MATRIX SERVICE CO
Form 10-Q
February 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended December 31, 2014

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 No. 1-15461

MATRIX SERVICE COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE	73-1352174
(State of incorporation)	(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 ý No ¨
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 ý 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	ý
Non-accelerated filer	o	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 ý
As of January 30, 2015 there were 27,888,217 shares of the Company’s common stock, $0.01 par value per share, issued and 26,710,693 shares outstanding.

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)

	Three Months Ended		Six Months Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Revenues	$342,880	$ 310,998	$664,563	$ 537,215
Cost of revenues	326,925	276,848	620,229	477,589
Gross profit	15,955	34,150	44,334	59,626
Selling, general and administrative expenses	19,626	19,333	39,458	34,047
Operating income	(3,671)	14,817	4,876	25,579
Other income (expense):				
Interest expense	(300)	(351)	(652)	(574)
Interest income	308	8	350	13
Other	(28)	(68)	29	(156)
Income (loss) before income tax expense	(3,691)	14,406	4,603	24,862
Provision for federal, state and foreign income taxes	1,155	4,095	4,779	7,999
Net income (loss)	(4,846)	10,311	(176)	16,863
Less: Net income (loss) attributable to noncontrolling interest	(8,132)	5	(9,376)	5
Net income attributable to Matrix Service Company	$3,286	$ 10,306	$9,200	$ 16,858
Basic earnings per common share	$0.12	$ 0.39	$0.35	$ 0.64
Diluted earnings per common share	$0.12	$ 0.38	$0.34	$ 0.63
Weighted average common shares outstanding:				
Basic	26,600	26,245	26,535	26,180
Diluted	27,156	26,884	27,154	26,772

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Net income (loss)	$(4,846)	$ 10,311	$(176)	$16,863
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(1,501)	(477)	(3,271)	(175)
Comprehensive income (loss)	(6,347)	9,834	(3,447)	16,688
Less: Comprehensive income (loss) attributable to noncontrolling interest	(8,132)	5	(9,376)	5
Comprehensive income attributable to Matrix Service Company	$1,785	$ 9,829	$5,929	$16,683

See accompanying notes.

Matrix Service Company
Condensed Consolidated Balance Sheets
(In thousands)
(unaudited)

	December 31, 2014	June 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 68,568	$ 77,115
Accounts receivable, less allowances (December 31, 2014— $563 and June 30, 2014—$204)	215,142	204,692
Costs and estimated earnings in excess of billings on uncompleted contracts	69,573	73,008
Deferred income taxes	6,262	5,994
Inventories	3,013	3,045
Income taxes receivable	6,165	2,797
Other current assets	7,321	8,897
Total current assets	376,044	375,548
Property, plant and equipment at cost:		
Land and buildings	31,783	31,737
Construction equipment	85,966	82,745
Transportation equipment	45,098	42,087
Office equipment and software	27,145	26,026
Construction in progress	7,077	9,892
	197,069	192,487
Accumulated depreciation	(109,844)	(103,315)
	87,225	89,172
Goodwill	72,212	69,837
Other intangible assets	26,797	28,676
Other assets	3,804	5,699
Total assets	$ 566,082	$ 568,932

See accompanying notes.

Matrix Service Company
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

	December 31, 2014	June 30, 2014
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 93,154	$ 111,863
Billings on uncompleted contracts in excess of costs and estimated earnings	127,614	108,440
Accrued wages and benefits	25,207	36,226
Accrued insurance	8,437	8,605
Income taxes payable	2,013	—
Other accrued expenses	9,334	4,727
Total current liabilities	265,759	269,861
Deferred income taxes	6,740	5,167
Borrowings under senior credit facility	11,789	11,621
Total liabilities	284,288	286,649
Commitments and contingencies		
Stockholders’ equity:		
Matrix Service Company stockholders' equity:		
Common stock—$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of December 31, 2014, and June 30, 2014	279	279
Additional paid-in capital	119,852	119,777
Retained earnings	186,437	177,237
Accumulated other comprehensive loss	(3,453)	(182)
	303,115	297,111
Less: Treasury stock, at cost— 1,193,039 shares as of December 31, 2014, and 1,453,770 shares as of June 30, 2014	(13,712)	(16,595)
Total Matrix Service Company stockholders’ equity	289,403	280,516
Noncontrolling interest	(7,609)	1,767
Total stockholders' equity	281,794	282,283
Total liabilities and stockholders’ equity	$ 566,082	$ 568,932

See accompanying notes.

- 4-

Matrix Service Company
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Six Months Ended December 31, 2014	Six Months Ended December 31, 2013
Operating activities:		
Net income (loss)	$(176)	$ 16,863
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	11,540	7,551
Deferred income tax	1,011	(2,102)
Gain on sale of property, plant and equipment	(120)	(57)
Provision for uncollectible accounts	451	(36)
Stock-based compensation expense	3,168	2,515
Excess tax benefit of exercised stock options and vesting of deferred shares	(1,731)	1,069
Other	118	100
Changes in operating assets and liabilities increasing (decreasing) cash, net of effects from acquisitions:		
Accounts receivable	(9,243)	11,665
Costs and estimated earnings in excess of billings on uncompleted contracts	3,435	(4,835)
Inventories	32	(159)
Other assets and liabilities	3,247	(123)
Accounts payable	(19,429)	32,712
Billings on uncompleted contracts in excess of costs and estimated earnings	19,174	(9,525)
Accrued expenses	(6,099)	(5,174)
Net cash provided by operating activities	5,378	50,464
Investing activities:		
Acquisition of property, plant and equipment	(7,711)	(11,965)
Acquisition (Note 2)	(5,551)	(51,398)
Proceeds from asset sales	290	326
Net cash used by investing activities	$(12,972)	$ (63,037)

See accompanying notes.

- 5-

Matrix Service Company
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Six Months Ended December 31, 2014	Six Months Ended December 31, 2013
Financing activities:		
Issuances of common stock	$364	$ 602
Excess tax benefit of exercised stock options and vesting of deferred shares	1,731	6
Advances under credit agreement	9,272	33,318
Repayments of advances under credit agreement	(9,104)	(10,127)
Proceeds received for treasury shares sold to Employee Stock Purchase Plan	134	38
Treasury shares purchased from employees to satisfy tax withholding obligations	(2,439)	(1,638)
Net cash provided (used) by financing activities	(42)	22,199
Effect of exchange rate changes on cash	(911)	(84)
Net increase (decrease) in cash and cash equivalents	(8,547)	9,542
Cash and cash equivalents, beginning of period	77,115	63,750
Cash and cash equivalents, end of period	$68,568	$ 73,292
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$5,905	$ 6,812
Interest	$748	$ 462
Non-cash investing and financing activities:		
Purchases of property, plant and equipment on account	$185	$ 1,079

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Changes in Stockholders' Equity
(In thousands, except share data)
(unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income(Loss)	Non-Controlling Interest	Total
Balances, June 30, 2014	$279	$119,777	$177,237	$(16,595)	$(182)	$ 1,767	$282,283
Net income (loss)	—	—	9,200	—	—	(9,376)	(176)
Other comprehensive loss	—	—	—	—	(3,271)	—	(3,271)
Exercise of stock options (42,450 shares)	—	(287)	—	651	—	—	364
Tax effect of exercised stock options and vesting of deferred shares	—	1,731	—	—	—	—	1,731
Issuance of deferred shares (314,003 shares)	—	(4,584)	—	4,584	—	—	—
Treasury shares sold to Employee Stock Purchase Plan (4,972 shares)	—	47	—	87	—	—	134
Treasury shares purchased to satisfy tax withholding obligations (100,694 shares)	—	—	—	(2,439)	—	—	(2,439)
Stock-based compensation expense	—	3,168	—	—	—	—	3,168
Balances, December 31, 2014	$279	$119,852	$186,437	$(13,712)	$(3,453)	$ (7,609)	$281,794
Balances, June 30, 2013	$279	$118,190	$141,427	$(21,961)	$227	$ —	$238,162
Net income	—	—	16,858	—	—	5	16,863
Other comprehensive loss	—	—	—	—	(175)	—	(175)
Consolidated joint venture included in acquisition (Note 2)	—	—	—	—	—	700	700
Exercise of stock options (55,600 shares)	—	(376)	—	978	—	—	602
Tax effect of exercised stock options and vesting of deferred shares	—	1,075	—	—	—	—	1,075
Issuance of deferred shares (247,856 shares)	—	(4,361)	—	4,361	—	—	—
Treasury shares sold to Employee Stock Purchase Plan (2,152 shares)	—	—	—	38	—	—	38
Treasury shares purchased to satisfy tax withholding obligations (75,533 shares)	—	—	—	(1,638)	—	—	(1,638)

Stock-based compensation expense	—	2,515	—	—	—	—	2,515
Balances, December 31, 2013	$279	$117,043	$158,285	$(18,222)	$ 52	$ 705	$258,142

See accompanying notes.

Matrix Service Company
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 – Basis of Presentation and Accounting Policies

The condensed consolidated financial statements include the accounts of Matrix Service Company (“Matrix”, “we”, “our”, “us”, “its” or the “Company”) and its subsidiaries, unless otherwise indicated. Intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, the information furnished reflects all adjustments, consisting of normal recurring adjustments and other adjustments described herein, that are, in the opinion of management, necessary for a fair statement of the results of operations, cash flows and financial position for the interim periods presented. The accompanying condensed financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2014, included in the Company’s Annual Report on Form 10-K for the year then ended.

Quarterly operating results can exhibit seasonal fluctuations, especially in our Oil Gas & Chemical segment, for a variety of reasons. Turnarounds and planned outages at customer facilities are typically scheduled in the spring and the fall when the demand for energy is lower. Within the Electrical Infrastructure segment, transmission and distribution work is generally scheduled by the public utilities when the demand for electricity is at its lowest. Therefore, revenue volume in the summer months is typically lower than in other periods throughout the year. Also, we typically see a lower level of operating activity relating to construction projects during the winter months and early in the calendar year because many of our customers’ capital budgets have not been finalized. Our business can also be affected, both positively and negatively, by seasonal factors such as energy demand or weather conditions including hurricanes, snowstorms, and abnormally low or high temperatures. Some of these seasonal factors may cause some of our offices and projects to close or reduce activities temporarily. Accordingly, results for any interim period may not necessarily be indicative of future operating results.

Recently Issued Accounting Standards

Accounting Standards Update 2014-09 (Topic 606), Revenue from Contracts with Customers

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers." The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” In applying the revenue model to contracts within its scope, an entity:

• Identifies the contract(s) with a customer (step 1).
• Identifies the performance obligations in the contract (step 2).
• Determines the transaction price (step 3).
• Allocates the transaction price to the performance obligations in the contract (step 4).
• Recognizes revenue when (or as) the entity satisfies a performance obligation (step 5).

The ASU also requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU’s disclosure requirements are significantly more comprehensive than those in existing revenue standards. The ASU applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification ("ASC"). For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Early application is not permitted. We expect to adopt this standard in fiscal 2018 and are currently evaluating its expected impact on our financial statements.

Accounting Standards Update 2014-08 (Topics 205 and 360), Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

On April 10, 2014, the FASB issued ASU 2014-08, " Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" which amends the definition of a discontinued operation in ASC 205-20 and requires entities to provide additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued-operations criteria. The FASB issued the ASU to provide additional information and to make it more difficult for a disposal transaction to qualify as a discontinued operation (since the FASB believes that too many disposal transactions were qualifying as discontinued operations under the old definition). Under the previous guidance in ASC 205-20-45-1, the results of operations of a component of an entity were classified as a discontinued operation if all of the following conditions were met:

- "The component “has been disposed of or is classified as held for sale.”
- “The operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction.”
- “The entity will not have any significant continuing involvement in the operations of the component after the disposal transaction.”

The new guidance eliminates the second and third criteria above and instead requires discontinued operations treatment for disposals of a component or group of components that represents a strategic shift that has or will have a major impact on an entity’s operations or financial results. The ASU also expands the scope of ASC 205-20 to disposals of equity method investments and businesses that, upon initial acquisition, qualify as held for sale.The ASU is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014. The Company adopted this standard as of January 1, 2015. The adoption of this standard did not have a material impact on our consolidated financial statements.

Accounting Standards Update 2014-15 (Subtopic 205-40)—Presentation of Financial Statements—Going Concern : Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern

On August 27, 2014, the FASB issued ASU 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date of issuance of the entity’s financial statements. Further, an entity must provide certain disclosures if there is “substantial doubt about the entity’s ability to continue as a going concern.” The FASB believes that requiring management to perform the assessment will enhance the timeliness, clarity, and consistency of related disclosures and improve convergence with international financial reporting standards ("IFRSs") (which emphasize management’s responsibility for performing the going-concern assessment). However, the time horizon for the assessment (look-forward period) and the disclosure thresholds under U.S. GAAP and IFRSs will continue to differ. The ASU is effective for annual periods ending after December 15, 2016, and interim periods thereafter;
early adoption is permitted. We expect to adopt this standard in fiscal 2017.

Note 2 – Acquisitions

Purchase of HDB Ltd. Limited Partnership

On August 22, 2014 the Company purchased substantially all of the assets of HDB Ltd. Limited Partnership ("HDB"). HDB, headquartered in Bakersfield, California provides construction, fabrication and turnaround services to energy companies throughout California’s central valley. The acquisition advances a strategic goal of the Company to expand into the upstream energy market. The acquisition purchase price was $5.6 million and was funded with cash on hand. Commencing on August 22, 2014, HDB's operating results are included in the Oil Gas & Chemical Segment.

The purchase price was allocated to the major categories of assets and liabilities based on their estimated fair value at the acquisition date. The following table summarizes the preliminary purchase price allocation (in thousands):

Current assets	$1,658
Property, plant and equipment	1,001
Tax deductible goodwill	3,054
Other intangible assets	900
Total assets acquired	6,613

Current liabilities	1,062
Net assets acquired	$5,551

All of the recorded goodwill from the HDB acquisition is tax deductible. The operating data related to this acquisition was not material.

Purchase of Kvaerner North American Construction

Effective as of December 21, 2013, the Company acquired 100% of the stock and voting rights of Kvaerner North American Construction Ltd. and substantially all of the assets of Kvaerner North American Construction Inc,. together referenced as "KNAC". The businesses are now known as Matrix North American Construction Ltd. and Matrix North American Construction, Inc., together referenced as "Matrix NAC". Matrix NAC is a premier provider of maintenance and capital construction services to power generation, integrated iron and steel, and industrial process facilities. The acquisition significantly expanded the Company's presence in the Electrical Infrastructure and Industrial Segments, and to a lesser extent, the Oil Gas & Chemical segment.

The Company purchased KNAC for $88.3 million. The acquisition was funded through a combination of cash-on-hand and borrowings under our senior revolving credit facility. The purchase price was allocated to the major categories of assets and liabilities based on their estimated fair value at the acquisition date. The following table summarizes the purchase price allocation (in thousands):

Current assets	$83,575
Property, plant and equipment	11,377
Goodwill	39,295
Other intangible assets	24,009
Total assets acquired	158,256
Current liabilities	68,115
Deferred income taxes	1,179
Noncontrolling interest of consolidated joint venture	700
Net assets acquired	88,262
Cash acquired	36,655
Net purchase price	$51,607

Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets. This acquisition generated $39.3 million of goodwill, of which $28.5 million is tax deductible.

The equity in consolidated joint venture represents the acquired equity in KVPB Power Partners. KVPB Power Partners was subsequently renamed to MXPB Power Partners (the "Joint Venture"). The Joint Venture was formed by Kvaerner North American Construction Inc. and an engineering firm to engineer and construct a combined cycle power plant in Dover, Delaware. The Company holds a 65% voting and economic interest in the Joint Venture. The total acquired equity of the Joint Venture was $2.0 million of which the Company's portion was approximately $1.3 million and the other party owns a non-controlling interest of $0.7 million. At December 31, 2014, the noncontrolling interest holder's share of the equity of the Joint Venture was a negative $7.6 million. The Company's share at December 31, 2014 was a negative $14.1 million.

The unaudited financial information in the table below for the three and six months ended December 30, 2013 is presented on a pro forma basis, as though Matrix Service Company and Matrix NAC had been combined as of July 1, 2012. The pro forma earnings for the three and six months ended December 31, 2013 were adjusted to include incremental amortization expense of $1.1 million and $2.1 million, respectively, and depreciation expense of $0.6 million and $1.2 million, respectively.

	Three Months Ended December 31, 2013	Six Months Ended December 31, 2013
	(pro forma)	
	(In thousands, except per share data)	
Revenues	$395,600	$671,832
Net income attributable to Matrix Service Company	$12,422	$19,834
Basic earnings per common share	$0.47	$0.76
Diluted earnings per common share	$0.46	$0.74

- 10-

Table of Contents

Matrix Service Company
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 3 – Uncompleted Contracts
Contract terms of the Company’s construction contracts generally provide for progress billings based on project milestones. The excess of costs incurred and estimated earnings over amounts billed on uncompleted contracts is reported as a current asset. The excess of amounts billed over costs incurred and estimated earnings recognized on uncompleted contracts is reported as a current liability. Gross and net amounts on uncompleted contracts are as follows:

	December 31, 2014	June 30, 2014
	(in thousands)	
Costs incurred and estimated earnings recognized on uncompleted contracts	$1,649,633	$1,435,242
Billings on uncompleted contracts	1,707,674	1,470,674
	$(58,041)	$(35,432)
Shown on balance sheet as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$69,573	$73,008
Billings on uncompleted contracts in excess of costs and estimated earnings	127,614	108,440
	$(58,041)	$(35,432)

Progress billings in accounts receivable at December 31, 2014 and June 30, 2014 included retentions to be collected within one year of $28.2 million and $30.0 million, respectively. Contract retentions collectible beyond one year are included in Other Assets on the Condensed Consolidated Balance Sheet and totaled $2.5 million at December 31, 2014 and $4.3 million at June 30, 2014.

Other
In the three month and six months ended December 31, 2014, our results of operations were materially impacted by charges resulting from a change in estimate related to an acquired EPC joint venture project in the Electrical Infrastructure segment, as described in Note 2 - Acquisitions. The charges resulted in a reduction to operating income of $22.9 million and $26.2 million and an after-tax reduction of $7.9 million and $9.0 million to net income attributable to Matrix Service Company for the three and six months ended December 31, 2014, respectively. At December 31, 2014, the project was approximately 74% complete. The Company expects the project to be completed by the end of the current fiscal year. The change in estimate was driven primarily by delays, technical impacts, and additional work that has compressed the Company's delivery schedule obligations. The charges reflect management's best estimate of the total contract revenues to be recognized and total costs at completion.
During the second quarter of fiscal 2014, our results of operations were materially impacted by a charge resulting from a change in estimate on an aboveground storage tank project. The charge resulted in a $4.4 million and $4.0 million decrease in operating income for the three and six months ended December 31, 2013, respectively.

Table of Contents

Matrix Service Company
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 4 – Intangible Assets Including Goodwill
Goodwill
The changes in the carrying value of goodwill by segment are as follows:

	Electrical Infrastructure	Oil Gas & Chemical	Storage Solutions	Industrial	Total
	(In thousands)				
Goodwill	$60,896	$13,943	$10,949	$9,049	$94,837
Cumulative impairment loss (1)	(17,653)	(3,000)	(922)	(3,425)	(25,000)
Net balance at June 30, 2014	43,243	10,943	10,027	5,624	69,837
Acquisition related adjustment	164	—	—	55	219
Acquisition of HDB (2)	—	3,054	—	—	3,054
Translation adjustment (3)	(521)	—	(203)	(174)	(898)
Net balance at December 31, 2014	$42,886	$13,997	$9,824	$5,505	$72,212

(1) A $25.0 million impairment charge was recorded in February 2005 as a result of the Company’s operating performance in fiscal 2005.
(2) Amount represents goodwill in connection with the Company's acquisition of HDB. The acquisition is discussed further in Note 2 - Acquisitions.
(3) The translation adjustments relate to the periodic translation of Canadian Dollar denominated goodwill recorded as a part of a prior Canadian acquisition as well as the periodic translation of the Canadian entity acquired with the purchase of KNAC. The acquisition of KNAC is discussed further in Note 2 - Acquisitions.

Other Intangible Assets
Information on the carrying value of other intangible assets is as follows:

		At December 31, 2014		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Years)	(In thousands)		
Intellectual property	6 to 15	$2,460	$(1,003)	$1,457
Customer based	1.5 to 15	28,168	(5,090)	23,078
Non-compete agreements	3 to 5	1,353	(657)	696
Trade names	3 to 5	1,615	(49)	1,566
Total amortizing intangible assets		33,596	(6,799)	26,797

Table of Contents

Matrix Service Company
Notes to Condensed Consolidated Financial Statements
(unaudited)

		At June 30, 2014		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Years)	(In thousands)		
Intellectual property	6 to 15	$2,460	$(920)	$1,540
Customer based	1.5 to 15	27,662	(2,949)	24,713