

MATRIX SERVICE CO
Form 10-Q
May 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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
 Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File No. 1-15461

MATRIX SERVICE COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State of incorporation) 73-1352174
(I.R.S. Employer Identification No.)
5100 East Skelly Drive, Suite 700, Tulsa, Oklahoma 74135
(Address of principal executive offices and zip code)
Registrant's telephone number, including area code: (918) 838-8822
Not Applicable
(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 Inter Active Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 definition of "accelerated filer", "large 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

As of May 1, 2013 there were 27,888,217 shares of the Company's common stock, \$0.01 par value per share, issued and 26,071,061 shares outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Matrix Service Company

Condensed Consolidated Statements of Income

(In thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Revenues	\$225,970	\$183,899	\$657,014	\$554,184
Cost of revenues	202,844	164,128	589,311	493,222
Gross profit	23,126	19,771	67,703	60,962
Selling, general and administrative expenses	14,695	12,356	42,576	35,737
Operating income	8,431	7,415	25,127	25,225
Other income (expense):				
Interest expense	(205) (174) (605) (617
Interest income	5	12	25	18
Other	43	(55) 93	(430
Income before income tax expense	8,274	7,198	24,640	24,196
Provision for federal, state and foreign income taxes	1,753	2,336	7,999	8,794
Net income	\$6,521	\$4,862	\$16,641	\$15,402
Basic earnings per common share	\$0.25	\$0.19	\$0.64	\$0.59
Diluted earnings per common share	\$0.25	\$0.19	\$0.63	\$0.58
Weighted average common shares outstanding:				
Basic	26,039	25,723	25,921	25,982
Diluted	26,411	26,079	26,269	26,333

See accompanying notes.

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Matrix Service Company
 Condensed Consolidated Statements of Comprehensive Income
 (In thousands)
 (unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Net income	\$6,521	\$4,862	\$16,641	\$15,402
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(377) 372	(62) (349
Comprehensive income	\$6,144	\$5,234	\$16,579	\$15,053
See accompanying notes.				

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Matrix Service Company
Condensed Consolidated Balance Sheets
(In thousands)
(unaudited)

	March 31, 2013	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$50,675	\$39,726
Accounts receivable, less allowances (March 31, 2013—\$743 and June 30, 2012—\$1,201)	31,734	108,034
Costs and estimated earnings in excess of billings on uncompleted contracts	70,559	68,562
Deferred income taxes	5,421	6,024
Inventories	2,905	2,482
Other current assets	3,869	5,688
Total current assets	265,163	230,516
Property, plant and equipment at cost:		
Land and buildings	29,338	28,846
Construction equipment	66,354	59,176
Transportation equipment	32,552	25,865
Office equipment and software	17,788	16,892
Construction in progress	8,991	2,910
	155,023	133,689
Accumulated depreciation	(87,070)	(78,814)
	67,953	54,875
Goodwill	30,910	28,675
Other intangible assets	7,970	6,504
Other assets	7,179	2,565
Total assets	\$379,175	\$323,135

See accompanying notes.

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Matrix Service Company
 Condensed Consolidated Balance Sheets
 (In thousands, except share data)
 (unaudited)

	March 31, 2013	June 30, 2012
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$59,497	\$48,931
Billings on uncompleted contracts in excess of costs and estimated earnings	49,793	30,293
Accrued wages and benefits	22,182	15,298
Accrued insurance	7,015	6,912
Income taxes payable	581	1,115
Other accrued expenses	4,448	3,414
Total current liabilities	143,516	105,963
Deferred income taxes	5,650	6,075
Total liabilities	149,166	112,038
Commitments and contingencies		
Stockholders' equity:		
Common stock—\$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of March 31, 2013, and June 30, 2012	279	279
Additional paid-in capital	117,676	116,693
Retained earnings	134,060	117,419
Accumulated other comprehensive income	709	771
	252,724	235,162
Less: Treasury stock, at cost—1,822,029 shares as of March 31, 2013, and 2,141,990 shares as of June 30, 2012	(22,715) (24,065
Total stockholders' equity	230,009	211,097
Total liabilities and stockholders' equity	\$379,175	\$323,135

See accompanying notes.

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Matrix Service Company
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended		
	March 31, 2013	March 31, 2012	
Operating activities:			
Net income	\$ 16,641	\$ 15,402	
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization	9,211	8,668	
Deferred income tax	208	119	
Gain on sale of property, plant and equipment	(9) (59)
Allowance for uncollectible accounts	662	(33)
Stock-based compensation expense	2,830	2,655	
Other	97	26	
Changes in operating assets and liabilities increasing (decreasing) cash:			
Accounts receivable	(23,222) (10,314)
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,997) (14,996)
Inventories	(1,311) (298)
Other assets	(2,942) 481	
Accounts payable	9,037	6,500	
Billings on uncompleted contracts in excess of costs and estimated earnings	19,500	(7,223)
Accrued expenses	7,492	(453)
Net cash provided by operating activities	36,197	475	
Investing activities:			
Acquisition of property, plant and equipment	(16,640) (9,616)
Acquisition	(8,250) —	
Acquisition related adjustment	—	241	
Proceeds from asset sales	171	193	
Net cash used by investing activities	\$(24,719) \$(9,182)

See accompanying notes.

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Matrix Service Company
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended	
	March 31, 2013	March 31, 2012
Financing activities:		
Issuances of common stock	\$558	\$114
Capital lease payments	(39)	(228)
Excess tax benefit of exercised stock options and vesting of deferred shares	42	—
Payment of debt amendment fees	—	(643)
Advances under credit agreement	25,565	4,764
Repayments of advances under credit agreement	(25,565)	(3,007)
Treasury shares purchased by Employee Stock Purchase Plan	35	38
Open market purchase of treasury shares	—	(8,126)
Other treasury share purchases	(1,082)	(487)
Net cash used by financing activities	(486)	(7,575)
Effect of exchange rate changes on cash	(43)	57
Net increase (decrease) in cash and cash equivalents	10,949	(16,225)
Cash and cash equivalents, beginning of period	39,726	59,357
Cash and cash equivalents, end of period	\$50,675	\$43,132
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$7,404	\$9,386
Interest	\$457	\$357
Non-cash investing and financing activities:		
Purchases of property, plant and equipment on account	\$748	\$648