

Willdan Group, Inc.
Form 10-Q
November 03, 2017
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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 September 29, 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 001-33076

WILLDAN GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

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(State or Other Jurisdiction of
Incorporation or Organization)

(IRS Employer Identification No.)

2401 East Katella Avenue, Suite 300
Anaheim, California

92806

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (800) 424-9144

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 (§ 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, a smaller reporting company, or an emerging growth company. See 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

(Do not check if a 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.

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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 November 2, 2017, there were 8,763,682 shares of common stock, \$0.01 par value per share, of Willdan Group, Inc. issued and outstanding.

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WILLDAN GROUP, INC.

FORM 10-Q QUARTERLY REPORT

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

In addition to current and historical information, this report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future operations, prospects, potential products, services, developments and business strategies. These statements can, in some cases, be identified by the use of words like “may,” “will,” “should,” “could,” “would,” “intend,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “potential,” or “continue” or the negative of such terms or other comparable terminology. This report includes, among others, forward-looking statements regarding our:

- Ability to achieve energy savings goals on our contracts;
- Expectations about future customers;
- Expectations regarding the industries and geographies that we primarily serve, including the impact of economic conditions in those industries and geographies;
- Ability to successfully integrate our recent acquisitions, including our recent acquisition of Integral Analytics, Inc.;
- Expectations about our service offerings;
- Expectations about our ability to cross-sell additional services to existing clients;
- Expectations about our intended geographical expansion;
- Expectations about our ability to attract and retain executive officers and key employees;
- Expectations about the impact of legislation on our business and that of our customers;
- Evaluation of the materiality of our current legal proceedings; and
- Expectations about positive cash flow generation and existing cash and cash equivalents being sufficient to meet normal operating requirements.

These statements involve certain known and unknown risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those listed in this report. The forward-looking statements in this report, as well as subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf, are hereby expressly qualified in their entirety by the cautionary statements in this report, including the risk factors in our Annual Report on Form 10-K for the year ended December 30, 2016 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WILLDAN GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 29, 2017	December 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,603,000	\$ 22,668,000
Accounts receivable, net of allowance for doubtful accounts of \$516,000 and \$785,000 at September 29, 2017 and December 30, 2016, respectively	36,084,000	30,285,000
Costs and estimated earnings in excess of billings on uncompleted contracts	27,188,000	18,988,000
Other receivables	1,778,000	699,000
Prepaid expenses and other current assets	2,831,000	2,601,000
Total current assets	73,484,000	75,241,000
Equipment and leasehold improvements, net	5,360,000	4,511,000
Goodwill	40,056,000	21,947,000
Other intangible assets, net	11,145,000	5,941,000
Other assets	807,000	707,000
Total assets	\$ 130,852,000	\$ 108,347,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 23,048,000	\$ 17,395,000
Accrued liabilities	17,755,000	19,049,000
Contingent consideration payable	777,000	1,925,000
Billings in excess of costs and estimated earnings on uncompleted contracts	7,102,000	8,377,000
Notes payable	1,276,000	3,972,000
Capital lease obligations	307,000	334,000
Total current liabilities	50,265,000	51,052,000
Contingent consideration payable	8,205,000	2,537,000
Notes payable	1,500,000	2,074,000
Capital lease obligations, less current portion	177,000	210,000
Deferred lease obligations	650,000	714,000
Deferred income taxes, net	3,626,000	1,842,000
Total liabilities	64,423,000	58,429,000

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 40,000,000 shares authorized; 8,764,000 and 8,348,000 shares issued and outstanding at September 29, 2017 and December 30, 2016, respectively	88,000	83,000
Additional paid-in capital	50,043,000	42,376,000
Retained earnings	16,298,000	7,459,000
Total stockholders' equity	66,429,000	49,918,000
Total liabilities and stockholders' equity	\$ 130,852,000	\$ 108,347,000

See accompanying notes to the unaudited condensed consolidated financial statements.

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WILLDAN GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Contract revenue	\$ 69,007,000	\$ 58,660,000	\$ 209,191,000	\$ 151,516,000
Direct costs of contract revenue (inclusive of directly related depreciation and amortization):				
Salaries and wages	11,425,000	10,421,000	33,594,000	28,753,000
Subcontractor services and other direct costs	37,310,000	32,134,000	118,881,000	75,161,000
Total direct costs of contract revenue	48,735,000	42,555,000	152,475,000	103,914,000
General and administrative expenses:				
Salaries and wages, payroll taxes and employee benefits	8,691,000	7,825,000	26,092,000	23,035,000
Facilities and facility related	1,235,000	1,039,000	3,478,000	2,978,000
Stock-based compensation	896,000	268,000	1,992,000	732,000
Depreciation and amortization	1,053,000	742,000	2,896,000	2,308,000
Other	4,214,000	3,178,000	11,548,000	9,694,000
Total general and administrative expenses	16,089,000	13,052,000	46,006,000	38,747,000
Income from operations	4,183,000	3,053,000	10,710,000	8,855,000
Other income (expense):				
Interest expense	(23,000)	(43,000)	(88,000)	(137,000)
Other, net	18,000	—	56,000	2,000
Total other expense, net	(5,000)	(43,000)	(32,000)	(135,000)
Income before income taxes	4,178,000	3,010,000	10,678,000	8,720,000
Income tax expense	1,292,000	548,000	1,839,000	1,990,000
Net income	\$ 2,886,000	\$ 2,462,000	\$ 8,839,000	\$ 6,730,000
Earnings per share:				
Basic	\$ 0.33	\$ 0.30	\$ 1.03	\$ 0.82
Diluted	\$ 0.31	\$ 0.28	\$ 0.97	\$ 0.79
Weighted-average shares outstanding:				
Basic	8,730,000	8,308,000	8,580,000	8,181,000
Diluted	9,248,000	8,720,000	9,138,000	8,516,000

See accompanying notes to the unaudited condensed consolidated financial statements.

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WILLDAN GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-in Capital		
Balance at December 30, 2016	8,348,000	\$ 83,000	\$ 42,376,000	\$ 7,459,000	\$ 49,918,000
Shares of common stock issued in connection with employee stock purchase plan	62,000	1,000	829,000	—	830,000
Shares of common stock issued in connection with incentive stock plan					