



November 10, 2011

Willdan Reports Third Quarter 2011 Financial Results

ANAHEIM, Calif. --(BUSINESS WIRE)-- **Willdan Group, Inc. ("Willdan") (NASDAQ:WLDN)**, today announced financial results for its third quarter ended September 30, 2011.

For the third quarter of 2011, Willdan reported total contract revenue of \$28.6 million and net income of \$2.2 million, or \$0.29 per share.

Tom Brisbin, Willdan's Chief Executive Officer, stated: *"Our third quarter improvements in revenue and profits demonstrate that the investments we made in key people and technology earlier in the year are paying off. While the California economy remains challenged, we are seeing strength in other markets where we are leveraging our expertise to win new business. We are pleased with our continued progress and on track for a profitable year in 2011."*

Third Quarter 2011 Results

For the third quarter of fiscal 2011, revenue was \$28.6 million, up \$7.9 million, or 38.1%, from revenue of \$20.7 million for the comparable period last year. On a sequential basis, revenue was up \$2.8 million, or 10.8%, from the second quarter of fiscal 2011. Income from operations was \$2.4 million for the third quarter of fiscal 2011, as compared to income from operations of \$1.4 million for the comparable period last year. On a sequential basis, income from operations was up \$1.4 million from income from operations of \$1.0 million for the second quarter of fiscal 2011.

Net income was \$2.2 million for the third quarter of fiscal 2011, as compared to net income of \$0.8 million for the comparable period last year and net income of \$0.7 million for the second quarter of 2011.

Basic and diluted earnings per share for the third quarter of fiscal 2011 were \$0.30 and \$0.29, respectively, as compared to basic and diluted earnings per share of \$0.11 for the comparable period last year.

Willdan generated \$1.5 million in cash flows from operations in the third quarter of fiscal 2011.

Nine Months 2011 Results

For the nine months ended September 30, 2011, revenue was \$77.2 million, up \$19.1 million, or 33.0%, from revenue of \$58.0 million in the comparable period last year. Income from operations was \$3.1 million for the nine months ended September 30, 2011 as compared to income from operations of \$3.0 million for the comparable period last year. Net income was \$2.6 million for the nine months ended September 30, 2011 as compared to net income of \$2.4 million for the comparable period last year.

Basic and diluted earnings per share for the nine months ended September 30, 2011 were \$0.36 and \$0.35, respectively, as compared to basic and diluted earnings per share of \$0.34 for the comparable period last year.

Willdan generated \$3.1 million in cash flow from operations in the nine months ended September 30, 2011.

| In thousands (except per share data) | Three Months Ended | | Nine Months Ended | |
|--------------------------------------|--------------------|-----------------|--------------------|-----------------|
| | September 30, 2011 | October 1, 2010 | September 30, 2011 | October 1, 2010 |
| Revenue | \$ 28,605 | \$ 20,706 | \$ 77,159 | \$ 58,024 |
| Income from operations | 2,380 | 1,394 | 3,054 | 3,044 |
| Interest income | 1 | 3 | 5 | 9 |
| Interest expense | (21) | (11) | (53) | (37) |
| Other, net | 8 | (3) | 5 | 17 |
| Income tax expense | 203 | 595 | 402 | 595 |
| Net income | \$ 2,165 | \$ 788 | \$ 2,609 | \$ 2,438 |
| Earnings per share: | | | | |
| Basic | \$ 0.30 | \$ 0.11 | \$ 0.36 | \$ 0.34 |
| Diluted | \$ 0.29 | \$ 0.11 | \$ 0.35 | \$ 0.34 |

Weighted average shares outstanding:

| | | | | |
|---------|-------|-------|-------|-------|
| Basic | 7,267 | 7,236 | 7,258 | 7,229 |
| Diluted | 7,468 | 7,318 | 7,478 | 7,274 |

Use of Non-GAAP Financial Measures

Adjusted EBITDA is a supplemental measure used by Willdan's management to measure its operating performance. Willdan defines Adjusted EBITDA as pre-tax net income plus (minus) net interest expense (income), depreciation and amortization, lease abandonment expense (recovery) and loss (gain) on sale of assets. Willdan's definition of Adjusted EBITDA may differ from those of many companies reporting similarly named measures. This measure should be considered in addition to, and not as a substitute for or superior to, other measures of financial performance prepared in accordance with U.S. generally accepted accounting principles, or GAAP, such as net income. Willdan believes Adjusted EBITDA enables management to separate unusual or infrequent income and expense items from its results of operations to provide a more normalized and consistent view of operating performance on a period-to-period basis. Willdan uses Adjusted EBITDA to evaluate its performance for, among other things, budgeting, forecasting and incentive compensation purposes. Willdan also believes Adjusted EBITDA is useful to investors, research analysts, investment bankers and lenders because it removes from its operational results the impact of certain unusual or infrequent income and expense items, which may facilitate comparison of its results from period to period.

Adjusted EBITDA is not a recognized term under GAAP and does not purport to be an alternative to income from operations or net income as an indicator of operating performance or any other GAAP measure.

Adjusted EBITDA increased \$0.1 million to \$3.8 million for the nine months ended September 30, 2011 from \$3.7 million for the comparable period last year.

The following is a reconciliation of net income to Adjusted EBITDA:

| In thousands | Nine Months Ended | |
|---|-----------------------|--------------------|
| | September 30, 2011 | October 1, 2010 |
| Net income | \$ 2,609 | \$ 2,438 |
| Interest income | (5) | (9) |
| Interest expense | 53 | 37 |
| Loss (gain) on sale of equipment | 1 | (17) |
| Income tax expense | 402 | 595 |
| Depreciation and amortization | 733 | 752 |
| Lease abandonment expense (recovery), net | 9 | (62) |
| Adjusted EBITDA | <u>\$ 3,802</u> | <u>\$ 3,734</u> |

Liquidity and Capital Resources

Willdan had \$8.3 million in cash and cash equivalents at September 30, 2011, compared with \$6.6 million at December 31, 2010. Willdan has a \$5.0 million bank revolving line of credit, with \$2.9 million in outstanding borrowings at the quarter's end.

Conference Call and Webcast

Chief Executive Officer Thomas Brisbin and Chief Financial Officer Kimberly Gant plan to host a conference call on November 10, 2011 at 5:00 p.m. Eastern/2:00 p.m. Pacific, to further discuss the Company's financial results.

Interested parties may participate in the conference call by dialing 877-941-0843 (480-629-9819 for international callers). When prompted, ask for the "Willdan Group, Inc., Third Quarter 2011 Conference Call." The conference call will be webcast simultaneously on Willdan's website at www.willdan.com under Investors: Events.

The telephonic replay of the conference call may be accessed approximately two hours after the call through November 24, 2011, by dialing 800-406-7325 (303-590-3030 for international callers). The replay access code is 4483424. The webcast replay will be archived for 12 months.

About Willdan Group, Inc.

Founded over 45 years ago, Willdan is a provider of professional technical and consulting services to small and mid-sized public agencies, large public utilities and, to a lesser extent, private industry primarily located in California, New York and Arizona. Willdan provides a broad range of services to clients, including civil engineering and planning, energy efficiency and sustainability, economic and financial consulting, and homeland security and communications and technology. For additional information, visit Willdan's website at www.willdan.com.

Forward-Looking Statements

Safe Harbor Statement: Statements in this press release which 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. The 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. Factors that could cause actual results to differ materially include, but are not limited to, a slowdown in the local and regional economies of the states where Willdan conducts business and the loss of or inability to hire additional qualified professionals. Willdan's business could be affected by a number of other factors, including the risk factors listed from time to time in Willdan's SEC reports including, but not limited to, the Form 10-K annual report for the year ended December 31, 2010 filed on March 29, 2011. 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

| | September 30, 2011 (unaudited) | December 31, 2010 |
|---|--------------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,275,000 | \$ 6,642,000 |
| Accounts receivable, net of allowance for doubtful accounts of \$810,000 and \$959,000 at September 30, 2011 and December 31, 2010, respectively | 14,755,000 | 14,484,000 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 16,418,000 | 11,343,000 |
| Other receivables | 242,000 | 176,000 |
| Prepaid expenses and other current assets | 1,005,000 | 1,714,000 |
| Total current assets | <u>40,695,000</u> | <u>34,359,000</u> |
| Equipment and leasehold improvements, net | 1,245,000 | 1,496,000 |
| Goodwill | 15,208,000 | 12,475,000 |
| Other intangible assets, net | 59,000 | 95,000 |
| Other assets | 395,000 | 407,000 |
| Deferred income taxes, net of current portion | 622,000 | 622,000 |
| Total assets | <u>\$ 58,224,000</u> | <u>\$ 49,454,000</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Excess of outstanding checks over bank balance | \$ 989,000 | \$ 1,223,000 |
| Borrowings under line of credit | 2,920,000 | 1,000,000 |
| Accounts payable | 6,024,000 | 5,380,000 |
| Accrued liabilities | 9,638,000 | 5,985,000 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 1,156,000 | 1,041,000 |
| Current portion of notes payable | 101,000 | 90,000 |
| Current portion of capital lease obligations | 155,000 | 173,000 |
| Current portion of deferred income taxes | 1,407,000 | 1,407,000 |
| Total current liabilities | <u>22,390,000</u> | <u>16,299,000</u> |
| Notes payable, less current portion | 95,000 | 131,000 |
| Capital lease obligations, less current portion | 106,000 | 96,000 |
| Deferred lease obligations | 617,000 | 766,000 |
| Total liabilities | <u>23,208,000</u> | <u>17,292,000</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: 7,272,000 and 7,246,000 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively | 73,000 | 72,000 |
| Additional paid-in capital | 34,009,000 | 33,765,000 |
| Accumulated earnings (deficit) | 934,000 | (1,675,000) |
| Total stockholders' equity | <u>35,016,000</u> | <u>32,162,000</u> |
| Total liabilities and stockholders' equity | <u>\$ 58,224,000</u> | <u>\$ 49,454,000</u> |

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

| | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|--------------------|-----------------------|--------------------|
| | September 30, 2011 | October 1, 2010 | September 30, 2011 | October 1, 2010 |
| Contract revenue | \$ 28,605,000 | \$20,706,000 | \$ 77,159,000 | \$58,024,000 |
| Direct costs of contract revenue (exclusive of depreciation and amortization shown separately below): | | | | |
| Salaries and wages | 6,568,000 | 5,570,000 | 19,567,000 | 16,196,000 |
| Subconsultant services | 8,825,000 | 5,433,000 | 22,618,000 | 10,912,000 |
| Other direct costs | 1,462,000 | 448,000 | 3,749,000 | 3,434,000 |
| Total direct costs of contract revenue | 16,855,000 | 11,451,000 | 45,934,000 | 30,542,000 |
| General and administrative expenses: | | | | |
| Salaries and wages, payroll taxes and employee benefits | 5,381,000 | 4,093,000 | 16,245,000 | 13,019,000 |
| Facilities and facilities related | 1,266,000 | 1,117,000 | 3,663,000 | 3,246,000 |
| Stock-based compensation | 40,000 | 52,000 | 148,000 | 180,000 |
| Depreciation and amortization | 197,000 | 231,000 | 683,000 | 741,000 |
| Lease abandonment (recovery) expense, net | — | (75,000) | 9,000 | (62,000) |
| Other | 2,486,000 | 2,443,000 | 7,423,000 | 7,314,000 |
| Total general and administrative expenses | 9,370,000 | 7,861,000 | 28,171,000 | 24,438,000 |
| Income from operations | 2,380,000 | 1,394,000 | 3,054,000 | 3,044,000 |
| Other income (expense), net: | | | | |
| Interest income | 1,000 | 3,000 | 5,000 | 9,000 |
| Interest expense | (21,000) | (11,000) | (53,000) | (37,000) |
| Other, net | 8,000 | (3,000) | 5,000 | 17,000 |
| Total other expense, net | (12,000) | (11,000) | (43,000) | (11,000) |
| Income before income taxes | 2,368,000 | 1,383,000 | 3,011,000 | 3,033,000 |
| Income tax expense | 203,000 | 595,000 | 402,000 | 595,000 |
| Net income | \$ 2,165,000 | \$ 788,000 | \$ 2,609,000 | \$ 2,438,000 |
| Earnings per share: | | | | |
| Basic | \$ 0.30 | \$ 0.11 | \$ 0.36 | \$ 0.34 |
| Diluted | \$ 0.29 | \$ 0.11 | \$ 0.35 | \$ 0.34 |
| Weighted-average shares outstanding: | | | | |
| Basic | 7,267,000 | 7,236,000 | 7,258,000 | 7,229,000 |
| Diluted | 7,468,000 | 7,318,000 | 7,478,000 | 7,274,000 |

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

| | Nine Months Ended | |
|---|-----------------------|--------------------|
| | September 30, 2011 | October 1, 2010 |
| Cash flows from operating activities: | | |
| Net income | \$ 2,609,000 | \$2,438,000 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Non-cash revenue from subcontractor settlement | (902,000) | — |
| Depreciation and amortization | 733,000 | 752,000 |
| Lease abandonment expense (recovery), net | 9,000 | (62,000) |
| Loss (gain) on sale of equipment | 1,000 | (17,000) |
| Provision for doubtful accounts | 131,000 | 259,000 |
| Stock-based compensation | 148,000 | 180,000 |

| | | |
|---|---------------------|--------------------|
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (402,000) | (1,578,000) |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (5,075,000) | (5,259,000) |
| Income tax receivable | — | (4,000) |
| Other receivables | (66,000) | (165,000) |
| Prepaid expenses and other current assets | 709,000 | 391,000 |
| Other assets | 12,000 | (92,000) |
| Accounts payable | 1,546,000 | 1,487,000 |
| Accrued liabilities | 3,653,000 | 2,817,000 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 115,000 | 245,000 |
| Deferred lease obligations | (158,000) | (97,000) |
| Net cash provided by operating activities | <u>3,063,000</u> | <u>1,295,000</u> |
| Cash flows from investing activities: | | |
| Purchase of equipment and leasehold improvements | (309,000) | (363,000) |
| Proceeds from sale of equipment | 6,000 | 31,000 |
| Payments for business acquisition | (2,733,000) | (2,103,000) |
| Net cash used in investing activities | <u>(3,036,000)</u> | <u>(2,435,000)</u> |
| Cash flows from financing activities: | | |
| Changes in excess of outstanding checks over bank balance | (234,000) | 335,000 |
| Payments on notes payable | (48,000) | (20,000) |
| Proceeds from notes payable | 23,000 | — |
| Borrowings under line of credit | 22,682,000 | 8,970,000 |
| Repayments on line of credit | (20,762,000) | (8,970,000) |
| Principal payments on capital lease obligations | (152,000) | (102,000) |
| Proceeds from stock option exercise | 4,000 | — |
| Proceeds from sales of common stock under employee stock purchase plan | 93,000 | 87,000 |
| Net cash provided by financing activities | <u>1,606,000</u> | <u>300,000</u> |
| Net increase (decrease) in cash and cash equivalents | 1,633,000 | (840,000) |
| Cash and cash equivalents at beginning of the period | 6,642,000 | 8,445,000 |
| Cash and cash equivalents at end of the period | <u>\$ 8,275,000</u> | <u>\$7,605,000</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 51,000 | \$ 35,000 |
| Income taxes | 51,000 | 5,000 |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Equipment acquired under capital lease obligations | \$ 159,000 | \$ 88,000 |

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