

STERLING CONSTRUCTION CO INC
Form 10-Q/A
November 16, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(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, 2015

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 (I.R.S. Employer

or organization Identification No.)

1800 Hughes Landing Blvd.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A amends the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015, which was filed with the Securities and Exchange Commission on November 9, 2015 ("the Original Filing"). The Company is filing this Amendment solely for the purpose of correcting typographical errors in Item 1. Financial Statements, in Note 10 to the condensed consolidated financial statements. The corrections eliminated the parenthesis around \$1,108 and \$2,941 for the three and nine months ended September 30, 2015, respectively, in the caption "Net (loss) income attributable to Sterling common stockholders," and also removed the word "(loss)" in the caption.

This Amendment is presented as of the filing date of the Original Filing. Other than as set forth above, this Amendment does not modify or update disclosures in the Original Filing and does not reflect events that may have occurred after that date.

STERLING CONSTRUCTION COMPANY, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I

Item 1. Financial Statements

STERLING CONSTRUCTION COMPANY, INC. & SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands, except share and per share data)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,488	\$ 22,843
Contracts receivable, including retainage	99,666	78,896
Costs and estimated earnings in excess of billings on uncompleted contracts	23,287	33,403
Inventories	2,580	7,401
Receivables from and equity in construction joint ventures	11,089	9,153
Other current assets	9,044	5,278
Total current assets	157,154	156,974
Property and equipment, net	74,550	87,098
Goodwill	54,820	54,820
Other assets, net	4,150	7,559
Total assets	\$ 290,674	\$ 306,451
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 59,502	\$ 66,792
Billings in excess of costs and estimated earnings on uncompleted contracts	33,049	25,649
Current maturities of long-term debt	5,171	965
Income taxes payable	48	1,868
Accrued compensation	12,600	5,169
Other current liabilities	5,222	4,207
Total current liabilities	115,592	104,650
Long-term liabilities:		
Long-term debt, net of current maturities	30,509	37,021
Member's interest subject to mandatory redemption and undistributed earnings	21,778	22,879
Other long-term liabilities	328	753
Total long-term liabilities	52,615	60,653
Commitments and contingencies (Note 7)		
Equity:		
Sterling stockholders' equity:		
Preferred stock, par value \$0.01 per share; 1,000,000 shares authorized, none issued	-	-

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Common stock, par value \$0.01 per share; 28,000,000 shares authorized, 19,627,487 and 18,802,679 shares issued	196	188
Additional paid in capital	206,639	205,697
Retained deficit	(91,376)	(72,098)
Accumulated other comprehensive loss	–	(101)
Total Sterling common stockholders' equity	115,459	133,686
Noncontrolling interests	7,008	7,462
Total equity	122,467	141,148
Total liabilities and equity	\$ 290,674	\$ 306,451

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

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

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	\$176,000	\$189,275	\$471,107	\$518,618
Cost of revenues	(161,542)	(180,919)	(454,374)	(489,894)
Gross profit	14,458	8,356	16,733	28,724
General and administrative expenses	(11,119)	(9,326)	(32,320)	(27,316)
Other operating (expense) income, net	(958)	(603)	1,128	(4)
Operating income (loss)	2,381	(1,573)	(14,459)	1,404
Interest income	32	113	464	644
Interest expense	(1,087)	(211)	(2,103)	(766)
Loss on extinguishment of debt	—	—	(240)	—
Income (loss) before income taxes and earnings attributable to noncontrolling interests	1,326	(1,671)	(16,338)	1,282
Income tax benefit (expense)	39	(546)	8	(573)
Net income (loss)	1,365	(2,217)	(16,330)	709
Noncontrolling owners' interests in earnings of subsidiaries	(1,109)	(1,718)	(2,948)	(3,238)
Net income (loss) attributable to Sterling common stockholders	\$256	\$(3,935)	\$(19,278)	(2,529)
Net income (loss) per share attributable to Sterling common stockholders:				
Basic	\$0.01	\$(0.21)	\$(1.00)	(0.14)
Diluted	\$0.01	\$(0.21)	\$(1.00)	(0.14)
Weighted average number of common shares outstanding used in computing per share amounts:				
Basic	19,627,674	18,809,401	19,269,123	17,814,332
Diluted	19,627,674	18,809,401	19,269,123	17,814,332

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

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

(Unaudited)

	Three Months Ended September 30,		Nine Months End September 30,	
	2015	2014	2015	2014
Net income (loss) attributable to Sterling common stockholders	\$256	\$(3,935)	\$(19,278)	\$(2,528)
Net income attributable to noncontrolling interests included in equity	1,109	1,718	2,948	3,238
Add / (deduct) other comprehensive income, net of tax:				
Realized loss (gain) from settlement of derivatives	24	15	107	(15)
Change in the effective portion of unrealized loss in fair market value of derivatives	(6)	(146)	(6)	(175)
Comprehensive income (loss)	\$1,383	\$(2,348)	\$(16,229)	\$519

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

STERLING CONSTRUCTION COMPANY, INC. & SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015****(Amounts in thousands)**

(Unaudited)

STERLING CONSTRUCTION COMPANY, INC.
STOCKHOLDERS

	Common Stock		Addi- tional Paid in	Retained	Accu- mulated Other Compre- hensive (Loss)	Noncon- trolling	Total
	Shares	Amount	Capital	Deficit	Income	Interests	
Balance at January 1, 2015	18,803	\$ 188	\$205,697	\$(72,098)	\$ (101)	\$7,462	\$141,148
Net (loss) income	—	—	—	(19,278)	—	2,948	(16,330)
Other comprehensive income	—	—	—	—	101	—	101
Stock-based compensation	921	9	1,310	—	—	—	1,319
Distributions to owners	—	—	—	—	—	(3,402)	(3,402)
Other	(96)	(1)	(368)	—	—	—	(369)
Balance at September 30, 2015	19,628	\$ 196	\$206,639	\$(91,376)	\$ —	\$7,008	\$122,467

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

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

(Unaudited)

	Nine Months Ended	
	September 30, 2015	2014
Cash flows from operating activities:		
Net loss attributable to Sterling common stockholders	\$(19,278)	\$(2,529)
Plus: Noncontrolling owners' interests in earnings of subsidiaries	2,948	3,238
Net (loss) income	(16,330)	709
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,479	13,809
Gain on disposal of property and equipment	(1,205)	(905)
Stock-based compensation expense	1,319	592
Loss on extinguishment of debt	240	-
Changes in operating assets and liabilities:		
Contracts receivable	(20,770)	(28,057)
Costs and estimated earnings in excess of billings on uncompleted contracts	10,116	(20,061)
Receivables from and equity in construction joint ventures	(1,936)	(4,503)
Income tax receivable	1,359	650
Other assets	12,780	1,759
Accounts payable	(7,291)	19,497
Billings in excess of costs and estimated earnings on uncompleted contracts	7,400	(3,055)
Accrued compensation and other liabilities	4,230	3,419
Member's interest subject to mandatory redemption and undistributed earnings	1,101	(1,152)
Net cash provided by (used in) operating activities	3,492	(17,298)
Cash flows from investing activities:		
Additions to property and equipment	(7,086)	(11,224)
Proceeds from sale of property and equipment	5,859	4,874
Restricted cash	(4,945)	-
Net cash used in investing activities	(6,172)	(6,350)
Cash flows from financing activities:		
Cumulative daily drawdowns – Credit Facility	112,848	237,577
Cumulative daily repayments – Credit Facility	(147,450)	(211,242)
Cash received from equipment-based term loan	18,980	