

Willbros Group, Inc.\NEW\  
Form 10-Q  
November 09, 2012  
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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 September 30, 2012

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 1-34259

**Willbros Group, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
**(Jurisdiction of**  
**incorporation)**

**30-0513080**  
**(I.R.S. Employer**

**Identification Number)**

**4400 Post Oak Parkway**

**Suite 1000**

**Houston, TX 77027**

**Telephone No.: 713-403-8000**

**(Address, including zip code, and telephone number, including  
area code, of principal executive offices of registrant)**

**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 Interactive 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 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 the registrant's Common Stock, \$.05 par value, outstanding as of November 2, 2012 was 49,097,011.

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**WILLBROS GROUP, INC.**

**FORM 10-Q**

**FOR QUARTER ENDED SEPTEMBER 30, 2012**

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**Table of Contents****WILLBROS GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)****(Unaudited)****PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

	<b>September 30, 2012</b>	<b>December 31, 2011</b>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 15,908	\$ 58,686
Accounts receivable, net	437,045	301,515
Contract cost and recognized income not yet billed	105,288	37,090
Prepaid expenses and other assets	46,895	43,129
Parts and supplies inventories	11,395	11,893
Deferred income taxes	3,162	1,845
Assets held for sale		32,758
Total current assets	619,693	486,916
Property, plant and equipment, net	150,631	166,475
Goodwill	8,067	8,067
Other intangible assets, net	168,397	179,916
Other assets	28,399	20,397
Total assets	\$ 975,187	\$ 861,771
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 368,970	\$ 221,557
Contract billings in excess of cost and recognized income	31,764	18,000
Current portion of capital lease obligations	1,819	2,818
Notes payable and current portion of long-term debt	45,265	31,623
Current portion of settlement obligation of discontinued operations	4,500	14,000
Accrued income taxes	8,040	4,983
Liabilities held for sale		13,990
Other current liabilities	5,082	7,475
Total current liabilities	465,440	314,446
Long-term debt	207,569	230,707
Capital lease obligations	2,552	3,646
Long-term portion of settlement obligation of discontinued operations	39,000	41,500
Long-term liabilities for unrecognized tax benefits	4,518	4,030
Deferred income taxes	2,561	2,994
Other long-term liabilities	34,641	32,870
Total liabilities	756,281	630,193
Contingencies and commitments (Note 12)		
Stockholders' equity:		

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Preferred stock, par value \$.01 per share, 1,000,000 shares authorized, none issued		
Common stock, par value \$.05 per share, 70,000,000 shares authorized and 50,055,153 shares issued at September 30, 2012 (49,423,152 at December 31, 2011)	2,502	2,471
Capital in excess of par value	685,831	680,289
Accumulated deficit	(472,722)	(455,840)
Treasury stock at cost, 964,094 shares at September 30, 2012 (829,526 at December 31, 2011)	(11,370)	(10,839)
Accumulated other comprehensive income	13,709	14,570
Total Willbros Group, Inc. stockholders' equity	217,950	230,651
Noncontrolling interest	956	927
Total stockholders' equity	218,906	231,578
Total liabilities and stockholders' equity	\$ 975,187	\$ 861,771

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****WILLBROS GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Contract revenue	\$ 588,921	\$ 444,036	\$ 1,507,205	\$ 1,210,499
Operating expenses:				
Contract	538,394	395,786	1,380,633	1,096,192
Amortization of intangibles	3,913	3,918	11,645	11,752
General and administrative	39,099	31,152	112,034	99,423
Settlement of project dispute				8,236
Goodwill impairment		143,543		143,543
Changes in fair value of contingent earnout		(4,000)		(10,000)
Other charges	33		169	87
	581,439	570,399	1,504,481	1,349,233
Operating income (loss)	7,482	(126,363)	2,724	(138,734)
Other income (expense):				
Interest expense, net	(6,482)	(11,029)	(21,500)	(36,275)
Loss on early extinguishment of debt			(3,405)	(4,124)
Other, net	(42)	(264)	(283)	(284)
	(6,524)	(11,293)	(25,188)	(40,683)
Income (loss) from continuing operations before income taxes	958	(137,656)	(22,464)	(179,417)
Provision (benefit) for income taxes	1,012	(16,369)	3,937	(28,527)
Loss from continuing operations	(54)	(121,287)	(26,401)	(150,890)
Income (loss) from discontinued operations net of provision (benefit) for income taxes	789	(10,716)	10,464	(27,882)
Net income (loss)	735	(132,003)	(15,937)	(178,772)
Less: Income attributable to noncontrolling interest	(273)	(296)	(945)	(878)
Net income (loss) attributable to Willbros Group, Inc.	\$ 462	\$ (132,299)	\$ (16,882)	\$ (179,650)
Reconciliation of net income (loss) attributable to Willbros Group, Inc.				
Loss from continuing operations	\$ (327)	\$ (121,583)	\$ (27,346)	\$ (151,768)
Income (loss) from discontinued operations	789	(10,716)	10,464	(27,882)
Net income (loss) attributable to Willbros Group, Inc.	\$ 462	\$ (132,299)	\$ (16,882)	\$ (179,650)
Basic income (loss) per share attributable to Company shareholders:				
Loss from continuing operations	\$ (0.01)	\$ (2.56)	\$ (0.57)	\$ (3.20)

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Income (loss) from discontinued operations	0.02	(0.23)	0.22	(0.59)
Net income (loss)	\$ 0.01	\$ (2.79)	\$ (0.35)	\$ (3.79)
Diluted income (loss) per share attributable to Company shareholders:				
Loss from continuing operations	\$ (0.01)	\$ (2.56)	\$ (0.57)	\$ (3.20)
Income (loss) from discontinued operations	0.02	(0.23)	0.22	(0.59)
Net income (loss)	\$ 0.01	\$ (2.79)	\$ (0.35)	\$ (3.79)
Weighted average number of common shares outstanding:				
Basic	48,119,758	47,533,967	47,965,380	47,429,059
Diluted	48,119,758	47,533,967	47,965,380	47,429,059

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****WILLBROS GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(In thousands, except share and per share amounts)****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income (loss)	\$ 735	\$ (132,003)	\$ (15,937)	\$ (178,772)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	423	(5,726)	(1,093)	(2,617)
Changes in derivative financial instruments	198	(731)	232	(1,850)
Total other comprehensive income (loss), net of tax	621	(6,457)	(861)	(4,467)
Total comprehensive income (loss)	1,356	(138,460)	(16,798)	(183,239)
Less: Comprehensive income attributable to noncontrolling interest	(273)	(296)	(945)	(878)
Total comprehensive income (loss) attributable to Willbros Group, Inc.	\$ 1,083	\$ (138,756)	\$ (17,743)	\$ (184,117)

See accompanying notes to condensed consolidated financial statements.



**Table of Contents****WILLBROS GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands, except share and per share amounts)****(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Net loss	\$ (15,937)	\$ (178,772)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
(Income) loss from discontinued operations	(10,464)	27,882
Depreciation and amortization	37,838	46,565
Loss on early extinguishment of debt	3,405	4,124
Goodwill impairment		143,543
Changes in fair value of contingent earnout liability		(10,000)
Stock-based compensation	5,773	7,103
Amortization of debt issuance cost	3,218	6,169
Non-cash interest expense	1,649	5,899
Deferred income tax benefit	(1,710)	(37,200)
Settlement of project dispute		8,236
Provision for bad debts	712	766
Other non-cash	(3,627)	(4,882)
Changes in operating assets and liabilities:		
Accounts receivable, net	(134,829)	(44,228)
Payments on government fines		(6,575)
Contract cost and recognized income not yet billed	(67,998)	(11,814)
Prepaid expenses and other assets	12,367	18,702
Accounts payable and accrued liabilities	147,543	60,930
Accrued income taxes	3,027	1,099
Contract billings in excess of cost and recognized income	13,703	6,168
Other assets and liabilities	(9,480)	(3,915)
Cash provided by (used in) operating activities of continuing operations	(14,810)	39,800
Cash used in operating activities of discontinued operations	(13,910)	(31,535)
Cash provided by (used in) operating activities	(28,720)	8,265
Cash flows from investing activities:		
Proceeds from working capital settlement		9,402
Proceeds from sales of property, plant and equipment	11,585	32,407
Purchase of property, plant and equipment	(11,015)	(9,241)
Cash provided by investing activities of continuing operations	570	32,568
Cash provided by investing activities of discontinued operations	15,103	8,316
Cash provided by investing activities	15,673	40,884
Cash flows from financing activities:		
Proceeds from revolver and notes payable	57,000	59,357
Payments on capital leases	(2,093)	(8,204)
Payment of revolver and notes payable	(39,140)	(65,725)
Payments on term loan	(46,700)	(94,679)

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Payments to reacquire common stock	(531)	(754)
Costs of debt issues		(4,935)
Dividend distribution to noncontrolling interest	(916)	(848)
Cash used in financing activities of continuing operations	(32,380)	(115,788)
Cash used in financing activities of discontinued operations		(5)
Cash used in financing activities	(32,380)	(115,793)
Effect of exchange rate changes on cash and cash equivalents	(2,110)	(253)
Net decrease in cash and cash equivalents	(47,537)	(66,897)
Cash and cash equivalents of continuing operations at beginning of period	58,686	134,305
Cash and cash equivalents of discontinued operations at beginning of period	4,759	6,796
Cash and cash equivalents at beginning of period	63,445	141,101
Cash and cash equivalents at end of period	15,908	74,204
Less: cash and cash equivalents of discontinued operations at end of period		(5,604)
Cash and cash equivalents of continuing operations at end of period	\$ 15,908	\$ 68,600
Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	\$ 15,453	\$ 23,955
Income tax refunds, net of payments of \$3,719 and \$4,249 (including discontinued operations)	\$ 13,443	\$ 1,922
Supplemental non-cash investing and financing transactions:		
Prepaid insurance obtained by note payable	\$ 15,953	\$ 6,829

See accompanying notes to condensed consolidated financial statements.

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**WILLBROS GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

**(Unaudited)**

**1. The Company and Basis of Presentation**

Willbros Group, Inc., a Delaware corporation, and its subsidiaries (the Company, Willbros or WGI), is a global contractor specializing in energy infrastructure, serving the oil and gas, refinery, petrochemical and power industries. The Company's offerings include engineering, procurement and construction (either individually or as an integrated EPC service offering); ongoing maintenance; and other specialty services. The Company's principal markets for continuing operations are the United States, Canada, and Oman. The Company obtains its work through competitive bidding and through negotiations with prospective clients. Contract values range from several thousand dollars to several hundred million dollars and contract durations range from a few weeks to more than two years.

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2011, which has been derived from audited consolidated financial statements, and the Condensed Consolidated Financial Statements as of September 30, 2012 and 2011, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's December 31, 2011 audited Consolidated Financial Statements and notes thereto contained in the Company's Current Report on Form 8-K dated June 29, 2012, filed June 29, 2012.

In the opinion of management, the Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of September 30, 2012, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the nine months ended September 30, 2012 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

The Condensed Consolidated Financial Statements include certain estimates and assumptions made by management. These estimates and assumptions relate to the reported amounts of assets and liabilities at the dates of the Condensed Consolidated Financial Statements and the reported amounts of revenue and expense during those periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, goodwill and parts and supplies inventories; quantification of amounts recorded for contingencies, tax accruals and certain other accrued liabilities; valuation allowances for accounts receivable and deferred income tax assets; and revenue recognition under the percentage-of-completion method of accounting, including estimates of progress toward completion and estimates of gross profit or loss accrual on contracts in progress. The Company bases its estimates on historical experience and other assumptions that it believes to be relevant under the circumstances. Actual results could differ from those estimates.

As discussed in Note 14 – Discontinuance of Operations, Held for Sale Operations and Asset Disposals, the Company has disposed of certain assets and operations classified as discontinued operations (collectively the Discontinued Operations). Accordingly, these Condensed Consolidated Financial Statements reflect these operations as Discontinued Operations in all periods presented. The disclosures in the Notes to the Condensed Consolidated Financial Statements relate to continuing operations except as otherwise indicated.

*Reclassifications* – Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications relate to the sale of the assets and operations of InterCon Construction Inc. (InterCon) in the fourth quarter of 2011, which were reclassified to Discontinued Operations.

*Out-of-Period Adjustments* – The Company recorded out-of-period adjustments during the nine months ended September 30, 2012 to correct errors to eliminate Cumulative Translation Adjustment balances that stemmed from the dissolution and liquidation of foreign currency based subsidiaries in jurisdictions where the Company no longer conducts business. The net impact of these adjustments for the nine months ended September 30, 2012, was an increase to the Company's income from discontinued operations and a decrease to net loss in the amount of \$2,805. The adjustments did not have any impact on the Company's pre-tax loss or loss from continuing operations for the nine months ended September 30, 2012. The Company does not believe these adjustments are material, individually or in the aggregate, to its Condensed

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Consolidated Financial Statements for the nine months ended September 30, 2012 after considering its expected 2012 annual financial results, nor does it believe such items are material to any of its previously issued annual or quarterly financial statements.

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**WILLBROS GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share amounts)**

**(Unaudited)**

**2. New Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board ( FASB ) issued amendments to fair value measurement to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards ( IFRS ). The amendments result from a joint project with the International Accounting Standards Board, which also issued new guidance on fair value measurements. The amendments provide a framework for how companies should measure fair value when used in financial reporting, and sets out required disclosures. The amendments are intended to clarify how fair value should be measured, predominantly converge the U.S. and IFRS guidance, and expand the disclosures that are required. The standard is effective for public entities for interim and annual periods beginning after December 15, 2011, and should be applied prospectively. The implementation of this accounting guidance did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued new accounting guidance related to the presentation of comprehensive income in consolidated financial statements. The new accounting guidance requires the presentation of the components of net income and other comprehensive income either in a single continuous financial statement, or in two separate but consecutive financial statements. The accounting standard eliminates the option to present other comprehensive income and its components as part of the statement of stockholders' equity. This standard is effective for fiscal years beginning after December 15, 2011, including interim periods, and early adoption is permitted. The Company complied with this new accounting guidance during the quarter ended March 31, 2012.

In September 2011, the FASB issued a new accounting standard related to testing goodwill for impairment. The standard gives entities the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step goodwill impairment test. If an entity believes that, as a result of its qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. An entity can choose to perform the qualitative assessment on none, some or all of its reporting units. An entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test. The standard also includes new qualitative indicators that replace those previously used to determine whether an interim goodwill impairment test is required to be performed. This standard is effective for fiscal years beginning after December 15, 2011, including interim periods, and early adoption is permitted. The implementation of this accounting standard did not have a material impact on the Company's consolidated financial statements.

**3. Contracts in Progress**

Contract cost and recognized income not yet billed on uncompleted contracts arise when recorded revenues for a contract exceed the amounts billed under the terms of the contracts. Contract billings in excess of cost and recognized income arise when billed amounts exceed revenues recorded. Amounts are billable to customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of the contract. Also included in contract cost and recognized income not yet billed on uncompleted contracts are amounts the Company seeks to collect from customers for change orders approved in scope but not for price associated with that scope change (unapproved change orders). Revenue for these amounts is recorded equal to the lesser of the expected revenue or cost incurred when realization of price approval is probable. Estimating revenues from unapproved change orders involves the use of estimates, and it is reasonably possible that revisions to the estimated recoverable amounts of recorded unapproved change orders may be made in the near-term. If the Company does not successfully resolve these matters, a reduction in revenues may be required to amounts that have been previously recorded.

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(In thousands, except share and per share amounts)

(Unaudited)

**3. Contracts in Progress (continued)**

Contract cost and recognized income not yet billed and related amounts billed as of September 30, 2012 and December 31, 2011 was as follows:

	September 30, 2012	December 31, 2011
Cost incurred on contracts in progress	\$ 786,840	\$ 690,196
Recognized income	116,283	94,345
	903,123	784,541
Progress billings and advance payments	(829,599)	(765,451)
	\$ 73,524	\$ 19,090
Contract cost and recognized income not yet billed	\$ 105,288	\$ 37,090
Contract billings in excess of cost and recognized income	(31,764)	(18,000)
	\$ 73,524	\$ 19,090

Contract cost and recognized income not yet billed includes \$3,920 and \$1,367 at September 30, 2012 and December 31, 2011, respectively, on completed contracts.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the majority of the retention balances at each balance sheet date will be collected within the next twelve months. Retainage balances at September 30, 2012 and December 31, 2011, were approximately \$32,647 and \$22,328, respectively, and are included in accounts receivable.

**4. Goodwill and Other Intangible Assets**

The changes in the carrying amount of goodwill for the nine months ended September 30, 2012, by business segment, are detailed below:

<i>Utility T&amp;D</i>	Goodwill	Impairment Reserves	Total, Net
Balance as of July 1, 2010	\$ 168,919	\$	\$ 168,919
Purchase price adjustments	446		446
Balance as of December 31, 2010	\$ 169,365	\$	\$ 169,365
Purchase price adjustments	(9,402)		(9,402)

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Reorganization of reporting structure	(8,353)		(8,353)
Impairment losses		(143,543)	(143,543)
Balance as of December 31, 2011	\$ 151,610	\$ (143,543)	\$ 8,067
Impairment losses			
Balance as of September 30, 2012	\$ 151,610		