

NORTHWEST PIPE CO
Form 10-Q
November 09, 2018

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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 30, 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: 0-27140

NORTHWEST PIPE COMPANY

(Exact name of registrant as specified in its charter)

OREGON

(State or other jurisdiction of incorporation or organization)

93-0557988

(I.R.S. Employer Identification No.)

201 NE Park Plaza Drive, Suite 100

Vancouver, Washington 98684

(Address of principal executive offices and zip code)

360-397-6250

(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.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

Common Stock, par value \$.01 per share 9,735,055

(Class)

(Shares outstanding as of November 2, 2018)

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Table of Contents**Part I - FINANCIAL INFORMATION****Item 1. Financial Statements****NORTHWEST PIPE COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018		2017	
Net sales	\$52,455	\$38,804	\$114,605	\$97,153		
Cost of sales	47,252	36,811	109,292	93,171		
Gross profit	5,203	1,993	5,313	3,982		
Selling, general and administrative expense	5,332	3,423	12,523	10,835		
Gain on sale of property	(2,760)	-	(2,760)	-		
Restructuring expense	134	-	1,222	881		
Operating income (loss)	2,497	(1,430)	(5,672)	(7,734)		
Bargain purchase gain	21,880	-	21,880	-		
Other income (expense)	59	(81)	249	(54)		
Interest income	38	-	256	-		
Interest expense	(129)	(117)	(385)	(369)		
Income (loss) from continuing operations before income taxes	24,345	(1,628)	16,328	(8,157)		
Income tax benefit	(3,456)	(41)	(3,836)	(1,607)		
Income (loss) from continuing operations	27,801	(1,587)	20,164	(6,550)		
Discontinued operations:						
Loss from operations of discontinued operations	-	(456)	-	(1,459)		
Income tax expense (benefit)	-	26	-	(4)		
Loss on discontinued operations	-	(482)	-	(1,455)		
Net income (loss)	\$27,801	\$(2,069)	\$20,164	\$(8,005)		

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Basic income (loss) per share:				
Continuing operations	\$2.86	\$(0.16)	\$2.07	\$(0.68)
Discontinued operations	-	(0.05)	-	(0.15)
Net income (loss) per share	\$2.86	\$(0.21)	\$2.07	\$(0.83)
Diluted income (loss) per share:				
Continuing operations	\$2.86	\$(0.16)	\$2.07	\$(0.68)
Discontinued operations	-	(0.05)	-	(0.15)
Net income (loss) per share	\$2.86	\$(0.21)	\$2.07	\$(0.83)
Shares used in per share calculations:				
Basic	9,735	9,620	9,723	9,611
Diluted	9,735	9,620	9,732	9,611

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

Table of Contents**NORTHWEST PIPE COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

(In thousands)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	2017	2018	2017	2018
Net income (loss)	\$27,801	\$(2,069)	\$20,164	\$(8,005)
Other comprehensive income (loss), net of tax:				
Pension liability adjustment	23	102	84	306
Unrealized gain (loss) on cash flow hedges	(16)	3	19	(11)
Other comprehensive income, net of tax	7	105	103	295
Comprehensive income (loss)	\$27,808	\$(1,964)	\$20,267	\$(7,710)

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

Table of Contents**NORTHWEST PIPE COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Dollar amounts in thousands, except per share amounts)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,547	\$ 43,646
Trade and other receivables, less allowance for doubtful accounts of \$558 and \$477	33,955	28,990
Contract assets	64,130	44,502
Inventories	34,742	17,055
Prepaid expenses and other	5,350	6,562
Total current assets	139,724	140,755
Property and equipment, less accumulated depreciation and amortization of \$76,980 and \$74,311	107,907	78,756
Other assets	9,593	10,813
Total assets	\$ 257,224	\$ 230,324
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 19,291	\$ 7,521
Accrued liabilities	6,063	6,563
Contract liabilities	802	2,599
Current portion of capital lease obligations	430	318
Total current liabilities	26,586	17,001
Borrowings on line of credit	190	-
Capital lease obligations, less current portion	931	737
Deferred income taxes	67	941
Other long-term liabilities	10,814	11,381
Total liabilities	38,588	30,060
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued or outstanding	-	-
	97	96

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Common stock, \$.01 par value, 15,000,000 shares authorized, 9,735,055 and 9,619,755 shares issued and outstanding		
Additional paid-in-capital	118,835	119,856
Retained earnings	101,046	81,757
Accumulated other comprehensive loss	(1,342)	(1,445)
Total stockholders' equity	218,636	200,264
Total liabilities and stockholders' equity	\$ 257,224	\$ 230,324

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

Table of Contents**NORTHWEST PIPE COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$20,164	\$(8,005)
Loss on discontinued operations	-	(1,455)
Income (loss) from continuing operations	20,164	(6,550)
Adjustments to reconcile income (loss) from continuing operations to net cash used in operating activities:		
Bargain purchase gain	(21,880)	-
Depreciation and capital lease amortization	5,644	4,674
Amortization of intangible assets	382	374
Amortization of debt issuance costs	126	126
Provision for doubtful accounts	322	557
Deferred income taxes	(3,915)	(1,200)
Gain on disposal of property and equipment	(2,536)	(69)
Share-based compensation expense	281	963
Adjustments to contingent consideration	-	27
Unrealized (gain) loss on foreign currency forward contracts	(42)	108
Changes in operating assets and liabilities, net of acquired assets and assumed liabilities:		
Trade and other receivables	6,014	753
Contract assets, net	(11,142)	(8,377)
Inventories	(7,063)	(185)
Refundable income taxes	(107)	81
Prepaid expenses and other assets	1,238	960
Accounts payable	6,291	(1,595)
Accrued and other liabilities	(1,007)	(3,757)
Net cash used in operating activities from continuing operations	(7,230)	(13,110)
Net cash used in operating activities from discontinued operations	-	(1,090)
Net cash used in operating activities	(7,230)	(14,200)
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(37,223)	-
Additions to property and equipment	(3,087)	(2,077)
Proceeds from sale of property and equipment	5,954	146
Net cash used in investing activities from continuing operations	(34,356)	(1,931)
Net cash provided by investing activities from discontinued operations	750	-

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Net cash used in investing activities	(33,606)	(1,931)
Cash flows from financing activities:		
Tax withholdings related to net share settlements of restricted stock and performance share awards	(1,301)	(24)
Borrowings on line of credit	190	-
Payments on capital lease obligations	(152)	(259)
Payments of contingent consideration	-	(112)
Net cash used in financing activities from continuing operations	(1,263)	