

ORMAT TECHNOLOGIES, INC.
Form 10-Q/A
June 19, 2018

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

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) (Zip Code)

(775) 356-9029

(Registrant's telephone number, including area code)

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

(Do not check if a smaller reporting 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.

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 of each of the issuer's classes of common stock, as of the latest practicable date: As of November 5, 2017, the number of outstanding shares of common stock, par value \$0.001 per share, was 50,597,124.

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Certain Definitions

For convenience purposes in this filing on Form 10-Q/A, all references to “Ormat”, “the Company”, “we”, “us”, “our company”, “Ormat Technologies” or “our” refer to Ormat Technologies, Inc. and its consolidated subsidiaries.

Explanatory Note

This Amendment No. 1 to Form 10-Q (this “Amendment”) amends the Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2017 originally filed with the Securities and Exchange Commission (“SEC”) on November 9, 2017 (the “Original Filing”) by Ormat Technologies, Inc. (the “Company”).

Restatement

As further discussed in Note 1 to our unaudited condensed consolidated financial statements in Part I, Item 1, “Financial Statements” of this Amendment, on May 16, 2018, we concluded that we would restate our previously issued consolidated financial statements as of and for the year ended December 31, 2017 to correct for (i) errors in our income tax provision, primarily related to the Company’s ability to utilize Federal tax credits in the United States (“U.S.”) prior to their expiration starting in 2027, and the resulting impact on the Company’s deferred tax asset valuation allowance, and (ii) the inappropriate netting of certain deferred income tax assets and deferred income tax liabilities across different tax jurisdictions that was not permissible under U.S. generally accepted accounting principles (“GAAP”). In addition, there were other immaterial prior period errors, including an out-of-period adjustment that had been previously recorded for the correction of an understated liability for unrecognized tax benefits related to intercompany interest. We also concluded that we would revise our previously issued consolidated financial statements as of and for the year ended December 31, 2016 and for the year ended December 31, 2015 to correct for errors in our income tax provision, primarily related to the translation of deferred tax liabilities in a foreign subsidiary. The restatement, for 2017, and revision, for 2016 and 2015, is being effected through the Company’s filing of an amendment on Form 10-K/A for the year ended December 31, 2017. In connection with these restatements and revisions, the Company also recorded adjustments to correct other immaterial tax errors. This decision to restate and revise our previously issued financial statements was approved by, and with the continuing oversight of, the Company’s Board of Directors upon the recommendation of its Audit Committee.

These error corrections also resulted in the restatement, for 2017, and revision, for 2016, of the Company’s previously issued unaudited condensed consolidated financial statements for the three and six months ended June 30, 2017 and 2016, respectively, which has been effected through the Company’s filing of an amendment on Form 10-Q/A for the quarter ended June 30, 2017, and the three and nine months ended September 30, 2017 and 2016, respectively, which

is being effected through the Company's filing of this Amendment. The revision of the Company's previously issued unaudited condensed consolidated financial statements for the quarter ended March 31, 2017 will be effected in connection with the Company's filing of its Form 10-Q for the quarter ended March 31, 2018. The impact of the revision for the quarters ended March 31, 2017 and 2016 is also discussed in Note 1 to our unaudited condensed consolidated financial statements in Part I, Item 1, "Financial Statements" of this Amendment.

Internal Control Over Financial Reporting

Management has reassessed its evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2017. As a result of that reassessment, management has concluded that the Company did not maintain effective disclosure controls and procedures due to the material weakness in internal control over financial reporting which existed at that date. For a description of the material weakness in internal control over financial reporting and actions taken, and to be taken, to address the material weakness, see Part 1, Item 4. "Controls and Procedures" of this Amendment.

Amendment

The purpose of this Amendment is to (i) restate the Company's previously issued unaudited condensed consolidated financial statements and related disclosures as of and for the three and nine-months ended September 30, 2017; (ii) revise the Company's unaudited condensed consolidated financial statements for the three and nine-months ended September 30, 2016; and (iii) revise the Company's condensed consolidated balance sheet as of December 31, 2016, which was derived from the audited consolidated financial statements, which have been revised as described above, but does not include all disclosures required by GAAP, all contained in Part I, Item 1. "Financial Statements" of this Amendment. This Amendment also includes (a) an amended Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" to reflect the correction of the errors described above, and (b) an amended Part I, Item 4. "Controls and Procedures" to restate the conclusion on the effectiveness of disclosure controls and procedures. Disclosure controls and procedures were deemed effective in the Original Filing on November 9, 2017 and are deemed ineffective as a result of the material weakness described in Part I, Item 4. "Controls and Procedures" of this Amendment. In addition, the Company has updated Note 12 to the condensed consolidated financial statements contained in Part I, Item 1. "Financial Statements" to include disclosure of subsequent events occurring through the date of the filing of this Amendment.

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Except as expressly set forth herein, this Amendment does not reflect events occurring after the date of the Original Filing or modify or update any of the other disclosures contained therein in any way other than as required to reflect the amendment discussed above. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings with the SEC.

Items Amended in this Filing

For reasons discussed above, we are filing this Amendment in order to amend the following items in our Original Report to the extent necessary to reflect the adjustments discussed above and make corresponding revisions to our financial data cited elsewhere in this Amendment:

Part I, Item 1. Financial Statements

Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I, Item 4. Controls and Procedures

In accordance with applicable SEC rules, this Amendment includes new certifications required by Rule 13a-14 under the Securities Exchange Act of 1934 from our Chief Executive Officer and Chief Financial Officer dated as of the date of filing of this Amendment.

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FORM 10-Q/A

FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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	September 30, 2017 (As restated)	December 31, 2016
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$77,212	\$230,214
Restricted cash and cash equivalents (primarily related to VIEs)	42,559	34,262
Receivables:		
Trade	98,384	80,807
Other	11,591	17,482
Inventories	18,685	12,000
Costs and estimated earnings in excess of billings on uncompleted contracts	42,087	52,198
Prepaid expenses and other	41,727	45,867
Total current assets	332,245	472,830
Investment in an unconsolidated company	25,367	—
Deposits and other	17,371	18,553
Deferred charges	43,972	43,773
Property, plant and equipment, net (\$1,518,962 and \$1,483,224 related to VIEs, respectively)	1,621,012	1,556,378
Construction-in-process (\$105,848 and \$120,853 related to VIEs, respectively)	350,872	306,709
Deferred financing and lease costs, net	5,426	3,923
Intangible assets, net	86,806	52,753
Goodwill	20,667	6,650
Total assets	\$2,503,738	\$2,461,569
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$103,335	\$91,650
Short term revolving credit lines with banks (full recourse)	33,900	—
Billings in excess of costs and estimated earnings on uncompleted contracts	6,015	31,630
Current portion of long-term debt:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes	27,847	32,234
Other loans	21,495	21,495
Full recourse	864	12,242
Total current liabilities	193,456	189,251
Long-term debt, net of current portion:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes (less deferred financing costs of \$8,202 and \$9,177, respectively)	322,299	350,388

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Other loans (less deferred financing costs of \$5,496 and \$6,409, respectively)	247,401	261,845
Full recourse:		
Senior unsecured bonds (less deferred financing costs of \$617 and \$755, respectively)	203,715	203,577
Other loans (less deferred financing costs of \$1,043 and \$1,346, respectively)	48,957	57,063
Investment in an unconsolidated company	—	11,081
Liability associated with sale of tax benefits	46,803	54,662
Deferred lease income	52,273	54,561
Deferred income tax liabilities	77,914	36,411
Liability for unrecognized tax benefits	6,188	6,444
Liabilities for severance pay	20,364	18,600
Asset retirement obligation	24,740	23,348
Other long-term liabilities	19,121	21,294
Total liabilities	1,263,231	1,288,525
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest	6,481	4,772
Equity:		
The Company's stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 50,597,124 and 49,667,340 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	51	50
Additional paid-in capital	896,005	869,463
Retained earnings	266,534	215,352
Accumulated other comprehensive loss	(6,026)	(8,175)
Total stockholders' equity attributable to the Company's stockholders	1,156,564	1,076,690
Noncontrolling interest	77,462	91,582
Total equity	1,234,026	1,168,272
Total liabilities, redeemable noncontrolling interest and equity	\$2,503,738	\$2,461,569

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017		September 30, 2017	
	(As restated)	2016	(As restated)	2016
	(Dollars in thousands, except per share data)		(Dollars in thousands, except per share data)	
Revenues:				
Electricity	\$112,273	\$109,795	\$339,826	\$321,664
Product	44,912	74,822	186,621	174,408
Total revenues	157,185	184,617	526,447	496,072
Cost of revenues:				
Electricity	65,774	66,481	197,249	192,410
Product	32,218	43,647	125,102	99,504
Total cost of revenues	97,992	110,128	322,351	291,914
Gross profit	59,193	74,489	204,096	204,158
Operating expenses:				
Research and development expenses	716	1,086	2,368	2,030
Selling and marketing expenses	3,630	4,793	12,083	12,136
General and administrative expenses	10,877	19,093	33,027	36,625
Write-off of unsuccessful exploration activities	—	1,294	—	2,714
Operating income	43,970	48,223	156,618	150,653
Other income (expense):				
Interest income	255	266	861	831
Interest expense, net	(11,692)	(17,137)	(41,155)	(51,561)
Derivatives and foreign currency transaction gains (losses)	(1,001)	(222)	2,040	(2,592)
Income attributable to sale of tax benefits	3,506	3,463	14,019	12,380
Other non-operating expense, net	(1,592)	(5,546)	(1,678)	(5,306)
Income from continuing operations before income taxes and equity in losses of investees	33,446	29,047	130,705	104,405
Income tax provision	(6,224)	(12,109)	(49,993)	(29,703)
Equity in earnings (losses) of investees, net	337	(2,653)	(1,690)	(4,734)
Income from continuing operations	27,559	14,285	79,022	69,968
Net income attributable to noncontrolling interest	(3,599)	(2,326)	(11,228)	(4,584)
Net income attributable to the Company's stockholders	\$23,960	\$11,959	\$67,794	\$65,384

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Comprehensive income:				
Net income	27,559	14,285	79,022	69,968
Other comprehensive income (loss), net of related taxes:				
Change in foreign currency translation adjustments	1,005	—	2,544	—
Change in unrealized gains or losses in respect of the Company's share in derivatives instruments of unconsolidated investment	618	1,337	271	(3,829)
Loss in respect of derivative instruments designated for cash flow hedge	20	35	113	105
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge	(18)	(24)	(57)	(72)
Comprehensive income	29,184	15,633	81,893	66,172
Comprehensive income attributable to noncontrolling interest	(4,006)	(2,326)	(11,950)	(4,584)
Comprehensive income attributable to the Company's stockholders	\$25,178	\$13,307	\$69,943	\$61,588
Earnings per share attributable to the Company's stockholders:				
Basic:				
Net income	\$0.48	\$0.24	\$1.36	