

STERLING CONSTRUCTION CO INC  
Form 10-Q  
May 10, 2010

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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, 2010

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 1-31993

STERLING CONSTRUCTION COMPANY, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	25-1655321
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

20810 Fernbush Lane

Houston, Texas

(Address of principal executive office)

77073

(Zip Code)

Registrant's telephone number, including area code (281) 821-9091

(Former name, former address and former fiscal year, if changed from 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 and 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  (Do not check if a smaller reporting company) 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

At May 3, 2010, there were 16,097,698 shares outstanding of the issuer's common stock, par value \$0.01 per share

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STERLING CONSTRUCTION COMPANY, INC.  
Quarterly Report on Form 10-Q for the three months ended March 31, 2010  
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## PART I

## Item 1 Condensed Consolidated Unaudited Financial Statements

STERLING CONSTRUCTION COMPANY, INC. & SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Amounts in thousands, except share and per share data)  
 (Unaudited)

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$46,867	\$54,406
Short-term investments	48,634	39,319
Contracts receivable, including retainage	72,954	80,283
Costs and estimated earnings in excess of billings on uncompleted ontracts	5,654	5,973
Inventories	1,233	1,229
Deferred tax asset, net	161	127
Equity in construction joint ventures	2,671	2,341
Deposits and other current assets	5,875	5,510
Total current assets	184,049	189,188
Property and equipment, net	78,034	80,282
Goodwill	114,745	114,745
Other assets, net	1,583	1,526
Total assets	\$378,411	\$385,741
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$32,596	\$32,619
Billings in excess of costs and estimated earnings on uncompleted contracts	33,380	31,132
Current maturities of long-term obligations	73	73
Income taxes payable	443	351
Other accrued expenses	10,161	11,135
Total current liabilities	76,653	75,310
Long-term liabilities:		
Long-term debt, net of current maturities	30,391	40,409
Deferred tax liability, net	15,741	15,369
Total long-term liabilities	46,132	55,778
Commitments and contingencies		
Non-controlling owners' interest in subsidiaries	23,084	23,887
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; authorized 1,000,000 shares, none issued	--	--
Common stock, par value \$0.01 per share; authorized 19,000,000 shares, 16,092,098 and 16,081,878 shares issued and outstanding	160	160
Additional paid-in capital	198,064	197,898
Retained earnings	34,318	32,708
Total Sterling common stockholders' equity	232,542	230,766

Total liabilities and stockholders' equity	\$378,411	\$385,741
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The accompanying notes are an integral part of these condensed consolidated financial statements

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STERLING CONSTRUCTION COMPANY, INC. & SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Amounts in thousands, except share and per share data)  
(Unaudited)

	Three months ended March 31,	
	2010	2009
Revenues	\$86,157	\$94,866
Cost of revenues	77,908	83,055
Gross profit	8,249	11,811
General and administrative expenses	(5,464 )	(3,214 )
Other income	31	85
Operating income	2,816	8,682
Gain on sale of securities	417	2
Interest income	202	159
Interest expense	(297 )	(58 )
Income before income taxes and earnings attributable to the non-controlling interests	3,138	8,785
Income tax expense	(858 )	(2,919 )
Net income	2,280	5,866
Less: Net income attributable to the non-controlling interests of subsidiaries	(728 )	(301 )
Net income attributable to Sterling common stockholders	\$1,552	\$5,565
Net income per share attributable to Sterling common stockholders:		
Basic	\$0.10	\$0.42
Diluted	\$0.09	\$0.41
Weighted average number of common shares outstanding used in computing per share amounts:		
Basic	16,087,808	13,188,266
Diluted	16,532,581	13,715,629

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

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STERLING CONSTRUCTION COMPANY, INC. & SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED March 31, 2010

(Amounts in thousands)

(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance at January 1, 2010	16,082	\$160	\$197,898	\$32,708	\$230,766
Net income attributable to Sterling common stockholders	--	--	--	1,552	1,552
Change in unrealized gain on available-for-sale securities, net of tax	--	--	--	58	58
Stock issued upon option and warrant exercises	10	--	24	--	24
Amortization of restricted stock	--	--	100	--	100
Stock-based compensation expense	--	--	42	--	42
Balance at March 31, 2010	16,092	\$160	\$198,064	\$34,318	\$232,542

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

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STERLING CONSTRUCTION COMPANY, INC. & SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Amounts in thousands)  
 (Unaudited)

	Three months ended March 31,	
	2010	2009
Net income attributable to Sterling common stockholders	\$1,552	\$5,565
Other comprehensive income:		
Change in unrealized gain (loss) on available-for-sale securities, net of tax	58	(67 )
Comprehensive income attributable to Sterling common stockholders	\$1,610	\$5,498

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



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STERLING CONSTRUCTION COMPANY, INC. & SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Amounts in thousands)  
(Unaudited)

	Three months ended March 31,	
	2010	2009
Cash flows provided by operating activities:		
Net income attributable to Sterling common stockholders	\$1,552	\$5,565
Plus: Net income attributable to non-controlling interests	728	301
Net income	2,280	5,866
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,972	3,603
Gain on sale of property and equipment	(31 )	(89 )
Gain on sale of securities	(417 )	(2 )
Deferred tax expense	283	2,158
Stock-based compensation expense	142	139
Interest expense accreted on non-controlling interest	292	51
Other changes in operating assets and liabilities:		
(Increase) decrease in contracts receivable	7,329	(9,559 )
(Increase) decrease in costs and estimated earnings in excess of billings on uncompleted contracts	319	(1,620 )
(Increase) decrease in other current assets	(809 )	(125 )
Increase (decrease) in accounts payable	(23 )	(64 )
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	2,248	5,047
Increase (decrease) in other accrued expenses	(883 )	(350 )
Net cash provided by (used in) operating activities	14,702	5,055
Cash flows from investing activities:		
Additions to property and equipment	(1,647 )	(1,598 )
Proceeds from sale of property and equipment	31	125
(Issuance) of note receivable	--	(350 )
Purchases of short-term investments	(18,100 )	(6,405 )
Proceeds from sales of short-term investments	9,293	10,995
Net cash provided by (used in) investing activities	(10,423 )	2,767
Cash flows from financing activities:		
Cumulative daily drawdowns – Credit Facility	30,000	50,000
Cumulative daily reductions – Credit Facility	(40,000 )	(55,000 )
Repayments under long-term obligations	(18 )	(18 )
Distribution of earnings to non-controlling interest	(1,824 )	(408 )
Issuance of common stock pursuant to the exercise of options and warrants	24	11