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Great Lakes Dredge & Dock CORP  
Form 10-Q  
May 03, 2019

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, 2019

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	20-5336063
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

2122 York Road, Oak Brook, IL	60523
(Address of principal executive offices)	(Zip Code)

(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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth 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.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (Par Value \$0.0001)	GLDD	Nasdaq Stock Market, LLC

As of April 26, 2019, 63,367,995 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, 2019

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## PART I — Financial Information

## Item 1. Financial Statements.

## GREAT LAKES DREDGE &amp; DOCK CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except per share amounts)

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$122,986	\$34,458
Accounts receivable—net	34,494	64,779
Contract revenues in excess of billings	16,415	17,953
Inventories	26,629	28,112
Prepaid expenses and other current assets	34,392	36,617
Assets held for sale	15,751	24,779
Total current assets	250,667	206,698
PROPERTY AND EQUIPMENT—Net	368,600	369,863
OPERATING LEASE ASSETS	76,594	—
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	76,576	76,576
INVENTORIES—Noncurrent	62,466	61,264
OTHER	16,948	15,870
TOTAL	\$851,851	\$730,271
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$73,051	\$71,537
Accrued expenses	42,633	48,351
Operating lease liabilities	20,599	—
Billings in excess of contract revenues	53,855	17,793
Revolving credit facility	—	11,500
Liabilities held for sale	7,948	13,940
Total current liabilities	198,086	163,121
LONG-TERM DEBT	322,173	321,950
OPERATING LEASE LIABILITIES—Noncurrent	55,991	—
DEFERRED INCOME TAXES	30,626	22,846
OTHER	5,698	7,426
Total liabilities	612,574	515,343
<b>COMMITMENTS AND CONTINGENCIES (Note 10)</b>		
<b>EQUITY:</b>		

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Common stock—\$.0001 par value; 90,000 authorized, 63,600 and 62,830 shares issued; 63,323 and 62,552 shares outstanding at March 31, 2019 and December 31, 2018, respectively.	6	6
Treasury stock, at cost	(1,433 )	(1,433 )
Additional paid-in capital	296,774	295,135
Accumulated deficit	(55,001 )	(74,971 )
Accumulated other comprehensive loss	(1,069 )	(3,809 )
Total equity	239,277	214,928
TOTAL	\$851,851	\$730,271

See notes to unaudited condensed consolidated financial statements.

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## Great Lakes Dredge &amp; Dock Corporation and Subsidiaries

## Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
Contract revenues	\$192,637	\$133,623
Costs of contract revenues	142,760	119,493
Gross profit	49,877	14,130
General and administrative expenses	14,825	13,093
(Gain) loss on sale of assets—net	279	(199 )
Operating income	34,773	1,236
Interest expense—net	(7,551 )	(8,653 )
Other income (expense)	172	(2,065 )
Income (loss) from continuing operations before income taxes	27,394	(9,482 )
Income tax (provision) benefit	(6,846 )	2,475
Income (loss) from continuing operations	20,548	(7,007 )
Loss from discontinued operations, net of income taxes	(3,380 )	(2,314 )
Net income (loss)	\$17,168	\$(9,321 )
Basic earnings (loss) per share attributable to continuing operations	\$0.33	\$(0.11 )
Basic loss per share attributable to discontinued operations, net of tax	(0.05 )	(0.04 )
Basic earnings (loss) per share	\$0.28	\$(0.15 )
Basic weighted average shares	62,882	61,815
Diluted earnings (loss) per share attributable to continuing operations	\$0.32	\$(0.11 )
Diluted loss per share attributable to discontinued operations, net of tax	(0.05 )	(0.04 )
Diluted earnings (loss) per share	\$0.27	\$(0.15 )
Diluted weighted average shares	64,569	61,815

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2019	2018
Net income (loss)	\$ 17,168	\$ (9,321 )
Currency translation adjustment—net of tax (1)	—	1,361
Net change in cash flow derivative hedges—net of tax (2)	2,740	(734 )
Other comprehensive income—net of tax	2,740	627
Comprehensive income (loss)	\$ 19,908	\$ (8,694 )

(1) Net of income tax provision of \$(535) for the three months ended March 31, 2018.

(2) Net of income tax benefit of \$971 and income tax provision of (\$260) for the three months ended March 31, 2019 and 2018, respectively.

See notes to unaudited condensed consolidated financial statements.



## Great Lakes Dredge &amp; 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 Income	Total
BALANCE—January 1, 2019	62,830	\$ 6	(278 )	\$(1,433 )	\$295,135	\$(74,971 )	\$(3,809 )	\$214,928
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	2,802	—	2,802
Share-based compensation	31	—	—	—	2,201	—	—	2,201
Vesting of restricted stock units, including impact of shares withheld for taxes	453	—	—	—	(2,188 )	—	—	(2,188 )
Exercise of options and purchases from employee stock plans	286	—	—	—	1,626	—	—	1,626
Net income	—	—	—	—	—	17,168	—	17,168
Other comprehensive income—net of tax	—	—	—	—	—	—	2,740	2,740
BALANCE—March 31, 2019	63,600	\$ 6	(278 )	\$(1,433 )	\$296,774	\$(55,001 )	\$(1,069 )	\$239,277

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total
BALANCE—January 1, 2018	61,897	\$ 6	(278 )	\$(1,433 )	\$289,821	\$(67,101 )	\$ 3	\$221,296
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	(1,577 )	—	\$(1,577 )
Share-based compensation	40	—	—	—	1,009	—	—	1,009
Vesting of restricted stock units, including impact of	430	—	—	—	(936 )	—	—	(936 )

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shares withheld for taxes								
Exercise of options and purchases from employee stock plans	118	—	—	—	404	—	—	404
Net loss	—	—	—	—	—	(9,321 )	—	(9,321 )
Other comprehensive income—net of tax	—	—	—	—	—	—	627	627
BALANCE—March 31, 2018	62,485	\$ 6	(278 )	\$(1,433 )	\$290,298	\$(77,999 )	\$ 630	\$211,502

See notes to unaudited condensed consolidated financial statements.

## Great Lakes Dredge &amp; Dock Corporation and Subsidiaries

## Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2019	2018
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 17,168	\$(9,321 )
Loss from discontinued operations, net of income taxes	(3,380 )	(2,314 )
Income (loss) from continuing operations	\$ 20,548	\$(7,007 )
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation and amortization	8,905	14,562
Deferred income taxes	7,074	(3,740 )
(Gain) loss on sale of assets	279	(199 )
Other non-cash restructuring items	—	2,015
Amortization of deferred financing fees	868	901
Unrealized foreign currency gain	—	(144 )
Share-based compensation expense	2,000	851
Changes in assets and liabilities:		
Accounts receivable	30,285	(29,325 )
Contract revenues in excess of billings	1,538	26,077
Inventories	280	665
Prepaid expenses and other current assets	(1,678 )	12,704
Accounts payable and accrued expenses	(935 )	(5,094 )