

TEAM INC
Form 10-Q
April 09, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended February 28, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period to

Commission file number 001-08604

TEAM, INC.

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

74-1765729
(I.R.S. Employer
Identification Number)

200 Hermann Drive, Alvin, Texas
(Address of principal executive offices)

77511
(Zip Code)

Registrant's telephone number, including area code (281) 331-6154

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

On April 2, 2007, there were 8,917,411 shares of the Registrant's common stock outstanding.

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TEAM, INC.

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Certification of CEO Pursuant to Section 906	
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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****TEAM, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED BALANCE SHEETS**

(in thousands except share and per share data)

	February 28, 2007 (unaudited)	May 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,835	\$ 2,578
Receivables, net of allowance of \$2,507 and \$1,255	70,181	68,487
Inventories	11,071	10,525
Deferred income taxes	505	781
Prepaid expenses and other current assets	2,502	2,460
Total Current Assets	89,094	84,831
Property, plant and equipment, net	32,026	26,448
Intangible assets, net of accumulated amortization of \$729 and \$542	521	708
Goodwill	26,452	26,452
Other assets	1,108	1,532
Total Assets	\$ 149,201	\$ 139,971
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 6,370	\$ 5,899
Accounts payable	8,260	7,978
Insurance note payable	681	
Other accrued liabilities	15,540	16,898
Current income taxes payable	142	4,837
Total Current Liabilities	30,993	35,612
Deferred income taxes	263	404
Long-term debt	41,101	39,804
Total Liabilities	72,357	75,820
Minority interest	247	266
Commitments and contingencies		
Stockholders Equity:		
Preferred stock, 500,000 shares authorized, none issued		
Common stock, par value \$.30 per share, 30,000,000 shares authorized; 9,915,969 and 9,658,957 shares issued at February 28, 2007 and May 31, 2006	2,975	2,898
Additional paid-in capital	48,154	44,723
Retained earnings	30,363	20,932
Accumulated other comprehensive income	137	364

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Treasury stock at cost, 1,018,308 shares	(5,032)	(5,032)
Total Stockholders' Equity	76,597	63,885
Total Liabilities and Stockholders' Equity	\$ 149,201	\$ 139,971

See notes to unaudited consolidated condensed financial statements.

Table of Contents**TEAM, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS**

(in thousands except per share data)

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
Revenues	\$ 73,291	\$ 62,630	\$ 222,215	\$ 183,828
Operating expenses	49,216	41,584	145,932	122,095
Gross margin	24,075	21,046	76,283	61,733
Selling, general and administrative expenses	18,867	15,689	55,514	47,210
Bad debt expense	158	527	1,755	921
Operating income	5,050	4,830	19,014	13,602
Interest expense, net	1,047	1,083	3,167	2,862
Earnings before income taxes	4,003	3,747	15,847	10,740
Provision for income taxes	1,561	1,468	6,416	4,113
Income from continuing operations	2,442	2,279	9,431	6,627
Discontinued operations:				
Income from discontinued operations, net of a tax benefit of \$1,410 for the nine month period ended February 28, 2006				6
Net income	\$ 2,442	\$ 2,279	\$ 9,431	\$ 6,633
Net income per share: Basic				
From continuing operations	\$ 0.28	\$ 0.27	\$ 1.08	\$ 0.79
From discontinued operations	0.00	0.00	0.00	0.00
Total	\$ 0.28	\$ 0.27	\$ 1.08	\$ 0.79
Net income per share: Diluted				
From continuing operations	\$ 0.26	\$ 0.25	\$ 1.01	\$ 0.72
From discontinued operations	0.00	0.00	0.00	0.00
Total	\$ 0.26	\$ 0.25	\$ 1.01	\$ 0.72
Weighted averages shares outstanding				
Basic	8,808	8,433	8,720	8,354
Diluted	9,553	9,282	9,377	9,184

See notes to unaudited consolidated condensed financial statements.

Table of Contents**TEAM, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(in thousands)

	Nine Months Ended	
	February 28, 2007 (unaudited)	2006 (unaudited)
Cash Flows From Operating Activities:		
Net income	\$ 9,431	\$ 6,633
Less income attributable to discontinued operations		(6)
Income attributable to continuing operations	9,431	6,627
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,421	4,617
Gain (loss) on asset sales	(288)	50
Amortization of deferred loan costs	300	311
Allowance for doubtful accounts	1,252	1,049
Minority interest in earnings and other	(19)	
Deferred income taxes	135	851
Non-cash compensation cost	945	9
Changes in assets and liabilities, net of effects from business acquisitions:		
Decrease (increase):		
Accounts receivable	(2,946)	(7,110)
Inventories	(546)	(414)
Prepaid expenses and other current assets	639	614
Increase (decrease):		
Accounts payable	282	(3,856)
Other accrued liabilities	1,703	(1,681)
Income taxes payable	(4,695)	361
Net cash provided (used) by operating activities	11,614	1,428
Cash Flows From Investing Activities:		
Capital expenditures	(11,089)	(4,724)
Proceeds from sale of assets	221	13,582
Increase in other assets, net	50	480
Net cash provided (used) by investing activities	(10,818)	9,338
Cash Flows From Financing Activities:		
Net borrowings under revolving credit agreement	5,990	(6,144)
Payments related to term loans and financing arrangements	(4,222)	(2,955)
Loan financing fees		(189)
Insurance note payments	(3,061)	(1,741)
Tax benefit of stock option exercises	1,219	
Issuance of common stock	1,535	1,649
Net cash provided (used) by financing activities	1,461	(9,380)
Cash flows of discontinued operations:		
Operating cash flows		(1,939)
Investment cash flows		(223)
Financing cash flows		308

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Net cash used by discontinued operations		(1,854)
Net increase (decrease) in cash and cash equivalents	\$ 2,257	\$ (468)
Cash and cash equivalents at beginning of period	\$ 2,578	\$ 3,993
Cash and cash equivalents at end of period	\$ 4,835	\$ 3,525

See notes to unaudited consolidated condensed financial statements.

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TEAM, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Introduction. Unless otherwise indicated, the terms Team, Inc., Team, the Company, we, our and us are used in this report to refer to Team, Inc., to one or more of our consolidated subsidiaries or to all of them taken as a whole. Our corporate headquarters is located at 200 Hermann Drive, Alvin, Texas, 77511 and our telephone number is (281) 331-6154. We were incorporated in Texas under the name Team, Inc. in 1973. Our fiscal year ends on May 31.

On December 14, 2006 our Board of Directors approved the transfer of the listing of our common stock from the American Stock Exchange (AMEX) to the NASDAQ Global Select Market (NASDAQ). Our common stock continued to trade on the AMEX under the symbol TMI until the transfer was completed on December 28, 2006, at which time we began trading on the NASDAQ under the symbol TISI .

We are a leading provider of specialty maintenance and construction services required in maintaining high temperature and high pressure piping systems and vessels that are utilized extensively in the refining, petrochemical, power, pipeline, and other heavy industries. Our inspection services also serve a broader customer base that includes the aerospace and automotive industries. We offer an array of complimentary services including:

leak repair,

hot tapping,

fugitive emissions control,

field machining,

technical bolting,

field valve repair,

non-destructive testing,

field heat treating.

We offer these services in over 70 locations throughout the United States, Aruba, Canada, Singapore, Trinidad and Venezuela.

Basis for Presentation. These interim financial statements are unaudited, but in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments and adjustments related to the sale of a business segment (please see Note 2), necessary for a fair presentation of results for such periods. The consolidated condensed balance sheet at May 31, 2006 is derived from the May 31, 2006 audited consolidated financial statements. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in our annual report on Form 10-K

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for the fiscal year ended May 31, 2006.