

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-01-11** | Period of Report: **1995-11-30**
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FILER

EA ENGINEERING SCIENCE & TECHNOLOGY INC

CIK: **802492** | IRS No.: **520991911** | State of Incorpor.: **DE** | Fiscal Year End: **0831**
Type: **10-Q** | Act: **34** | File No.: **000-15587** | Film No.: **96502909**
SIC: **8711** Engineering services

Mailing Address
11019 MCCORMICK RD
HUNT VALLEY MD 21031

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HUNT VALLEY MD 21031
4105847000

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended: November 30, 1995 Commission File No. 0-15587

EA Engineering, Science, and Technology, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction
incorporation or organization)

52-0991911

of (IRS Employer
identification No.)

11019 McCormick Road, Hunt Valley, Maryland

(Address of Principal Executive Offices)

21031

(Zip Code)

Registrant's telephone number including area code (410) 584-7000

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 X No

NUMBER OF SHARES OF REGISTRANT'S COMMON STOCK
OUTSTANDING AT JANUARY 4, 1996

6,107,250

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PART I - FINANCIAL INFORMATION

The consolidated financial statements included herein for EA Engineering, Science, and Technology, Inc. & Subsidiaries (the "Company") have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In management's opinion, the interim financial data presented includes all adjustments (which include only normal recurring adjustments) necessary for a fair presentation. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to understand the information presented. It is suggested that these consolidated financial statements be read in conjunction with the Company's August 31, 1995 consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K dated November 22, 1995.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

	November 30, 1995	August 31, 1995
	-----	-----
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 792,800	\$ 3,813,900
Accounts receivable, net.....	12,444,400	14,858,100
Costs and estimated earnings in excess of billings on uncompleted contracts.....	14,219,900	10,735,000
Prepaid expenses and other.....	1,755,100	1,711,300
	-----	-----
Total Current Assets.....	29,212,200	31,118,300
	-----	-----
PROPERTY AND EQUIPMENT, at cost:		
Furniture, fixtures and equipment.....	14,641,300	14,403,800
Leasehold improvements.....	3,668,300	3,652,400
	-----	-----
	18,309,600	18,056,200
Less-Accumulated depreciation and amortization...	(14,650,200)	(14,255,900)
	-----	-----
Net Property and Equipment.....	3,659,400	3,800,300
	-----	-----
OTHER ASSETS.....	1,539,100	1,449,200
	-----	-----
Total Assets.....	\$34,410,700	\$36,367,800
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>
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	November 30, 1995	August 31, 1995
	-----	-----
<S>	<C>	<C>
CURRENT LIABILITIES:		
Accounts payable.....	\$ 4,380,800	\$ 5,960,800
Accrued expenses.....	631,200	856,500
Accrued salaries, wages and benefits.....	3,661,700	4,595,700
Income taxes payable.....	657,000	227,600
Current portion of long-term debt.....	765,500	765,500
Billings in excess of costs and estimated earnings on uncompleted contracts.....	993,900	1,049,300
	-----	-----
Total Current Liabilities.....	11,090,100	13,455,400
	-----	-----
LONG-TERM DEBT, net of current portion.....	3,841,400	4,032,700
	-----	-----
Total Liabilities	14,931,500	17,488,100
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value; 10,000,000 shares authorized; 6,103,100 and 6,091,900 shares issued and outstanding.....	61,000	60,900
Preferred stock, \$.01 par value; 8,000,000 shares authorized; none issued.....	--	--
Capital in excess of par value.....	10,602,300	10,538,700
Retained earnings.....	8,815,900	8,280,100
	-----	-----
Total Stockholders' Equity.....	19,479,200	18,879,700
	-----	-----
Total Liabilities and Stockholders' Equity...	\$34,410,700	\$36,367,800
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Three Months Ended November 30,	
	1995	1994
<S>	<C>	<C>
Total revenue.....	\$22,940,100	\$22,421,200
Less - Subcontractor costs.....	(5,527,100)	(4,462,700)
Net revenue.....	17,413,000	17,958,500
Operating expenses:		
Direct salaries and other operating.....	15,622,200	15,521,000
General and administrative.....	796,600	1,129,800
Total operating expenses.....	16,418,800	16,650,800
Income from operations.....	994,200	1,307,700
Interest expense.....	(125,700)	(136,500)
Interest income.....	24,500	29,200
Income before income taxes.....	893,000	1,200,400
Provision for income taxes.....	357,200	480,200
Net income.....	\$ 535,800	\$ 720,200
Net income per share.....	\$.09	\$ 0.12
Weighted average shares outstanding.....	6,182,400	6,137,900

</TABLE>

The accompanying notes are an integral part of these statements.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

Three Months Ended November 30,	
1995	1994

<S>	<C>	<C>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Net income.....	\$ 535,800	\$ 720,200
Noncash expenses included in net income -		
Depreciation and amortization.....	394,300	415,800
Deferred (benefit from) income taxes.....	(100,000)	(135,200)
Current provision for income taxes.....	457,200	615,400
Net (increase) decrease in noncash assets -		
Accounts receivable, net.....	2,413,700	779,300
Costs and estimated earnings in excess of		
billings on uncompleted contracts.....	(3,484,900)	(4,848,100)
Prepaid expenses and other assets.....	(33,700)	295,200
Net increase (decrease) in nondebt liabilities -		
Accounts payable and accrued expenses.....	(2,739,300)	(291,200)
Payments of income taxes.....	(27,800)	(7,300)
Billings in excess of costs and estimated		
earnings on uncompleted contracts.....	(55,400)	(113,200)
	-----	-----
Net cash flows used for operating activities..	(2,640,100)	(2,569,100)
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Proceeds from issuance of common stock.....	63,700	171,500
Reduction of long-term debt.....	(191,300)	(211,700)
	-----	-----
Net cash flows used for financing activities..	(127,600)	(40,200)
	-----	-----
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of equipment, net.....	(253,400)	(327,100)
	-----	-----
Net cash flows used for investing activities...	(253,400)	(327,100)
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(3,021,100)	(2,936,400)
	-----	-----
CASH AND CASH EQUIVALENTS, beginning of period.....	3,813,900	3,988,500
	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 792,800	\$ 1,052,100
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 1995 AND 1994

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation--

The accompanying consolidated financial statements present the accounts of EA Engineering, Science, and Technology, Inc. (EA) and its wholly-owned subsidiary, EA Financial, Inc., and its wholly-owned subsidiaries, EA Global, Inc., and EA Engineering, Science, and Technology de Mexico, S.A. de C.V. (EA de Mexico). The entities are collectively referred to herein as the "Company." All significant intercompany transactions have been eliminated in consolidation.

Revenue Recognition--

The Company is a multidisciplinary environmental services and consulting engineering organization providing a wide range of consulting, engineering, remediation, and analytical services. These services are generally performed under time and material, fixed price and cost plus fixed fee contracts which vary in length from one month to ten years.

The Company accounts for contract revenues and costs under fixed price contracts using the percentage-of-completion method. The percentage-of-completion is determined using the "cost-to-cost" method for each contract cost component. Under this method, direct labor and other contract costs incurred to date are compared to periodically revised estimates of the total of each contract cost component at contract completion to determine the percentage of revenues to be recognized. Revenues from time and material and cost plus fixed fee contracts are recognized currently as the work is performed. Provision for estimated losses on uncompleted contracts, to the full extent of the loss, is made during the period in which the Company first becomes aware that a loss on a contract is probable.

Contract costs and estimated earnings recognized in excess of amounts billed are classified as current assets under "costs and estimated earnings in excess of billings on uncompleted contracts." Billings in excess of contract costs and estimated earnings are classified as current liabilities under "billings in excess of costs and estimated earnings on uncompleted contracts."

Generally, contracts provide for the billing of costs incurred and estimated fees on a monthly basis. Amounts included in "costs and estimated earnings in excess of billings on uncompleted contracts" in the accompanying financial statements will be billed within twelve months of the balance sheet date.

Cash and Cash Equivalents--

Cash equivalents consist of obligations and money market instruments with a purchased original maturity of three months or less, stated at cost, which approximates market.

Property and Equipment--

Property and equipment are depreciated using the straight-line method over

their estimated useful lives ranging from 3 to 10 years. Leasehold improvements are amortized over the shorter of the estimated useful life or the term of the lease.

Major Clients--

For the three months ended November 30, 1995 and 1994, various agencies of the federal government provided 51% and 81% of net revenue, and as of November 30, 1995 accounted for approximately 52% of the Company's accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts.

Segment Information--

The Company operates within one industry segment, providing a wide range of consulting, engineering, remediation, and analytical services.

Reclassifications--

Certain prior year balances have been reclassified to conform with current year presentation.

Supplemental Disclosures of Cash Flow Information--

Cash paid during the three months ended November 30, 1995 and 1994 for interest was \$117,400 and \$130,900, respectively. Retirements of property and equipment for the same periods were \$0 and \$34,800, respectively.

Short-term borrowings information for the three months ended November 30, 1995 and 1994 is as follows:

<TABLE>
<CAPTION>

	Three Months Ended November 30,	
	1995	1994
	-----	-----
<S>	<C>	<C>
Balance as of end of period.....	\$ --	\$ --
Maximum amount outstanding during the period.....	5,490,900	1,559,600
Average outstanding month-end balance during the period.....	492,400	--
Weighted average interest rate during the period..	8.8%	7.9%
Interest rate at the end of period.....	8.8%	8.5%
Interest expense.....	\$16,900	\$2,200

</TABLE>

The Company's debt agreements require that the Company maintain certain financial ratios.

Note 2. BANK FINANCING ARRANGEMENTS:

The Company maintains a revolving line of credit arrangement with a commercial bank. The borrowing facility consists of a revolving line of credit for up to \$9,500,000 and a \$3,000,000 long-term note payable with interest only payments due quarterly and principal due on expiration of the agreement. Borrowings under the arrangement are unsecured. Interest is charged at either the bank's prime rate or LIBOR plus 150 basis points, at the Company's election on a quarterly basis. The interest rate is subject to quarterly modifications based on certain financial ratios, with a maximum rate of 25 basis points above the bank's prime or LIBOR plus 240 basis points. This arrangement expires on January 31, 1997. However, the Company's short-term borrowings are due on the earlier of the bank's demand or expiration of the agreement. If the Company's total borrowings fall below \$3,000,000 at any time, the bank invests the excess in interest bearing overnight funds.

Note 3. NET INCOME PER SHARE:

Net income per share amounts are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

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Note 4. PROFIT SHARING AND EMPLOYEE INCENTIVE PLANS:

EA maintains a defined contribution plan covering all employees who are at least 21 years of age and have completed one year of credited service, as defined by the plan. The plan provides for discretionary employer contributions for each fiscal year, in amounts determined annually by the Board of Directors, and for voluntary employee contributions. The plan also includes a 401(k) provision, allowing for Company matching contributions.

The Company also maintains an Incentive Compensation Plan which provides for both quarterly incentive payouts to all employees and annual incentive payouts to certain management personnel if pre-determined goals, approved by the Board of Directors, are exceeded. For the three months ended November 30, 1994, the total amount expensed under the incentive plan was \$550,000. There was no expense incurred under the incentive plan for the three months ended November 30, 1995.

Note 5. STOCK OPTION AND EMPLOYEE STOCK PURCHASE PLANS:

The Company maintains a Stock Option Plan which provides for the grant of incentive and nonqualified stock options to certain key employees and officers of the Company. The exercise price of an option granted under the Plan may not be less than the fair market value of the underlying shares of Common Stock on the date of the grant. A total of 209,900 options are issued and outstanding as of November 30, 1995 having an average exercise price of \$4.16. There were 389,100 shares available for issuance as of November 30, 1995.

The Company maintains an Employee Stock Purchase Plan to provide eligible employees the opportunity to purchase shares of the Company's Common Stock

through voluntary payroll deductions. Under the Plan, eligible employees may purchase shares monthly through payroll deductions at 95% of current market value at the time of purchase. The Company pays all administrative expenses related to employee purchases. A total of 244,971 shares remain authorized for distribution under the Plan as of November 30, 1995.

The Company maintains two Non-Employee Director Stock Option Plans (1995 and 1993) which provide for the granting of nonqualified stock options to its three non-employee directors. The exercise price of the 30,000 options, which were outstanding as of November 30, 1995, ranged between \$2.445 and \$6.125, which equaled the fair market value at the date of grant. A total of 38,500 options remain reserved for the Director Stock Option Plans as of November 30, 1995.

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EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company's results of operations are significantly affected by the timing of the award of contracts, the timing of performance on contracts, and the extent to which the Company's employees are performing billable tasks as opposed to engaging in preparing bid proposals and other required non-billable activities. Due to these factors, the results of operations for interim periods are not necessarily indicative of the results of operations for longer periods and interim period comparisons may not be as meaningful as comparisons over longer periods.

Three Months Ended November 30, 1995

Net revenue for the three months ended November 30, 1995 was \$17,413,000, a decrease of 3.0% from \$17,958,500 for the same period in 1994. The decrease was attributable to lower contract volume associated with the Department of Defense activities, partially offset by increases in Industrial, State, and Local Government, Federal Non-DOD agency activities, and increased recovery of General and Administrative expenses and fees on subcontracted work.

Direct salaries and other operating costs increased to \$15,622,200 from \$15,521,000, representing 89.7% and 86.4% of net revenue for the three months ended November 30, 1995 and 1994, respectively. As a percentage of net revenue, the increase was attributable to decreased staff utilization, increased information systems, including contracts and procurement, increased international marketing, and proposal costs, offset by decreases in incentive compensation expense.

General, and administrative costs decreased to \$796,600 from \$1,129,800, and decreased to 4.6% and 6.3% of net revenue, respectively. The decrease in costs was related to decreases in incentive compensation and the reduction of administrative staff in the fourth quarter of fiscal 1995.

As a result of the above factors, income from operations for the three months ended November 30, 1995 and 1994 decreased 24.0% to \$994,200 from \$1,307,700 representing 5.7% and 7.3% of net revenue. Interest expense, net, decreased \$6,100 for the three months ended November 30, 1995, compared to the prior year. The net decrease in interest expense is primarily the result of decreasing long-term debt principal balances, partially offset by increased short-term borrowings to fund federal subcontracting payment requirements on certain contracts.

The provision for income taxes was \$357,200 and \$480,200 for the three months ended November 30, 1995 and 1994, respectively, representing effective rates of 40% for both years.

Net income was \$535,800 for the three months ended November 30, 1995, compared to \$720,200 for the three months ended November 30, 1994.

Liquidity and Capital Resources

Cash and cash equivalents (cash) decreased by \$3,021,100 for the three months ended November 30, 1995. The decrease principally resulted from increases in costs and estimated earnings in excess of billings on uncompleted contracts, and the decrease in accounts payable and accrued expenses. This decrease was partially offset by net income, decrease in accounts receivable, and depreciation and amortization.

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The Company's capital expenditures, consisting primarily of purchases of equipment and leasehold improvements, were approximately \$253,400 and \$327,100 for the three months ended November 30, 1995 and 1994, respectively.

At November 30, 1995, the Company had outstanding long-term debt, including current portion, of \$4,606,900 decreased by repayments of \$191,300 from the August 31, 1995 balance of \$4,798,200. The Company had no borrowings under its revolving line of credit at November 30, 1995, consistent with August 31, 1995.

The Company's existing funds, cash from operations, and the available portion of its \$12,500,000 credit arrangement are expected to be sufficient to meet the Company's present cash needs. Also, as part of its banking arrangements, the Company has a \$2,000,000 available line of credit for equipment financing. The Company also has access to certain capital equipment financing arrangements through various equipment suppliers. The Company also believes it has the ability to raise capital through public or private placement of debt and will pursue such options as the need arises to expand business services, facilities, or acquire equipment in conjunction with a review of the most cost effective means for the Company and its stockholders.

While the Company believes that there is sufficient market demand to absorb the additional contracting capacity resulting from its continued expansion, there can be no assurance that this demand will exist or continue. Although the Company has the ability to reduce its professional staff in periods of reduced demand, it may choose not to make full reductions in such periods, with resulting adverse effects on operations.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

PART II - OTHER INFORMATION

Item 6

(a)

Exhibits

None

(b)

Reports on Form 8-K

None

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EA Engineering, Science, and
Technology, Inc. & Subsidiaries

(Registrant)

January 8, 1996

By: /s/ Loren D. Jensen

(Signature)

Loren D. Jensen

Chairman, President, and
Chief Executive Officer

(Title)

January 8, 1996

By: /s/ Joseph A. Spadaro

(Signature)

Joseph A. Spadaro

Executive Vice President,
Chief Financial Officer

(Title)

EXHIBIT 1

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC.

SCHEDULE OF WEIGHTED AVERAGE SHARES OUTSTANDING

<TABLE>
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	Three Months Ended November 30,	
	1995	1994
<S>	<C>	<C>
Weighted average shares of common stock.....	6,103,100	5,784,200
Impact of dilutive stock options as of November 30, 1995 and 1994, respectively.....	79,300	353,600
Weighted average shares of common stock.....	6,182,400	6,137,800

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