

MICHAEL BAKER CORP  
Form 10-Q  
May 02, 2013  
[Table of Contents](#)

**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 March 31, 2013

Commission file number 1-6627

**MICHAEL BAKER CORPORATION**

(Exact name of registrant as specified in its charter)

PENNSYLVANIA  
(State or other jurisdiction of

25-0927646  
(I.R.S. Employer

Edgar Filing: MICHAEL BAKER CORP - Form 10-Q

incorporation or organization)

Identification No.)

Airside Business Park, 100 Airside Drive,

Moon Township, PA  
(Address of principal executive offices)

15108  
(Zip Code)

(412) 269-6300

(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 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 the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of April 30, 2013:

Common Stock	9,667,652 shares
--------------	------------------

**Table of Contents**

**MICHAEL BAKER CORPORATION**

**FORM 10-Q**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I</u></b>	
Item 1. <u>Financial Statements</u>	2
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	27
<b><u>PART II</u></b>	
Item 1. <u>Legal Proceedings</u>	27
Item 1A. <u>Risk Factors</u>	27
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 6. <u>Exhibits</u>	28
<u>Signatures</u>	30

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.  
MICHAEL BAKER CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

	<b>For the three months ended</b>	
	<b>March 31, 2013</b>	<b>April 1, 2012</b>
<i>(In thousands, except per share amounts)</i>		
Revenues	<b>\$ 143,968</b>	<b>\$ 151,659</b>
Cost of work performed	<b>117,169</b>	127,842
<i>Gross profit</i>	<b>26,799</b>	23,817
Selling, general and administrative expenses	<b>19,091</b>	22,406
<i>Operating income</i>	<b>7,708</b>	1,411
Other income/(expense):		
Equity income from unconsolidated subsidiaries	<b>442</b>	205
Interest income	<b>41</b>	64
Interest expense reversal, net	<b>310</b>	26
Other, net	<b>19</b>	30
<i>Income before income taxes and noncontrolling interests</i>	<b>8,520</b>	1,736
Provision for income taxes	<b>2,803</b>	594
<i>Net income from continuing operations before noncontrolling interests</i>	<b>5,717</b>	1,142
Income from discontinued operations, net of tax		737
<i>Net income before noncontrolling interests</i>	<b>5,717</b>	1,879
Less: Income attributable to noncontrolling interests	<b>184</b>	183
<i>Net income attributable to Michael Baker Corporation</i>	<b>5,533</b>	1,696
Other comprehensive (loss)/income, net of tax		
Unrealized (loss)/gain on investments, net of reclassification adjustments	<b>(8)</b>	31
Foreign currency translation adjustments		43
<i>Comprehensive income attributable to Michael Baker Corporation</i>	<b>\$ 5,525</b>	<b>\$ 1,770</b>
<b>Earnings per share ( E.P.S. ) attributable to Michael Baker Corporation</b>		
<i>Basic E.P.S. Continuing operations</i>	<b>\$ 0.58</b>	<b>\$ 0.10</b>
<i>Diluted E.P.S. Continuing operations</i>	<b>0.57</b>	0.10
<i>Basic E.P.S. Net income</i>	<b>0.58</b>	0.18
<i>Diluted E.P.S. Net income</i>	<b>0.57</b>	0.18
<b>Cash dividends declared per share</b>	<b>\$ 0.16</b>	<b>\$</b>

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

**Table of Contents****MICHAEL BAKER CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

<i>(In thousands, except share amounts)</i>	<b>March 31, 2013</b>	<b>As of December 31, 2012</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 68,112	\$ 77,367
Short term investments	1,500	
Available-for-sale securities	9,683	
Receivables, net of allowances of \$3,313 and \$2,915, respectively	91,524	85,733
Unbilled revenues on contracts in progress	77,494	78,062
Prepaid expenses and other	8,789	7,630
Prepaid income taxes	995	3,731
<i>Total current assets</i>	<b>258,097</b>	252,523
Property, plant and equipment, net	16,351	17,286
Goodwill	81,598	81,598
Other intangible assets, net	11,222	12,765
Deferred income tax asset	1,725	3,125
Other long-term assets	7,072	6,112
<i>Total assets</i>	<b>\$ 376,065</b>	\$ 373,409
<b>LIABILITIES AND SHAREHOLDERS INVESTMENT</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 40,176	\$ 41,386
Accrued employee compensation	27,237	21,008
Accrued insurance	9,814	9,715
Billings in excess of revenues on contracts in progress	18,875	22,215
Deferred income tax liability	17,707	17,707
Other accrued expenses	12,427	13,513
<i>Total current liabilities</i>	<b>126,236</b>	125,544
<b>Long-term Liabilities</b>		
Deferred income tax liability	10,148	11,517
Other long-term liabilities	9,956	11,196
<i>Total liabilities</i>	<b>146,340</b>	148,257
<b>Commitments and contingencies</b>		
<b>Shareholders Investment</b>		
Common Stock, par value \$1, authorized 44,000,000 shares, issued 10,184,488 and 10,171,664, respectively	10,184	10,172
Additional paid-in capital	70,227	69,514
Retained earnings	154,075	150,087
Accumulated other comprehensive loss	(8)	
Less 518,361 and 513,227 shares of Common Stock in treasury, at cost, respectively	(5,313)	(5,173)
<i>Total Michael Baker Corporation shareholders investment</i>	<b>229,165</b>	224,600
Noncontrolling interests	560	552

<i>Total shareholders investment</i>	<b>229,725</b>	225,152
<i>Total liabilities and shareholders investment</i>	<b>\$ 376,065</b>	\$ 373,409

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

**Table of Contents****MICHAEL BAKER CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

<i>(In thousands)</i>	For the three months ended	
	March 31, 2013	April 1, 2012
<b>Cash Flows from Operating Activities</b>		
Net income before noncontrolling interests	\$ 5,717	\$ 1,879
Adjustments to reconcile net income before noncontrolling interests to net cash provided by operating activities:		
Net income from discontinued operations		(737)
Depreciation and amortization	3,226	4,639
Stock-based compensation	470	446
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(5,791)	6,551
Decrease in unbilled revenues	568	941
Decrease/(increase) in other net assets	588	(569)
Decrease in accounts payable	(1,210)	(1,103)
Decrease in billings in excess of revenues	(3,340)	(3,186)
Increase in accrued expenses	2,455	4,511
<i>Net cash provided by continuing operations</i>	<b>2,683</b>	13,372
<i>Net cash used in discontinued operations</i>		(29)
<i>Net cash provided by operating activities</i>	<b>2,683</b>	13,343
<b>Cash Flows from Investing Activities</b>		
Additions to property, plant and equipment	(823)	(668)
Cash portion of acquisitions		(1,000)
Purchase of short-term investments	(1,500)	
Purchase of available-for-sale securities	(11,282)	(801)
Sale of available-for-sale securities	1,592	8,757
Proceeds from sale of fixed assets	93	
<i>Net cash (used in)/provided by investing activities</i>	<b>(11,920)</b>	6,288
<b>Cash Flows from Financing Activities</b>		
Proceeds from employee stock purchases and exercise of stock options	256	228
Treasury stock purchases	(98)	(59)
Noncontrolling interest distributions	(176)	(118)
<i>Net cash (used in)/provided by financing activities</i>	<b>(18)</b>	51
<i>Net (decrease)/increase in cash and cash equivalents</i>	<b>(9,255)</b>	19,682
Cash and cash equivalents, beginning of period	77,367	36,050
<i>Cash and cash equivalents, end of period</i>	<b>\$ 68,112</b>	\$ 55,732

The three months ended March 31, 2013 includes \$1.5 million of non-cash financing activity for dividends payable.

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



**Table of Contents**

**MICHAEL BAKER CORPORATION**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**1. NATURE OF BUSINESS AND BASIS OF PRESENTATION**

Michael Baker Corporation (the Company) was founded in 1940 and organized as a Pennsylvania corporation in 1946. Currently, through its operating subsidiaries, the Company provides engineering expertise for public and private sector clients worldwide. The Company's Transportation and Federal business segments provide a variety of services to the Company's markets. The Transportation segment provides services for Surface Transportation, Aviation and Rail & Transit markets and the Federal segment provides services for Defense, Environmental, Architecture, Geospatial Information Technology, Homeland Security, Municipal & Civil, Oil & Gas, Telecom & Utilities, Water and Urban Development markets. Among the services the Company provides to clients in these markets are program management, design-build (for which the Company provides only the design portion of services), construction management, consulting, planning, surveying, mapping, geographic information systems, architectural and interior design, construction inspection, constructability reviews, site assessment and restoration, strategic regulatory analysis and regulatory compliance.

The accompanying unaudited condensed consolidated financial statements and notes have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial reporting and with the Securities and Exchange Commission's (SEC) instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and related notes that would normally be required by GAAP for audited financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements in the Company's Annual Report on Form 10-K filed for the year ended December 31, 2012 (the Form 10-K).

The accompanying unaudited condensed consolidated financial statements include all adjustments (of a normal and recurring nature) that management considers necessary for a fair statement of financial information for the interim periods. Interim results are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31.