
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 1, 2019

WILLDAN GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of other jurisdiction
of incorporation)

001-33076
(Commission File Number)

14-1951112
(IRS Employer
Identification No.)

2401 East Katella Avenue, Suite 300, Anaheim, California 92806
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(800) 424-9144**

Not Applicable
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|--------------------------|---|
| Common Stock, par value \$0.01 per share | WLDN | The Nasdaq Stock Market LLC (Nasdaq Global Market) |

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:

- 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 14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

Willdan Group, Inc. (“Willdan”) issued a press release on August 1, 2019. The press release announced Willdan’s financial results for the second quarter ended June 28, 2019. A copy of the press release is attached as Exhibit 99.1 hereto and is hereby incorporated herein by reference in its entirety. The information in this Item 2.02 and the attached Exhibit 99.1 to this Current Report on Form 8-K is being furnished (not filed) pursuant to Item 2.02 of Form 8-K.

Item 9.01 Financial Statements and Exhibits

(d) *Exhibits.*

| Exhibit No. | Document |
|--------------------|--|
| 99.1 | Press Release of Willdan Group, Inc. dated August 1, 2019. |

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 hereunto duly authorized.

WILLDAN GROUP, INC.

Date: August 1, 2019

By: */s/ Stacy B. McLaughlin*

Stacy B. McLaughlin
Chief Financial Officer
(Principal Financial Officer)



Willdan Group Reports Second Quarter 2019 Results

Investment Community Conference Call Today at 5:30 p.m. Eastern Time

ANAHEIM, Calif. – August 1, 2019 – Willdan Group, Inc. (“Willdan”) (NASDAQ: WLDN), a provider of professional technical and consulting services, today reported financial results for its second quarter ended June 28, 2019.

Second Quarter 2019 Summary

- Consolidated contract revenue of \$104.4 million, an increase of 74.5%
- Net revenue of \$46.8 million, an increase of 36.4%
- Net income of \$1.6 million, or \$0.14 per diluted share
- Adjusted diluted earnings per share of \$0.43
- Adjusted EBITDA of \$7.6 million

For the second quarter of 2019, Willdan reported consolidated contract revenue of \$104.4 million and net income of \$1.6 million, or \$0.14 per diluted share. This compares with consolidated contract revenue of \$59.8 million and net income of \$3.3 million, or \$0.36 per diluted share, for the second quarter of 2018. For the second quarter of 2019, Net Revenue, defined as revenue, net of subcontractor services and other direct costs (see “Use of Non-GAAP Financial Measures” below), was \$46.8 million, up 36.4% compared to the same period in fiscal year 2018.

“We are seeing strong revenue growth that is building into the second half of the year,” said Tom Brisbin, Willdan’s Chairman and Chief Executive Officer. “New projects for our four largest clients are ramping up materially, so in the second quarter we had disproportionately high project start up costs compared to the revenue we recognized on those programs. We believe this positions us well for the next several quarters. We are pleased that the wave of California procurements from investor owned utilities (IOU’s) continues to progress, and that we have been downselected to the proposal stage for every program that we have pursued. The acquisition of The Weidt Group in March allowed us to pursue a significant new construction procurement for California IOU’s that we would not have been able to pursue without them. Our acquisition of Onsite Energy in July provides us with industrial sector expertise that opens up new opportunities in California, and we believe will expand our total addressable market by one-third. We expect to deliver strong financial performance in the second half of 2019 based on work-in-hand.”

Second Quarter 2019 Financial Highlights

Consolidated contract revenue for the second quarter of 2019 was \$104.4 million, an increase of 74.5% from \$59.8 million for the second quarter of 2018. Contract revenue for the Energy segment was \$85.3 million for the second quarter of 2019, an increase of 104.4% from the second quarter of 2018, which was primarily due to incremental revenue from the acquisitions of Lime Energy Co. (“Lime Energy”), Newcomb Anderson McCormick (“NAM”) and The Weidt Group Inc. (“The Weidt Group”). Contract revenue for the Engineering and Consulting segment was \$19.1 million, an increase of 5.6% from the second quarter of 2018 primarily due to increased consulting work for cities and counties.

Net Revenue for the second quarter of 2019 was \$46.8 million, an increase of 36.4% from \$34.3 million for the second quarter of 2018. The increase was primarily due to incremental revenue from the acquisitions of Lime Energy, NAM, and The Weidt Group. Net Revenue in the Energy segment was \$32.4 million for the second quarter of 2019, an increase of 60.2% over the same period last year. Net Revenue in the Engineering and Consulting segment was \$14.4 million for the second quarter of 2019, an increase of 2.2% over the same period last year.

Direct costs of contract revenue were \$73.2 million for the second quarter of 2019, an increase of 99.7%, from \$36.7 million for the second quarter of 2018. The increase was primarily related to incremental direct costs from the acquisition of Lime Energy.

Total general and administrative expenses for the second quarter of 2019 was \$28.4 million, an increase of 49.7% from \$19.0 million for the second quarter of 2018, driven primarily by increased costs related to personnel added through the acquisitions of Lime Energy, NAM, and The Weidt Group.

Interest expense was \$1.2 million for the second quarter of 2019, compared with \$30,000 for the second quarter of 2018. The increase in interest expense was primarily attributable to debt incurred in the fourth quarter of 2018 to finance the acquisition of Lime Energy.

The Company recorded an income tax benefit of \$0.1 million in the second quarter of 2019, compared to income tax expense of \$0.9 million for the prior year period. The income tax benefit recorded for the second quarter of 2019 was primarily attributable to various tax deductions and tax credits.

Net income for the second quarter of 2019 was \$1.6 million, or \$0.14 per diluted share, as compared to net income of \$3.3 million, or \$0.36 per diluted share, for the second quarter of 2018. The decrease in operating performance was primarily driven by higher direct costs of revenues and interest expense, partially offset by lower general and administrative expenses, each as a percentage of revenue. Adjusted Net Income (see "Use of Non-GAAP Financial Measures" below) for the second quarter of 2019 was \$5.0 million, or \$0.43 per diluted share, as compared to Adjusted Net Income of \$5.2 million, or \$0.56 per diluted share, for the second quarter of 2018.

Adjusted EBITDA (see "Use of Non-GAAP Financial Measures" below) was \$7.6 million for the second quarter of 2019, an increase of 4.2% from \$7.3 million for the second quarter of 2018.

Six Months 2019 Financial Highlights

Consolidated contract revenue for the six months ended June 28, 2019 was \$196.2 million, an increase of 71.5% from \$114.4 million for the six months ended June 29, 2018. Contract revenue for the Energy segment was \$160.0 million for the six months ended June 28, 2019, an increase of 102.4%, which was primarily due to incremental revenue from the acquisitions of Lime Energy, NAM, and The Weidt Group. Contract revenue for the Engineering and Consulting segment was \$36.2 million, an increase of 2.4% from the six months ended June 29, 2018.

Net Revenue for the six months ended June 28, 2019 was \$87.6 million, an increase of 35.2% from \$64.8 million for the six months ended June 29, 2018. The increase was primarily due to incremental revenue from the acquisitions of Lime Energy, NAM, and The Weidt Group. Net Revenue in the Energy segment was \$59.3 million for the six months ended June 28, 2019, an increase of 62.2% over the same period last year. Net Revenue in the Engineering and Consulting segment was \$28.3 million for the six months ended June 28, 2019, an increase of 0.2% over the same period last year.

Direct costs of contract revenue were \$139.1 million for the six months ended June 28, 2019, an increase of 93.9%, from \$71.7 million for the six months ended June 29, 2018. The increase was primarily as a result of the increased use of subcontractors and higher material content in projects associated with the acquisition of Lime Energy.

Total general and administrative expenses for the six months ended June 28, 2019 was \$54.5 million, an increase of 49.4% from \$36.5 million for the six months ended June 29, 2018, driven primarily by the addition of employees from the acquisitions of Lime Energy, NAM and The Weidt Group along with increases in current salary rates for our current employees and an increase in stock-based compensation.

Interest expense was \$2.3 million for the six months ended June 28, 2019, compared with \$53,000 for the six months ended June 29, 2018. The increase in interest expense was primarily attributable to debt incurred in the fourth quarter of 2018 to finance the acquisition of Lime Energy.

The Company recorded an income tax benefit of \$1.0 million for the six months ended June 28, 2019, compared to income tax expense of \$0.6 million for the prior year period. The income tax benefit recorded for the six months ended June 28, 2019 was primarily attributable to various tax deductions and tax credits.

Net income for the six months ended June 28, 2019 was \$1.2 million, or \$0.10 per diluted share, as compared to net income of \$5.5 million, or \$0.60 per diluted share, for the six months ended June 29, 2018. The decrease in operating performance was primarily driven by higher direct costs of revenues and interest expense, partially offset by lower general and administrative expenses, each as a percentage of revenue. Adjusted Net Income (see “Use of Non-GAAP Financial Measures” below) for the six months ended June 28, 2019 was \$7.5 million, or \$0.64 per diluted share, as compared to Adjusted Net Income of \$9.4 million, or \$1.01 per diluted share, for the six months ended June 29, 2018.

Adjusted EBITDA (see “Use of Non-GAAP Financial Measures” below) was \$12.3 million for the six months ended June 28, 2019, an increase of 4.1% from \$11.8 million for the six months ended June 29, 2018.

Balance Sheet

Willdan reported \$27.6 million in cash and cash equivalents at June 28, 2019, as compared to \$15.3 million at December 28, 2018. The increase in cash and cash equivalents was primarily due to cash generated from operations. Cash flow from operations was \$12.5 million during the first half of 2019, compared with \$4.0 million during the first half of 2018, an increase of 209.0%.

Financial Targets

Willdan has updated its financial targets for fiscal 2019 to the following:

- Net Revenue* of \$185 to \$205 million
- Adjusted Diluted EPS* of \$2.40 - \$2.50
- Effective tax rate of approximately 24%
- Diluted share count of 11.8 million shares
- Depreciation of approximately \$3.5 million
- Amortization of approximately \$9.3 million
- Stock-based compensation of approximately \$11.9 million
- Interest expense of approximately \$5.1 million

*See “Use of Non-GAAP Financial Measures” below.

The financial targets above do not include the effects of any transaction(s) that have not been completed as of the date of this press release. Over the long-term, Willdan continues to target both organic and acquisitive Net Revenue growth of greater than 10%, resulting in total Net Revenue growth of greater than 20% per year.

Conference Call Details and Investor Report

Chief Executive Officer Thomas Brisbin and Chief Financial Officer Stacy McLaughlin will host a conference call today, August 1, 2019, at 5:30 p.m. Eastern/2:30 p.m. Pacific to discuss Willdan’s financial results and provide a business update.

Interested parties may participate in the conference call by dialing 800-263-0877 and providing conference ID 5428448. The conference call will be webcast simultaneously on Willdan's website at www.willdan.com under and the replay will be archived for at least 12 months.

The telephonic replay of the conference call may be accessed following the call by dialing 888-203-1112 and entering the passcode 5428448. The replay will be available through August 15, 2019.

An Investor Report containing supplemental financial information can also be accessed on the home page of Willdan's investor relations website.

About Willdan Group, Inc.

Willdan is a nationwide provider of professional technical and consulting services to utilities, government agencies, and private industry. Willdan's service offerings span a broad set of complementary disciplines that include electric grid solutions, energy efficiency and sustainability, engineering and planning, and municipal financial consulting. For additional information, visit Willdan's website at www.willdan.com.

Use of Non-GAAP Financial Measures

"Net Revenue," defined as contract revenue as reported in accordance with GAAP minus subcontractor services and other direct costs, is a non-GAAP financial measure. Net Revenue is a supplemental measure that Willdan believes enhances investors' ability to analyze Willdan's business trends and performance because it substantially measures the work performed by Willdan's employees. In the course of providing services, Willdan routinely subcontracts various services. Generally, these subcontractor services and other direct costs are passed through to Willdan's clients and, in accordance with U.S. generally accepted accounting principles ("GAAP") and industry practice, are included in Willdan's revenue when it is Willdan's contractual responsibility to procure or manage such subcontracted activities. Because subcontractor services and other direct costs can vary significantly from project to project and period to period, changes in revenue may not necessarily be indicative of Willdan's business trends. Accordingly, Willdan segregates subcontractor services and other direct costs from revenue to promote a better understanding of Willdan's business by evaluating revenue exclusive of subcontract services and other direct costs associated with external service providers. A reconciliation of Willdan's contract revenue as reported in accordance with GAAP to Net Revenue is provided at the end of this press release. A reconciliation of targeted contract revenue for 2019 as reported in accordance with GAAP to targeted Net Revenues for fiscal 2019, which is a forward-looking non-GAAP financial measure, is not provided because Willdan is unable to provide such reconciliation without unreasonable effort. The inability to provide a reconciliation is due to the uncertainty and inherent difficulty predicting the subcontractor services and other director costs that are subtracted from contract revenues in order to derive Net Revenues. While subcontractor costs have increased recently, subcontractor costs can vary significantly from period to period. We expect that subcontractor costs will be higher for the remainder of fiscal 2019 compared to fiscal 2018 as a result of our recent acquisitions and the shift in projects in our Energy segment. For recent periods, subcontractor costs and other direct costs have been 48.7% of contract revenue for fiscal year 2018 and 55.3% and 43.4% of contract revenue for the six months ended June 28, 2019 and June 29, 2018, respectively.

"Adjusted EBITDA," defined as net income plus interest expense, income tax expense, stock-based compensation, interest accretion, depreciation and amortization, transaction costs and gain on sale of equipment, is a non-GAAP financial measure. Adjusted EBITDA is a supplemental measure used by Willdan's management to measure Willdan's operating performance. Willdan believes Adjusted EBITDA is useful because it allows Willdan's management to evaluate its operating performance and compare the results of its operations from period to period and against its peers without regard to its financing methods, capital structure and non-operating expenses. Willdan uses Adjusted EBITDA to evaluate its performance for, among other things, budgeting, forecasting and incentive compensation purposes.

Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's costs of capital, stock-based compensation, as well as the historical costs of depreciable assets. A reconciliation of net income as reported in accordance with GAAP to Adjusted EBITDA is provided at the end of this press release.

“Adjusted Net Income,” defined as net income plus stock-based compensation, intangible amortization and transaction costs, each net of tax, is a non-GAAP financial measure.

“Adjusted Diluted EPS,” defined as net income plus stock-based compensation, intangible amortization and transaction costs, each net of tax, all divided by the diluted weighted-average shares outstanding, is a non-GAAP financial measure. Adjusted Net Income and Adjusted Diluted EPS are supplemental measures used by Willdan’s management to measure its operating performance. Willdan believes Adjusted Net Income and Adjusted Diluted EPS are useful because they allow Willdan’s management to more closely evaluate and explain the operating results of Willdan’s business by removing certain non-operating expenses. Reconciliations of net income as reported in accordance with GAAP to Adjusted Net Income and diluted EPS as reported in accordance with GAAP to Adjusted Diluted EPS are provided at the end of this press release.

Willdan’s definitions of Net Revenue, Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS have limitations as analytical tools and may differ from other companies reporting similarly named measures or from similarly named measures Willdan has reported in prior periods. These measures should be considered in addition to, and not as a substitute for, or superior to, other measures of financial performance prepared in accordance with GAAP, such as contract revenue, net income and diluted EPS.

Forward Looking Statements

Statements in this press release that are not purely historical, including statements regarding Willdan’s intentions, hopes, beliefs, expectations, representations, projections, estimates, plans or predictions of the future are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, including statements regarding Willdan’s targets for fiscal 2019, Willdan’s ability to capitalize on increased energy efficiency spending in large markets and expected benefits from Willdan’s acquisitions of Lime Energy and The Weidt Group. All statements other than statements of historical fact included in this press release are forward-looking statements. These forward-looking statements involve risks and uncertainties including, but not limited to, the risk that Willdan will not be able to expand its services or meet the needs of customers in markets in which it operates. It is important to note that Willdan’s actual results could differ materially from those in any such forward-looking statements. Important factors that could cause actual results to differ materially from its expectations include, but are not limited to, Willdan’s ability to adequately complete projects in a timely manner, Willdan’s ability to compete successfully in the highly competitive energy services market, changes in state, local and regional economies and government budgets, Willdan’s ability to win new contracts, to renew existing contracts (including with its three primary customers and the two primary customers of Lime Energy) and to compete effectively for contracts awarded through bidding processes, Willdan’s ability to successfully integrate its acquisitions, including its acquisitions of Lime Energy, The Weidt Group and Onsite Energy Corporation and execute on its growth strategy, and Willdan’s ability to make principal and interest payments as they come due and comply with financial and other covenants in its credit agreement, and Willdan’s ability to obtain financing and to refinance its outstanding debt as it matures.

The above is not a complete list of factors or events that could cause actual results to differ from Willdan’s expectations, and Willdan cannot predict all of them. All written and oral forward-looking statements attributable to Willdan, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements and risk factors disclosed from time to time in Willdan’s reports filed with the Securities and Exchange Commission, including, but not limited to, the Annual Report on Form 10-K filed for the year ended December 28, 2018, as such disclosures may be amended, supplemented or superseded from time to time by other reports Willdan files with the Securities and Exchange Commission, including subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. Willdan cautions investors not to place undue reliance on the forward-looking statements contained in this press release. Willdan disclaims any obligation to, and does not undertake to, update or revise any forward-looking statements in this press release.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| | June 28, 2019 | December 28, 2018 |
|--|-----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 27,602,000 | \$ 15,259,000 |
| Accounts receivable, net of allowance for doubtful accounts of \$501,000 and \$442,000 at June 28, 2019 and December 28, 2018, respectively | 46,828,000 | 61,346,000 |
| Contract assets | 60,433,000 | 51,851,000 |
| Other receivables | 3,649,000 | 1,893,000 |
| Prepaid expenses and other current assets | 5,143,000 | 5,745,000 |
| Total current assets | 143,655,000 | 136,094,000 |
| Equipment and leasehold improvements, net | 10,556,000 | 7,998,000 |
| Goodwill | 110,204,000 | 97,748,000 |
| Right-of-use assets | 12,036,000 | — |
| Other intangible assets, net | 48,087,000 | 44,364,000 |
| Other assets | 4,366,000 | 3,311,000 |
| Deferred income taxes, net | 12,488,000 | 12,321,000 |
| Total assets | <u>\$ 341,392,000</u> | <u>\$ 301,836,000</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 30,261,000 | \$ 36,829,000 |
| Accrued liabilities | 40,174,000 | 37,401,000 |
| Contingent consideration payable | 1,681,000 | 3,113,000 |
| Contract liabilities | 5,291,000 | 5,075,000 |
| Notes payable | 10,643,000 | 8,572,000 |
| Finance lease obligations | 396,000 | 320,000 |
| Lease liability | 4,056,000 | — |
| Total current liabilities | 92,502,000 | 91,310,000 |
| Contingent consideration payable | 1,040,000 | 1,616,000 |
| Notes payable | 90,139,000 | 63,139,000 |
| Finance lease obligations, less current portion | 261,000 | 224,000 |
| Lease liability, less current portion | 8,944,000 | — |
| Deferred lease obligations | — | 724,000 |
| Other noncurrent liabilities | 981,000 | 534,000 |
| Total liabilities | <u>193,867,000</u> | <u>157,547,000</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding | — | — |
| Common stock, \$0.01 par value, 40,000,000 shares authorized; 11,194,000 and 10,968,000 shares issued and outstanding at June 28, 2019 and December 28, 2018, respectively | 112,000 | 110,000 |
| Additional paid-in capital | 116,457,000 | 114,008,000 |
| Accumulated other comprehensive loss | (438,000) | — |
| Retained earnings | 31,394,000 | 30,171,000 |
| Total stockholders' equity | 147,525,000 | 144,289,000 |
| Total liabilities and stockholders' equity | <u>\$ 341,392,000</u> | <u>\$ 301,836,000</u> |

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | June 28, 2019 | June 29, 2018 | June 28, 2019 | June 29, 2018 |
| Contract revenue | \$ 104,396,000 | \$ 59,833,000 | \$ 196,189,000 | \$ 114,428,000 |
| Direct costs of contract revenue (inclusive of directly related depreciation and amortization): | | | | |
| Salaries and wages | 15,624,000 | 11,127,000 | 30,534,000 | 22,125,000 |
| Subcontractor services and other direct costs | 57,623,000 | 25,544,000 | 108,571,000 | 49,613,000 |
| Total direct costs of contract revenue | <u>73,247,000</u> | <u>36,671,000</u> | <u>139,105,000</u> | <u>71,738,000</u> |
| General and administrative expenses: | | | | |
| Salaries and wages, payroll taxes and employee benefits | 15,437,000 | 10,725,000 | 30,406,000 | 20,750,000 |
| Facilities and facility related | 2,047,000 | 1,386,000 | 3,819,000 | 2,595,000 |
| Stock-based compensation | 2,224,000 | 1,662,000 | 4,041,000 | 2,726,000 |
| Depreciation and amortization | 2,866,000 | 1,111,000 | 5,520,000 | 2,175,000 |
| Other | 5,802,000 | 4,073,000 | 10,759,000 | 8,265,000 |
| Total general and administrative expenses | <u>28,376,000</u> | <u>18,957,000</u> | <u>54,545,000</u> | <u>36,511,000</u> |
| Income from operations | <u>2,773,000</u> | <u>4,205,000</u> | <u>2,539,000</u> | <u>6,179,000</u> |
| Other (expense) income: | | | | |
| Interest expense, net | (1,221,000) | (30,000) | (2,342,000) | (53,000) |
| Other, net | 18,000 | 9,000 | 29,000 | 19,000 |
| Total other expense, net | <u>(1,203,000)</u> | <u>(21,000)</u> | <u>(2,313,000)</u> | <u>(34,000)</u> |
| Income before income taxes | 1,570,000 | 4,184,000 | 226,000 | 6,145,000 |
| Income tax (benefit) expense | (70,000) | 869,000 | (997,000) | 627,000 |
| Net income | <u>\$ 1,640,000</u> | <u>\$ 3,315,000</u> | <u>\$ 1,223,000</u> | <u>\$ 5,518,000</u> |
| Other comprehensive income: | | | | |
| Loss on cash flow hedge valuations | \$ (219,000) | \$ — | \$ (438,000) | \$ — |
| Comprehensive income | <u>\$ 1,421,000</u> | <u>\$ 3,315,000</u> | <u>\$ 785,000</u> | <u>\$ 5,518,000</u> |
| Earnings per share: | | | | |
| Basic | \$ 0.15 | \$ 0.38 | \$ 0.11 | \$ 0.63 |
| Diluted | \$ 0.14 | \$ 0.36 | \$ 0.10 | \$ 0.60 |
| Weighted-average shares outstanding: | | | | |
| Basic | 11,100,000 | 8,796,000 | 11,037,000 | 8,775,000 |
| Diluted | 11,679,000 | 9,288,000 | 11,670,000 | 9,247,000 |

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| | Six Months Ended | |
|---|--------------------------|--------------------------|
| | June 28, 2019 | June 29, 2018 |
| Cash flows from operating activities: | | |
| Net income | \$ 1,223,000 | \$ 5,518,000 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 5,712,000 | 2,243,000 |
| Deferred income taxes, net | (167,000) | (792,000) |
| Gain on sale/disposal of equipment | (8,000) | (14,000) |
| Provision for doubtful accounts | 202,000 | 344,000 |
| Stock-based compensation | 4,041,000 | 2,726,000 |
| Accretion and fair value adjustments of contingent consideration | (627,000) | 622,000 |
| Changes in operating assets and liabilities, net of effects from business acquisitions: | | |
| Accounts receivable | 15,998,000 | 16,294,000 |
| Contract assets | (8,148,000) | (16,910,000) |
| Other receivables | (1,719,000) | 1,056,000 |
| Prepaid expenses and other current assets | 877,000 | 385,000 |
| Other assets | (615,000) | (94,000) |
| Accounts payable | (6,615,000) | (6,915,000) |
| Accrued liabilities | 2,036,000 | 722,000 |
| Contract liabilities | 65,000 | (1,158,000) |
| Deferred lease obligations | — | 17,000 |
| Right-of-use assets | 240,000 | — |
| Net cash provided by operating activities | <u>12,495,000</u> | <u>4,044,000</u> |
| Cash flows from investing activities: | | |
| Purchase of equipment and leasehold improvements | (3,619,000) | (511,000) |
| Proceeds from sale of equipment | 44,000 | 36,000 |
| Cash paid for acquisitions, net of cash acquired | (21,800,000) | (2,994,000) |
| Net cash used in investing activities | <u>(25,375,000)</u> | <u>(3,469,000)</u> |
| Cash flows from financing activities: | | |
| Payments on contingent consideration | (1,381,000) | (3,199,000) |
| Payments on notes payable | (929,000) | (383,000) |
| Payments on debt issuance costs | (577,000) | — |
| Borrowings under term loan facility and line of credit | 100,000,000 | — |
| Repayments under term loan facility and line of credit | (70,000,000) | (500,000) |
| Principal payments on finance leases | (300,000) | (207,000) |
| Proceeds from stock option exercise | 523,000 | 341,000 |
| Proceeds from sales of common stock under employee stock purchase plan | 749,000 | 616,000 |
| Shares used to pay taxes on stock grants | (2,862,000) | (442,000) |
| Net cash provided by (used in) financing activities | <u>25,223,000</u> | <u>(3,774,000)</u> |
| Net increase (decrease) in cash and cash equivalents | 12,343,000 | (3,199,000) |
| Cash and cash equivalents at beginning of period | 15,259,000 | 14,424,000 |
| Cash and cash equivalents at end of period | <u>\$ 27,602,000</u> | <u>\$ 11,225,000</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 2,156,000 | \$ 53,000 |
| Income taxes | 2,040,000 | 215,000 |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Loss on cash flow hedge valuations, net of tax | (438,000) | — |
| Equipment acquired under finance leases | 413,000 | 187,000 |

Willdan Group, Inc. and Subsidiaries
Reconciliation of GAAP Revenue to Net Revenue
(Non-GAAP Measure)

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
| | June 28, 2019 | June 29, 2018 | June 28, 2019 | June 29, 2018 |
| Consolidated | | | | |
| Contract revenue | \$ 104,396,000 | \$ 59,833,000 | \$ 196,189,000 | \$ 114,428,000 |
| Subcontractor services and other direct costs | 57,623,000 | 25,544,000 | 108,571,000 | 49,613,000 |
| Net Revenue | <u>\$ 46,773,000</u> | <u>\$ 34,289,000</u> | <u>\$ 87,618,000</u> | <u>\$ 64,815,000</u> |

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
| | June 28, 2019 | June 29, 2018 | June 28, 2019 | June 29, 2018 |
| Energy segment | | | | |
| Contract revenue | \$ 85,283,000 | \$ 41,726,000 | \$ 159,975,000 | \$ 79,058,000 |
| Subcontractor services and other direct costs | 52,873,000 | 21,496,000 | 100,653,000 | 42,494,000 |
| Net Revenue | <u>\$ 32,410,000</u> | <u>\$ 20,230,000</u> | <u>\$ 59,322,000</u> | <u>\$ 36,564,000</u> |

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
| | June 28, 2019 | June 29, 2018 | June 28, 2019 | June 29, 2018 |
| Engineering and Consulting segment | | | | |
| Contract revenue | \$ 19,113,000 | \$ 18,107,000 | \$ 36,214,000 | \$ 35,370,000 |
| Subcontractor services and other direct costs | 4,750,000 | 4,048,000 | 7,918,000 | 7,119,000 |
| Net Revenue | <u>\$ 14,363,000</u> | <u>\$ 14,059,000</u> | <u>\$ 28,296,000</u> | <u>\$ 28,251,000</u> |

Willdan Group, Inc. and Subsidiaries
Reconciliation of GAAP Net Income to Adjusted EBITDA
(Non-GAAP Measure)

| | Three Months Ended | | Six Months Ended | |
|-------------------------------|--------------------|------------------|------------------|------------------|
| | June 28, 2019 | June 29, 2018 | June 28, 2019 | June 29, 2018 |
| Net income | \$ 1,640,000 | \$ 3,315,000 | \$ 1,223,000 | \$ 5,518,000 |
| Interest expense | 1,221,000 | 30,000 | 2,342,000 | 53,000 |
| Income tax (benefit) expense | (70,000) | 869,000 | (997,000) | 627,000 |
| Stock-based compensation | 2,224,000 | 1,662,000 | 4,041,000 | 2,726,000 |
| Interest accretion(1) | (737,000) | 284,000 | (627,000) | 622,000 |
| Depreciation and amortization | 2,973,000 | 1,142,000 | 5,712,000 | 2,243,000 |
| Transaction costs(2) | 342,000 | — | 560,000 | — |
| Gain on sale of equipment | (8,000) | (14,000) | (8,000) | (14,000) |
| Adjusted EBITDA | \$ 7,585,000 | \$ 7,288,000 | \$ 12,246,000 | \$ 11,775,000 |

- (1) Interest accretion represents the imputed interest and fair value adjustments to estimated contingent consideration.
(2) Transaction costs represents acquisition and acquisition related costs.

Willdan Group, Inc. and Subsidiaries
Reconciliation of GAAP Net Income to Adjusted Net Income and Adjusted Diluted EPS
(Non-GAAP Measure)

| | Three Months Ended | | Six Months Ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | June 28, 2019 | June 29, 2018 | June 28, 2019 | June 29, 2018 |
| Net income | \$ 1,640,000 | \$ 3,315,000 | \$ 1,223,000 | \$ 5,518,000 |
| Adjustment for stock-based compensation | 2,224,000 | 1,662,000 | 4,041,000 | 2,726,000 |
| Tax effect on stock-based compensation | (614,000) | (345,000) | (1,117,000) | (214,000) |
| Adjustment for intangible amortization | 2,140,000 | 723,000 | 4,076,000 | 1,400,000 |
| Tax effect on intangible amortization | (591,000) | (150,000) | (1,126,000) | (66,000) |
| Adjustment for transaction costs | 342,000 | — | 560,000 | — |
| Tax effect on transaction costs | (94,000) | — | (155,000) | — |
| Adjusted Net Income | <u>\$ 5,047,000</u> | <u>\$ 5,205,000</u> | <u>\$ 7,502,000</u> | <u>\$ 9,364,000</u> |
| Diluted weighted-average shares outstanding | <u>11,679,000</u> | <u>9,288,000</u> | <u>11,670,000</u> | <u>9,247,000</u> |
| Diluted earnings per share | <u>\$ 0.14</u> | <u>\$ 0.36</u> | <u>\$ 0.10</u> | <u>\$ 0.60</u> |
| Impact of adjustment: | | | | |
| Stock-based compensation per share | 0.19 | 0.18 | 0.35 | 0.29 |
| Tax effect on stock-based compensation per share | (0.05) | (0.04) | (0.10) | (0.02) |
| Intangible amortization per share | 0.18 | 0.08 | 0.35 | 0.15 |
| Tax effect on intangible amortization per share | (0.05) | (0.02) | (0.10) | (0.01) |
| Transaction costs per share | 0.03 | — | 0.05 | — |
| Tax effect on transaction costs per share | (0.01) | — | (0.01) | — |
| Adjusted Diluted EPS | <u>\$ 0.43</u> | <u>\$ 0.56</u> | <u>\$ 0.64</u> | <u>\$ 1.01</u> |

Willdan Group, Inc. and Subsidiaries
Reconciliation of Diluted EPS to Adjusted Diluted EPS Target
(Non-GAAP Measure)

| | 2019 Target | |
|--|----------------------|----------------------|
| | High | Low |
| Net income | \$ 13,338,000 | \$ 12,158,000 |
| Adjustment for stock-based compensation | 11,900,000 | 11,900,000 |
| Tax effect on stock-based compensation | (2,856,000) | (2,856,000) |
| Adjustment for intangible amortization | 9,300,000 | 9,300,000 |
| Tax effect on intangible amortization | (2,232,000) | (2,232,000) |
| Adjustment for transaction costs | — | — |
| Tax effect on transaction costs | — | — |
| Adjusted Net Income | <u>\$ 29,450,000</u> | <u>\$ 28,270,000</u> |
| Diluted weighted-average shares outstanding | <u>11,800,000</u> | <u>11,800,000</u> |
| Diluted earnings per share | <u>\$ 1.13</u> | <u>\$ 1.03</u> |
| Impact of adjustment: | | |
| Stock-based compensation per share | 1.01 | 1.01 |
| Tax effect on stock-based compensation per share | (0.24) | (0.24) |
| Intangible amortization per share | 0.79 | 0.79 |
| Tax effect on intangible amortization per share | (0.19) | (0.19) |
| Transaction costs per share | — | — |
| Tax effect on transaction costs per share | — | — |
| Adjusted Diluted EPS | <u>\$ 2.50</u> | <u>\$ 2.40</u> |

Contact:

Willdan Group, Inc.

Stacy McLaughlin
Chief Financial Officer
Tel: 714-940-6300
smclaughlin@willdan.com

Or

Investor/Media Contact

Financial Profiles, Inc.
Tony Rossi
Tel: 310-622-8221
trossi@finprofiles.com

