

PRIMORIS SERVICES CORP

FORM 8-K (Current report filing)

Filed 04/07/17 for the Period Ending 04/07/17

Address 2100 MCKINNEY AVENUE, SUITE 1500
DALLAS, TX 75201
Telephone 214-740-5600
CIK 0001361538
Symbol PRIM
SIC Code 1623 - Water, Sewer, Pipeline, and Communications and Power Line Construction
Industry Construction & Engineering
Sector Industrials
Fiscal Year 12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

April 7, 2017

Date of Report (Date of earliest event reported)

Primoris Services Corporation

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-34145

(Commission File Number)

20-4743916

(I.R.S. Employer
Identification No.)

2100 McKinney Avenue, Suite 1500, Dallas, Texas 75201

(Address of principal executive offices)

(Zip Code)

(214) 740-5600

Registrant's telephone number, including area code

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 8.01 Other Events.

Realignment of Reportable Segments

In the first quarter 2017, the Company reorganized its business segments to match the change in the Company's internal organization and management structure. The Company has provided a report presenting the revenue and gross margins for the years ended December 31, 2015 and 2016 and for the quarterly periods of 2016 through December 31, 2016 for the reclassified segments. The report is included as Exhibit No. 99.1 of this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits* .

<u>Exhibit No.</u>	<u>Description</u>
99.1	Segment Realignment — 2016 and 2015

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.

PRIMORIS SERVICES CORPORATION

Dated: April 7, 2017

By: /s/ Peter J. Moerbeek
Peter J. Moerbeek
Executive Vice President, Chief Financial Officer

Primoris Services Corporation
Segment Realignment — 2016 and 2015

Through the end of the year 2016, the Company segregated its business into three reportable segments: the Energy segment, the East Construction Services segment and the West Construction Services segment. In the first quarter 2017, the Company reorganized its reportable segments to match the change in the Company's realigned internal organization and management structure. The segment changes during the quarter reflect the focus of our new chief operating officer on the range of services we provide to our end user markets. The chief operating officer regularly reviews the operating and financial performance based on these revised segments.

The revised reportable segments include the Power, Industrial, and Engineering segment ("PI&E segment"), the Pipeline and Underground segment ("P&U segment"), the Utilities and Distribution segment ("U&D segment"), and the Civil segment. The purpose of this document is to report the revenue and gross profit for the annual periods of 2016 and 2015 and the quarterly periods for the year ended December 31, 2016 for the reclassified segments.

The classification of our business unit revenues and gross profit for segment reporting purposes can at times require judgment on the part of management. Our business units may perform services across industries or perform joint services for customers in multiple industries. To determine reportable segment gross profit, certain allocations, including allocations of shared and indirect costs, such as facility costs, equipment costs and indirect operating expenses were made.

The following table lists the Company's primary business units and their reportable segment:

Business Unit	New Reportable Segment	Former Reportable Segment
ARB Industrial (a division of ARB, Inc.)	PI&E	West
ARB Structures, Inc.	PI&E	West
Primoris Power (formerly PES Saxon division)	PI&E	Energy
Primoris Renewable Energy	PI&E	Energy
Primoris Industrial Constructors (formerly PES Industrial Division)	PI&E	Energy
Primoris Fabrication (a division of PES)	PI&E	Energy
Primoris Mechanical Contractors (a combination of a division of PES and Cardinal Contractors, Inc.)	PI&E	Energy
OnQuest, Inc.	PI&E	Energy
OnQuest Canada, ULC	PI&E	Energy
Primoris Design and Construction ("PD&C"); created 2017	PI&E	NA
Rockford Corporation ("Rockford")	P&U	West
Vadnais Trenchless Services, Inc. ("Vadnais Trenchless")	P&U	West
Primoris Field Services (a division of PES Primoris Pipeline)	P&U	Energy
Primoris Pipeline (a division of PES Primoris Pipeline)	P&U	Energy
ARB Underground (a division of ARB, Inc.)	U&D	West
Q3 Contracting ("Q3C")	U&D	West
Primoris AV	U&D	Energy
Primoris Heavy Civil (formerly JCG Heavy Civil Division)	Civil	East
Primoris I&M (formerly JCG Infrastructure & Maintenance Division)	Civil	East
BW Primoris, LLC	Civil	East

The following is a brief description of each of the Company's reportable segments and their operations.

The Power division of the PI&E segment includes ARB Industrial, Primoris Power, ARB Structures, and Primoris Renewable Energy. This division operates primarily in our California markets, with select projects performed nationwide. The Industrial division of this segment includes Primoris Industrial Constructors, Primoris Fabrication, and Primoris Mechanical Contractors. These groups are headquartered in and around Houston, TX and focus on the Southern region of the United States. The Engineering division of this segment includes OnQuest Inc., with offices in California, OnQuest Canada, ULC with offices in Calgary, and PD&C, located in Tyler, TX.

The P&U segment includes Rockford, Vadnais Trenchless, Primoris Field Services, and Primoris Pipeline. Rockford operates throughout the United States. Vadnais Trenchless provides specialized trenchless solutions in California and other select areas. Presently, both Primoris Field Services and Primoris Pipeline operate in Texas and surrounding states.

The U&D segment is comprised of ARB Underground, Q3C, and Primoris AV. ARB Underground operates primarily in California, while Q3C and Primoris AV are present throughout the Midwest region of the United States.

The Civil segment includes Primoris Heavy Civil, Primoris I&M, and BW Primoris, LLC. These business units are located primarily in the Southeastern and Gulf Coast regions of the United States.

Each of the four segments specializes in a range of services that include engineering, designing, building/installing, replacing, repairing/rehabilitating, and providing management services for construction and construction-related projects. Our services include:

- Providing installation of underground pipeline, cable, and conduits for entities in the petroleum, petrochemical, and water industries;
- Providing maintenance services to utilities for installation and repair of gas distribution lines;
- Providing engineering, installation, and maintenance of industrial facilities for entities in the petroleum, petrochemical, water, and other industries;
- Providing installation of commercial and industrial cast-in-place structures;
- Providing construction of highways and bridges; and
- Providing industrial and environmental construction.

Revenue and Gross Profit — Annual 2016 and 2015

The following tables provide a summary of the revenues and gross profit for the twelve month periods ending December 31, 2016 and 2015 (unaudited and in thousands):

12 Months 2016	PI&E Segment	P&U Segment	U&D Segment	Civil Segment	12 Months 2016
Gross Revenue	\$ 482,858	\$ 402,619	\$ 637,212	\$ 479,416	\$ 2,002,105
Eliminations	(4,205)	(688)	—	(264)	(5,157)
Net Revenue	<u>\$ 478,653</u>	<u>\$ 401,931</u>	<u>\$ 637,212</u>	<u>\$ 479,152</u>	<u>\$ 1,996,948</u>
Gross Profit	\$ 49,807	\$ 68,100	\$ 100,071	\$ (16,671)	\$ 201,307
% of Net Revenues	10.4%	16.9%	15.7%	-3.5%	10.1%

12 Months 2015	PI&E Segment	P&U Segment	U&D Segment	Civil Segment	12 Months 2015
Gross Revenue	\$ 489,741	\$ 299,412	\$ 587,047	\$ 577,205	\$ 1,953,405
Eliminations	(23,449)	(47)	—	(494)	(23,990)
Net Revenue	\$ 466,292	\$ 299,365	\$ 587,047	\$ 576,711	\$ 1,929,415
Gross Profit	\$ 53,620	\$ 24,685	\$ 96,450	\$ 45,118	\$ 219,873
% of Net Revenues	11.5%	8.2%	16.4%	7.8%	11.4%

Revenue and Gross Profit — Quarterly 2016

The following tables provide a summary of the revenues and gross profit for each 2016 quarterly period (unaudited and in thousands):

1st Quarter 2016	PI&E Segment	P&U Segment	U&D Segment	Civil Segment	1st Quarter 2016
Gross Revenue	\$ 140,471	\$ 54,386	\$ 103,754	\$ 133,718	\$ 432,329
Eliminations	(1,833)	(50)	—	—	(1,883)
Net Revenue	\$ 138,638	\$ 54,336	\$ 103,754	\$ 133,718	\$ 430,446
Gross Profit	\$ 11,585	\$ 4,999	\$ 11,885	\$ 10,808	\$ 39,277
% of Net Revenues	8.4%	9.2%	11.5%	8.1%	9.1%

2nd Quarter 2016	PI&E Segment	P&U Segment	U&D Segment	Civil Segment	2nd Quarter 2016
Gross Revenue	\$ 127,867	\$ 57,044	\$ 157,119	\$ 117,089	\$ 459,119
Eliminations	(1,291)	(240)	—	(777)	(2,308)
Net Revenue	\$ 126,576	\$ 56,804	\$ 157,119	\$ 116,312	\$ 456,811
Gross Profit	\$ 14,092	\$ 6,469	\$ 22,841	\$ (117)	\$ 43,285
% of Net Revenues	11.1%	11.4%	14.5%	-0.1%	9.5%

3rd Quarter 2016	PI&E Segment	P&U Segment	U&D Segment	Civil Segment	3rd Quarter 2016
Gross Revenue	\$ 102,678	\$ 106,434	\$ 186,985	\$ 112,473	\$ 508,570
Eliminations	(867)	(392)	—	517	(742)
Net Revenue	\$ 101,811	\$ 106,042	\$ 186,985	\$ 112,990	\$ 507,828
Gross Profit	\$ 10,893	\$ 32,402	\$ 33,925	\$ (27,091)	\$ 50,129
% of Net Revenues	10.7%	30.6%	18.1%	-24.0%	9.9%

4th Quarter 2016	PI&E Segment	P&U Segment	U&D Segment	Civil Segment	4th Quarter 2016
Gross Revenue	\$ 111,842	\$ 184,755	\$ 189,354	\$ 116,136	\$ 602,087
Eliminations	(214)	(6)	—	(4)	(224)
Net Revenue	\$ 111,628	\$ 184,749	\$ 189,354	\$ 116,132	\$ 601,863
Gross Profit	\$ 13,237	\$ 24,230	\$ 31,420	\$ (271)	\$ 68,616
% of Net Revenues	11.9%	13.1%	16.6%	-0.2%	11.4%

Fixed Backlog — Activity — 2016

Fixed Backlog by reporting segment and the changes in Fixed Backlog for the period ending December 31, 2016 was as follows (unaudited and in thousands):

Reportable Segment	Beginning Fixed Backlog at December 31, 2015	Contract Additions to Fixed Backlog	Revenue Recognized from Fixed Backlog	Ending Fixed Backlog at December 31, 2016	Revenue Recognized from Non-Fixed Backlog Projects	Total Revenue for 12 Months Ended December 31, 2016
PI&E	\$ 549,320	\$ 345,104	\$ 424,843	\$ 469,581	\$ 53,839	\$ 478,682
P&U	225,637	1,161,823	368,068	1,019,392	33,833	401,901
U&D	42,795	140,731	151,990	31,536	485,221	637,211
Civil	699,475	370,930	464,511	605,894	14,643	479,154
Total	\$ 1,517,227	\$ 2,018,588	\$ 1,409,412	\$ 2,126,403	\$ 587,536	\$ 1,996,948

Total Backlog — 2016

The following table shows total backlog (Fixed Backlog plus MSA Backlog), by reportable segment at December 31, 2016 (unaudited and in thousands):

Reportable Segment:	Ending Fixed Backlog at December 31, 2016	MSA Backlog at December 31, 2016	Total Backlog at December 31, 2016
PI&E	\$ 469,581	\$ 42,346	\$ 511,927
P&U	1,019,392	33,221	1,052,613
U&D	31,536	574,958	606,494
Civil	605,894	21,000	626,894
Total	\$ 2,126,403	\$ 671,525	\$ 2,797,928

Segment Goodwill — 2016

The amount of goodwill recorded by segment at December 31, 2016 was as follows (unaudited and in thousands):

Reportable Segment:	Goodwill at December 31, 2016
PI&E	\$ 24,512
P&U	42,252
U&D	20,312
Civil	40,150
Total	\$ 127,226