

ORMAT TECHNOLOGIES, INC.  
Form 10-Q  
June 19, 2018

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**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, 2018**

**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: 001-32347**

**ORMAT TECHNOLOGIES, INC.**

*(Exact name of registrant as specified in its charter)*

<b>DELAWARE</b> <i>(State or other jurisdiction of incorporation or organization)</i>	<b>88-0326081</b> <i>(I.R.S. Employer Identification Number)</i>
<b>6225 Neil Road, Reno, Nevada</b>	<b>89511-1136</b>

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*(Address of principal executive offices) (Zip Code)*

**(775) 356-9029**

*(Registrant's telephone number, including area code)*

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, 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. (Check one):

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

Emerging growth company

(Do not check if a smaller reporting 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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of June 17, 2018, the number of outstanding shares of common stock, par value \$0.001 per share, was 50,617,209.

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**ORMAT TECHNOLOGIES, INC.**

**FORM 10-Q**

**FOR THE QUARTER ENDED MARCH 31, 2018**

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**Certain Definitions**

*Unless the context otherwise requires, all references in this quarterly report to “Ormat”, “the Company”, “we”, “us”, “our company”, “Ormat Technologies” or “our” refer to Ormat Technologies, Inc. and its consolidated subsidiaries.*

Table of Contents**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Dollars in thousands)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$54,723	\$47,818
Restricted cash and cash equivalents (primarily related to VIEs)	50,332	48,825
Receivables:		
Trade	103,580	110,410
Other	10,018	13,828
Inventories	20,069	19,551
Costs and estimated earnings in excess of billings on uncompleted contracts	41,134	40,945
Prepaid expenses and other	42,274	40,269
Total current assets	322,130	321,646
Investment in an unconsolidated company	63,109	34,084
Deposits and other	21,205	21,599
Deferred income taxes	124,304	57,337
Deferred charges	—	49,834
Property, plant and equipment, net (\$1,655,365 and \$1,631,900 related to VIEs, respectively)	1,723,560	1,734,691
Construction-in-process (\$149,872 and \$142,717 related to VIEs, respectively)	345,563	293,542
Deferred financing and lease costs, net	4,922	4,674
Intangible assets, net	84,771	85,420
Goodwill	21,253	21,037
Total assets	\$2,710,817	\$2,623,864
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$103,551	\$153,796
Short term revolving credit lines with banks (full recourse)	38,500	51,500
Billings in excess of costs and estimated earnings on uncompleted contracts	10,458	20,241
Current portion of long-term debt:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes	28,398	33,226
Other loans	21,495	21,495
Full recourse	2,809	3,087
Total current liabilities	205,211	283,345
Long-term debt, net of current portion:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes (less deferred financing costs of \$7,693 and \$8,113, respectively)	305,905	311,668

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Other loans (less deferred financing costs of \$5,231 and \$5,258, respectively)	237,245	242,385
Full recourse:		
Senior unsecured bonds (less deferred financing costs of \$863 and \$580, respectively)	303,469	203,752
Other loans (less deferred financing costs of \$994 and \$1,011, respectively)	46,506	46,489
Liability associated with sale of tax benefits	42,622	44,634
Deferred lease income	50,745	51,520
Deferred income taxes	48,074	61,961
Liability for unrecognized tax benefits	9,074	8,890
Liabilities for severance pay	20,874	21,141
Asset retirement obligation	27,639	27,110
Other long-term liabilities	21,625	18,853
Total liabilities	1,318,989	1,321,748
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest	6,943	6,416
Equity:		
The Company's stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 50,617,209 and 50,609,051 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	51	51
Additional paid-in capital	890,485	888,778
Retained earnings	410,758	327,255
Accumulated other comprehensive loss	(909 )	(4,706 )
Total equity attributable to the Company's stockholders	1,300,385	1,211,378
Noncontrolling interest	84,500	84,322
Total equity	1,384,885	1,295,700
Total liabilities, redeemable noncontrolling interest and equity	\$2,710,817	\$2,623,864

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

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**ORMAT  
TECHNOLOGIES,  
INC. AND  
SUBSIDIARIES  
CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
OPERATIONS  
AND  
COMPREHENSIVE  
INCOME  
(Unaudited)**

	<b>Three Months Ended March 31, 2018      2017 (Dollars in thousands,  except per share data)</b>	
Revenues:		
Electricity	\$132,489	\$115,776
Product	48,672	74,122
Other	2,862	—
Total revenues	184,023	189,898
Cost of revenues:		
Electricity	73,482	66,036
Product	33,726	49,452
Other	3,443	—
Total cost of revenues	110,651	115,488
Gross profit	73,372	74,410
Operating expenses:		
Research and development expenses	1,108	602
Selling and marketing expenses	3,699	4,363
General and administrative expenses	13,849	9,949
Write-off of unsuccessful exploration activities	123	—
Operating income	54,593	59,496
Other income (expense):		
Interest income	113	244
Interest expense, net	(14,344 )	(14,923 )
Derivatives and foreign currency transaction gains (losses)	(1,599 )	1,338
Income attributable to sale of tax benefits	7,361	6,157
Other non-operating expense, net	(20 )	(92 )
Income from continuing operations before income taxes and equity in earnings (losses) of investees	46,104	52,220



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Income tax (provision) benefit	26,942	(11,004 )
Equity in earnings (losses) of investees, net	1,210	(1,599 )
Income from continuing operations	74,256	39,617
Net income attributable to noncontrolling interest	(4,748 )	(4,423 )
Net income attributable to the Company's stockholders	\$69,508	\$35,194
Comprehensive income:		
Net income	74,256	39,617
Other comprehensive income (loss), net of related taxes:		
Change in foreign currency translation adjustments	1,528	—
Change in unrealized gains or losses in respect of the Company's share in derivatives instruments of unconsolidated investment	2,634	569
Loss in respect of derivative instruments designated for cash flow hedge	20	48
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge	(15 )	(24 )
Comprehensive income	78,423	40,210
Comprehensive income attributable to noncontrolling interest	(5,118 )	(4,412 )
Comprehensive income attributable to the Company's stockholders	\$73,305	\$35,798
Earnings per share attributable to the Company's stockholders:		
Basic:		
Net income	\$1.37	\$0.71
Diluted:		
Net income	\$1.36	\$0.70
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:		
Basic	50,614	49,680
Diluted	51,051	50,491
Dividend per share declared	\$0.23	\$0.17

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

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**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EQUITY  
(Unaudited)**

	The Company's Stockholders' Equity						Noncontrolling Interest	Total Equity
	Common Stock Shares	Paid-in Capital	Retained Earnings	Accumulated Other Income (Loss)	Total			
<b>(Dollars in thousands, except per share data)</b>								
<b>Balance at December 31, 2016</b>	49,667	\$ 50	\$ 869,463	\$ 215,352	\$ (8,175 )	\$ 1,076,690	\$ 91,582	\$ 1,168,272
Stock-based compensation	—	—	1,713	—	—	1,713	—	1,713
Exercise of options by employees and directors	39	—	—	—	—	—	—	—
Cash paid to noncontrolling interest	—	—	—	—	—	—	(6,807 )	(6,807 )
Cash dividend declared, \$0.17 per share	—	—	—	(8,448 )	—	(8,448 )	—	(8,448 )
Net income	—	—	—	35,194	—	35,194	4,079	39,273
Other comprehensive income (loss), net of related taxes:								
Currency translation adjustment	—	—	—	—	89	89	(11 )	78
Loss in respect of derivative instruments designated for cash flow hedge	—	—	—	—	48	48	—	48
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment	—	—	—	—	569	569	—	569
Amortization of unrealized gains in respect of derivative	—	—	—	—	(24 )	(24 )	—	(24 )

instruments designated  
for cash flow hedge  
(net of related tax of  
\$14)

<b>Balance at March 31, 2017</b>	49,706	\$ 50	\$ 871,176	\$ 242,098	\$ (7,493 )	\$ 1,105,831	\$ 88,843	\$ 1,194,674
<b>Balance at December 31, 2017</b>	50,609	\$ 51	\$ 888,778	\$ 327,255	\$ (4,706 )	\$ 1,211,378	\$ 84,322	\$ 1,295,700
Stock-based compensation	—	—	1,707	—	—	1,707	—	1,707
Exercise of options by employees and directors	8	—	—	—	—	—	—	—
Cumulative effect of changes in accounting principles	—	—	—	25,635	—	25,635	—	25,635
Cash paid to noncontrolling interest	—	—	—	—	—	—	(4,674 )	(4,674 )
Cash dividend declared, \$0.23 per share	—	—	—	(11,640 )	—	(11,640 )	—	(11,640 )
Net income	—	—	—	69,508	—	69,508	4,482	73,990
Other comprehensive income (loss), net of related taxes:								
Currency translation adjustment	—	—	—	—	1,158	1,158	370	1,528
Loss in respect of derivative instruments designated for cash flow hedge (net of related tax of \$13)	—	—	—	—	20	20	—	20
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment	—	—	—	—	2,634	2,634	—	2,634
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$9)	—	—	—	—	(15 )	(15 )	—	(15 )
	50,617	\$ 51	\$ 890,485	\$ 410,758	\$ (909 )	\$ 1,300,385	\$ 84,500	\$ 1,384,885

**Balance at March 31,  
2018**

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

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**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Dollars in thousands)</b>	
<b>Cash flows from operating activities:</b>		
Net income	\$74,256	\$39,617
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,553	27,059
Accretion of asset retirement obligation	529	455
Stock-based compensation	1,707	1,713
Amortization of deferred lease income	(671 )	(671 )
Income attributable to sale of tax benefits, net of interest expense	(6,295 )	(4,335 )
Equity in losses (earnings) of investees	(1,210 )	1,600
Mark-to-market of derivative instruments	962	(1,519 )
Write-off of unsuccessful exploration activities	123	—
Gain on severance pay fund asset	129	(947 )
Deferred income tax provision and deferred charges	(29,467 )	6,612
Liability for unrecognized tax benefits	184	692
Deferred lease revenues	(104 )	(92 )
Changes in operating assets and liabilities, net of amounts acquired:		
Receivables	9,777	19,092
Costs and estimated earnings in excess of billings on uncompleted contracts	(189 )	(4,352 )
Inventories	(503 )	(5,800 )
Prepaid expenses and other	(2,005 )	6,873
Deposits and other	62	(557 )
Accounts payable and accrued expenses	(49,027 )	681
Billings in excess of costs and estimated earnings on uncompleted contracts	(9,783 )	(14,035 )
Liabilities for severance pay	(267 )	930
Other long-term liabilities	1,008	(1,553 )
Net cash provided by operating activities	19,769	71,463
<b>Cash flows from investing activities:</b>		
Capital expenditures	(66,962 )	(52,885 )
Investment in unconsolidated companies	(1,275 )	(14,918 )
Cash paid for acquisition of controlling interest in a subsidiary, net of cash acquired	—	(35,300 )
Decrease (increase) in severance pay fund asset, net of payments made to retired employees	203	(18 )
Net cash used in investing activities	(68,034 )	(103,121)
<b>Cash flows from financing activities:</b>		
Proceeds from long-term loans, net of transaction costs	100,000	—
Proceeds from revolving credit lines with banks	860,800	50,000
Repayment of revolving credit lines with banks	(873,800)	(20,000 )

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Cash received from noncontrolling interest	4,134	1,411
Repayments of long-term debt	(16,687 )	(13,405 )
Cash paid to noncontrolling interest	(4,674 )	(6,807 )
Payments of capital leases	(436 )	(408 )
Deferred debt issuance costs	(1,020 )	(1,144 )
Cash dividends paid	(11,640 )	(8,448 )
Net cash provided by financing activities	56,677	1,199
Net change in cash and cash equivalents and restricted cash and cash equivalents	8,412	(30,459 )
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	96,643	264,476
Cash and cash equivalents and restricted cash and cash equivalents at end of period	\$105,055	\$234,017
<b>Supplemental non-cash investing and financing activities:</b>		
Increase (decrease) in accounts payable related to purchases of property, plant and equipment	\$(1,673 )	\$1,801

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

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**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE 1 — GENE**