

ORMAT TECHNOLOGIES, INC.
Form 10-Q
November 06, 2014

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 30, 2014

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: 001-32347

ORMAT TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE <i>(State or other jurisdiction of incorporation or organization)</i>	88-0326081 <i>(I.R.S. Employer Identification Number)</i>
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6225 Neil Road, Reno, Nevada <i>(Address of principal executive offices)</i>	89511-1136 <i>(Zip Code)</i>
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(775) 356-9029

(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a
smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 6, 2014, the number of outstanding shares of common stock, par value \$0.001 per share, was 45,530,627.

ORMAT TECHNOLOGIES, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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Certain Definitions

Unless the context otherwise requires, all references in this quarterly report to “Ormat”, “the Company”, “we”, “us”, “our company”, “Ormat Technologies” or “our” refer to Ormat Technologies, Inc. and its consolidated subsidiaries.

PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	September 30, 2014	December 31, 2013
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$42,451	\$57,354
Restricted cash, cash equivalents and marketable securities (all related to variable interest entities ("VIEs"))	127,452	51,065
Receivables:		
Trade	75,224	95,365
Related entity	506	442
Other	9,165	11,049
Due from Parent	970	382
Inventories	17,337	22,289
Costs and estimated earnings in excess of billings on uncompleted contracts	14,784	21,217
Deferred income taxes	2,613	523
Prepaid expenses and other	36,879	29,654
Total current assets	327,381	289,340
Unconsolidated investments	1,339	7,076
Deposits and other	21,679	22,114
Deferred income taxes	—	891
Deferred charges	35,399	36,738
Property, plant and equipment, net (\$1,378,484 and \$1,381,083 related to VIEs, respectively)	1,459,316	1,452,336
Construction-in-process (\$143,548 and \$136,947 related to VIEs, respectively)	268,349	288,827
Deferred financing and lease costs, net	28,969	30,178
Intangible assets, net	29,481	31,933
Total assets	\$2,171,913	\$2,159,433
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$78,411	\$98,047
Billings in excess of costs and estimated earnings on uncompleted contracts	45,310	7,903
Current portion of long-term debt:		

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Limited and non-recourse (all related to VIEs):		
Senior secured notes	31,211	31,137
Other loans	17,995	20,377
Full recourse	24,116	28,875
Total current liabilities	197,043	186,339
Long-term debt, net of current portion:		
Limited and non-recourse (all related to VIEs):		
Senior secured notes	379,036	270,310
Other loans	269,123	311,078
Full recourse:		
Senior unsecured bonds (plus unamortized premium based upon 7% of \$898)	250,366	250,596
Other loans	40,298	53,467
Revolving credit lines with banks	28,100	112,017
Liability associated with sale of tax benefits	44,757	60,985
Deferred lease income	61,294	63,496
Deferred income taxes	67,328	55,035
Liability for unrecognized tax benefits	5,606	4,950
Liabilities for severance pay	21,984	23,841
Asset retirement obligation	19,801	18,679
Other long-term liabilities	3,633	3,529
Total liabilities	1,388,369	1,414,322
Commitments and contingencies (Note 10)		
Equity:		
The Company's stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 45,530,627 and 45,460,653 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	46	46
Additional paid-in capital	740,651	735,295
Retained earnings (accumulated deficit)	36,835	(3,088)
Accumulated other comprehensive income (loss)	(5,710)	487
	771,822	732,740
Noncontrolling interest	11,722	12,371
Total equity	783,544	745,111
Total liabilities and equity	\$2,171,913	\$2,159,433

The accompanying notes are an integral part of the condensed consolidated financial statements

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND

COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30, 2014 2013 (In thousands, except per share data)		Nine Months Ended September 30, 2014 2013 (In thousands, except per share data)	
Revenues:				
Electricity	\$102,506	\$88,994	\$289,015	\$245,005
Product	37,736	41,755	121,266	157,329
Total revenues	140,242	130,749	410,281	402,334
Cost of revenues:				
Electricity	61,727	61,356	186,083	175,085
Product	23,040	29,637	75,307	110,335
Total cost of revenues	84,767	90,993	261,390	285,420
Gross margin	55,475	39,756	148,891	116,914
Operating expenses:				
Research and development expenses	250	838	395	3,446
Selling and marketing expenses	4,258	2,575	10,853	17,861
General and administrative expenses	7,179	6,546	20,847	20,264
Write-off of unsuccessful exploration activities	—	—	8,107	—
Operating income	43,788	29,797	108,689	75,343
Other income (expense):				
Interest income	35	742	236	870
Interest expense, net	(22,494)	(18,459)	(65,084)	(51,826)
Foreign currency translation and transaction gains (losses)	(2,946)	1,258	(3,639)	3,844
Income attributable to sale of tax benefits	5,487	5,027	18,334	14,342
Gain from sale of property, plant and equipment	—	—	7,628	—
Other non-operating income, net	243	137	649	1,583
Income before income taxes and equity in losses of investees	24,113	18,502	66,813	44,156
Income tax provision	(6,444)	(5,201)	(17,731)	(15,028)
Equity in losses of investees	(899)	(158)	(1,210)	(149)
Income from continuing operations	16,770	13,143	47,872	28,979
Discontinued operations:				
Income from discontinued operations (including gain on disposal of \$0, \$0, \$0 and \$3,646, respectively)	—	—	—	5,311
Income tax provision	—	—	—	(614)
Total income from discontinued operations	—	—	—	4,697

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Net income	16,770	13,143	47,872	33,676
Net income attributable to noncontrolling interest	(256)	(193)	(670)	(600)
Net income attributable to the Company's stockholders	\$16,514	\$12,950	\$47,202	\$33,076
Comprehensive income:				
Net income	16,770	13,143	47,872	33,676
Other comprehensive income (loss), net of related taxes:				
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment	(1,069)	—	(5,157)	—
Loss in respect of derivative instruments designated for cash flow hedge	(933)	—	(933)	—
Amortization of unrealized gains or losses in respect of derivative instruments designated for cash flow hedge	(35)	(40)	(107)	(124)
Comprehensive income	14,733	13,103	41,675	33,552
Comprehensive income attributable to noncontrolling interest	(256)	(193)	(670)	(600)
Comprehensive income attributable to the Company's stockholders	\$14,477	\$12,910	\$41,005	\$32,952
Earnings per share attributable to the Company's stockholders				
Basic:				
Income from continuing operations	\$0.37	\$0.29	\$1.04	\$0.62
Discontinued operations	—	—	—	0.10
Net income	\$0.37	\$0.29	\$1.04	\$0.72
Diluted:				
Income from continuing operations	\$0.36	\$0.28	\$1.03	\$0.62
Discontinued operations	—	—	—	0.10
Net income	\$0.36	\$0.28	\$1.03	\$0.72
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:				
Basic	45,690	45,438	45,594	45,433
Diluted	46,102	45,494	45,917	45,454
Dividend per share declared	\$0.05	\$0.04	\$0.16	\$0.04

The accompanying notes are an integral part of the condensed consolidated financial statements.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

	The Company's Stockholders' Equity					Total	Noncontrolling Interest	Total Equity
	Common Stock	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)				
	Shares	Amount						
(In thousands, except per share data)								
Balance at December 31, 2012, as revised	45,431	\$ 46	\$ 732,140	\$ (44,326)	\$ 651	\$ 688,511	\$ 7,096	\$ 695,607
Stock-based compensation	—	—	4,548	—	—	4,548	—	4,548
Exercise of options by employees and directors	23	—	437	—	—	437	—	437
Cash paid to non-controlling interest	—	—	—	—	—	—	(509)	(509)
Cash dividend paid, \$0.04 per share	—	—	—	(1,816)	—	(1,816)	—	(1,816)
Increase in noncontrolling interest due to sale of equity interest in ORTP LLC	—	—	—	—	—	—	5,151	5,151
Net income	—	—	—	33,076	—	33,076	600	33,676
Other comprehensive loss, net of related taxes:								
Amortization of gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$52)	—	—	—	—	(124)	(124)	—	(124)
Balance at September 30, 2013	45,454	\$ 46	\$ 737,125	\$ (13,066)	\$ 527	\$ 724,632	\$ 12,338	\$ 736,970
Balance at December 31, 2013	45,461	\$ 46	\$ 735,295	\$ (3,088)	\$ 487	\$ 732,740	\$ 12,371	\$ 745,111
Stock-based compensation	—	—	4,308	—	—	4,308	—	4,308
Exercise of options by employees and directors	70	—	889	—	—	889	—	889

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Cash paid to noncontrolling interest	—	—	—	—	—	—	(589)	(589)
Cash dividend declared, \$0.16 per share	—	—	—	(7,279)	—	(7,279)	—	(7,279)
Acquisition of noncontrolling interest in Crump	—	—	159	—	—	159	(987)	(828)
Increase in noncontrolling interest	—	—	—	—	—	—	257	257
Net income	—	—	—	47,202	—	47,202	670	47,872
Other comprehensive income, net of related taxes:								
Loss in respect of derivative instruments designated for cash flow hedge (net of related tax of \$572)	—	—	—	—	(933)	(933)	—	(933)
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment (net of related tax of \$0)	—	—	—	—	(5,157)	(5,157)	—	(5,157)
Amortization of gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$44)	—	—	—	—	(107)	(107)	—	(107)
Balance at September 30, 2014	45,531	\$ 46	\$ 740,651	\$ 36,835	\$ (5,710)	\$ 771,822	\$ 11,722	\$ 783,544

The accompanying notes are an integral part of the condensed consolidated financial statements.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash flows from operating activities:		
Net income	\$47,872	\$33,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,836	70,911
Amortization of premium from senior unsecured bonds	(230)	(231)
Accretion of asset retirement obligation	1,122	1,147
Stock-based compensation	4,308	4,548
Amortization of deferred lease income	(2,014)	(2,014)
Income attributable to sale of tax benefits, net of interest expense	(10,130)	(6,621)
Equity in losses of investees	1,210	149
Mark-to-market of derivative instruments	(4,467)	3,487
Write-off of unsuccessful exploration activities	8,107	—
Loss (gain) on severance pay fund asset	798	(399)
Gain on sale of a subsidiary and property, plant and equipment	(7,628)	(3,646)
Deferred income tax provision	13,071	14,235
Liability for unrecognized tax benefits	656	1,598
Deferred lease revenues	(188)	(167)
Other	(181)	(819)
Changes in operating assets and liabilities, net of amounts acquired:		
Receivables	21,624	(23,181)
Costs and estimated earnings in excess of billings on uncompleted contracts	6,433	(26,588)
Inventories	4,952	273
Prepaid expenses and other	(5,163)	(6,175)
Deposits and other	279	4,296
Accounts payable and accrued expenses	(10,868)	(21,449)
Due from/to related entities, net	(64)	(69)
Billings in excess of costs and estimated earnings on uncompleted contracts	37,407	(12,700)
Liabilities for severance pay	(1,857)	1,068
Other long-term liabilities	(527)	959
Due from/to Parent	(588)	(62)
Net cash provided by operating activities	178,770	32,226
Cash flows from investing activities:		
Short-term deposit	—	3,010
Net change in restricted cash and cash equivalents	(76,387)	(7,660)
Cash received from sale of a subsidiary and property, plant and equipment	35,250	7,699
Capital expenditures	(122,587)	(144,637)

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Cash grant received from the U.S. Treasury under Section 1603 of the ARRA	27,427	14,685
Investment in unconsolidated companies	(631)	(2,467)
Increase in severance pay fund asset, net of payments made to retired employees	1,493	1,172
Net cash used in investing activities	(135,435)	(128,198)
Cash flows from financing activities:		
Proceeds from long-term loans	140,000	45,000
Proceeds from exercise of options by employees	741	437
Proceeds from the sale of limited liability company interest in ORTP, LLC, net of transaction costs	—	31,376
Payment for acquisition of noncontrolling interest in Crump	(1,490)	—
Purchase of OFC Senior Secured Notes	(12,860)	(11,888)
Proceeds from revolving credit lines with banks	2,400,683	2,170,287
Repayment of revolving credit lines with banks	(2,484,600)	(2,120,605)
Repayments of long-term debt	(80,223)	(37,480)
Cash paid to non-controlling interest	(9,215)	(10,184)
Cash paid for interest rate cap	(1,505)	—
Cash received from non-controlling interest		