

MATRIX SERVICE CO  
Form 10-Q  
November 08, 2011  
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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 September 30, 2011

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 No. 1-15461

**MATRIX SERVICE COMPANY**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State of incorporation)

73-1352174

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

5100 East Skelly Drive, Suite 700, Tulsa, Oklahoma 74135

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (918) 838-8822

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Inter Active Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 definition of accelerated filer, large accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  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

As of November 1, 2011 there were 27,888,217 shares of the Company's common stock, \$0.01 par value per share, issued and 25,877,241 shares outstanding.

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Matrix Service Company****Condensed Consolidated Statements of Income**

(In thousands, except per share data)

(unaudited)

	<b>Three Months Ended</b>	
	<b>September 30, 2011</b>	<b>September 30, 2010</b>
Revenues	\$ 169,321	\$ 151,838
Cost of revenues	151,228	136,136
Gross profit	18,093	15,702
Selling, general and administrative expenses	11,483	10,589
Operating income	6,610	5,113
Other income (expense):		
Interest expense	(277)	(170)
Interest income	3	13
Other	(676)	27
Income before income tax expense	5,660	4,983
Provision for federal, state and foreign income taxes	2,151	1,894
Net income	\$ 3,509	\$ 3,089
Basic earnings per common share	\$ 0.13	\$ 0.12
Diluted earnings per common share	\$ 0.13	\$ 0.12
Weighted average common shares outstanding:		
Basic	26,400	26,342
Diluted	26,722	26,549

*See accompanying notes.*

**Table of Contents****Matrix Service Company****Condensed Consolidated Balance Sheets**

(In thousands)

(unaudited)

	September 30, 2011	June 30, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 38,685	\$ 59,357
Accounts receivable, less allowances (September 30, 2011 - \$1,395 and June 30, 2011 - \$1,428)	104,481	103,483
Costs and estimated earnings in excess of billings on uncompleted contracts	50,501	40,056
Inventories	2,328	2,249
Income tax receivable		399
Deferred income taxes	6,295	5,607
Other current assets	3,989	4,399
Total current assets	206,279	215,550
Property, plant and equipment at cost:		
Land and buildings	28,335	28,287
Construction equipment	55,701	55,272
Transportation equipment	23,037	21,690
Furniture and fixtures	15,465	15,442
Construction in progress	2,694	2,465
	125,232	123,156
Accumulated depreciation	(71,385)	(69,845)
	53,847	53,311
Goodwill	28,834	29,058
Other intangible assets	6,840	6,953
Other assets	3,473	1,564
Total assets	\$ 299,273	\$ 306,436

*See accompanying notes.*

**Table of Contents****Matrix Service Company****Condensed Consolidated Balance Sheets**

(In thousands, except share data)

(unaudited)

	September 30, 2011	June 30, 2011
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 44,534	\$ 36,377
Billings on uncompleted contracts in excess of costs and estimated earnings	25,542	35,485
Accrued insurance	7,990	7,514
Accrued wages and benefits	11,718	18,099
Income tax payable	2,678	
Current capital lease obligation	176	262
Other accrued expenses	2,371	2,401
Total current liabilities	95,009	100,138
Long-term capital lease obligation	16	38
Deferred income taxes	5,209	5,789
Acquisition payable	800	800
Total liabilities	101,034	106,765
Commitments and contingencies		
Stockholders equity:		
Common stock - \$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of September 30, 2011, and June 30, 2011	279	279
Additional paid-in capital	114,561	113,686
Retained earnings	103,740	100,231
Accumulated other comprehensive income	477	1,436
	219,057	215,632
Less: Treasury stock, at cost 1,898,263 shares as of September 30, 2011, and 1,417,539 shares as of June 30, 2011	(20,818)	(15,961)
Total stockholders equity	198,239	199,671
Total liabilities and stockholders equity	\$ 299,273	\$ 306,436

*See accompanying notes.*

**Table of Contents****Matrix Service Company****Condensed Consolidated Statements of Cash Flows**

(In thousands)

(unaudited)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2011</b>	<b>2010</b>
<b>Operating activities:</b>		
Net income	\$ 3,509	\$ 3,089
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	2,826	2,798
Deferred income tax	(977)	108
Gain on sale of property, plant and equipment	(42)	(2)
Allowance for uncollectible accounts	(33)	3
Stock-based compensation expense	969	573
Other	34	33
Changes in operating assets and liabilities increasing (decreasing) cash:		
Accounts receivable	(965)	(15,395)
Costs and estimated earnings in excess of billings on uncompleted contracts	(10,445)	(3,217)
Inventories	(79)	695
Other assets	(1,591)	938
Accounts payable	7,474	(7,447)
Billings on uncompleted contracts in excess of costs and estimated earnings	(9,943)	8,157
Accrued expenses	(5,935)	2,913
Income tax receivable/payable	3,077	1,503
Net cash used by operating activities	(12,121)	(5,251)
<b>Investing activities:</b>		
Acquisition of property, plant and equipment	(2,988)	(2,259)
Proceeds from asset sales	166	5
Net cash used by investing activities	\$ (2,822)	\$ (2,254)

*See accompanying notes.*

**Table of Contents****Matrix Service Company****Condensed Consolidated Statements of Cash Flows (continued)**

(In thousands)

(unaudited)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2011</b>	<b>2010</b>
<b>Financing activities:</b>		
Exercise of stock options	\$ 49	\$
Capital lease payments	(108)	(245)
Payment of debt amendment fees		(216)
Treasury shares issued to Employee Stock Purchase Plan	14	
Open market purchase of treasury shares	(4,872)	
Other treasury share purchases	(108)	(4)
Net cash used by financing activities	(5,025)	(465)
Effect of exchange rate changes on cash	(704)	341
Net decrease in cash and cash equivalents	(20,672)	(7,629)
Cash and cash equivalents, beginning of period		