

ORMAT TECHNOLOGIES, INC.
Form 10-Q
November 08, 2012
Table of Contents

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, 2012

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
*(State or other jurisdiction of
incorporation or organization)*

88-0326081
*(I.R.S. Employer
Identification Number)*

6225 Neil Road, Reno, Nevada 89511-1136

(Address of principal executive offices, including zip code)

(775) 356-9029

(Registrant's telephone number, including area code)

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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 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 shares of each of the registrant's classes of common stock as of the latest practicable date: As of November 6, 2012, the number of outstanding shares of common stock, par value \$0.001 per share was 45,430,886.

Table of Contents

ORMAT TECHNOLOGIES, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

PART I FINANCIAL INFORMATION

ITEM 1.	<u>FINANCIAL STATEMENTS</u>	4
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	24
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	57
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	57

PART II OTHER INFORMATION

ITEM 1.	<u>LEGAL PROCEEDINGS</u>	59
ITEM 1A.	<u>RISK FACTORS</u>	61
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	61
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	61
ITEM 4.	<u>MINE SAFETY DISCLOSURES</u>	61
ITEM 5.	<u>OTHER INFORMATION</u>	61
ITEM 6.	<u>EXHIBITS</u>	62
	<u>SIGNATURES</u>	64

Table of Contents

Certain Definitions

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

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

	September 30, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 37,524	\$ 99,886
Marketable securities		18,521
Short-term bank deposit	3,008	
Restricted cash, cash equivalents and marketable securities (all related to VIEs)	76,296	75,521
Receivables:		
Trade	80,166	51,274
Related entity	351	287
Other	10,265	9,415
Due from parent	196	260
Inventories	17,786	12,541
Costs and estimated earnings in excess of billings on uncompleted contracts	7,704	3,966
Deferred income taxes	1,729	1,842
Prepaid expenses and other	31,497	18,672
Total current assets	266,522	292,185
Unconsolidated investments	3,476	3,757
Deposits and other	27,416	22,194
Deferred charges	38,636	40,236
Property, plant and equipment, net (\$1,424,544 and \$1,477,580 related to VIEs, respectively)	1,491,411	1,518,532
Construction-in-process (\$248,754 and \$271,859 related to VIEs, respectively)	367,762	370,551
Deferred financing and lease costs, net	26,821	28,482
Intangible assets, net	36,319	38,781
Total assets	\$ 2,258,363	\$ 2,314,718
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 96,516	\$ 105,112
Billings in excess of costs and estimated earnings on uncompleted contracts	32,546	33,104
Current portion of long-term debt:		
Limited and non-recourse (all related to VIEs):		
Senior secured notes	25,609	21,464
Other loans	13,744	13,547
Full recourse	20,755	20,543
Total current liabilities	189,170	193,770
Long-term debt, net of current portion:		
Limited and non-recourse (all related to VIEs):		
Senior secured notes	329,000	341,157
Other loans	93,015	100,585
Full recourse:		
Senior unsecured bonds (plus unamortized premium based upon 7% of \$1,514)	250,982	250,042

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Other loans	49,869	63,623
Revolving credit lines with banks	187,474	214,049
Liability associated with sale of tax benefits	56,528	69,269
Deferred lease income	67,051	68,955
Deferred income taxes	58,758	54,665
Liability for unrecognized tax benefits	7,139	5,875
Liabilities for severance pay	20,818	20,547
Asset retirement obligation	22,548	21,284
Other long-term liabilities	2,857	4,253
Total liabilities	1,335,209	1,408,074
Commitments and contingencies		
Equity:		
The Company's stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 45,430,886 shares issued and outstanding as of September 30, 2012 and December 31, 2011	46	46
Additional paid-in capital	730,583	725,746
Retained earnings	184,649	172,331
Accumulated other comprehensive income	697	595
	915,975	898,718
Noncontrolling interest	7,179	7,926
Total equity	923,154	906,644
Total liabilities and equity	\$ 2,258,363	\$ 2,314,718

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

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	(In thousands, except per share data)			
Revenues:				
Electricity	\$ 81,452	\$ 86,815	\$ 248,710	\$ 246,273
Product	54,685	24,026	149,616	67,002
Total revenues	136,137	110,841	398,326	313,275
Cost of revenues:				
Electricity	61,466	57,941	177,350	186,090
Product	42,130	17,137	108,575	43,276
Total cost of revenues	103,596	75,078	285,925	229,366
Gross margin	32,541	35,763	112,401	83,909
Operating expenses:				
Research and development expenses	1,436	2,346	3,948	7,128
Selling and marketing expenses	3,445	2,940	13,033	9,325
General and administrative expenses	6,208	6,269	20,315	20,755
Impairment charge	7,264		7,264	
Write-off of unsuccessful exploration activities			1,919	
Operating income	14,188	24,208	65,922	46,701
Other income (expense):				
Interest income	280	438	1,004	1,289
Interest expense, net	(15,400)	(23,909)	(44,541)	(54,431)
Foreign currency translation and transaction gains (losses)	615	(2,659)	(1,127)	(1,546)
Income attributable to sale of tax benefits	2,311	2,344	7,417	7,624
Other non-operating income, net	215	347	344	465
Income before income taxes and equity in losses of investees	2,209	769	29,019	102
Income tax benefit (provision)	(1,479)	305	(11,245)	726
Equity in losses of investees	(1,245)	(71)	(1,542)	(552)
Net income (loss)	(515)	1,003	16,232	276
Net income attributable to noncontrolling interest	(67)	(137)	(278)	(252)
Net income (loss) attributable to the Company's stockholders	\$ (582)	\$ 866	\$ 15,954	\$ 24
Comprehensive income (loss):				
Net income (loss)	\$ (515)	\$ 1,003	\$ 16,232	\$ 276
Other comprehensive income (loss), net of related taxes:	(47)	(53)	(140)	(159)

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Amortization of unrealized gains or losses in respect of derivative instruments designated for cash flow hedge				
Change in unrealized gains or losses on marketable securities available-for-sale	262	(111)	242	(320)
Comprehensive income (loss)	(300)	839	16,334	(203)
Comprehensive income attributable to noncontrolling interest	(67)	(137)	(278)	(252)
Comprehensive income (loss) attributable to the Company's stockholders	\$ (367)	\$ 702	\$ 16,056	\$ (455)
Earnings (loss) per share attributable to the Company's stockholders - basic and diluted	\$ (0.01)	\$ 0.02	\$ 0.35	\$ 0.00
Weighted average number of shares used in computation of earnings (loss) per share attributable to the Company's stockholders:				
Basic	45,431	45,431	45,431	45,431
Diluted	45,431	45,440	45,438	45,442
Dividend per share declared	\$ 0.04	\$ 0.04	\$ 0.08	\$ 0.13

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

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY****(Unaudited)**

	Common Stock		The Company's Stockholders' Equity			Total	Noncontrolling Interest	Total Equity
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income			
Balance at December 31, 2010	45,431	\$ 46	\$ 716,731	\$ 221,311	\$ 1,044	\$ 939,132	\$ 6,095	\$ 945,227
Stock-based compensation			5,000			5,000		5,000
Increase in noncontrolling interest due to sale of equity interest in OPC LLC			2,343			2,343	1,662	4,005
Cash dividend declared, \$0.13 per share				(5,924)		(5,924)		(5,924)
Net income				24		24	252	276
Other comprehensive loss, net of related taxes:								
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$96)					(159)	(159)		(159)
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of \$0)					(320)	(320)		(320)
Balance at September 30, 2011	45,431	\$ 46	\$ 724,074	\$ 215,411	\$ 565	\$ 940,096	\$ 8,009	\$ 948,105
Balance at December 31, 2011	45,431	\$ 46	\$ 725,746	\$ 172,331	\$ 595	\$ 898,718	\$ 7,926	\$ 906,644
Stock-based compensation			4,837			4,837		4,837
Cash paid to non-controlling interest							(1,025)	(1,025)
Cash dividend declared, \$0.08 per share				(3,636)		(3,636)		(3,636)
Net income				15,954		15,954	278	16,232
Other comprehensive (income) loss, net of related taxes:								
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$88)					(140)	(140)		(140)
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of \$0)					242	242		242
Balance at September 30, 2012	45,431	\$ 46	\$ 730,583	\$ 184,649	\$ 697	\$ 915,975	\$ 7,179	\$ 923,154

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

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

	Nine Months Ended September 30,	
	2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 16,232	\$ 276
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75,812	71,261
Amortization of premium from senior unsecured bonds	(231)	(72)
Accretion of asset retirement obligation	1,264	1,183
Stock-based compensation	4,837	5,000
Amortization of deferred lease income	(2,014)	(2,014)
Income attributable to sale of tax benefits, net of interest expense	(2,775)	(2,243)
Equity in losses of investees	442	552
Impairment of auction rate securities		205
Write-off of unconsolidated investment	1,100	
Write-off of unsuccessful exploration activities	1,919	
Impairment charge	7,264	
Unrealized loss on interest rate lock transactions		11,052
Loss on severance pay fund asset	332	282
Premium from issuance senior unsecured bonds		1,957
Deferred income tax provision (benefit)	5,894	(1,805)
Liability for unrecognized tax benefits	1,264	(1,186)
Deferred lease revenues	110	233
Changes in operating assets and liabilities, net of amounts acquired:		
Receivables	(29,742)	2,556
Costs and estimated earnings in excess of billings on uncompleted contracts	(3,738)	2,628
Inventories	(5,245)	(5,361)
Prepaid expenses and other	(12,825)	(8,043)
Deposits and other	(5,356)	(471)
Accounts payable and accrued expenses	9,523	(9,592)
Due from/to related entities, net	(64)	(78)
Billings in excess of costs and estimated earnings on uncompleted contracts	(558)	32,511
Liabilities for severance pay	271	281
Other long-term liabilities	(1,396)	(719)
Due from/to parent	64	121
Net cash provided by operating activities	62,384	98,514
Cash flows from investing activities:		
Marketable securities, net	18,763	(20,287)
Short-term bank deposit	(3,008)	
Net change in restricted cash, cash equivalents and marketable securities	(775)	(36,884)
Capital expenditures	(186,332)	(180,771)
Cash grant received	119,199	
Investment in unconsolidated companies	(1,260)	(305)
Increase (decrease) in severance pay fund asset, net of payments made to retired employees	(198)	61
Net cash used in investing activities	(53,611)	(238,186)
Cash flows from financing activities:		
Proceeds from issuance of senior unsecured bonds	1,171	107,447
Proceeds from the sale of limited liability company interest in OPC LLC, net of transaction costs		