



March 25, 2014

## **Willdan Group Reports Fourth Quarter and Full Year 2013 Financial Results**

**Investment Community Conference Call Today at 5:00 p.m. Eastern Time**

ANAHEIM, Calif.--(BUSINESS WIRE)-- Willdan Group (NASDAQ: WLDN), a provider of professional technical and consulting services, today reported financial results for the fourth quarter and fiscal year ended December 27, 2013, and provided a business update.

For the fourth quarter of 2013, Willdan reported total contract revenue of \$22.5 million and net income of \$0.7 million, or \$0.10 and \$0.09 per basic and diluted share, respectively.

For the fiscal year ended December 27, 2013, Willdan reported total contract revenue of \$85.5 million and a net income of \$2.6 million, or \$0.36 and \$0.35 per basic and diluted share, respectively.

"We are pleased with our results for the year," said Tom Brisbin, Willdan's Chief Executive Officer. "Our Engineering Services segment benefited from recovery in the residential housing market and additional opportunities to outsource staffing for cities facing financial challenges. We reported lower year-over-year revenues from our Energy Efficiency Services segment in 2013. This was due mainly to changes in our project with Consolidated Edison of New York, including our transition to self-performing most of our energy subcontract work, which decreased pass-through revenue and costs.

"We are excited about the California High Speed Rail project. We performed our initial contract services in December on this project under a limited notice to proceed and will be bidding with our joint venture partners on the next two segments that we expect will be awarded in the second half of 2014.

"We believe our prospects for 2014 are bright. In the latter part of last year, we created a new group in our Engineering Services segment that is dedicated to large-scale, high-value infrastructure products and we expect this group and our full Engineering Services segment to be growing contributors to revenues in 2014. We will continue to manage expenses carefully and expect another profitable year in 2014."

### **Fourth Quarter Financial Highlights**

Total contract revenue for the fourth quarter of 2013 was \$22.5 million compared with \$22.9 million for the fourth quarter of 2012. The decrease was due primarily to lower energy efficiency services in the State of New York. Engineering Services contract revenue for the fourth quarter 2013 of \$9.2 million increased by 7.8% from the prior year, due mainly to greater demand for our city engineering, building and safety, construction management and geotechnical services in California. For the fourth quarter of 2013, revenues from Public Finance Services were \$2.4 million and Homeland Security Services were \$1.3 million.

Net income for quarter ended December 27, 2013 was \$0.7 million, or \$0.10 per diluted share, as compared to net income of \$0.3 million, or \$0.04 per share, for the comparable quarter ended December 28, 2012.

Revenue, net of subcontractor costs, for the fourth quarter of 2013 was \$17.7 million, compared to revenue, net of subcontractor costs for the fourth quarter of 2012 of \$15.8 million.

Direct costs of \$13.5 million for the fourth quarter of 2013 decreased 17.0% compared with the prior period, primarily as a result of a decrease in direct costs within our Energy Efficiency Services segment of \$11.5 million. Adjusted EBITDA (as defined below) was \$0.9 million compared with \$1.4 million for the fourth quarter of 2012.

### **Full Year 2013 Financial Highlights**

Total contract revenue for 2013 was \$85.5 million compared with \$93.4 million for 2012, primarily due to a 20.9% decline in revenue from our Energy Efficiency Service segment to \$36.0 million, as a result of a decrease in services provided in the state of New York. Engineering Services contract revenue for 2013 of \$35.2 million increased by 3.5% from the prior year, due mainly to demand for city engineering services, building and safety, construction management and geotechnical services in

California. For 2013, revenues from Public Finance Services were \$9.8 million and Homeland Security Services were \$4.4 million.

Net income for 2013 was \$2.6 million, or \$0.35 per diluted share, compared with a net loss of \$17.3 million, or \$2.37 per share.

Revenue, net of subcontractor costs, for 2013 was \$68.7 million, compared to revenue, net of subcontract costs for 2012 of \$57.3 million.

Direct costs of \$48.9 million for 2013 decreased 17.0% compared with 2012, primarily as a result of a decrease in subcontractor services and other direct costs used primarily by the Energy Efficiency Services segment. Operating income of \$2.6 million for the fiscal year ended December 27, 2013 improved substantially from an operating loss of \$19.3 million for the fiscal year ended December 28, 2012, which included a \$15.2 million impairment of goodwill charge. Adjusted EBITDA was \$3.4 million compared with a loss of \$3.3 million for 2012. Income tax expense for 2013 was \$0.1 million compared with a benefit of \$2.1 million for 2012.

Willdan reported \$8.1 million in cash and cash equivalents at December 27, 2013, compared with \$10.0 million at December 28, 2012. Willdan's primary sources of liquidity are cash generated from operations and a revolving line of credit with BMO Harris Bank, N.A., which matures on March 24, 2016.

At December 27, 2013, Willdan had federal and state operating loss carryovers of \$6.8 million and \$9.8 million, respectively.

### **Use of Non-GAAP Financial Measures**

"Revenues, net of subcontractor costs," a non-GAAP financial measure, is a supplemental measure that Willdan believes enhances investors' ability to analyze our business trend and performance because it substantially measures the work performed by our employees. In the course of providing services, we routinely subcontract various services. Generally, these subcontractor costs are passed through to our clients and, in accordance with GAAP and industry practice, are included in our revenue when it is our contractual responsibility to procure or manage these activities. Because subcontractor services can vary significantly from project to project and period to period, changes in revenue may not necessarily be indicative of our business trends. Accordingly, we segregate costs from revenue to promote a better understanding of our business by evaluating revenue exclusive of costs associated with external service providers. A reconciliation of contract revenue as reported in accordance with U.S. Generally Accepted Accounting Principles (GAAP) to revenues, net of subcontractor costs is provided at the end of this news release.

Adjusted EBITDA is a supplemental measure used by Willdan's management to measure its operating performance. Willdan defines Adjusted EBITDA as net income (loss) plus net interest expense, income tax expense (benefit), depreciation and amortization, goodwill impairment and other non-recurring income and expense items occurring in such period. Willdan believes Adjusted EBITDA is useful to investors, research analysts, investment bankers and lenders because it removes the impact of certain non-recurring income and expense items from its operational results, which may facilitate comparison of its results from period to period. A reconciliation of net income (loss) as reported in accordance with U.S. GAAP to Adjusted EBITDA is provided at the end of this news release.

Willdan's definition of Revenues, net of subcontractor costs and Adjusted EBITDA may differ from other companies reporting similarly names measures. 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 U.S. GAAP, such as contract revenues and net income.

### **Conference Call Details**

Chief Executive Officer Thomas Brisbin and Chief Financial Officer Stacy McLaughlin will host a conference call today, March 25, 2014, at 5:00 p.m. Eastern Time/2:00 p.m. Pacific Time, to discuss Willdan's financial results and provide a business update.

Interested parties may participate in the conference call by dialing 877-941-0844 (480-629-9835 for international callers). When prompted, ask for the "Willdan Group, Inc., Fourth Quarter 2013 Conference Call." The conference call will be webcast simultaneously on Willdan's website at [www.willdan.com](http://www.willdan.com) under Investors: Events.

The telephonic replay of the conference call may be accessed approximately two hours after the call through April 8, 2013, by dialing 800-406-7325 (303-590-3030 for international callers). The replay access code is 4662028. The webcast replay will be archived for 12 months.

### **About Willdan Group, Inc.**

Celebrating its 50th year of business, Willdan provides outsourced professional technical and consulting services to public

agencies, public and private utilities, and commercial and industrial firms throughout the United States. Willdan benefits from well-established relationships, industry-leading expertise and a solid reputation for delivering projects on time and on budget. The company's service offerings span a broad set of complementary disciplines that include engineering and planning, energy efficiency and sustainability, financial and economic consulting, and national preparedness. Willdan has crafted this set of integrated services so that, in the face of an evolving environment—whether economic, natural, or built—Willdan can continue to extend the reach and resources of its clients. For additional information, visit Willdan's website at [www.willdan.com](http://www.willdan.com).

## 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. 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 Annual Report on Form 10-K to be filed for the year ended December 27, 2013. 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 CONSOLIDATED BALANCE SHEETS

|                                                                                                                                                 | <u>December 27,<br/>2013</u> | <u>December 28,<br/>2012</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| <b>Assets</b>                                                                                                                                   |                              |                              |
| Current assets:                                                                                                                                 |                              |                              |
| Cash and cash equivalents, including restricted cash of \$5,000,000 at December 27, 2013                                                        | \$ 8,134,000                 | \$ 10,006,000                |
| Accounts receivable, net of allowance for doubtful accounts of \$385,000 and \$303,000 at December 27, 2013 and December 28, 2012, respectively | 13,167,000                   | 15,484,000                   |
| Costs and estimated earnings in excess of billings on uncompleted contracts                                                                     | 9,635,000                    | 9,860,000                    |
| Other receivables                                                                                                                               | 212,000                      | 95,000                       |
| Prepaid expenses and other current assets                                                                                                       | <u>2,377,000</u>             | <u>1,782,000</u>             |
| Total current assets                                                                                                                            | 33,525,000                   | 37,227,000                   |
| Equipment and leasehold improvements, net                                                                                                       | 691,000                      | 979,000                      |
| Other intangible assets, net                                                                                                                    | —                            | 12,000                       |
| Other assets                                                                                                                                    | 333,000                      | 307,000                      |
| Deferred income taxes, net of current portion                                                                                                   | <u>3,688,000</u>             | <u>3,452,000</u>             |
| Total assets                                                                                                                                    | <u>\$ 38,237,000</u>         | <u>\$ 41,977,000</u>         |
| <b>Liabilities and Stockholders' Equity</b>                                                                                                     |                              |                              |
| Current liabilities:                                                                                                                            |                              |                              |
| Excess of outstanding checks over bank balance                                                                                                  | \$ 1,473,000                 | \$ 1,188,000                 |
| Borrowings under line of credit                                                                                                                 | —                            | 3,000,000                    |
| Accounts payable                                                                                                                                | 3,957,000                    | 6,983,000                    |
| Accrued liabilities                                                                                                                             | 5,808,000                    | 5,306,000                    |
| Billings in excess of costs and estimated earnings on uncompleted contracts                                                                     | 2,247,000                    | 3,419,000                    |
| Current portion of notes payable                                                                                                                | 517,000                      | 628,000                      |
| Current portion of capital lease obligations                                                                                                    | 129,000                      | 152,000                      |
| Current portion of deferred income taxes                                                                                                        | <u>3,688,000</u>             | <u>3,452,000</u>             |
| Total current liabilities                                                                                                                       | 17,819,000                   | 24,128,000                   |
| Capital lease obligations, less current portion                                                                                                 | 85,000                       | 124,000                      |
| Deferred lease obligations                                                                                                                      | <u>120,000</u>               | <u>374,000</u>               |
| Total liabilities                                                                                                                               | <u>18,024,000</u>            | <u>24,626,000</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; 7,375,000 and 7,335,000 shares issued and outstanding at December 27, 2013 and December 28, 2012, respectively | 74,000               | 73,000               |
| Additional paid-in capital                                                                                                                                                   | 34,654,000           | 34,423,000           |
| Accumulated deficit                                                                                                                                                          | (14,515,000)         | (17,145,000)         |
| Total stockholders' equity                                                                                                                                                   | <u>20,213,000</u>    | <u>17,351,000</u>    |
| Total liabilities and stockholders' equity                                                                                                                                   | <u>\$ 38,237,000</u> | <u>\$ 41,977,000</u> |

**Willdan Group, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**

|                                                                                                       | <u>Fiscal Year</u>  |                       | <u>Three Months Ended</u> |                          |
|-------------------------------------------------------------------------------------------------------|---------------------|-----------------------|---------------------------|--------------------------|
|                                                                                                       | <u>2013</u>         | <u>2012</u>           | <u>December 27, 2013</u>  | <u>December 28, 2012</u> |
| Contract revenue                                                                                      | <u>\$85,510,000</u> | <u>\$ 93,443,000</u>  | <u>\$ 22,462,000</u>      | <u>\$ 22,947,000</u>     |
| Direct costs of contract revenue (exclusive of depreciation and amortization shown separately below): |                     |                       |                           |                          |
| Salaries and wages                                                                                    | 24,098,000          | 23,218,000            | 5,990,000                 | 5,605,000                |
| Subcontractor services and other direct costs                                                         | <u>24,831,000</u>   | <u>35,741,000</u>     | <u>7,495,000</u>          | <u>7,754,000</u>         |
| Total direct costs of contract revenue                                                                | 48,929,000          | 58,959,000            | 13,485,000                | 13,359,000               |
| General and administrative expenses:                                                                  |                     |                       |                           |                          |
| Salaries and wages, payroll taxes and employee benefits                                               | 20,555,000          | 22,421,000            | 5,122,000                 | 5,079,000                |
| Facilities and facility related                                                                       | 4,654,000           | 4,871,000             | 1,150,000                 | 1,212,000                |
| Stock-based compensation                                                                              | 150,000             | 227,000               | 26,000                    | 46,000                   |
| Depreciation and amortization                                                                         | 517,000             | 671,000               | 116,000                   | 153,000                  |
| Lease abandonment (recovery), net                                                                     | 30,000              | 26,000                | 17,000                    | (1,000)                  |
| Impairment of goodwill                                                                                | —                   | 15,208,000            | —                         | —                        |
| Other                                                                                                 | <u>8,067,000</u>    | <u>10,315,000</u>     | <u>1,995,000</u>          | <u>1,874,000</u>         |
| Total general and administrative expenses                                                             | <u>33,973,000</u>   | <u>53,739,000</u>     | <u>8,426,000</u>          | <u>8,363,000</u>         |
| Income (loss) from operations                                                                         | <u>2,608,000</u>    | <u>(19,255,000)</u>   | <u>551,000</u>            | <u>1,225,000</u>         |
| Other income (expense):                                                                               |                     |                       |                           |                          |
| Interest income                                                                                       | 10,000              | 6,000                 | 2,000                     | 2,000                    |
| Interest expense                                                                                      | (94,000)            | (106,000)             | (8,000)                   | (26,000)                 |
| Other, net                                                                                            | <u>238,000</u>      | <u>(28,000)</u>       | <u>203,000</u>            | <u>7,000</u>             |
| Total other income (expense), net                                                                     | <u>154,000</u>      | <u>(128,000)</u>      | <u>197,000</u>            | <u>(17,000)</u>          |
| Income (loss) before income taxes                                                                     | 2,762,000           | (19,383,000)          | 748,000                   | 1,208,000                |
| Income tax expense (benefit)                                                                          | 132,000             | (2,083,000)           | 47,000                    | 908,000                  |
| Net income (loss)                                                                                     | <u>\$ 2,630,000</u> | <u>\$(17,300,000)</u> | <u>\$ 701,000</u>         | <u>\$ 300,000</u>        |
| Earnings (loss) per share:                                                                            |                     |                       |                           |                          |
| Basic                                                                                                 | <u>\$ 0.36</u>      | <u>\$ (2.37)</u>      | <u>\$ 0.10</u>            | <u>\$ 0.04</u>           |
| Diluted                                                                                               | <u>\$ 0.35</u>      | <u>\$ (2.37)</u>      | <u>\$ 0.09</u>            | <u>\$ 0.04</u>           |
| Weighted-average shares outstanding:                                                                  |                     |                       |                           |                          |
| Basic                                                                                                 | <u>7,355,000</u>    | <u>7,310,000</u>      | <u>7,375,000</u>          | <u>7,335,000</u>         |
| Diluted                                                                                               | <u>7,495,000</u>    | <u>7,310,000</u>      | <u>7,520,000</u>          | <u>7,343,000</u>         |

**WILLDAN GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                                                                    | <b>Fiscal Year</b> |                |
|----------------------------------------------------------------------------------------------------|--------------------|----------------|
|                                                                                                    | <b>2013</b>        | <b>2012</b>    |
| Cash flows from operating activities:                                                              |                    |                |
| Net income (loss)                                                                                  | \$2,630,000        | \$(17,300,000) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                    |                |
| Non-cash revenue from subcontractor settlement                                                     | —                  | —              |
| Depreciation and amortization                                                                      | 585,000            | 737,000        |
| Deferred income taxes                                                                              | —                  | (2,249,000)    |
| Goodwill impairment                                                                                | —                  | 15,208,000     |
| Lease abandonment expense, net                                                                     | 30,000             | 26,000         |
| (Gain) loss on sale of equipment                                                                   | (6,000)            | 18,000         |
| Provision for doubtful accounts                                                                    | 101,000            | 673,000        |
| Stock-based compensation                                                                           | 150,000            | 227,000        |
| Changes in operating assets and liabilities:                                                       |                    |                |
| Accounts receivable                                                                                | 2,216,000          | 625,000        |
| Costs and estimated earnings in excess of billings on uncompleted contracts                        | 225,000            | 10,812,000     |
| Income tax receivable                                                                              | —                  | —              |
| Other receivables                                                                                  | (117,000)          | 80,000         |
| Prepaid expenses and other current assets                                                          | (595,000)          | (58,000)       |
| Other assets                                                                                       | (26,000)           | 76,000         |
| Accounts payable                                                                                   | (3,026,000)        | (1,199,000)    |
| Accrued liabilities                                                                                | 502,000            | (4,886,000)    |
| Billings in excess of costs and estimated earnings on uncompleted contracts                        | (1,172,000)        | 2,667,000      |
| Deferred lease obligations                                                                         | (284,000)          | (186,000)      |
| Net cash provided by operating activities                                                          | 1,213,000          | 5,271,000      |
| Cash flows from investing activities:                                                              |                    |                |
| Purchase of equipment and leasehold improvements                                                   | (306,000)          | (359,000)      |
| Proceeds from sale of equipment                                                                    | 27,000             | 20,000         |
| Payments related to business acquisitions                                                          | —                  | —              |
| Net cash used in investing activities                                                              | (279,000)          | (339,000)      |
| Cash flows from financing activities:                                                              |                    |                |
| Changes in excess of outstanding checks over bank balance                                          | 285,000            | (589,000)      |
| Payments on notes payable                                                                          | (621,000)          | (663,000)      |
| Proceeds from notes payable                                                                        | 510,000            | 614,000        |
| Borrowings under line of credit                                                                    | —                  | 11,663,000     |
| Repayments of line of credit                                                                       | (3,000,000)        | (8,919,000)    |
| Principal payments on capital leases                                                               | (62,000)           | (164,000)      |
| Proceeds from stock option exercise                                                                | 9,000              | 11,000         |
| Proceeds from sales of common stock under employee stock purchase plan                             | 73,000             | 120,000        |
| Net cash (used in) provided by financing activities                                                | (2,806,000)        | 2,073,000      |
| Net (decrease) increase in cash and cash equivalents                                               | (1,872,000)        | 7,005,000      |
| Cash and cash equivalents, including restricted cash, at beginning of the year                     | 10,006,000         | 3,001,000      |
| Cash and cash equivalents, including restricted cash, at end of the year                           | \$8,134,000        | \$ 10,006,000  |
| Supplemental disclosures of cash flow information:                                                 |                    |                |
| Cash paid during the period for:                                                                   |                    |                |
| Interest                                                                                           | \$ 100,000         | \$ 106,000     |
| Income taxes                                                                                       | 324,000            | 139,000        |
| Supplemental disclosures of noncash investing and financing activities:                            |                    |                |
| Equipment acquired under capital leases                                                            | \$ 87,000          | \$ 151,000     |

**Willdan Group, Inc. and Subsidiaries**  
**Reconciliation of GAAP Revenue and "Revenue, Net of Subcontractor Costs"**

|                                     | Fiscal Year Ended |                   |                   |       |
|-------------------------------------|-------------------|-------------------|-------------------|-------|
|                                     | December 27, 2013 | December 28, 2012 | Change            |       |
|                                     |                   |                   | \$                | %     |
| Contract revenue                    | \$ 85,510,000     | \$ 93,443,000     | \$(7,933,000)     | (8%)  |
| Subcontractor costs                 | 16,840,000        | 36,184,000        | (19,344,000)      | (53%) |
| Revenue, net of subcontractor costs | <u>68,670,000</u> | <u>57,259,000</u> | <u>11,411,000</u> | 20%   |

**Willdan Group, Inc. and Subsidiaries**  
**Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA**

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

|                                      | Fiscal Year    |                   |                |                |                  |
|--------------------------------------|----------------|-------------------|----------------|----------------|------------------|
|                                      | 2013           | 2012              | 2011           | 2010           | 2009             |
| Net income (loss)                    | \$2,630        | \$(17,300)        | \$1,830        | \$2,720        | \$(5,575)        |
| Interest income                      | (10)           | (6)               | (5)            | (12)           | (30)             |
| Interest expense                     | 94             | 106               | 77             | 54             | 38               |
| Income tax expense (benefit)         | 132            | (2,083)           | 1,500          | 344            | (1,931)          |
| Lease abandonment expense (recovery) | 30             | 26                | 2              | (68)           | 707              |
| Impairment of goodwill               | —              | 15,208            | —              | —              | 2,763            |
| Depreciation and amortization        | 585            | 737               | 944            | 1,053          | 1,814            |
| (Gain) loss on sale of assets        | (6)            | 18                | 2              | (17)           | 6                |
| Litigation reversal                  | —              | —                 | —              | —              | (1,125)          |
| Adjusted EBITDA                      | <u>\$3,455</u> | <u>\$ (3,294)</u> | <u>\$4,350</u> | <u>\$4,074</u> | <u>\$(3,333)</u> |

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