

INFRASOURCE SERVICES INC

Form 10-Q

November 03, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

- þ** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2006
- OR**
- o** **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 001-32164

INFRASOURCE SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

03-0523754
*(I.R.S. Employer
Identification No.)*

100 West Sixth Street, Suite 300, Media, PA

(Address of principal executive offices)

19063

(Zip Code)

(610) 480-8000

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At October 25, 2006 there were 40,048,059 shares of InfraSource Services, Inc. Common Stock, par value of \$.001, outstanding.

For the Quarter Ended September 30, 2006

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INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

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<u>Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Financial Officer</u>	
<u>Certification pursuant to Section 1350 of Chapter 63 of Title 18</u>	

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****INFRASOURCE SERVICES, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets**

	December 31, 2005	September 30, 2006
	(Unaudited)	
	(In thousands, except share data)	
Current assets:		
Cash and cash equivalents	\$ 24,287	\$ 15,834
Contract receivables (less allowances for doubtful accounts of \$3,184 and \$2,369, respectively)	136,610	164,988
Costs and estimated earnings in excess of billings	84,360	89,970
Inventories	6,747	6,769
Deferred income taxes	4,683	6,152
Other current assets	7,678	5,338
Current assets discontinued operations	3,033	2,033
Total current assets	267,398	291,084
Property and equipment (less accumulated depreciation of \$55,701 and \$73,822, respectively)	143,881	147,323
Goodwill	138,054	138,857
Intangible assets (less accumulated amortization of \$19,861 and \$20,609, respectively)	1,884	1,136
Deferred charges and other assets, net	10,501	6,619
Assets held for sale		1,245
Noncurrent assets discontinued operations	319	1,749
Total assets	\$ 562,037	\$ 588,013
Current liabilities:		
Current portion of long-term debt	\$ 889	\$ 46
Other liabilities related parties	11,299	1,227
Accounts payable	43,570	47,980
Accrued compensation and benefits	20,402	32,830
Other current and accrued liabilities	20,435	26,106
Accrued insurance reserves	30,550	34,907
Billings in excess of costs and estimated earnings	15,012	15,683
Deferred revenues	6,590	6,300

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Current liabilities	discontinued operations	1,501	
Total current liabilities		150,248	165,079
Long-term debt, net of current portion		83,019	70,019
Deferred revenues		17,826	17,116
Other long-term liabilities	related party	420	
Deferred income taxes		3,320	3,683
Other long-term liabilities		5,298	5,055
Non-current liabilities	discontinued operations	50	
Total liabilities		260,181	260,952
Commitments and contingencies			
Shareholders' equity:			
Preferred stock, \$.001 par value (authorized	12,000,000 shares; 0 shares issued and outstanding)		
Common stock \$.001 par value (authorized	120,000,000 shares; issued 39,396,694 and 39,911,185 shares, respectively, and outstanding	39	40
	39,366,824 and 39,881,315, respectively)		
Treasury stock at cost (29,870 shares)		(137)	(137)
Additional paid-in capital		278,387	283,459
Deferred compensation		(1,641)	
Retained earnings		24,640	43,231
Accumulated other comprehensive income		568	468
Total shareholders' equity		301,856	327,061
Total liabilities and shareholders' equity		\$ 562,037	\$ 588,013

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

Table of Contents**INFRASOURCE SERVICES, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Operations**

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2006
	(Unaudited)			
	(In thousands, except per share data)			
Contract revenues	\$ 226,575	\$ 275,880	\$ 632,645	\$ 744,416
Cost of revenues	194,857	230,832	562,230	634,642
Gross profit	31,718	45,048	70,415	109,774
Selling, general and administrative expenses	20,017	25,910	53,851	71,214
Merger related costs	66		218	
Provision for uncollectible accounts	61	5	145	36
Amortization of intangible assets	1,001	254	4,311	748
Income from operations	10,573	18,879	11,890	37,776
Interest income	122	229	328	638
Interest expense	(2,170)	(1,404)	(5,872)	(5,197)
Write-off of deferred financing costs				(4,296)
Other income, net	735	882	5,749	2,445
Income from continuing operations before income taxes	9,260	18,586	12,095	31,366
Income tax expense	3,994	7,604	5,188	12,770
Income from continuing operations	5,266	10,982	6,907	18,596
Discontinued operations:				
Income (loss) from discontinued operations (net of income tax provision (benefit) of \$(330), \$(110), \$(557) and \$9, respectively)	(490)	(151)	(799)	28
Gain (loss) on disposition of discontinued operation (net of income tax provision (benefit) of \$1,432, \$(22), \$1,432 and \$(22), respectively)	1,790	(33)	1,790	(33)

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Net income	\$	6,566	\$	10,798	\$	7,898	\$	18,591
Basic income (loss) per share:								
Income from continuing operations	\$	0.14	\$	0.28	\$	0.18	\$	0.47
Income (loss) from discontinued operations		(0.01)		(0.01)		(0.02)		
Gain on disposition of discontinued operation		0.04				0.04		
Net income	\$	0.17	\$	0.27	\$	0.20	\$	0.47
Weighted average basic common shares outstanding								
		39,139		39,778		39,059		39,657
Diluted income (loss) per share:								
Income from continuing operations	\$	0.13	\$	0.27	\$	0.17	\$	0.46
Income (loss) from discontinued operations		(0.01)				(0.01)		
Gain on disposition of discontinued operation		0.04				0.04		
Net income	\$	0.16	\$	0.27	\$	0.20	\$	0.46
Weighted average diluted common shares outstanding								
		40,090		40,308		40,008		40,249

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

Table of Contents**INFRASOURCE SERVICES, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Shareholders' Equity**

	Common Stock		Treasury Stock		Additional	Deferred	Fair	Accumulated	Other	Comprehensive	Income	Foreign	Fair	Value	Currency	Retained	Total
	Shares	Amount	Shares	Amount	Paid-In	Compensation	Value	Derivative	Adjustment	Adjustment	Earnings		Adjustment				
	(Unaudited)																
	(In thousands, except share amounts)																
Balance as of December 31, 2005	39,396,694	\$ 39	(29,870)	\$ (137)	\$ 278,387	\$ (1,641)	\$ 480	\$ 88	\$ 24,640	\$ 301,856							
Vesting of early exercised options	191,673				881												881
Reclass of deferred compensation					(1,641)	1,641											
Stock options exercised and vested																	
restricted stock	248,317	1			1,521												1,522
Income tax benefit from options exercised					839												839
Issuance of shares under employee stock purchase plan	74,501				698												698
Stock compensation expense					2,774												