



Orion Group Holdings, Inc. (ORN)

View CFO Departure As Not Related To Company Fundamentals; We Lower Estimates On Expected Lower Utilization Rates In The Coming Quarters; Lower Target To \$7 (From \$8)

	2019		2020		2021E		2022E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	(\$0.21)	\$0.08		\$0.04A		\$0.11	0.07	
June	0.01	0.04		0.05A		0.14	0.10	
Sep.	0.15	0.23		0.06	(0.08)	0.20		
Dec.	0.05	0.12		0.13	0.09	0.24		
EPS	\$0.00	\$0.47		\$0.29	\$0.11	\$0.69	\$0.61	
P/E					45.0x		8.1x	
EBITDA (mil)	\$36.8	\$52.4		\$36.3	\$29.2	\$54.5	\$51.3	
EV / EBITDA					5.3x		3.0x	

Note: EPS exclude one-time items in 2019, 2020, and 2021E of \$0.18, (\$0.04), and \$0.01, respectively. EPS include annual stock-based compensation expense of about \$0.09. Sum of quarterly EPS may not equal full-year total due to rounding and/or changes in share count. NC = Not covered by Sidoti & Company, LLC. NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Rev.(Mil.)	\$354.5	\$385.9	\$466.5	\$578.2	\$578.6	\$520.9	\$708.4	\$709.9	\$598.0	\$682.9
GAAP EPS	\$0.01	\$0.25	(\$0.29)	(\$0.13)	\$0.01	(\$3.20)	(\$0.18)	\$0.67	\$0.16	\$0.61

Description: Orion Group Holdings, Inc. (www.oriongroupholdingsinc.com) is a specialty construction company serving the marine infrastructure, industrial and building sectors in the U.S., Canada, Mexico and the Caribbean. The company operates through two business segments: The Marine segment (52% of total sales; 98% of total EBITDA) and the Concrete segment (48%, 2%). Headquarters are in Houston, TX.

Release Date	Conference Call	Time (Eastern)	Contact	Co. Guidance	Consensus
~Late October	TBA	TBA	TBA	N/A	(\$0.11)

- **Last night, ORN announced that CFO Robert Tabb will step down to pursue a new opportunity with a private company.**
- **After speaking with company management, our takeaway was that the departure is not related to any company fundamentals.**
- **We do, however, adjust our estimates given commentary from ORN at a recent investor conference that suggests lower near-term results and potentially lower margins.**
- **With a much-improved balance sheet (net debt of \$4 million, 0.1x leverage), we think ORN's financial position gives it options for growth in the coming quarters.**
- **We lower our price target to \$7 (from \$8) based on 11x our downwardly revised 2022 EPS estimate of \$0.61, equating to 4.3x our 2022 EBITDA estimate of \$51 million. (Our previous target of \$8 was based on 11x our prior 2022 EPS estimate of \$0.69.)**

We think CFO Robert's Tabb departure is not related to any company fundamentals. After speaking with the company, our takeaway was that Mr. Tabb, at 36 years of age, is leaving the company to pursue a new opportunity with a private company after spending seven years of his career with ORN. The company's press release noted that Mr. Tabb's new employer is not a competitor. Orion noted that Mr. Tabb's duties will be performed by senior management and the finance department as it conducts a formal CFO search process.

We adjust our estimates following the company's recent comments at an investor conference. ORN noted that it had realized project delays and lower utilization in the third quarter, given Hurricane Ida and Nichols affecting the company's geographic footprint in Texas and the Gulf Coast. The company also noted that it expects lower utilization rates in 4Q:21 as well. As a result, we lower our 2021 EPS estimate to \$0.11 (from \$0.29). Further, we think the fact that the company is highlighting lower margins now for 4Q:21 suggests it is

NR

Price Target: \$7

Price: \$4.95

Risk Rating: M

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Key Statistics

Analysts Covering	3
Market Cap (Mil)	\$150
Enterprise Value	\$189
52-Week Range (NYSE)	7-3
5-Year EPS CAGR	25%
Avg. Daily Trading Volume	184,000
Shares Out (Mil)	30.912
Float Shares (Mil)	28.344
Insider Ownership	7%
Institutional Holdings	72%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2022E)	\$0.68
FCF Yield (2022E)	13.7%
Net Cash Per Share (2022E)	\$0.97
Price to Book Value	0.9x
Return on Equity (2022E)	10.6%
Total Debt to Capital	4%
Interest Coverage Ratio	-0.6x
Short Interest %	0.7%
Short Interest Days To Cover	0.7
Russell 2000	2,221
Russell 2000 – Last 12 Months	37.1%
ORN – Last 12 Months	58.3%



Orion Group Holdings, Inc.

Source: FactSet Prices

less optimistic about its near-term execution. We think this is particularly notable given its recent project wins, as in September ORN had announced four orders totaling \$275 million. Therefore, we think there is some risk that the margin profile of these recent wins may not be as strong as prior project work for the company. As a result, we consider it prudent to lower our margin assumptions for the first half of 2022, taking our 2022 EPS estimate down to \$0.61 (from \$0.69). While the company reiterated its target margin ranges of 11-13% in Marine and 7-9% in Concrete, we think it still does not have the ability to perform at those levels, at least until ERP implementation goes live (scheduled for 2H:22).

Orion's balance sheet is much-improved. At the end of 2Q:21, Orion held net debt of \$4 million (\$0.13 per share, 0.1x leverage) and a total debt-to-capital ratio of 4%; this compares to a net debt position of \$71 million at the end of 2019 and \$34 million at the end of 2020. While real estate divestitures may bolster the balance sheet, ORN continues to leave its options open; we note that ORN has a repurchase plan in place and is exploring organic and M&A opportunities. On estimated capital spending of \$20 million in 2021 and \$22 million in 2022, we project free cash flow of \$44 million (\$1.45 per share) in 2021 and \$21 million (\$0.68) in 2022

Valuation	We maintain our Moderately Risky rating and lower the price target to \$7 (from \$8). Orion shares have risen 58% in the past 12 months, compared to a 37% rise in the Russell 2000 Index. Currently, shares of ORN trade at respective P/E and EV/EBITDA of 8x and 3x our 2022 estimates. Our revised \$7 price target is based on 11x our lowered 2022 EPS estimate of \$0.61, equating to 4.3x our 2022 EBITDA forecast of \$51 million. (Previously, we valued the stock at 11x our prior 2022 EPS estimate of \$0.69 to derive a \$7 target.)		
Key Risks	Project lumpiness	Downturn in nonresidential construction	Cost overruns on fixed-price construction projects

Exhibit 1: Orion Group Holdings, Inc. 3Q:21 Preview				
	<u>3Q:21 Estimate</u>	<u>3Q:20 Actual</u>	<u>YoY Change</u>	<u>Consensus</u>
Revenue (thou.)	\$129,930	\$189,433	(31%)	\$137,900
Gross profit	8,082	22,501	(64%)	
<i>Margin</i>	6.2%	11.9%		
SG&A	10,394	15,270	(32%)	
<i>As a percent of sales</i>	8.0%	8.1%		
Adjusted operating income	(2,828)	9,977	(128%)	
<i>Margin</i>	-2.2%	5.3%		
EBITDA	3,601	16,743	(78%)	4,100
<i>Margin</i>	2.8%	8.8%		
Adjusted net income	(\$2,362)	\$7,090	(133%)	
<i>Profit margin</i>	-1.8%	3.7%		
Adjusted EPS	(\$0.08)	\$0.23	(135%)	(\$0.11)

Source: Sidoti & Co., and Company reports

Exhibit 2: Orion Group Holdings, Inc. 3Q:21 Segment Preview			
	<u>3Q:21 Estimate</u>	<u>3Q:20 Actual</u>	<u>YoY Change</u>
<u>Marine Segment</u>			
Revenue	56,441	112,881	(50%)
Adjusted operating income	847	8,644	(90%)
<i>margin</i>	1.5%	7.7%	
EBITDA	5,169	13,187	(61%)
<i>margin</i>	9.2%	11.7%	-250 bps
<u>Concrete Segment</u>			
Revenue	73,490	76,552	(4%)
Adjusted operating income	(3,674)	1,333	(376%)
<i>margin</i>	-5.0%	1.7%	
EBITDA	(1,567)	3,556	(144%)
<i>margin</i>	-2.1%	4.6%	-680 bps

Source: Sidoti & Co., and Company reports

ORION GROUP HOLDINGS, INC.

Table I. Orion Group Holdings, Inc. Income Statement

(\$ in millions, except where noted)

	2019	Mar	Jun	Sep	Dec	2020	MarA	JunA	SepE	DecE	2021E	MarE	JunE	SepE	DecE	2022E
Net sales	\$ 708,390	\$166,620	\$183,713	\$189,433	\$170,176	\$ 709,942	\$153,309	\$145,875	\$129,930	\$ 168,922	\$ 598,037	\$160,614	\$165,138	\$ 176,044	\$ 181,126	\$ 682,922
<i>y/y growth</i>	36.0%	16.4%	10.7%	-5.0%	-14.8%	0.2%	-8.0%	-20.6%	-31.4%	-0.7%	-15.8%	4.8%	13.2%	35.5%	7.2%	14.2%
Cost of sales	644,349	146,862	162,969	166,932	148,476	625,239	137,854	133,574	121,849	151,876	545,153	141,662	145,658	153,307	156,875	597,502
Gross profit	64,041	19,758	20,744	22,501	21,700	84,703	15,455	12,301	8,082	17,046	52,884	18,952	19,479	22,737	24,251	85,419
SG&A	61,014	15,869	16,512	15,270	17,440	65,091	14,630	13,715	10,394	12,669	51,409	15,258	14,862	14,084	13,584	57,789
Amortization of intangible assets	2,638	516	517	519	518	2,070	380	381	515	515	1,791	515	515	515	515	2,060
Other	(1,804)	(992)	(369)	(6,373)	(1,310)	(9,044)	(1,610)	(7,361)	-	-	(8,971)	-	-	-	-	-
Operating profit	2,193	4,365	4,084	13,085	5,052	26,586	2,055	5,566	(2,828)	3,862	8,655	3,179	4,102	8,138	10,151	25,571
Adjusted operating profit	8,388	4,865	4,471	9,977	5,896	25,209	2,678	(276)	(2,828)	3,862	3,436	3,179	4,102	8,138	10,151	25,571
EBITDA	30,601	11,257	11,088	19,851	11,606	53,802	8,540	11,995	3,601	10,291	34,427	9,608	10,531	14,567	16,580	51,287
Adjusted EBITDA	36,796	11,757	11,475	16,743	12,450	52,425	9,163	6,153	3,601	10,291	29,208	9,608	10,531	14,567	16,580	51,287
Interest expense	6,808	1,402	1,169	1,151	1,198	4,920	1,040	2,943	239	239	4,462	239	239	239	239	957
Other expenses (income)	(1,124)	(137)	(93)	(172)	(128)	(530)	(63)	(97)	-	-	(160)	-	-	-	-	-
Earnings before income taxes	(3,491)	3,100	3,008	12,106	3,982	22,196	1,078	2,720	(3,067)	3,623	4,354	2,940	3,863	7,899	9,912	24,614
Income taxes	1,868	377	980	303	316	1,976	150	(810)	(705)	833	(532)	676	888	1,817	2,280	5,661
Net income pre-minority interest	(5,359)	2,723	2,028	11,803	3,666	20,220	928	3,530	(2,362)	2,790	4,886	2,264	2,974	6,082	7,632	18,952
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	\$ (5,359)	\$ 2,723	\$ 2,028	\$ 11,803	\$ 3,666	\$ 20,220	\$ 928	\$ 3,530	\$ (2,362)	\$ 2,790	\$ 4,886	\$ 2,264	\$ 2,974	\$ 6,082	\$ 7,632	\$ 18,952
Adjusted net income	\$ 41	\$ 2,370	\$ 1,328	\$ 7,090	\$ 3,519	\$ 14,307	\$ 1,228	\$ 1,685	\$ (2,362)	\$ 2,790	\$ 3,341	\$ 2,264	\$ 2,974	\$ 6,082	\$ 7,632	\$ 18,952
GAAP EPS	\$ (0.18)	\$ 0.09	\$ 0.07	\$ 0.39	\$ 0.12	\$ 0.67	\$ 0.03	\$ 0.11	\$ (0.08)	\$ 0.09	\$ 0.16	\$ 0.07	\$ 0.10	\$ 0.20	\$ 0.24	\$ 0.61
Adjusted EPS	\$ (0.00)	\$ 0.08	\$ 0.04	\$ 0.23	\$ 0.12	\$ 0.47	\$ 0.04	\$ 0.05	\$ (0.08)	\$ 0.09	\$ 0.11	\$ 0.07	\$ 0.10	\$ 0.20	\$ 0.24	\$ 0.61
Diluted shares outstanding	29,280	29,656	30,031	30,372	30,428	30,122	30,500	30,702	30,794	30,887	30,721	30,979	31,072	31,165	31,259	31,119
YOY Growth:																
Revenue	36.0%	16.4%	10.7%	-5.0%	-14.8%	0.2%	-8.0%	-20.6%	-31.4%	-0.7%	-15.8%	4.8%	13.2%	35.5%	7.2%	14.2%
Cost of goods sold	28.1%	9.6%	7.9%	-6.5%	-17.8%	-3.0%	-6.1%	-18.0%	-27.0%	2.3%	-12.8%	2.8%	9.0%	25.8%	3.3%	9.6%
SG&A	11.9%	6.0%	9.2%	4.7%	6.8%	6.7%	-7.8%	-16.9%	-31.9%	-27.4%	-21.0%	4.3%	8.4%	35.5%	7.2%	12.4%
Gross profit	257.7%	117.6%	38.5%	7.7%	13.7%	32.3%	-21.8%	-40.7%	-64.1%	-21.4%	-37.6%	22.6%	58.4%	181.3%	42.3%	61.5%
Operating profit	-102.3%	-170.7%	-1065.5%	114.8%	87.0%	1112.3%	-52.9%	36.3%	-121.6%	-23.6%	-67.4%	54.7%	-26.3%	-387.8%	162.8%	195.4%
Adjusted operating profit	-208.1%	-205.6%	147.3%	38.4%	48.2%	200.5%	-45.0%	-106.2%	-128.3%	-34.5%	-86.4%	18.7%	-1586.2%	-387.8%	162.8%	644.2%
EBITDA	-144.5%	1204.4%	63.1%	50.7%	18.8%	75.8%	-24.1%	8.2%	-81.9%	-11.3%	-36.0%	12.5%	-12.2%	304.5%	61.1%	49.0%
Adjusted EBITDA	53.1%	383.2%	27.1%	17.2%	12.7%	42.5%	-22.1%	-46.4%	-78.5%	-17.3%	-44.3%	4.9%	71.2%	304.5%	61.1%	75.6%
Net income	-94.1%	NM	NM	192.2%	NM	NM	-65.9%	74.1%	-120.0%	-23.9%	-75.8%	143.9%	-15.7%	-357.5%	173.6%	287.9%
Adjusted net income	-100.4%	NM	NM	65.2%	141.9%	NM	-48.2%	26.9%	-133.3%	-20.7%	-76.6%	84.3%	76.5%	-357.5%	173.6%	467.3%
EPS	-94.3%	NM	NM	185.3%	NM	NM	-66.7%	57.1%	-120.5%	-25.0%	-76.3%	133.3%	-9.1%	-350.0%	166.7%	282.9%
Adjusted EPS	-99.2%	NM	NM	58.3%	143.7%	NM	-50.0%	25.0%	-134.8%	-25.0%	-76.9%	75.0%	100.0%	-350.0%	166.7%	460.0%
Margins:																
COGS/sales	91.0%	88.1%	88.7%	88.1%	87.2%	88.1%	89.9%	91.6%	93.8%	89.9%	91.2%	88.2%	88.2%	87.1%	86.6%	87.5%
SG&A/sales	8.6%	9.5%	9.0%	8.1%	8.0%	9.2%	9.5%	9.4%	8.0%	7.5%	8.6%	9.5%	9.0%	8.0%	7.5%	8.5%
Gross profit	9.0%	11.9%	11.3%	11.9%	12.8%	11.9%	10.1%	8.4%	6.2%	10.1%	8.8%	11.8%	11.8%	12.9%	13.4%	12.5%
Operating profit	0.3%	2.6%	2.2%	6.9%	3.0%	3.7%	1.3%	3.8%	-2.2%	2.3%	1.4%	2.0%	2.5%	4.6%	5.6%	3.7%
Adjusted operating profit	1.2%	2.9%	2.4%	5.3%	3.5%	3.6%	1.7%	-0.2%	-2.2%	2.3%	0.6%	2.0%	2.5%	4.6%	5.6%	3.7%
EBITDA	4.3%	6.8%	6.0%	10.5%	6.8%	7.6%	5.6%	8.2%	2.8%	6.1%	5.8%	6.0%	6.4%	8.3%	9.2%	7.5%
Adjusted EBITDA	5.2%	7.1%	6.2%	8.8%	7.3%	7.4%	6.0%	4.2%	2.8%	6.1%	4.9%	6.0%	6.4%	8.3%	9.2%	7.5%
Net income	-0.8%	1.6%	1.1%	6.2%	2.2%	2.8%	0.6%	2.4%	-1.8%	1.7%	0.8%	1.4%	1.8%	3.5%	4.2%	2.8%
Net income (ex. one-time items)	0.0%	1.4%	0.7%	3.7%	2.1%	2.0%	0.8%	1.2%	-1.8%	1.7%	0.6%	1.4%	1.8%	3.5%	4.2%	2.8%
Tax rate	-53.5%	12.2%	32.6%	2.5%	7.9%	8.9%	13.9%	-29.8%	23.0%	23.0%	-12.2%	23.0%	23.0%	23.0%	23.0%	23.0%

Sources: Sidoti & Company, LLC and company reports.

ORION GROUP HOLDINGS, INC.

Table 2. Orion Group Holdings, Inc. Segment Breakdown

(\$ in thousands, except where noted)

	2019	Mar	Jun	Sep	Dec	2020	MarA	JunA	SepE	DecE	2021E	MarE	JunE	SepE	DecE	2022E
Marine Segment																
Total sales	369,138	85,949	91,719	112,881	97,624	388,173	72,146	63,942	56,441	92,743	285,271	78,639	79,928	92,450	100,376	351,392
y/y growth	51.4%	39.8%	3.0%	5.1%	-12.2%	5.2%	-16.1%	-30.3%	-50.0%	-5.0%	-26.5%	9.0%	25.0%	63.8%	8.2%	23.2%
Operating income	1,057	2,855	596	8,992	4,492	16,935	(9)	8,606	847	3,710	13,153	2,359	2,398	5,547	7,729	18,033
margin	0.3%	3.3%	0.6%	8.0%	4.6%	4.4%	0.0%	13.5%	1.5%	4.0%	4.6%	3.0%	3.0%	6.0%	7.7%	5.1%
Adjusted operating income	16,133	6,046	4,018	8,644	8,761	27,469	3,161	2,290	847	3,710	10,007	2,359	2,398	5,547	7,729	18,033
margin	4.4%	7.0%	4.4%	7.7%	9.0%	7.1%	4.4%	3.6%	1.5%	4.0%	3.5%	3.0%	3.0%	6.0%	7.7%	5.1%
D&A	19,889	4,776	4,744	4,543	4,306	18,369	4,358	4,322	4,322	4,322	17,324	4,322	4,322	4,322	4,322	17,288
Adjusted EBITDA	\$ 36,022	\$ 10,822	\$ 8,762	\$ 13,187	\$ 13,067	\$ 45,838	\$ 7,519	\$ 6,612	\$ 5,169	\$ 8,032	\$ 27,331	\$ 6,681	\$ 6,720	\$ 9,869	\$ 12,051	\$ 35,321
margin	9.8%	12.6%	9.6%	11.7%	13.4%	11.8%	10.4%	10.3%	9.2%	8.7%	9.6%	8.5%	8.4%	10.7%	12.0%	10.1%
Concrete Segment																
Total sales	339,252	80,671	91,994	76,552	72,552	321,769	81,163	81,933	73,490	76,180	312,766	81,975	85,210	83,595	80,750	331,530
y/y growth	22.5%	-1.2%	19.5%	-16.9%	-18.1%	-5.2%	0.6%	-10.9%	-4.0%	5.0%	-2.8%	1.0%	4.0%	13.8%	6.0%	6.0%
Operating income	1,136	1,510	3,488	4,093	560	9,651	2,064	(3,040)	(3,674)	152	(4,498)	820	1,704	2,591	2,423	7,538
margin	0.3%	1.9%	3.8%	5.3%	0.8%	3.0%	2.5%	-3.7%	-5.0%	0.2%	-1.4%	1.0%	2.0%	3.1%	3.0%	2.3%
Adjusted operating income	(7,745)	(1,181)	453	1,333	(2,865)	(2,260)	(483)	(2,566)	(3,674)	152	(6,571)	820	1,704	2,591	2,423	7,538
margin	-2.3%	-1.5%	0.5%	1.7%	-3.9%	-0.7%	-0.6%	-3.1%	-5.0%	0.2%	-2.1%	1.0%	2.0%	3.1%	3.0%	2.3%
D&A	8,519	2,116	2,260	2,223	2,248	8,847	2,127	2,107	2,107	2,107	8,448	2,107	2,107	2,107	2,107	8,428
Adjusted EBITDA	\$ 774	\$ 935	\$ 2,713	\$ 3,556	\$ (617)	\$ 6,587	\$ 1,644	\$ (459)	\$ (1,567)	\$ 2,259	\$ 1,877	\$ 2,927	\$ 3,811	\$ 4,698	\$ 4,530	\$ 15,966
margin	0.2%	1.2%	2.9%	4.6%	-0.9%	2.0%	2.0%	-0.6%	-2.1%	3.0%	0.6%	3.6%	4.5%	5.6%	5.6%	4.8%

Sources: Sidoti & Company, LLC and company reports.

Table 3. Orion Group Holdings, Inc. Cash Flow Statement

(\$ in thousands, except where noted)

	2019	Mar	Jun	Sep	Dec	2020	MarA	JunA	2021E	2022E
Cash Flows From Operating Activities:										
Net income	\$ (5,359)	\$ 2,723	\$ 2,028	\$ 11,803	\$ 3,666	\$ 20,220	\$ 928	\$ 3,530	\$ 4,886	\$ 18,952
D&A	26,096	6,192	6,119	5,864	5,718	23,893	5,704	5,609	24,513	26,400
Amortization of ROU operating leases	5,177	1,673	1,393	1,383	1,425	5,874	1,348	1,446	2,794	-
Amortization of ROU finance leases	2,312	700	885	902	837	3,324	781	821	1,602	-
Stock-based compensation	2,753	462	1,167	258	111	1,998	383	1,245	2,828	2,700
Deferred income taxes	71	13	(112)	126	(10)	17	50	(131)	(81)	-
Gain on sales of property and equipment	(1,804)	(992)	(369)	(6,373)	1,549	(6,185)	(1,610)	(7,361)	(8,971)	-
Other	852	534	163	(655)	(2,625)	(2,583)	239	980	1,219	-
Changes in working capital	(30,814)	4,148	6,347	(8,006)	(3,015)	(526)	1,295	(3,982)	10,900	(4,769)
Total cash flows used in (provided by) operating activities	(716)	15,453	17,621	5,302	7,656	46,032	9,118	2,157	39,690	43,283
Cash Flows From Investing Activities:										
Capex	(17,199)	(2,753)	(2,283)	(4,408)	(5,250)	(14,694)	(1,618)	(3,097)	(20,000)	(22,000)
Proceeds from sale of property and equipment	2,015	1,302	447	4,072	123	5,944	1,950	22,787	24,737	-
Proceeds (purchases) of investments	-	-	-	-	-	-	-	-	-	-
Other	1,853	1,126	117	183	4,195	5,621	440	-	440	-
Total cash flows used in (provided by) investing activities	(13,331)	(325)	(1,719)	(153)	(932)	(3,129)	772	19,690	5,177	(22,000)
Cash Flows From Financing Activities:										
Repayments of long-term debt	(70,210)	(6,750)	(17,750)	(16,725)	(6,979)	(48,204)	(11,155)	(37,931)	(49,086)	-
Issuance of long-term debt	63,000	5,000	-	5,000	-	10,000	5,000	15,000	20,000	-
Proceeds from exercise of stock options	35	-	-	-	-	-	86	-	86	-
Purchases of treasury shares	-	-	-	-	-	-	-	-	-	-
Other	13,624	(942)	(1,331)	(1,035)	(888)	(4,196)	(768)	(1,148)	(1,916)	-
Total cash provided by (used in) financing activities	6,449	(2,692)	(19,081)	(12,760)	(7,867)	(42,400)	(6,837)	(24,079)	(30,916)	-
Net increase in cash and cash equivalents	(7,598)	12,436	(3,179)	(7,611)	(1,143)	503	3,053	(2,232)	13,951	21,283
Cash and cash equivalents at beginning of period	8,684	1,086	13,522	10,343	2,732	1,086	1,589	4,642	1,589	15,540
Cash and cash equivalents at end of period	\$ 1,086	\$ 13,522	\$ 10,343	\$ 2,732	\$ 1,589	\$ 1,589	\$ 4,642	\$ 2,410	\$ 15,540	\$ 36,823
Free cash flow	\$ (15,900)	\$ 14,002	\$ 15,785	\$ 4,966	\$ 2,529	\$ 37,282	\$ 9,450	\$ 21,847	\$ 44,427	\$ 21,283
Free cash flow per share	\$ (0.54)	\$ 0.47	\$ 0.53	\$ 0.16	\$ 0.08	\$ 1.24	\$ 0.31	\$ 0.71	\$ 1.45	\$ 0.68
YoY growth										
Operating cash flow	NM	NM	1982.9%	-750.6%	548.3%	NM	-41.0%	-87.8%	-13.8%	9.1%
Free cash flow	NM	NM	NM	NM	-208.5%	NM	-32.5%	38.4%	19.2%	-52.1%
Free cash flow per share	NM	NM	NM	NM	-205.4%	NM	-34.4%	35.4%	16.8%	-52.7%
Earnings-to-CFO conversion	748%	18%	12%	223%	48%	44%	10%	164%	12%	44%
Earnings-to-FCF conversion	297%	514%	778%	42%	69%	184%	1018%	619%	909%	112%

Sources: Sidoti & Company, LLC and company reports.

ORION GROUP HOLDINGS, INC.

Table 4. Orion Group Holdings, Inc. Balance Sheet

(\$ in thousands, except where noted)

	2019	2020	MarA	JunA	2021E	2022E
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 1,086	\$ 1,589	\$ 4,642	\$ 2,410	\$ 15,540	\$ 36,823
Receivables	162,729	192,765	188,168	196,127	182,618	198,700
Inventory	1,114	1,548	1,680	2,102	1,345	1,444
Costs and est. earnings in excess of billings	41,389	32,271	21,797	23,112	23,112	23,112
Other current assets	5,647	7,229	7,254	6,973	6,973	6,973
Total current assets	211,965	235,402	223,541	230,724	229,588	267,052
OTHER ASSETS:						
Property, plant and equipment	132,348	125,497	120,879	104,917	107,002	102,602
Operating lease right-of-use assets, net of amortization	17,997	18,874	17,480	16,204	16,204	16,204
Financing lease right-of-use assets, net of amortization	7,896	12,858	12,097	12,289	12,289	12,289
Inventory, non-current	7,037	6,455	6,249	4,839	4,839	4,839
Intangible assets, net of amortization	12,147	10,077	9,697	9,316	9,316	9,316
Other assets	5,454	5,026	4,912	4,916	4,916	4,916
Total other assets	182,879	178,787	171,314	152,481	154,566	150,166
Total assets	\$ 394,844	\$ 414,189	\$ 394,855	\$ 383,205	\$ 384,154	\$ 417,218
LIABILITIES AND COMMON SHAREHOLDERS' INVESTMENT						
CURRENT LIABILITIES:						
Accounts payables	\$ 70,983	\$ 48,968	\$ 39,232	\$ 45,173	\$ 44,494	\$ 55,906
Accrued liabilities	16,966	84,637	77,701	83,638	83,638	83,638
Income taxes payable	1,523	639	776	101	101	101
Billings in excess of costs	48,781	33,135	33,150	28,363	28,363	28,363
Current portion of operating lease liabilities	5,043	4,989	4,777	4,395	4,395	4,395
Current portion of financing lease liabilities	2,788	3,901	2,878	2,085	2,085	2,085
Short-term debt	3,668	4,344	4,348	6,139	6,139	6,139
Other current liabilities	-	-	-	-	-	-
Total current liabilities	149,752	180,613	162,862	169,894	169,215	180,627
LONG-TERM LIABILITIES:						
Long-term debt	68,029	29,523	23,603	294	294	294
Operating lease liabilities	13,596	14,537	13,512	12,687	12,687	12,687
Financing lease liabilities	3,760	8,376	8,680	9,890	9,890	9,890
Deferred income tax liability	205	207	228	97	97	97
Interest rate swap liability	1,045	1,602	1,372	-	-	-
Other long-term liabilities	20,436	19,837	23,513	23,316	23,316	23,316
Total liabilities	256,823	254,695	233,770	216,178	215,499	226,911
Total stockholders' equity	138,021	159,494	161,085	167,027	168,655	190,307
Total liabilities and common shareholders' equity	\$ 394,844	\$ 414,189	\$ 394,855	\$ 383,205	\$ 384,154	\$ 417,218

Key Ratios:

Current ratio	1.4	1.3	1.4	1.4	1.4	1.5
Quick ratio	1.1	1.1	1.2	1.2	1.2	1.3
Cash	1,086	1,589	4,642	2,410	15,540	36,823
Gross debt	71,697	33,867	27,951	6,433	6,433	6,433
Net cash (debt)	\$ (70,611)	\$ (32,278)	\$ (23,309)	\$ (4,023)	\$ 9,107	\$ 30,390
Net cash (debt) per share	\$ (2.39)	\$ (1.06)	\$ (0.76)	\$ (0.13)	\$ 0.29	\$ 0.97
Net debt/EBITDA	1.9	0.6	0.5	0.1	(0.3)	(0.6)
Total debt-to-total capital	34%	18%	15%	4%	4%	3%
Total asset turnover	2.0	1.8	1.6	1.5	1.5	1.7
Fixed asset turnover	5.1	5.5	4.9	5.0	5.1	6.5
Return on total assets	-1.5%	5.0%	1.0%	3.7%	1.2%	4.7%
Return on invested capital	-2.5%	10.0%	1.9%	7.7%	2.7%	10.2%
Return on total equity	-3.8%	13.6%	2.5%	9.1%	3.0%	10.6%

Sources: Sidoti & Company, LLC and company reports.

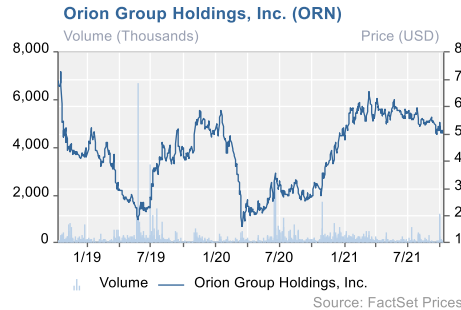
Appendix
Required Disclosures

Required Disclosures

Orion Group Holdings, Inc. (ORN-\$4.95) NR Price Target: \$7 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	9/1/20	2.6	NR	7	M
ACHG	10/29/20	2.9	NR	7	
PT	12/1/20	4		8	
PT	2/23/21	5.7		8	
PT	2/26/21	5.9		8	
PT	4/20/21	5.9		8	
PT	5/3/21	5.4		8	
PT	5/25/21	6.3		8	
PT	6/9/21	5.8		9	
PT	7/9/21	5.6		9	
PT	7/30/21	5.3		8	
PT	9/30/21	5.1		8	



Valuation	We maintain our Moderately Risky rating and lower the price target to \$7 (from \$8). Orion shares have risen 58% in the past 12 months, compared to a 37% rise in the Russell 2000 Index. Currently, shares of ORN trade at respective P/E and EV/EBITDA of 8x and 3x our 2022 estimates. Our revised \$7 price target is based on 11x our lowered 2022 EPS estimate of \$0.61, equating to 4.3x our 2022 EBITDA forecast of \$51 million. (Previously, we valued the stock at 11x our prior 2022 EPS estimate of \$0.69 to derive a \$7 target.)		
Key Risks	Project lumpiness	Downturn in nonresidential construction	Cost overruns on fixed-price construction projects

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