GVA Logo

Granite Construction Incorporated Reports Third Quarter 2007 Results

WATSONVILLE, Calif., Oct 24, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Granite Construction Incorporated (NYSE: GVA) today reported financial results for the third quarter ended September 30, 2007. The Company reported net income for the quarter of $53.3 million, or $1.28 per diluted share. This compares with net income of $45.7 million, or $1.10 per diluted share for the same period last year.

"Granite delivered another strong quarter," Granite President and Chief Executive Officer William G. Dorey said. "Overall, operating income increased $27.4 million quarter over quarter in spite of a challenging competitive bidding environment in the West. In the quarter, our Granite West business was able to capitalize on its healthy backlog of work and deliver impressive gross margins while Granite East posted another consecutive quarter of improved performance."

Operating Results -- Quarter and Year-To-Date

For the third quarter of 2007, total revenue decreased 10% to $846.3 million compared with $941.7 million a year ago. Total gross profit as a percent of revenue increased to 16.1% compared with 11.2% for the same period last year. Operating income increased to $76.0 million compared with $48.6 million for the third quarter of 2006.

For the nine-month period ended September 30, 2007, revenue totaled $2.1 billion compared with $2.2 billion for the same period last year. Total gross profit as a percent of revenue increased to 14.8% compared with 10.6% last year. Operating income increased to $137.2 million compared with $93.0 million for the same period in 2006.

Total Company backlog at September 30, 2007 was $2.3 billion compared with $2.1 billion a year ago. New awards for the third quarter 2007 included a $59.6 million portion of a $138.0 million highway reconstruction project in California and $43.9 million highway project also in California. General and Administrative expenses for the quarter totaled $63.7 million or 7.5% of revenue compared with $58.6 million or 6.2% of revenue in 2006. The $5.1 million increase is due primarily to the recent acquisition in the Pacific Northwest.

Results by Segment

Granite East revenue for the quarter decreased 30% to $182.6 million compared with $259.6 million for the same period last year. Granite East backlog increased 40% to $1.4 billion compared with $1.0 billion last year. Gross margin as a percent of revenue was 1.1% compared with a negative 10.4% in the prior period. The operating loss for Granite East in the quarter was $3.2 million compared with an operating loss of $35.2 million for the same period in 2006, reflecting improved performance from its current backlog of work compared with a year ago.

For the nine-month period ended September 30, 2007, Granite East revenue totaled $585.3 million compared with $788.5 million for the same period last year. Gross margin as a percent of revenue for the nine months ended September 30, 2007 was 1.4% compared with a negative 5.2% last year. Operating loss for Granite East totaled $13.4 million for the nine-month period compared with an operating loss of $66.2 million for the same period in 2006.

Granite West revenue for the quarter totaled $642.4 million compared with $681.2 million for the same period in 2007. Backlog for Granite West decreased 15.2% to $950.8 million compared with $1.1 billion a year ago, reflecting the current competitive marketplace in the West. Gross profit as a percent of revenue was flat for the quarter at 19.4%. Granite West operating income decreased $15.0 million for the quarter to $89.8 million compared with $104.8 million for the third quarter last year.

For the nine-month period ended September 30, 2007 Granite West revenue totaled $1.5 billion compared with $1.4 billion for the same period last year. Gross profit as a percent of revenue for the nine months ended September 30, 2007 increased to 19.3% compared with 18.4% last year. Operating income for Granite West slightly increased to $186.5 million for the same period compared with $185.2 million in 2006.

Granite Land Company revenue for the quarter increased $20.3 million to $21.2 million compared with $0.9 million for the same period last year. Operating income for Granite Land Company increased to $8.2 million (including our minority partner's share of approximately $4.5 million) compared with an operating loss of $0.3 million in the third quarter of 2006 reflecting the sale of three development projects in the quarter.

Outlook

"Our outlook for the remainder of the year is positive. Granite West is on track to have another great year and Granite East will show significant improvement over 2006. For the total Company, we are currently expecting 2007 earnings per share in the range of $2.55 - $2.75. As always, our ability to achieve these forecasted results is contingent on a number of factors, including the amount of work we are able to complete in the fourth quarter, which can vary significantly due to the onset of winter weather conditions."

"Our longer term outlook is also positive, driven by both a record level of public transportation funding in California, the Company's largest revenue- producing state, as well as improving results from our large projects business. Demand for our construction materials is also expected to remain healthy over the long term. We foresee bidding opportunities for large projects to continue to be robust, which will help support our strategy in Granite East of bidding new work selectively with considerably higher levels of profitability," Dorey said.

Share Repurchase Program

Granite is issuing a separate news release today announcing that its Board of Directors has authorized the repurchase of up to $200.0 million of common stock in addition to a 30% increase in the quarterly dividend.

Financial Results

The 2007 and 2006 financial information in this announcement reflects the Company's organizational and strategic realignment and are preliminary subject to completion of the quarterly review. The final quarterly financial results will appear in Granite's Form 10-Q, which will be filed on or before November 9, 2007.

Conference Call

Granite will conduct a conference call tomorrow, October 25, 2007, at 11:00 a.m. ET/ 8:00 a.m. PT to discuss the results for the quarter. Access to a live audio webcast is available at http://www.graniteconstruction.com/investor-relations. The live conference call may be accessed by calling (877) 864-2735 in the U.S. and Canada and (706) 634-7039 for international listeners. The conference ID for the call is 20484318. The conference call will be recorded and available for replay from approximately two hours after the live call through November 8, 2007 by calling (800) 642-1687 or (706) 645-9291. The conference ID for the recording is 20484318.

About Granite

Granite Construction Incorporated is a member of the S&P 400 Midcap Index, the Domini 400 Social Index and the Russell 2000. Granite Construction Company, a wholly owned subsidiary, is one of the nation's largest diversified heavy civil contractors and construction materials producers. Granite Construction Company serves public and private sector clients through its offices and subsidiaries nationwide. For the 4th straight year, Granite was named to FORTUNE'S List of 100 Best Companies to Work For. For more information about Granite, please visit their website at http://www.graniteconstruction.com.

Forward-Looking Statements

This press release contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represents our management's beliefs and assumptions concerning future events such as statements related to the existence of bidding opportunities and economic conditions on the Company's future results. Additionally, forward-looking statements include statements that can be identified by the use of forward-looking terminology such as "believes," "expects," "appears," "may," "will," "should," "look for," or "anticipates," or the negative thereof or comparable terminology, or by discussions of strategy. All such forward-looking statements are subject to risks and uncertainties that could cause actual results of operations and financial condition and other events, as well as the timing thereof, to differ materially from those expressed or implied in such forward-looking statements. Specific risk factors include, without limitation, changes in the composition of applicable federal and state legislation appropriation committees; federal and state appropriation changes for infrastructure spending; the general state of the economy; job productivity; accuracy of project estimates; weather conditions; competition and pricing pressures; and state referendums and initiatives. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this news release. You should also understand that many important factors in addition to those discussed, referred to or incorporated by reference in this press release, could cause our results to differ materially from those expressed in the forward-looking statements. In light of these risks and uncertainties, it is important to be aware that the forward-looking events discussed in this release may not occur. We undertake no obligation to revise or update publicly any forward-looking statements to conform the statement to actual results or changes in the Company's expectations.

Granite is today issuing a separate news release announcing a new share repurchase program and increased quarterly dividend and investors are advised to read that separate release with respect to those matters.

For further information regarding risks and uncertainties associated with Granite's business, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Risk Factors" sections of Granite's SEC filings, including, but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by contacting Granite's investor relations department at (831) 724-1011 or at Granite's website at http://www.graniteconstruction.com.

GRANITE CONSTRUCTION INCORPORATED
COMPARATIVE FINANCIAL SUMMARY
(Unaudited - In Thousands, Except Per Share Data)

	Three Months Ended September 30,		Variance	
	2007	2006	Amount	Percent
Revenue				
Construction	$701,622	$807,384	$(105,762)	(13.1)
Material sales	$123,453	$133,375	$(9,922)	(7.4)
Real estate	$21,238	$913	$20,325	****
Total revenue	$846,313	$941,672	$(95,359)	(10.1)
Cost of revenue				
Construction	$601,880	$736,839	$134,959	18.3
Material sales	$96,130	$98,459	$2,329	2.4
Real estate	$11,666	$442	$(11,224)	****
Total cost of revenue	$709,676	$835,740	$126,064	15.1
Gross profit	$136,637	$105,932	$30,705	29.0
Gross profit as a percent of revenue	16.1%	11.2%	4.9%	-
General and administrative expenses	$63,666	$58,560	$(5,106)	(8.7)
G&A expenses as a percent of revenue	7.5%	6.2%	(1.3%)	-
Gain on sales of property and equipment	$2,994	$1,230	$1,764	****
Other income (expense)				
Interest income	$7,514	$7,055	$459	6.5
Interest expense	$(1,884)	$(1,319)	$(565)	(42.8)
Equity in income of affiliates	$4,037	$770	$3,267	****
Other, net	$(391)	$(8)	$(383)	****
Total other income	$9,276	$6,498	$2,778	42.8
Income before provision for income taxes and minority interest	$85,241	$55,100	$30,141	54.7
Minority interest	$(6,504)	$13,421	$(19,925)	****
Net income	$53,300	$45,725	$7,575	16.6
Net income per share:				
Basic	$1.30	$1.12	$0.18	16.1
Diluted	$1.28	$1.10	$0.18	16.4

Weighted average shares of common stock:				
Basic	41,106	40,923	183	0.4
Diluted	41,640	41,546	94	0.2

	Nine Months Ended September 30,		Variance	
	2007	2006	Amount	Percent
Revenue				
Construction	$1,778,638	$1,911,529	$(132,891)	(7.0)
Material sales	$289,655	$303,556	$(13,901)	(4.6)
Real estate	$36,556	$34,592	$1,964	5.7
Total revenue	$2,104,849	$2,249,677	$(144,828)	(6.4)
Cost of revenue				
Construction	$1,543,960	$1,762,217	$218,257	12.4
Material sales	$229,116	$230,906	$1,790	0.8
Real estate	$19,466	$17,277	$(2,189)	(12.7)
Total cost of revenue	$1,792,542	$2,010,400	$217,858	10.8
Gross profit	$312,307	$239,277	$73,030	30.5
Gross profit as a percent of revenue	14.8%	10.6%	4.2%	-
General and administrative expenses	$183,133	$155,751	$(27,382)	(17.6)
G&A expenses as a percent of revenue	8.7%	6.9%	(1.8%)	-
Gain on sales of property and equipment	$8,053	$9,517	$(1,464)	(15.4)
Other income (expense)				
Interest income	$20,796	$16,732	$4,064	24.3
Interest expense	$(4,998)	$(4,105)	$(893)	(21.8)
Equity in income of affiliates	$4,359	$1,521	$2,838	****
Other, net	$(1,057)	$2,700	$(3,757)	****
Total other income	$19,100	$16,848	$2,252	13.4
Income before provision for income taxes and minority interest	$156,327	$109,891	$46,436	42.3
Minority interest	$(13,750)	$6,769	$(20,519)	****
Net income	$94,897	$77,592	$17,305	22.3
Net income per share:				
Basic	$2.31	$1.90	$0.41	21.6
Diluted	$2.28	$1.87	$0.41	21.9
Weighted average shares of common stock:				
Basic	41,065	40,853	212	0.5
Diluted	41,587	41,434	153	0.4

GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited - In thousands, except share and per share data)

	September 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	$265,605	$204,893
Short-term marketable securities	106,675	141,037
Accounts receivable, net	536,519	492,229
Costs and estimated earnings in excess of billings	24,489	15,797
Inventories	50,438	41,529
Real estate held for sale	57,296	55,888
Deferred income taxes	36,041	36,776
Equity in construction joint ventures	36,851	31,912
Other current assets	43,370	63,144
Total current assets	1,157,284	1,083,205
Property and equipment, net	487,000	429,966
Long-term marketable securities	61,308	48,948
Investment in affiliates	23,256	21,471
Other assets	78,119	49,248
Total assets	$1,806,967	$1,632,838
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt	$26,589	$28,660
Accounts payable	261,379	257,612
Billings in excess of costs and estimated earnings	274,209	287,843
Accrued expenses and other current liabilities	209,894	189,328
Total current liabilities	772,071	763,443
Long-term debt	140,410	78,576
Other long-term liabilities	65,111	58,419
Deferred income taxes	19,788	22,324
Minority interest in consolidated subsidiaries	28,148	15,532
Shareholders' equity		
Preferred stock, $0.01 par value,		

authorized 3,000,000 shares; none outstanding	-	-
Common stock, $0.01 par value, authorized 150,000,000 shares; issued and outstanding 41,916,706 shares in 2007 and 41,833,559 shares in 2006	419	418
Additional paid-in capital	82,678	78,620
Retained earnings	694,557	612,875
Accumulated other comprehensive income	3,785	2,631
Total shareholders' equity	781,439	694,544
Total liabilities and shareholders' equity	$1,806,967	$1,632,838

Financial Position	September 30, 2007	December 31, 2006
Working capital	$385,213	$319,762
Current ratio	1.50	1.42
Debt to total capitalization	0.18	0.13
Total liabilities to equity ratio	1.31	1.35

GRANITE CONSTRUCTION INCORPORATED
REVENUE AND BACKLOG ANALYSIS
(Unaudited - Dollars In Thousands)

BY MARKET SECTOR

Revenue

	Three Months Ended September 30, 2007	2006	Variance Amount	Percent
Public Sector	$578,356	$635,010	$(56,654)	(8.9)
Private Sector	123,266	172,374	(49,108)	(28.5)
Aggregate sales	123,453	133,375	(9,922)	(7.4)
Real Estate	21,238	913	20,325	****
	$846,313	$941,672	$(95,359)	(10.1)

BY MARKET SECTOR

Backlog

	September 30, 2007	2006	Variance Amount	Percent
Public Sector	$2,169,060	$1,872,944	$296,116	15.8
Private Sector	167,461	247,116	(79,655)	(32.2)
	$2,336,521	$2,120,060	$216,461	10.2

BY GEOGRAPHIC AREA

Revenue

	Three Months Ended September 30,		Variance	
	2007	2006	Amount	Percent
California	$334,854	$407,047	$(72,193)	(17.7)
West (Excl. CA)	325,392	310,737	14,655	4.7
Midwest	29,620	13,596	16,024	****
Northeast	52,542	73,519	(20,977)	(28.5)
Southeast	65,371	77,813	(12,442)	(16.0)
South	38,534	58,960	(20,426)	(34.6)
	$846,313	$941,672	$(95,359)	(10.1)

BY GEOGRAPHIC AREA

Backlog

	September 30,		Variance	
	2007	2006	Amount	Percent
California	$455,014	$610,308	$(155,294)	(25.4)
West (Excl. CA)	518,755	609,422	(90,667)	(14.9)
Midwest	350,496	3,805	346,691	****
Northeast	166,453	243,968	(77,515)	(31.8)
Southeast	679,635	399,096	280,539	70.3
South	166,168	253,461	(87,293)	(34.4)
	$2,336,521	$2,120,060	$216,461	10.2

**** Represents percentages greater than 100%

SOURCE Granite Construction Incorporated

http://www.graniteconstruction.com

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