

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

PITT DES MOINES INC

CIK: **78853** | IRS No.: **250729430** | State of Incorporation: **PA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05259** | Film No.: **94528003**
SIC: **3443** Fabricated plate work (boiler shops)

Business Address
3400 GRAND AVE
PITTSBURGH PA 15225
4123313000

=====

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the quarterly period ended March 31, 1994

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 I-5259

PITT-DES MOINES, INC.

(Exact name of registrant as specified in its charter)

Commonwealth of Pennsylvania
(State of other jurisdiction of
incorporation of organization)

25-0729430
(I.R.S. Employer
Identification No.)

3400 Grand Avenue, Pittsburgh, PA
(Address of Principal Executive Offices)

15225
(Zip Code)

(412) 331-3000

(Registrant's Telephone Number, including Area Code)

Indicate by check 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

On March 31, 1994, 2,323,978 shares of Common Stock were outstanding.

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Part I. Financial Information

Item 1. Financial Statements

PITT-DES MOINES, INC.

Consolidated Statements of Income
(Unaudited)

<TABLE>
<CAPTION>

For the three months ended
March 31,

(in thousands, except per share amounts)

1994

1993

| <u><S></u> | <u><C></u> | <u><C></u> |
|--|------------------|------------------|
| Earned revenue | \$ 98,483 | \$ 81,909 |
| Cost of earned revenue | (88,803) | (73,827) |
| | ----- | ----- |
| Gross profit from operations | 9,680 | 8,082 |
| Selling, general and administrative expenses | (9,135) | (9,681) |
| | ----- | ----- |
| Income (loss) from operations | 545 | (1,599) |
| Other income/(expense): | | |
| Interest income | 136 | 167 |
| Interest expense | (81) | (14) |
| Loss on sale of assets | (4) | (7) |
| Miscellaneous, net | 8 | 34 |
| | ----- | ----- |
| | 59 | 180 |
| | ----- | ----- |
| Income (loss) before income taxes | 604 | (1,419) |
| Income taxes (credits) | 234 | (540) |
| | ----- | ----- |
| Net income (loss) | \$ 370 | \$ (879) |
| | ===== | ===== |
| Per Share | | |
| Net income (loss) | \$.16 | \$ (.38) |
| Dividend paid | \$.225 | \$.225 |
| Average common shares outstanding (in 000's) | 2,324 | 2,323 |
| CONSOLIDATED RETAINED EARNINGS | | |
| Balance at the beginning of year | \$ 69,056 | \$ 70,314 |
| Net income (loss) | 370 | (879) |
| Dividends paid | (523) | (523) |
| Other | 0 | 24 |
| | ----- | ----- |
| Balance at end of period | \$ 68,903 | \$ 68,936 |
| | ===== | ===== |

</TABLE>

See Notes to Consolidated Financial Statements.

Item 1. Financial Statements (Continued)

PITT-DES MOINES, INC.

Consolidated Statements of Financial Condition

<TABLE>
<CAPTION>

| | March 31, 1994 | December 31, 1993 |
|---|-------------------|----------------------|
| | ----- | ----- |
| <S> (in thousands) | <C> | <C> |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,766 | \$ 15,946 |
| Accounts receivable including retentions (less allowances: 1994-\$1,056; 1993-\$976) | 66,921 | 60,782 |
| Inventories | 19,924 | 18,119 |
| Costs and estimated profits in excess of billings | 23,673 | 28,619 |
| Deferred income taxes | 7,939 | 7,939 |
| Prepaid expenses | 2,637 | 1,595 |
| | ----- | ----- |
| Total Current Assets | 122,860 | 133,000 |
| Investments and Other Assets | 6,744 | 6,620 |
| Property, Plant and Equipment | | |
| Land | 7,351 | 7,351 |
| Buildings | 30,479 | 30,456 |
| Machinery and equipment | 60,621 | 59,937 |
| | ----- | ----- |
| | 98,451 | 97,744 |
| Allowances for depreciation | (60,815) | (59,561) |
| | ----- | ----- |
| Net Property, Plant and Equipment | 37,636 | 38,183 |
| | ----- | ----- |
| | \$167,240 | \$177,803 |
| | ===== | ===== |

</TABLE>

See Notes to Consolidated Financial Statements.

Item 1. Financial Statements (Continued)

PITT-DES MOINES, INC.

Consolidated Statements of Financial Condition

<TABLE>

<CAPTION>

| | March 31, 1994 | December 31, 1993 |
|--|-------------------|----------------------|
| (in thousands) | ----- | ----- |
| <S> | <C> | <C> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 27,590 | \$ 41,326 |
| Accrued compensation, related taxes and benefits | 9,894 | 9,082 |
| Other accrued expenses | 4,082 | 3,963 |
| Accrued expenses related to flood | 3,718 | 4,272 |
| Billings in excess of costs and estimated profits | 11,740 | 10,320 |
| Income taxes | 1,500 | 1,149 |
| Casualty and liability insurance | 13,848 | 12,609 |
| | ----- | ----- |
| Total Current Liabilities | 72,372 | 82,721 |
| Deferred Income Taxes | 5,701 | 5,701 |
| Minority Interest | 847 | 908 |
| Contingencies and Commitments | | |
| Stockholders' Equity | | |
| Preferred stock - par value \$.01 per share; authorized 3,000,000 shares; issued - none | | |
| Common stock - no par value; authorized 15,000,000 shares; issued 2,982,156 shares | 33,549 | 33,549 |
| Retained earnings | 68,903 | 69,056 |
| | ----- | ----- |
| | 102,452 | 102,605 |
| Treasury stock at cost (1994 - 658,178 shares; 1993 - 658,178 shares) | (14,132) | (14,132) |
| | ----- | ----- |

Total Stockholders' Equity

88,320

88,473

\$167,240

\$177,803

=====

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</TABLE>

See Notes to Consolidated Financial Statements.

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Item 1. Financial Statements (Continued)

PITT-DES MOINES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

<TABLE>

<CAPTION>

For the three months ended
March 31,

1994

1993

<C>

<C>

<S>

Cash Flow From Operating Activities

| | | |
|--|----------|----------|
| Net income (loss) | \$ 370 | \$ (879) |
| Adjustments to reconcile net income to net cash utilized by operating activities: | | |
| Depreciation | 1,262 | 1,205 |
| Loss on sale of assets | 4 | 7 |
| Minority interest, net of dividends paid | (61) | (71) |
| Other non-cash credits, net | (120) | (448) |
| Change in certain assets and liabilities (using) or providing cash: | | |
| Accounts receivable | (6,139) | (2,448) |
| Inventories | (1,805) | (319) |
| Prepaid expenses | (1,042) | (1,385) |
| Costs, estimated profits and billings, net | 6,366 | 1,001 |
| Accounts payable | (13,736) | (10,275) |
| Accrued liabilities | 1,616 | 2,003 |
| Income taxes | 351 | (250) |

| | | |
|--|----------|----------|
| Net cash utilized by operating activities | (12,934) | (11,859) |
| Cash Flows from Investing Activities | | |
| Capital expenditures | (737) | (769) |
| Proceeds from sales of assets | 18 | 22 |
| Change in investments and other assets | (4) | 21 |
| | ----- | ----- |
| Net cash utilized by investing activities | (723) | (726) |
| Cash Flows from Financing Activities | | |
| Proceeds from debt obligations | 6,000 | 0 |
| Payments of debt obligations | (6,000) | (219) |
| Dividends paid | (523) | (523) |
| Other | 0 | 77 |
| | ----- | ----- |
| Net cash utilized by financing activities | (523) | (665) |
| | ----- | ----- |
| Decrease in cash and cash equivalents | (14,180) | (13,250) |
| Cash and cash equivalents at beginning of year | 15,946 | 19,944 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 1,766 | \$ 6,694 |
| | ===== | ===== |

</TABLE>

See Notes to Consolidated Financial Statements.

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Item 1. Financial Statements (Continued)

PITT-DES MOINES, INC.
Notes to Consolidated Financial Statements
(Unaudited)

Note A. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have

been included. Operating results for the three months ended March 31, 1994 are not necessarily indicative of the results that may be expected for the year ending December 31, 1994. The December 31, 1993 Consolidated Statement of Financial Condition was derived from audited financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

Note B. Costs and Estimated Profits on Uncompleted Contracts

Costs and estimated profits on uncompleted contracts are summarized as follows:

<TABLE>
<CAPTION>

| (in thousands) | March 31, 1994 | December 31, 1993 |
|---|-------------------|----------------------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Costs incurred on uncompleted contracts | \$ 455,160 | \$ 413,203 |
| Estimated profits | 50,218 | 45,267 |
| | ----- | ----- |
| | 505,378 | 458,470 |
| Less: Billings to date | (493,445) | (440,171) |
| | ----- | ----- |
| | \$ 11,933 | \$ 18,299 |
| | ===== | ===== |

</TABLE>

Costs, estimated profits and billings on uncompleted contracts are included in the accompanying Consolidated Statements of Financial Condition under the following captions:

<TABLE>
<CAPTION>

| (in thousands) | March 31, 1994 | December 31, 1993 |
|---|-------------------|----------------------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Costs and estimated profits in excess of billings | \$ 23,673 | \$ 28,619 |
| Billings in excess of costs and estimated profits | (11,740) | (10,320) |
| | ----- | ----- |
| | \$ 11,933 | \$ 18,299 |
| | ===== | ===== |

</TABLE>

Note C. Contingencies

There are various claims and legal proceedings against the Company arising from the normal course of business. As previously reported, in May 1984, Washington Public Power Supply System ("WPPSS") filed a complaint against the Company and its surety in the United States District Court for the Eastern

District of Washington. Various claims in connection with retrofit work performed by the company at Nuclear Unit #2, Hanford, Washington, were alleged. Four alternative damages theories were presented, ranging in amounts from \$53 million to \$86 million.

In January 1986, the District Court granted partial summary judgment and dismissed some of WPPSS' claims. After a trial in June 1986, and a jury verdict favorable to the company, the Court entered final judgment dismissing all the claims of WPPSS against the Company. WPPSS filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit. In May 1989, the Court of Appeals affirmed the judgment of the District Court that the company was not liable for breach of

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Item 1. Financial Statements (Continued)

Note C. Contingencies (Continued)

warranties in connection with its construction of the retrofit of the containment vessel at Nuclear Unit #2, Hanford, Washington. However, the Court of Appeals remanded the case to the District Court for a determination of whether WPPSS had released its claims against the Company for breach of contract with respect to the Company's retrofit contract.

After several preliminary rulings in 1990 in favor of the Company, the District Court entered an order dismissing WPPSS' complaint with prejudice on May 1, 1991.

In an order filed January 26, 1993, the United States Court of Appeals affirmed the judgment of the District Court in part, but reversed and again remanded the case to the District Court for determination of whether WPPSS had released its claims against the Company for breach of contract with respect to the retrofit contract, including its original claims for consequential damages.

The District Court has scheduled a jury trial to commence in June of 1994. In an order filed October 21, 1993, the District Court ruled that the June 1994 trial will be bifurcated; the trial will determine whether WPPSS reserved its breach of contract claims, without any determination of the amount of WPPSS' damages, or the extent of the Company's liability, if any.

Although counsel is unable to predict with certainty the ultimate outcome, management and counsel believe the Company has significant and meritorious defenses to any claims, and intend to pursue them vigorously.

The Company's operations, including idle facilities and other property, are subject to and affected by federal, state and local laws and regulations regarding the protection of the environment. The Company accrues for environmental costs where such obligations are either known or considered

probable and can be reasonably estimated.

The Company is participating as a potentially responsible party (PRP) at several different sites pursuant to proceedings under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Other parties have also been identified as PRP's at the sites. Investigative and/or remedial activities are ongoing. The Company believes, based upon information presently available to it, that such future costs will not have a material effect on the Company's financial position, results of operations or liquidity. However, the imposition of more stringent requirements under environmental laws or regulations, new developments or changes regarding site cleanup costs or the allocation of such costs among PRP's or a determination that the Company is potentially responsible for the release of hazardous substances at sites other than those currently identified, could result in additional costs.

Management believes it is improbable that the ultimate outcome of any matter currently pending against the Company will materially affect the financial position of the Company; accordingly, no provision for such liability has been recorded in the accompanying financial statements.

Note D. Commitments

The Company entered into agreements with members of the Jackson family, principal stockholders, to purchase shares of the Company's Common Stock upon the stockholder's death. The price for such purchases will be the closing price of the Common Stock on the American Stock Exchange on the date of such stockholder's death. A portion of this outstanding commitment for 44,800 shares is now fixed at \$1.4 million as of January 10, 1994. The remaining outstanding commitment for 80,000 shares was \$2.5 million based on the closing sale price of the Company's Common Stock on March 31, 1994.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Three months ended March 31, 1994 compared with three months ended March 31, 1993.

The Company reported net income of \$370,000 or \$.16 per share on earned revenue of \$98.5 million for the quarter ended March 31, 1994. These results compare with a net loss of \$879,000 or \$.38 per share on earned revenue of \$81.9 million for the quarter ended March 31, 1993.

During the first quarter of 1994 increases in earned revenue and significant

improvements in operating profitability were realized by the Company's Engineered Construction Division and Steel Service Centers business segments compared with the same period in 1993.

The Steel Construction Division reported slight improvements in earned revenue and profitability while CVI, as expected, experienced decreases in both earned revenue and profitability for the three months ended March 31, 1994 when compared with the three months ended March 31, 1993.

New awards of \$94.8 million were reported for the period ended March 31, 1994 as compared to \$138.3 million which included a \$68 million award for the McCormick Place Exhibition Center for the quarter ended March 31, 1993. The Company's backlog was \$186.1 million on March 31, 1994 compared to \$189.8 million for the year ended December 31, 1993.

LIQUIDITY AND CAPITAL RESOURCES

During the first quarter of 1994, the Company's primary source of liquidity was cash and cash equivalents and borrowings under the revolving credit commitment, which sources financed working capital requirements, capital expenditures and dividends. On March 31, 1994, cash and cash equivalents were \$1.8 million compared with \$15.9 million on December 31, 1993.

For the three months ended March 31, 1994, cash and cash equivalents decreased \$14.2 million primarily due to a decrease in accounts payable of \$13.7 million. Working capital remained relatively unchanged at \$50.5 million at March 31, 1994 when compared with \$50.3 million at December 31, 1993. Capital expenditures were \$737,000 compared with \$769,000 for the three months ended March 31, 1994 and 1993, respectively. In 1994, capital expenditures were primarily for computer equipment and construction equipment while expenditures in 1993 were primarily for plant and construction equipment. Total capital expenditures for the year ending December 31, 1994, which are expected to be internally financed, should approximate \$5.0 million. In addition, the Company intends to continue to pursue acquisition opportunities closely aligned with the existing core businesses.

The Company paid total cash dividends of \$523,000 or \$.225 per common share in the first quarter of 1994. Payment of future dividends will be evaluated based upon business conditions.

Under cash flows from financing activities, the Company borrowed \$6.0 million from the revolving credit commitment, to cover short-term requirements during the quarter ended March 31, 1994. The Company reduced these obligations, by the same amount, utilizing cash and cash equivalents during the period ended March 31, 1994.

The Company has on hand and access to sufficient sources of funds to meet its anticipated operating, expansion and capital needs. These sources include cash on hand and a \$30 million unsecured revolving credit facility which matures on December 31, 1995. This facility contains an annual option to renew for an additional one-year period, subject to lender approval.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

As described in the Notes to Consolidated Financial Statements under the caption Commitments, the Company has an outstanding commitment to purchase certain shares of its Common Stock from members of the Jackson family, principal stockholders, upon the stockholder's death. As of January 10, 1994, a portion of this outstanding commitment for 44,800 shares is now fixed at \$1.4 million. The remaining outstanding commitment for 80,000 shares was \$2.5 million based on the closing sale price of the Company's Common Stock on March 31, 1994.

As described under the caption Contingencies, the WPPSS jury trial is scheduled to commence in June of 1994.

Part II - Other Information

Item 1. Legal Proceedings

Refer to Part I Item 1, "Note C - Contingencies" of the Notes to Consolidated Financial Statements for information, which information is incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 11.1 - Computation of earnings per share for the three months ended March 31, 1994 and 1993.

(b) Reports on Form 8-K.

There have been no reports on Form 8-K filed by the Company during the quarter ended March 31, 1994.

Signatures

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.

Pitt-Des Moines, Inc.

(Registrant)

Principal Executive Officer:

Date: May 13, 1994

By: /s/ W. W. McKee

W. W. McKee
(President and
Chief Executive Officer)

Principal Financial Officer:

Date: May 13, 1994

By: /s/ R. A. Byers

R. A. Byers
(Vice President
Finance and Treasurer)

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EXHIBIT INDEX

| Exhibit Number | | Page |
|-------------------|--|------|
| ----- | | ---- |
| 11.1 | Computation of earnings per share for the three months ended March 31, 1994 and 1993 | 14 |

PITT-DES MOINES, INC.

Computation of Earnings Per Share
(Unaudited)<TABLE>
<CAPTION>

| | For the three months ended March 31, | | | |
|----------------------------------|---|-----------------|-----------|-------------------|
| | 1994 | | 1993 | |
| <S> | <C> | <C> | <C> | <C> |
| PER SHARE AMOUNTS | | | | |
| Net income (loss) reported | | \$.16 ===== | | \$ (.38) ===== |
| PRIMARY EARNINGS PER SHARE | | | | |
| Average shares outstanding | 2,323,978 | | 2,322,645 | |
| Dilutive options | 3,683 | | 8,006 | |
| | ----- | | ----- | |
| | 2,327,661 | | 2,330,651 | |
| | ===== | | ===== | |
| Net income (loss) per share | | \$.16 ===== | | \$ (.38) ===== |
| FULLY DILUTED EARNINGS PER SHARE | | | | |
| Average shares outstanding | 2,323,978 | | 2,322,645 | |
| Dilutive options | 3,683 | | 8,006 | |
| | ----- | | ----- | |
| | 2,327,661 | | 2,330,651 | |
| | ===== | | ===== | |
| Net income (loss) per share | | \$.16 ===== | | \$ (.38) ===== |

</TABLE>