



## Orion Group Holdings, Inc. (ORN)

**Reduce Estimates, Target To \$6 (from \$7) As We Reset Expectations Given Margin Uncertainty For 2022; Balance Sheet Better, Valuation Looks Attractive; Maintain Moderately Risky Rating**

	2019		2020		2021E		2022E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	(\$0.21)	\$0.08		\$0.04A		\$0.07	(\$0.01)	
June	0.01	0.04		0.05A		0.10	0.08	
Sep.	0.15	0.23		(0.08)	(0.27)A	0.20	0.15	
Dec.	0.05	0.12		0.09	(0.09)	0.24	0.17	
EPS	\$0.00	\$0.47		\$0.11	(\$0.27)	\$0.61	\$0.40	
P/E					NM		11.2x	
EBITDA (mil)	\$36.8	\$52.4		\$29.2	\$17.5	\$51.3	\$43.8	
EV / EBITDA					9.6x		3.8x	

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	\$578.7	\$642.8
GAAP EPS	\$0.01	\$0.25	(\$0.29)	(\$0.13)	\$0.01	(\$3.20)	(\$0.18)	\$0.67	(\$0.28)	\$0.40

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.

- **We lower our price target to \$6 (from \$7) based on 15x our newly lowered 2022 EPS estimate of \$0.40, equating to 4.7x our 2022 EBITDA estimate of \$44 million. (Our previous target of \$7 was based on 11x our prior 2022 EPS estimate of \$0.61.)**
- **We adjust our estimates following 3Q:21 results and call commentary on October 28, which prompted us to rethink ORN's ability to reach its stated target margins without ERP implementation fully in place, which we consider to be a 2023 event.**
- **Still, we think there were some positives from 3Q:21 results: orders infected, leading to substantial backlog growth, and ORN is closer to executing on non-core asset sales in 2022.**
- **With a much improved balance sheet (net debt of \$19 million, 0.7x leverage), we think ORN's financial position gives it options for growth in the coming quarters.**
- **We also note the stock's valuation, trading at just 11.2x and 3.8x our 2022 EPS and EBITDA estimates, respectively.**

**3Q:21 results were below our expectations.** ORN posted an adjusted 3Q:21 loss per share of \$0.27, below our estimate of \$0.08 and the consensus forecast of a loss per share of \$0.14. 3Q:21 results were affected by phasing of work, project win rates and timing, adverse weather, and COVID-19 related effects. These factors led to a 26% decrease in sales year over year, and thus lower labor and equipment absorption. With Marine sales being cut in half, the segment posted negative EBITDA. The Concrete segment actually realized less of a profitability loss than we had expected.

**Total backlog finished 3Q:21 at \$573 million, up 45% sequentially and 34% year over year.** The backlog growth was expected, given the announced orders of \$275 million in September 2021, via a press release (see our note dated September 30). We think the inflection in order trends is very positive. However, we are concerned that the recent orders are at bid margins below ORN's stated target ranges, given 3Q:21 earnings call commentary that focused on the expected improvement in labor and equipment absorption (which is very important for any contractor, and something we do not want to gloss over) but sounded less

**NR**

Price Target: \$6  
 Price: \$4.46  
 Risk Rating: M

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### Key Statistics

Analysts Covering	3
Market Cap (Mil)	\$140
Enterprise Value	\$168
52-Week Range (NYSE)	7-3
5-Year EPS CAGR	25%
Avg. Daily Trading Volume	177,000
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)	\$0.80
FCF Yield (2022E)	17.9%
Net Cash Per Share (2022E)	\$0.49
Price to Book Value	0.8x
Return on Equity (2022E)	7.7%
Total Debt to Capital	18%
Interest Coverage Ratio	-0.6x
Short Interest %	1.0%
Short Interest Days To Cover	2.0
Russell 2000	2,296
Russell 2000 – Last 12 Months	48.9%
ORN – Last 12 Months	59.4%



constructive on the margin profile of said projects.

**We adjust our estimates on reset expectations.** Considering 3Q:21 results, backlog in hand, and yesterday's call commentary, we adjust our estimates; we now model a 2021 loss per share of \$0.27 (from a prior EPS estimate of \$0.11) and 2022 EPS of \$0.40 (from \$0.61). Our estimate changes reflect our reset expectations on ORN's potential margin upside, which we think is much less likely to reach its targeted margin ranges on a consistent basis until ERP is fully implemented, which we consider to be a 2023 event.

**ORN provided an update on non-core asset sales.** Recall that ORN has two non-core real estate holdings that the company has been exploring for divestiture. On yesterday's earnings call, ORN noted that the Port Lavaca, TX property could be divested in 4Q:21 or 1Q:22, depending on timing; management has previously stated Port Lavaca could yield \$5 million in pretax proceeds. The larger non-core property at East-West Jones, TX, is now in contract for sales, and could close as early as 2Q:21; management expects to generate about \$35 million in pre-tax proceeds from the East-West Jones sale.

**ORN's debt ticked up in the quarter, but the balance sheet is still much improved.** At the end of 3Q:21, Orion held net debt of \$19 million (\$0.60 per share, 0.7x leverage) and a total debt ratio of 11%. ORN's debt balance increased sequentially by \$13 million, due to working capital needs and the negative free cash flow generated in the quarter. Still, the net debt position of \$19 million compares to net debt of \$71 million at year-end 2019 and \$34 million at year-end 2020. While real-estate divestitures may bolster the balance sheet, ORN is leaving its options open with regards to cash usage; we note ORN has a repurchase in place and is exploring organic and M&A opportunities. On estimated capital spending of \$18 million in 2021 and \$20 million in 2022, we project free cash flow of \$27 million (\$0.89) in 2021 and \$25 million (\$0.80) in 2022.

<b>Valuation</b>	<b>We maintain our Moderately Risky rating and lower the price target to \$6 (from \$7).</b> Orion shares have risen 59% in the past 12 months, compared to a 49% rise in the Russell 2000 Index. Currently, shares of ORN trade at respective P/E and EV/EBITDA of 11.2 and 3.8 our 2022 estimates. Our revised \$6 price target is based on 15x our lowered 2022 EPS estimate of \$0.40, equating to 4.7x our 2022 EBITDA forecast of \$44 million. (Previously, we valued the stock at 11x our prior 2022 EPS estimate of \$0.61 to derive a \$7 price target). We adjust our multiple as we rethink valuation and credit the company for its much-improved financial profile, and potential asset sales in 2022.		
<b>Key Risks</b>	Project lumpiness	Downturn in nonresidential construction	Cost overruns on fixed-price construction projects

**Exhibit 1: Orion Group Holdings, Inc. 3Q:21 Results and Variance**

	<u>3Q:21 Actual</u>	<u>Sidoti Est</u>	<u>Variance</u>	<u>Variance %</u>	<u>3Q:20 Actual</u>	<u>YoY Change</u>	<u>Consensus</u>
Revenue (thou.)	\$139,907	\$129,930	\$9,977	8%	\$189,433	(26%)	\$132,700
Gross profit <i>Margin</i>	6,578 4.7%	8,082 6.2%	(1,504)	(19%)	22,501 11.9%	(71%)	
SG&A <i>As a percent of sales</i>	15,733 11.2%	10,394 8.0%	5,339	51%	15,270 8.1%	3%	
Adjusted operating income <i>Margin</i>	(7,212) -5.2%	(2,828) -2.2%	(4,384)	NM	9,977 5.3%	NM	
EBITDA <i>Margin</i>	(987) -0.7%	3,601 2.8%	(4,588)	(127%)	16,743 8.8%	NM	2,700
Adjusted net income <i>Profit margin</i>	(\$8,366) -6.0%	(\$2,362) -1.8%	(6,004)	NM	\$7,090 3.7%	NM	
Adjusted EPS	(\$0.27)	(\$0.08)	(\$0.19)	NM	\$0.23	NM	(\$0.14)

Source: Sidoti & Co., and Company reports

**Exhibit 2: Orion Group Holdings, Inc. 3Q:21 Segment Variance**

	<u>3Q:21 Actual</u>	<u>Sidoti Est</u>	<u>Variance</u>	<u>Variance %</u>	<u>3Q:20 Actual</u>	<u>YoY Change</u>
<b>Marine Segment</b>						
Revenue	54,739	56,441	(1,702)	(3%)	112,881	(52%)
Adjusted operating income <i>margin</i>	(4,246) -7.8%	847 1.5%	(5,093)	NM	8,644 7.7%	NM
EBITDA <i>margin</i>	(14) 0.0%	5,169 9.2%	(5,183)	NM	13,187 11.7%	NM -1170 bps
<b>Concrete Segment</b>						
Revenue	85,168	73,490	11,678	16%	76,552	11%
Adjusted operating income <i>margin</i>	(2,966) -3.5%	(3,674) -5.0%	708	NM	1,333 1.7%	NM
EBITDA <i>margin</i>	(973) -1.1%	(1,567) -2.1%	594	NM	3,556 4.6%	NM -580 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	SepA	DecE	2021E	MarE	JunE	SepE	DecE	2022E
<b>Net sales</b>	<b>\$ 708,390</b>	<b>\$166,620</b>	<b>\$183,713</b>	<b>\$189,433</b>	<b>\$170,176</b>	<b>\$ 709,942</b>	<b>\$153,309</b>	<b>\$145,875</b>	<b>\$139,907</b>	<b>\$ 139,635</b>	<b>\$ 578,726</b>	<b>\$151,956</b>	<b>\$165,138</b>	<b>\$ 176,250</b>	<b>\$ 149,428</b>	<b>\$ 642,773</b>
<i>y/y growth</i>	36.0%	16.4%	10.7%	-5.0%	-14.8%	0.2%	-8.0%	-20.6%	-26.1%	-17.9%	-18.5%	-0.9%	13.2%	26.0%	7.0%	11.1%
Cost of sales	644,349	146,862	162,969	166,932	148,476	625,239	137,854	133,574	133,329	132,501	537,258	137,020	145,793	154,798	130,131	567,743
<b>Gross profit</b>	<b>64,041</b>	<b>19,758</b>	<b>20,744</b>	<b>22,501</b>	<b>21,700</b>	<b>84,703</b>	<b>15,455</b>	<b>12,301</b>	<b>6,578</b>	<b>7,134</b>	<b>41,468</b>	<b>14,936</b>	<b>19,344</b>	<b>21,452</b>	<b>19,298</b>	<b>75,030</b>
SG&A	61,014	15,869	16,512	15,270	17,440	65,091	14,630	13,715	15,733	9,774	53,852	14,436	14,862	14,100	11,207	54,605
Amortization of intangible assets	2,638	516	517	519	518	2,070	380	381	380	380	1,521	380	380	380	380	1,520
Other	(1,804)	(992)	(369)	(6,373)	(1,310)	(9,044)	(1,610)	(7,361)	(792)	-	(9,763)	-	-	-	-	-
<b>Operating profit</b>	<b>2,193</b>	<b>4,365</b>	<b>4,084</b>	<b>13,085</b>	<b>5,052</b>	<b>26,586</b>	<b>2,055</b>	<b>5,566</b>	<b>(8,743)</b>	<b>(3,020)</b>	<b>(4,142)</b>	<b>120</b>	<b>4,102</b>	<b>6,972</b>	<b>7,711</b>	<b>18,904</b>
<b>Adjusted operating profit</b>	<b>8,388</b>	<b>4,865</b>	<b>4,471</b>	<b>9,977</b>	<b>5,896</b>	<b>25,209</b>	<b>2,678</b>	<b>(276)</b>	<b>(7,212)</b>	<b>(3,020)</b>	<b>(7,830)</b>	<b>120</b>	<b>4,102</b>	<b>6,972</b>	<b>7,711</b>	<b>18,904</b>
<b>EBITDA</b>	<b>30,601</b>	<b>11,257</b>	<b>11,088</b>	<b>19,851</b>	<b>11,606</b>	<b>53,802</b>	<b>8,540</b>	<b>11,995</b>	<b>(2,518)</b>	<b>3,205</b>	<b>21,222</b>	<b>6,345</b>	<b>10,327</b>	<b>13,197</b>	<b>13,936</b>	<b>43,804</b>
<b>Adjusted EBITDA</b>	<b>36,796</b>	<b>11,757</b>	<b>11,475</b>	<b>16,743</b>	<b>12,450</b>	<b>52,425</b>	<b>9,163</b>	<b>6,153</b>	<b>(987)</b>	<b>3,205</b>	<b>17,534</b>	<b>6,345</b>	<b>10,327</b>	<b>13,197</b>	<b>13,936</b>	<b>43,804</b>
Interest expense	6,808	1,402	1,169	1,151	1,198	4,920	1,040	2,943	523	723	5,229	680	680	680	680	2,721
Other expenses (income)	(1,124)	(137)	(93)	(172)	(128)	(530)	(63)	(97)	(72)	-	(232)	-	-	-	-	-
Earnings before income taxes	(3,491)	3,100	3,008	12,106	3,982	22,196	1,078	2,720	(9,194)	(3,743)	(9,139)	(560)	3,422	6,292	7,031	16,184
Income taxes	1,868	377	980	303	316	1,976	150	(810)	1,001	(861)	(520)	(129)	787	1,447	1,617	3,722
Net income pre-minority interest	(5,359)	2,723	2,028	11,803	3,666	20,220	928	3,530	(10,195)	(2,882)	(8,619)	(431)	2,635	4,845	5,414	12,461
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net income</b>	<b>\$ (5,359)</b>	<b>\$ 2,723</b>	<b>\$ 2,028</b>	<b>\$ 11,803</b>	<b>\$ 3,666</b>	<b>\$ 20,220</b>	<b>\$ 928</b>	<b>\$ 3,530</b>	<b>\$ (10,195)</b>	<b>\$ (2,882)</b>	<b>\$ (8,619)</b>	<b>\$ (431)</b>	<b>\$ 2,635</b>	<b>\$ 4,845</b>	<b>\$ 5,414</b>	<b>\$ 12,461</b>
<b>Adjusted net income</b>	<b>\$ 41</b>	<b>\$ 2,370</b>	<b>\$ 1,328</b>	<b>\$ 7,090</b>	<b>\$ 3,519</b>	<b>\$ 14,307</b>	<b>\$ 1,228</b>	<b>\$ 1,685</b>	<b>\$ (8,366)</b>	<b>\$ (2,882)</b>	<b>\$ (8,335)</b>	<b>\$ (431)</b>	<b>\$ 2,635</b>	<b>\$ 4,845</b>	<b>\$ 5,414</b>	<b>\$ 12,461</b>
<b>GAAP EPS</b>	<b>\$ (0.18)</b>	<b>\$ 0.09</b>	<b>\$ 0.07</b>	<b>\$ 0.39</b>	<b>\$ 0.12</b>	<b>\$ 0.67</b>	<b>\$ 0.03</b>	<b>\$ 0.11</b>	<b>\$ (0.33)</b>	<b>\$ (0.09)</b>	<b>\$ (0.28)</b>	<b>\$ (0.01)</b>	<b>\$ 0.08</b>	<b>\$ 0.15</b>	<b>\$ 0.17</b>	<b>\$ 0.40</b>
<b>Adjusted EPS</b>	<b>\$ (0.00)</b>	<b>\$ 0.08</b>	<b>\$ 0.04</b>	<b>\$ 0.23</b>	<b>\$ 0.12</b>	<b>\$ 0.47</b>	<b>\$ 0.04</b>	<b>\$ 0.05</b>	<b>\$ (0.27)</b>	<b>\$ (0.09)</b>	<b>\$ (0.27)</b>	<b>\$ (0.01)</b>	<b>\$ 0.08</b>	<b>\$ 0.15</b>	<b>\$ 0.17</b>	<b>\$ 0.40</b>
Diluted shares outstanding	29,280	29,656	30,031	30,372	30,428	30,122	30,500	30,702	30,979	31,072	30,813	31,165	31,259	31,353	31,447	31,306

**YOY Growth:**

Revenue	36.0%	16.4%	10.7%	-5.0%	-14.8%	0.2%	-8.0%	-20.6%	-26.1%	-17.9%	-18.5%	-0.9%	13.2%	26.0%	7.0%	11.1%
Cost of goods sold	28.1%	9.6%	7.9%	-6.5%	-17.8%	-3.0%	-6.1%	-18.0%	-20.1%	-10.8%	-14.1%	-0.6%	9.1%	16.1%	-1.8%	5.7%
SG&A	11.9%	6.0%	9.2%	4.7%	6.8%	6.7%	-7.8%	-16.9%	3.0%	-44.0%	-17.3%	-1.3%	8.4%	-10.4%	14.7%	1.4%
Gross profit	257.7%	117.6%	38.5%	7.7%	13.7%	32.3%	-21.8%	-40.7%	-70.8%	-67.1%	-51.0%	-3.4%	57.3%	226.1%	170.5%	80.9%
Operating profit	-102.3%	-170.7%	-1065.5%	114.8%	87.0%	1112.3%	-52.9%	36.3%	-166.8%	-159.8%	-115.6%	-94.2%	-26.3%	-179.7%	-355.3%	-556.4%
Adjusted operating profit	-208.1%	-205.6%	147.3%	38.4%	48.2%	200.5%	-45.0%	-106.2%	-172.3%	-151.2%	-131.1%	-95.5%	-1586.2%	-196.7%	-355.3%	-341.4%
EBITDA	-144.5%	1204.4%	63.1%	50.7%	18.8%	75.8%	-24.1%	8.2%	-112.7%	-72.4%	-60.6%	-25.7%	-13.9%	-624.1%	334.9%	106.4%
Adjusted EBITDA	53.1%	383.2%	27.1%	17.2%	12.7%	42.5%	-22.1%	-46.4%	-105.9%	-74.3%	-66.6%	-30.8%	67.8%	-1437.1%	334.9%	149.8%
Net income	-94.1%	NM	NM	192.2%	NM	NM	-65.9%	74.1%	-186.4%	-178.6%	-142.6%	-146.5%	-25.4%	-147.5%	-287.8%	-244.6%
Adjusted net income	-100.4%	NM	NM	65.2%	141.9%	NM	-48.2%	26.9%	-218.0%	-181.9%	-158.3%	-135.1%	56.4%	-157.9%	-287.8%	-249.5%
EPS	-94.3%	NM	NM	185.3%	NM	NM	-66.7%	57.1%	-184.6%	-175.0%	-141.7%	-133.3%	-27.3%	-145.5%	-288.9%	-242.3%
Adjusted EPS	-99.2%	NM	NM	58.3%	143.7%	NM	-50.0%	25.0%	-217.4%	-175.0%	-157.6%	-125.0%	60.0%	-155.6%	-288.9%	-247.1%

**Margins:**

COGS/sales	91.0%	88.1%	88.7%	88.1%	87.2%	88.1%	89.9%	91.6%	95.3%	94.9%	92.8%	90.2%	88.3%	87.8%	87.1%	88.3%
SG&A/sales	8.6%	9.5%	9.0%	8.1%	8.0%	9.2%	9.5%	9.4%	11.2%	7.0%	9.3%	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%	4.7%	5.1%	7.2%	9.8%	11.7%	12.2%	12.9%	11.7%
Operating profit	0.3%	2.6%	2.2%	6.9%	3.0%	3.7%	1.3%	3.8%	-6.2%	-2.2%	-0.7%	0.1%	2.5%	4.0%	5.2%	2.9%
Adjusted operating profit	1.2%	2.9%	2.4%	5.3%	3.5%	3.6%	1.7%	-0.2%	-5.2%	-2.2%	-1.4%	0.1%	2.5%	4.0%	5.2%	2.9%
EBITDA	4.3%	6.8%	6.0%	10.5%	6.8%	7.6%	5.6%	8.2%	-1.8%	2.3%	3.7%	4.2%	6.3%	7.5%	9.3%	6.8%
Adjusted EBITDA	5.2%	7.1%	6.2%	8.8%	7.3%	7.4%	6.0%	4.2%	-0.7%	2.3%	3.0%	4.2%	6.3%	7.5%	9.3%	6.8%
Net income	-0.8%	1.6%	1.1%	6.2%	2.2%	2.8%	0.6%	2.4%	-7.3%	-2.1%	-1.5%	-0.3%	1.6%	2.7%	3.6%	1.9%
Net income (ex. one-time items)	0.0%	1.4%	0.7%	3.7%	2.1%	2.0%	0.8%	1.2%	-6.0%	-2.1%	-1.4%	-0.3%	1.6%	2.7%	3.6%	1.9%
Tax rate	-53.5%	12.2%	32.6%	2.5%	7.9%	8.9%	13.9%	-29.8%	-10.9%	23.0%	5.7%	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	SepA	DecE	2021E	MarE	JunE	SepE	DecE	2022E
<b>Marine Segment</b>																
Total sales	369,138	85,949	91,719	112,881	97,624	388,173	72,146	63,942	54,739	63,456	254,283	69,982	79,928	79,372	68,678	297,959
y/y growth	51.4%	39.8%	3.0%	5.1%	-12.2%	5.2%	-16.1%	-30.3%	-51.5%	-35.0%	-34.5%	-3.0%	25.0%	45.0%	8.2%	17.2%
Operating income margin	1,057 0.3%	2,855 3.3%	596 0.6%	8,992 8.0%	4,492 4.6%	16,935 4.4%	(9) 0.0%	8,606 13.5%	(4,965) -9.1%	(3,173) -5.0%	459 0.2%	(700) -1.0%	2,398 3.0%	3,969 5.0%	5,288 7.7%	10,955 3.7%
Adjusted operating income margin	16,133 4.4%	6,046 7.0%	4,018 4.4%	8,644 7.7%	8,761 9.0%	27,469 7.1%	3,161 4.4%	2,290 3.6%	(4,246) -7.8%	(3,173) -5.0%	(1,968) -0.8%	(700) -1.0%	2,398 3.0%	3,969 5.0%	5,288 7.7%	10,955 3.7%
D&A	19,889	4,776	4,744	4,543	4,306	18,369	4,358	4,322	4,232	4,232	17,144	4,232	4,232	4,232	4,232	16,928
Adjusted EBITDA margin	\$ 36,022 9.8%	\$ 10,822 12.6%	\$ 8,762 9.6%	\$ 13,187 11.7%	\$ 13,067 13.4%	\$ 45,838 11.8%	\$ 7,519 10.4%	\$ 6,612 10.3%	\$ (14) 0.0%	\$ 1,059 1.7%	\$ 15,176 6.0%	\$ 3,532 5.0%	\$ 6,630 8.3%	\$ 8,201 10.3%	\$ 9,520 13.9%	\$ 27,883 9.4%
<b>Concrete Segment</b>																
Total sales	339,252	80,671	91,994	76,552	72,552	321,769	81,163	81,933	85,168	76,180	324,444	81,975	85,210	96,879	80,750	344,814
y/y growth	22.5%	-1.2%	19.5%	-16.9%	-18.1%	-5.2%	0.6%	-10.9%	11.3%	5.0%	0.8%	1.0%	4.0%	13.8%	6.0%	6.3%
Operating income margin	1,136 0.3%	1,510 1.9%	3,488 3.8%	4,093 5.3%	560 0.8%	9,651 3.0%	2,064 2.5%	(3,040) -3.7%	(3,778) -4.4%	152 0.2%	(4,602) -1.4%	820 1.0%	1,704 2.0%	3,003 3.1%	2,423 3.0%	7,950 2.3%
Adjusted operating income margin	(7,745) -2.3%	(1,181) -1.5%	453 0.5%	1,333 1.7%	(2,865) -3.9%	(2,260) -0.7%	(483) -0.6%	(2,566) -3.1%	(2,966) -3.5%	152 0.2%	(5,863) -1.8%	820 1.0%	1,704 2.0%	3,003 3.1%	2,423 3.0%	7,950 2.3%
D&A	8,519	2,116	2,260	2,223	2,248	8,847	2,127	2,107	1,993	1,993	8,220	1,993	1,993	1,993	1,993	7,972
Adjusted EBITDA margin	\$ 774 0.2%	\$ 935 1.2%	\$ 2,713 2.9%	\$ 3,556 4.6%	\$ (617) -0.9%	\$ 6,587 2.0%	\$ 1,644 2.0%	\$ (459) -0.6%	\$ (973) -1.1%	\$ 2,145 2.8%	\$ 2,357 0.7%	\$ 2,813 3.4%	\$ 3,697 4.3%	\$ 4,996 5.2%	\$ 4,416 5.5%	\$ 15,922 4.6%

Sources: Sidoti & Company, LLC and company reports.

ORION GROUP HOLDINGS, INC.

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

(\$ in thousands, except where noted)

	2019	Mar	Jun	Sep	Dec	2020	MarA	JunA	SepA	2021E	2022E
<b>Cash Flows From Operating Activities:</b>											
Net income	\$ (5,359)	\$ 2,723	\$ 2,028	\$ 11,803	\$ 3,666	\$ 20,220	\$ 928	\$ 3,530	\$ (10,195)	\$ (8,619)	\$ 12,461
D&A	26,096	6,192	6,119	5,864	5,718	23,893	5,704	5,609	5,568	23,481	26,400
Amortization of ROU operating leases	5,177	1,673	1,393	1,383	1,425	5,874	1,348	1,446	1,173	3,967	-
Amortization of ROU finance leases	2,312	700	885	902	837	3,324	781	821	657	2,259	-
Stock-based compensation	2,753	462	1,167	258	111	1,998	383	1,245	526	2,754	2,700
Deferred income taxes	71	13	(112)	126	(10)	17	50	(131)	101	20	-
Gain on sales of property and equipment	(1,804)	(992)	(369)	(6,373)	1,549	(6,185)	(1,610)	(7,361)	(792)	(9,763)	-
Other	852	534	163	(655)	(2,625)	(2,583)	239	980	1	1,220	-
Changes in working capital	(30,814)	4,148	6,347	(8,006)	(3,015)	(526)	1,295	(3,982)	(4,074)	4,309	3,400
<b>Total cash flows used in (provided by) operating activities</b>	<b>(716)</b>	<b>15,453</b>	<b>17,621</b>	<b>5,302</b>	<b>7,656</b>	<b>46,032</b>	<b>9,118</b>	<b>2,157</b>	<b>(7,035)</b>	<b>19,627</b>	<b>44,961</b>
<b>Cash Flows From Investing Activities:</b>											
Capex	(17,199)	(2,753)	(2,283)	(4,408)	(5,250)	(14,694)	(1,618)	(3,097)	(6,879)	(18,000)	(20,000)
Proceeds from sale of property and equipment	2,015	1,302	447	4,072	123	5,944	1,950	22,787	906	25,643	-
Proceeds (purchases) of investments	-	-	-	-	-	-	-	-	-	-	-
Other	1,853	1,126	117	183	4,195	5,621	440	-	-	440	-
<b>Total cash flows used in (provided by) investing activities</b>	<b>(13,331)</b>	<b>(325)</b>	<b>(1,719)</b>	<b>(153)</b>	<b>(932)</b>	<b>(3,129)</b>	<b>772</b>	<b>19,690</b>	<b>(5,973)</b>	<b>8,083</b>	<b>(20,000)</b>
<b>Cash Flows From Financing Activities:</b>											
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	13,000	33,000	-
Proceeds from exercise of stock options	35	-	-	-	-	-	86	-	24	110	-
Purchases of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	13,624	(942)	(1,331)	(1,035)	(888)	(4,196)	(768)	(1,148)	(1,533)	(3,449)	-
<b>Total cash provided by (used in) financing activities</b>	<b>6,449</b>	<b>(2,692)</b>	<b>(19,081)</b>	<b>(12,760)</b>	<b>(7,867)</b>	<b>(42,400)</b>	<b>(6,837)</b>	<b>(24,079)</b>	<b>11,491</b>	<b>(19,425)</b>	<b>-</b>
Net increase in cash and cash equivalents	(7,598)	12,436	(3,179)	(7,611)	(1,143)	503	3,053	(2,232)	(1,517)	8,285	24,961
Cash and cash equivalents at beginning of period	8,684	1,086	13,522	10,343	2,732	1,086	1,589	4,642	2,410	1,589	9,874
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,086</b>	<b>\$ 13,522</b>	<b>\$ 10,343</b>	<b>\$ 2,732</b>	<b>\$ 1,589</b>	<b>\$ 1,589</b>	<b>\$ 4,642</b>	<b>\$ 2,410</b>	<b>\$ 893</b>	<b>\$ 9,874</b>	<b>\$ 34,835</b>
<b>Free cash flow</b>	<b>\$ (15,900)</b>	<b>\$ 14,002</b>	<b>\$ 15,785</b>	<b>\$ 4,966</b>	<b>\$ 2,529</b>	<b>\$ 37,282</b>	<b>\$ 9,450</b>	<b>\$ 21,847</b>	<b>\$ (13,008)</b>	<b>\$ 27,270</b>	<b>\$ 24,961</b>
<b>Free cash flow per share</b>	<b>\$ (0.54)</b>	<b>\$ 0.47</b>	<b>\$ 0.53</b>	<b>\$ 0.16</b>	<b>\$ 0.08</b>	<b>\$ 1.24</b>	<b>\$ 0.31</b>	<b>\$ 0.71</b>	<b>\$ (0.42)</b>	<b>\$ 0.89</b>	<b>\$ 0.80</b>
<b>YoY growth</b>											
Operating cash flow	NM	NM	1982.9%	-750.6%	548.3%	NM	-41.0%	-87.8%	-232.7%	-57.4%	129.1%
Free cash flow	NM	NM	NM	NM	-208.5%	NM	-32.5%	38.4%	-361.9%	-26.9%	-8.5%
Free cash flow per share	NM	NM	NM	NM	-205.4%	NM	-34.4%	35.4%	-356.8%	-28.5%	-9.9%
Earnings-to-CFO conversion	748%	18%	12%	223%	48%	44%	10%	164%	145%	-44%	28%
<b>Earnings-to-FCF conversion</b>	<b>297%</b>	<b>514%</b>	<b>778%</b>	<b>42%</b>	<b>69%</b>	<b>184%</b>	<b>1018%</b>	<b>619%</b>	<b>128%</b>	<b>-316%</b>	<b>200%</b>

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	SepA	2021E	2022E
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ 1,086	\$ 1,589	\$ 4,642	\$ 2,410	\$ 893	\$ 9,874	\$ 34,835
Receivables	162,729	192,765	188,168	196,127	189,684	179,596	193,975
Inventory	1,114	1,548	1,680	2,102	1,311	976	1,338
Costs and est. earnings in excess of billings	41,389	32,271	21,797	23,112	17,670	17,670	17,670
Other current assets	5,647	7,229	7,254	6,973	5,498	5,498	5,498
<b>Total current assets</b>	<b>211,965</b>	<b>235,402</b>	<b>223,541</b>	<b>230,724</b>	<b>215,056</b>	<b>213,614</b>	<b>253,316</b>
<b>OTHER ASSETS:</b>							
Property, plant and equipment	132,348	125,497	120,879	104,917	106,685	106,491	100,091
Operating lease right-of-use assets, net of amortization	17,997	18,874	17,480	16,204	15,193	15,193	15,193
Financing lease right-of-use assets, net of amortization	7,896	12,858	12,097	12,289	12,135	12,135	12,135
Inventory, non-current	7,037	6,455	6,249	4,839	5,628	5,628	5,628
Intangible assets, net of amortization	12,147	10,077	9,697	9,316	8,936	8,936	8,936
Other assets	5,454	5,026	4,912	4,916	4,722	4,722	4,722
<b>Total other assets</b>	<b>182,879</b>	<b>178,787</b>	<b>171,314</b>	<b>152,481</b>	<b>153,299</b>	<b>153,105</b>	<b>146,705</b>
<b>Total assets</b>	<b>\$ 394,844</b>	<b>\$ 414,189</b>	<b>\$ 394,855</b>	<b>\$ 383,205</b>	<b>\$ 368,355</b>	<b>\$ 366,719</b>	<b>\$ 400,021</b>
<b>LIABILITIES AND COMMON SHAREHOLDERS' INVESTMENT</b>							
<b>CURRENT LIABILITIES:</b>							
Accounts payables	\$ 70,983	\$ 48,968	\$ 39,232	\$ 45,173	\$ 31,925	\$ 32,571	\$ 50,712
Accrued liabilities	16,966	84,637	77,701	83,638	83,419	83,419	83,419
Income taxes payable	1,523	639	776	101	332	332	332
Billings in excess of costs	48,781	33,135	33,150	28,363	25,631	25,631	25,631
Current portion of operating lease liabilities	5,043	4,989	4,777	4,395	3,970	3,970	3,970
Current portion of financing lease liabilities	2,788	3,901	2,878	2,085	1,408	1,408	1,408
Short-term debt	3,668	4,344	4,348	6,139	19,139	19,139	19,139
Other current liabilities	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>149,752</b>	<b>180,613</b>	<b>162,862</b>	<b>169,894</b>	<b>165,824</b>	<b>166,470</b>	<b>184,611</b>
<b>LONG-TERM LIABILITIES:</b>							
Long-term debt	68,029	29,523	23,603	294	295	295	295
Operating lease liabilities	13,596	14,537	13,512	12,687	12,033	12,033	12,033
Financing lease liabilities	3,760	8,376	8,680	9,890	10,324	10,324	10,324
Deferred income tax liability	205	207	228	97	198	198	198
Interest rate swap liability	1,045	1,602	1,372	-	-	-	-
Other long-term liabilities	20,436	19,837	23,513	23,316	23,007	23,007	23,007
<b>Total liabilities</b>	<b>256,823</b>	<b>254,695</b>	<b>233,770</b>	<b>216,178</b>	<b>211,681</b>	<b>212,327</b>	<b>230,468</b>
<b>Total stockholders' equity</b>	<b>138,021</b>	<b>159,494</b>	<b>161,085</b>	<b>167,027</b>	<b>156,674</b>	<b>154,392</b>	<b>169,553</b>
<b>Total liabilities and common shareholders' equity</b>	<b>\$ 394,844</b>	<b>\$ 414,189</b>	<b>\$ 394,855</b>	<b>\$ 383,205</b>	<b>\$ 368,355</b>	<b>\$ 366,719</b>	<b>\$ 400,021</b>

**Key Ratios:**

Current ratio	1.4	1.3	1.4	1.4	1.3	1.3	1.4
Quick ratio	1.1	1.1	1.2	1.2	1.1	1.1	1.2
Cash	1,086	1,589	4,642	2,410	893	9,874	34,835
Gross debt	71,697	33,867	27,951	6,433	19,434	19,434	19,434
Net cash (debt)	\$ (70,611)	\$ (32,278)	\$ (23,309)	\$ (4,023)	\$ (18,541)	\$ (9,560)	\$ 15,401
Net cash (debt) per share	\$ (2.39)	\$ (1.06)	\$ (0.76)	\$ (0.13)	\$ (0.60)	\$ (0.31)	\$ 0.49
Net debt/EBITDA	1.9	0.6	0.5	0.1	0.7	0.5	(0.4)
Total debt-to-total capital	34%	18%	15%	4%	11%	11%	10%
Total asset turnover	2.0	1.8	1.6	1.5	1.5	1.5	1.7
Fixed asset turnover	5.1	5.5	4.9	5.0	4.8	5.0	6.2
Return on total assets	-1.5%	5.0%	1.0%	3.7%	-10.9%	-2.2%	3.3%
Return on invested capital	-2.5%	10.0%	1.9%	7.7%	-21.9%	-4.7%	6.9%
Return on total equity	-3.8%	13.6%	2.5%	9.1%	-26.1%	-5.5%	7.7%

Sources: Sidoti & Company, LLC and company reports.

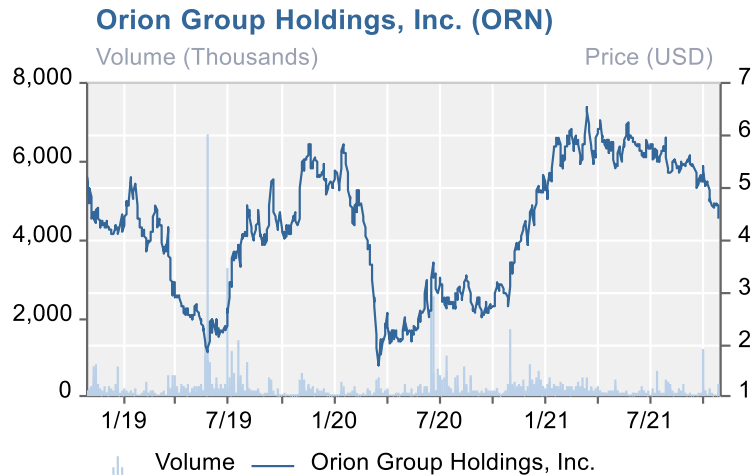
**Appendix**  
Required Disclosures

**Required Disclosures**

**Orion Group Holdings, Inc. (ORN-\$4.46) NR Price Target: \$6 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	
PT	10/12/21	5		7	



<b>Valuation</b>	We maintain our Moderately Risky rating and lower the price target to \$6 (from \$7). Orion shares have risen 59% in the past 12 months, compared to a 49% rise in the Russell 2000 Index. Currently, shares of ORN trade at respective P/E and EV/EBITDA of 11.2 and 3.8 our 2022 estimates. Our revised \$6 price target is based on 15x our lowered 2022 EPS estimate of \$0.40, equating to 4.7x our 2022 EBITDA forecast of \$44 million. (Previously, we valued the stock at 11x our prior 2022 EPS estimate of \$0.61 to derive a \$7 price target). We adjust our multiple as we rethink valuation and credit the company for its much-improved financial profile, and potential asset sales in 2022.		
<b>Key Risks</b>	Project lumpiness	Downturn in nonresidential construction	Cost overruns on fixed-price construction projects

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