active	observable	