

NV5 Global, Inc.
Form 10-Q
November 07, 2018

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 September 29, 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 001-35849

NV5 Global, Inc.

(Exact name of registrant as specified in its charter)

**Delaware 45-3458017
(State or other(I.R.S.
jurisdiction of Employer**

**incorporation
or
organization)** **Identification
No.)**

**200 South
Park Road, 33021
Suite 350
Hollywood, (Zip Code)
Florida
(Address of
principal
executive
offices)**

(954) 495-2112

(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, a smaller reporting company, or an emerging growth company. See 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

As of November 5, 2018, there were 12,478,257 shares outstanding of the registrant's common stock, \$0.01 par value.

Table of Contents

NV5 GLOBAL, INC.

INDEX

	Page
PART I – FINANCIAL INFORMATION	
ITEM 1 <u>FINANCIAL STATEMENTS</u>	1
<u>Consolidated Balance Sheets (unaudited)</u>	1
<u>Consolidated Statements of Net Income and Comprehensive Income (unaudited)</u>	2
<u>Consolidated Statement of Changes in Stockholders’ Equity (unaudited)</u>	3
<u>Consolidated Statements of Cash Flows (unaudited)</u>	4
<u>Notes to Consolidated Financial Statements (unaudited)</u>	6
ITEM 2 <u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	27
ITEM 3 <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	39
ITEM 4 <u>CONTROLS AND PROCEDURES</u>	39
PART II – OTHER INFORMATION	
ITEM 1 <u>LEGAL PROCEEDINGS</u>	41
ITEM 1A <u>RISK FACTORS</u>	41
ITEM 2 <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	41
ITEM 3 <u>DEFAULTS UPON SENIOR SECURITIES</u>	41
ITEM 4 <u>MINE SAFETY DISCLOSURES</u>	41
ITEM 5 <u>OTHER INFORMATION</u>	41
ITEM 6 <u>EXHIBITS</u>	42
<u>SIGNATURES</u>	43

Table of Contents**PART I – FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.**

NV5 Global, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except share data)

	September 29, 2018	December 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 56,202	\$ 18,751
Billed receivables, net	85,835	70,686
Unbilled receivables, net	43,638	39,401
Prepaid expenses and other current assets	2,504	2,555
Total current assets	188,179	131,393
Property and equipment, net	10,684	8,731
Intangible assets, net	75,971	65,754
Goodwill	114,054	98,899
Other assets	1,259	1,003
Total Assets	\$ 390,147	\$ 305,780
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 17,638	\$ 18,373
Accrued liabilities	19,602	18,994
Income taxes payable	-	6,102
Billings in excess of costs and estimated earnings on uncompleted contracts	1,149	665
Client deposits	198	197
Current portion of contingent consideration	1,763	977
Current portion of notes payable and other obligations	14,212	11,127
Total current liabilities	54,562	56,435
Contingent consideration, less current portion	1,232	913
Notes payable and other obligations, less current portion	19,041	57,430
Deferred income tax liabilities, net	11,966	10,905
Total liabilities	86,801	125,683
Commitments and contingencies		

Stockholders' equity:

Preferred stock, \$0.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.01 par value; 45,000,000 shares authorized, 12,461,900 and 10,834,770 shares issued and outstanding as of September 29, 2018 and December 30, 2017, respectively	125	108
Additional paid-in capital	229,989	125,954
Retained earnings	73,232	54,035
Total stockholders' equity	303,346	180,097
Total liabilities and stockholders' equity	\$ 390,147	\$ 305,780

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

NV5 Global, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(UNAUDITED)

(in thousands, except share data)

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Gross revenues	\$104,185	\$91,263	\$302,737	\$239,058
Direct costs (excluding depreciation and amortization):				
Salaries and wages	34,475	28,219	98,542	75,235
Sub-consultant services	14,989	12,663	43,349	33,719
Other direct costs	4,747	3,635	13,539	10,276
Total direct costs	54,211	44,517	155,430	119,230
Gross Profit	49,974	46,746	147,307	119,828
Operating Expenses:				
Salaries and wages, payroll taxes and benefits	24,897	23,090	76,122	62,847
General and administrative	7,556	7,362	23,348	19,931
Facilities and facilities related	3,490	3,547	10,552	9,162
Depreciation and amortization	4,057	3,788	11,660	9,542
Total operating expenses	40,000	37,787	121,682	101,482
Income from operations	9,974	8,959	25,625	18,346
Interest expense	(451) (524) (1,712) (1,042
Income before income tax expense	9,523	8,435	23,913	17,304
Income tax expense	(2,238) (2,523) (4,716) (4,803
Net Income and Comprehensive Income	\$7,285	\$5,912	\$19,197	\$12,501
Earnings per share:				
Basic	\$0.65	\$0.58	\$1.80	\$1.23
Diluted	\$0.62	\$0.55	\$1.71	\$1.16
Weighted average common shares outstanding:				
Basic	11,256,946	10,211,114	10,686,040	10,155,751

Diluted	11,701,394	10,785,630	11,205,748	10,744,619
---------	------------	------------	------------	------------

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

NV5 Global, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(UNAUDITED)

(in thousands, except share data)

	Common Stock		Additional	Retained	
	Shares	Amount	Paid-In Capital	Earnings	Total
Balance, December 30, 2017	10,834,770	\$ 108	\$ 125,954	\$ 54,035	\$ 180,097
Stock based compensation	-	-	4,541	-	4,541
Restricted stock issuance, net	144,118	2	(2)	-	-
Stock issuance for acquisitions	73,012	1	4,949	-	4,950
Proceeds from secondary offering, net of costs	1,270,000	13	93,456	-	93,469
Proceeds from exercise of warrants, net of costs	140,000	1	1,091	-	1,092
Net income	-	-	-	19,197	19,197
Balance, September 29, 2018	12,461,900	\$ 125	\$ 229,989	\$ 73,232	\$ 303,346

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

NV5 Global, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in thousands)

	Nine Months Ended September 29, 2018	September 30, 2017
Cash Flows From Operating Activities:		
Net income	\$ 19,197	\$ 12,501
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,660	9,542
Provision for doubtful accounts	843	445
Stock based compensation	4,541	2,743
Change in fair value of contingent consideration	267	56
Loss on disposal property and equipment	-	2
Deferred income taxes	564	320
Changes in operating assets and liabilities, net of impact of acquisitions:		
Billed receivables	(6,396)	(6,466)
Unbilled receivables	(3,759)	(10,565)
Prepaid expenses and other assets	819	(13)
Accounts payable	(679)	(1,827)
Accrued liabilities	(3,259)	(3,251)
Income taxes payable	(6,713)	(279)
	485	1,641

Billings in excess of costs and estimated earnings on uncompleted contracts		
Client deposits	-	822
Net cash provided by operating activities	17,570	5,671
Cash Flows From Investing Activities:		
Cash paid for acquisitions (net of cash received from acquisitions)	(28,460)	(60,241)
Purchase of property and equipment	(1,582)	(1,591)
Net cash used in investing activities	(30,042)	(61,832)
Cash Flows From Financing Activities:		
Proceeds from secondary offering	93,469	-
Proceeds from borrowings from Senior Credit Facility	-	47,000
Payments of borrowings from Senior Credit Facility	(36,500)	(5,000)
Payments on notes payable	(7,410)	(5,360)
Payments of contingent consideration	(728)	(563)
Proceeds from exercise of warrant	1,092	-
Net cash provided by financing activities	49,923	36,077