Orion Marine Group, Inc. Reports First Quarter 2011 Results, Board Approves Stock Repurchase Program

May 5, 2011

HOUSTON, May 5, 2011 (GlobeNewswire via COMTEX) --

Orion Marine Group, Inc. (NYSE:ORN) (the "Company"), a leading heavy civil marine contractor, today reported net income for the three months ended March 31, 2011, of $1.5 million ($0.06 diluted earnings per share). These results compare to net income of $4.8 million ($0.18 diluted earnings per share) for the same period a year ago.

"While revenues were at the high end of our goal range for the first quarter, we experienced additional pressure on margins primarily as a result of an increase in our estimate for self-insured claims and the strategic decision to continue on a job with increased costs associated with adverse site conditions," said Mike Pearson, Orion Marine Group's President and Chief Executive Officer. "As we said in December and in our full year earnings release in March, 2011 is a challenging year with federal government spending uncertainties and increased pricing pressure. Specifically during the first quarter however, margins were also impacted by higher than expected self-insured claims as a result of two non-fatal accidents on the job. While this can occur from time to time as part of our normal operations, we took the opportunity to heighten our safety awareness in an effort to maintain our overall high safety rating, as we strive to provide a safe work environment, a safe job performance, and maintain a high safety record to support our operations. Additionally, during the quarter we made the strategic decision to continue on a job where adverse site conditions increased our job costs but are not expected to be reimbursed by the customer. However, even with these increased costs, the job remains profitable. Also, this work is a precursor to many additional projects that should produce good future bid opportunities. Therefore, we felt it was important to continue on the project from a customer relations standpoint."

Financial highlights of the Company's first quarter 2011 include:

First Quarter 2011

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  --  First quarter 2011 contract revenues were $79.1 million, an increase of
      4.6%, as compared with first quarter of 2010 revenues of $75.6 million.
  --  Gross profit for the quarter was $10.4 million which represents a
      decrease of $5.2 million as compared with the first quarter of 2010.
      Gross profit margin for the quarter was 13.2%, which was lower than the
      prior year period of 20.6%. During the first quarter 2011 gross profit
      margin was impacted primarily by an increase in the Company's estimate
      for self-insured claims and the strategic decision to continue on a job
      with increased costs associated with adverse site conditions which are
      not expected to be reimbursed by the customer.
  --  Selling, General, and Administrative expenses for the first quarter 2011
      were $7.9 million as compared to $10.1 million in the prior year period.
      The prior year period included $1.7 million related to the acquisition
      of businesses. As the Company pointed out in December, it anticipated
      continued margin pressure in 2011. Therefore, the Company has taken
      initiatives to reduce Selling, General, and Administrative expenses.
      After removing the $1.7 million related to the acquisitions of
      businesses in the prior year period, Selling, General, and
      Administrative expenses for the first quarter 2011 were reduced 6%
      year-over-year as a result of management's cost savings initiatives. The
      Company is exploring additional cost reduction initiatives that should
      provide greater savings in future periods.
  --  The Company's first quarter 2011 EBITDA was $8.1 million, representing a
      10.2% EBITDA margin, which compares to first quarter 2010 EBITDA of
      $12.2 million, or a 16.2% EBITDA margin. During the first quarter 2011,
      EBITDA was impacted primarily by an increase in the Company's estimate
      for self-insured claims and the strategic decision to continue on a job
      with increased costs associated with adverse site conditions which are
      not expected to be reimbursed by the customer.
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Backlog of work under contract as of March 31, 2011 was $140.5 million, which compares with backlog under contract at March 31, 2010 of $255.0 million. Subsequent to the end of the quarter, the Company has been successful in continuing to obtain additional awards for new work. For example, the Company announced this morning it has been awarded a job related to port expansion and cruise pier construction in the Port of Canaveral of approximately $18 million.

The Company reminds investors that backlog can fluctuate from period to period due to the timing and execution of contracts. Given the typical duration of the Company's projects, which range from three to nine months, the Company's backlog at any point in time usually represents only a portion of the revenue it expects to realize during a twelve month period. Backlog consists of projects under contract that have either (a) not been started, or (b) are in progress and not yet complete, and the Company cannot guarantee that the revenue projected in its backlog will be realized, or, if realized will result in earnings.

Outlook

"As we look ahead, we remain excited about future bid prospects and the strength of our end markets," said Mr. Pearson. "Our goal is to double revenues again during the next five years while continuing to deliver solid bottom line results. We will accomplish this through growth opportunities, strategic acquisitions, and new services lines to complement our core capabilities. We feel there is plenty of market to support this growth and are optimistic about the road ahead.

"However, as we stated in December and on our 2010 Earnings Release in March, 2011 is a challenging year. As we noted in those releases, there were several uncertainties in the general economic and political environment that could impact 2011 results. We expected to see potential impacts from increased pricing pressure on larger jobs, general capital infrastructure improvement delays, reduced bridge work opportunities, and delays in port development. To date, we have seen increased pricing pressure and significant delays in capital infrastructure improvements. Specifically, pricing pressure has moved West and is beginning to make a greater impact than we previously expected on Gulf Coast construction bidding. We cannot ignore this pricing pressure so we are selectively lowering bid margins to secure work. However, as we have said many times, we will maintain pricing discipline and will not bid below our costs. We fully believe these pricing pressures are short-term in nature, but will impact full year 2011 results.

"Additionally, the Army Corps of Engineers has been much slower than we expected in letting work due to delays in Congress passing a 2011 budget until mid April. Now that the budget has passed, we expect to see a healthy amount of lettings from the Corps in the back half of the year. Still given the lack of project lettings to date this year and depending on the timing of upcoming lettings, we may be challenged to meet our full year goals. However, there is still a lot of year ahead of us and things can quickly turn positive. We will keep monitoring the situation."

Mr. Pearson continued, "On the positive side, we are beginning to see signs that the future should be improving. During the quarter we continued to see long-term growth opportunities and we remain optimistic about the bid opportunities beyond this year. We have continued to see bridge opportunities and we are pleased with the pace of those lettings. Additionally, private bid opportunities are picking up and we are winning port expansion projects. Also, coastal restoration and protection projects got a boost last month with a $1 billion infusion from BP for Louisiana, Mississippi, and Alabama. Finally, we are exploring avenues to extend our revenue into complementary business lines that will help reduce fluctuations in backlog, revenue, and cost."

Second Quarter Outlook

For the second quarter 2011, the Company expects the reduced Corps lettings year-to-date will pressure EBITDA margins and revenue.

Capital Deployment

"We remain an industry leader with a strong stable balance sheet," said Mark Stauffer, Orion Marine Group's Executive Vice President and Chief Financial Officer. "We believe there is a market to support our growth through geographic expansion, strategic acquisitions, and new service lines to complement our core capabilities. Our tracking database has continued to grow and we are currently tracking bid opportunities in excess of $5 billion over the next few years. Additionally, we continue to explore acquisition opportunities to further grow the business and increase shareholder value. However, we also realize that at times the best investment to make could be in ourselves. Therefore, our Board of Directors has approved a stock repurchase program to purchase up to $40 million of our common stock from time to time in the open market over the next 12 month period, so we can opportunistically return value to shareholders."

Stock Repurchase Program

The Company's Board of Directors has approved a Stock Repurchase Program which allows the Company to purchase up to $40 million worth of its own stock. The principal purposes for the repurchase are; for reissuance pursuant to employee benefit plans, for use in future acquisitions; and/or because the stock is undervalued and the repurchase will benefit the Company's remaining stockholders. Purchases may occur from time-to-time over the next 12-months in the open market and will be deposited in the Company's Treasury stock once repurchased. The Company will use available cash and/or funds available under its credit facility, subject to the terms and limitations of its credit facility, to make any repurchases.

Conference Call Details

Orion Marine Group will conduct a telephone briefing to discuss its results for the first quarter 2011 at 10:00 a.m. Eastern Time/9:00 a.m. Central Time on Thursday, May 5, 2011. To listen to a live broadcast of this briefing, visit the Investor Relations section of the Company's website at www.orionmarinegroup.com. To participate in the call, please call the Orion Marine Group First Quarter 2011 Earnings Conference Call at 800-638-4817; participant code 29175894.

A replay of this briefing will be available on the Web site within 24 hours and will be archived for at least two weeks.

About Orion Marine Group

Orion Marine Group, Inc. provides a broad range of marine construction and specialty services on, over and under the water along the Gulf Coast, the Atlantic Seaboard, the West Coast, Canada and the Caribbean Basin and acts as a single source turn-key solution for its customers' marine contracting needs. Its heavy civil marine construction services include marine transportation facility construction, marine pipeline construction, marine environmental structures, dredging, and specialty services. Its specialty services include salvage, demolition, diving, surveying, towing and underwater inspection, excavation and repair. The Company is headquartered in Houston, Texas and has an almost 100-year legacy of successful operations.

The Orion Marine Group, Inc. logo is available at http://www.globenewswire.com/newsroom/prs/?pkgid=4539

EBITDA and EBITDA Margin

This press release includes the financial measures "EBITDA" and "EBITDA margin". These measurements may be deemed "non-GAAP financial measures" under rules of the Securities and Exchange Commission, including Regulation G. The non-GAAP financial information may be determined or calculated differently by other companies. By reporting such non-GAAP financial information, the Company does not intend to give such information greater prominence than comparable and other GAAP financial information, which information is of equal or greater importance.

Orion Marine Group defines EBITDA as net income before net interest expense, income taxes, depreciation and amortization. EBITDA margin is calculated by dividing EBITDA for the period by contract revenues for the period. The GAAP financial measure that is most directly comparable to EBITDA margin is operating margin, which represents operating income divided by contract revenues. EBITDA and EBITDA margin are used internally to evaluate current operating expense, operating efficiency, and operating profitability on a variable cost basis, by excluding the depreciation and amortization expenses, primarily related to capital expenditures and acquisitions, and net interest and tax expenses. Additionally, EBITDA and EBITDA margin provide useful information regarding the Company's ability to meet future debt repayment requirements and working capital requirements while providing an overall evaluation of the Company's financial condition. In addition, EBITDA is used internally for incentive compensation purposes. The Company includes EBITDA and EBITDA margin to provide transparency to investors as they are commonly used by investors and others in assessing performance. EBITDA and EBITDA margin have certain limitations as analytical tools and should not be used as a substitute for operating margin, net income, cash flows, or other data prepared in accordance with generally accepted accounting principles in the United States, or as a measure of the Company's profitability or liquidity.

A reconciliation of the Company's future EBITDA margin to the corresponding GAAP measure is not available as these are estimated goals for the performance of the overall operations over the planning period. These estimated goals are based on assumptions that may be affected by actual outcomes, including but not limited to the factors noted in the "forward-looking statements" herein, in other releases, and in filings with the Securities and Exchange Commission.

Forward-Looking Statements

The matters discussed in this press release may constitute or include projections or other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, the provisions of which the Company is availing itself. Certain forward-looking statements can be identified by the use of forward-looking terminology, such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'seeks', 'approximately', 'intends', 'plans', 'estimates', or 'anticipates', or the negative thereof or other comparable terminology, or by discussions of strategy, plans, objectives, intentions, estimates, forecasts, assumptions, or goals. In particular, statements regarding future operations or results, including those set forth in this press release (including those under "Outlook" above), and any other statement, express or implied, concerning future operating results or the future generation of or ability to generate revenues, income, net income, profit, EBITDA, EBITDA margin, or cash flow, including to service debt, and including any estimates, forecasts or assumptions regarding future revenues or revenue growth, are forward-looking statements. Forward-looking statements also include estimated project start date, anticipated revenues, and contract options which may or may not be awarded in the future. Forward-looking statements involve risks, including those associated with the Company's fixed price contracts, unforeseen productivity delays that may alter the final profitability of the contract, cancellation of the contract by the customer for unforeseen reasons, delays or decreases in funding by the customer, and any potential contract options which may or may not be awarded in the future, and are the sole discretion of award by the customer. Past performance is not necessarily an indicator of future results. In light of these and other uncertainties, the inclusion of forward-looking statements in this press release should not be regarded as a representation by the Company that the Company's plans, estimates, forecasts, goals, intentions, or objectives will be achieved or realized. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company assumes no obligation to update information contained in this press release whether as a result of new developments or otherwise.

Please refer to the Company's Annual Report on Form 10-K, filed on March 8, 2011, which is available on its website at www.orionmarinegroup.com or at the SEC's website at www.sec.gov, for additional and more detailed discussion of risk factors that could cause actual results to differ materially from our current expectations, estimates or forecasts.

Orion Marine Group, Inc. and Subsidiaries
Consolidated Statements of Income
(In thousands, except share and per share information)

	Three Months Ended	
	March 31, 2011	March 31, 2010
	(Unaudited)	(Unaudited)
Contract revenues	$79,057	$75,556
Costs of contract revenues	68,635	59,960
Gross profit	10,422	15,596
Selling, general and administrative expenses	7,898	10,125
Operating income	2,524	5,471

Gain from bargain purchase	--	(2,176)
Interest income	(9)	(24)
Interest expense	85	69
Other (income) expense, net	76	(2,131)
Income before income taxes	2,448	7,602
Income tax expense	909	2,821
Net income	$1,539	$4,781
Basic earnings per share--Common	$0.06	$0.18
Diluted earnings per share--Common	$0.06	$0.18
Shares used to compute earnings per share:		
Basic--Common	27,004,933	26,862,933
Diluted--Common	27,180,094	27,217,659

Orion Marine Group, Inc. and Subsidiaries
EBITDA and EBITDA Margin Reconciliations
(In Thousands, except margin data)

	Three Months Ended	
	March 31, 2011	March 31, 2010
	(Unaudited)	(Unaudited)
Net income	$1,539	$4,781
Income tax expense	909	2,821
Interest (income) expense, net	76	45
Depreciation and amortization	5,531	4,570
EBITDA1	$8,055	$12,217
Operating Income Margin2	3.2%	10.1%
Impact of Depreciation and Amortization	7.0%	6.1%
EBITDA margin1	10.2%	16.2%

1 EBITDA is a non-GAAP measure that represents earnings before interest, taxes, depreciation and amortization. EBITDA margin is a non-GAAP measure calculated by dividing EBITDA by contract revenues.
2 Operating income margin is calculated by dividing operating income plus gain from bargain purchase of equipment by contract revenues.

Orion Marine Group, Inc. and

Subsidiaries
Supplementary Financial Information
(In Thousands)

	Balance as of March 31, 2011 (Unaudited)
Assets	
Current assets	
Cash and cash equivalents	$23,746
Accounts receivable	
Trade	36,857
Retainage	7,355
Other	2,519
Taxes receivable	7,270
Note receivable	90
Inventory	3,638
Deferred tax assets	2,199
Costs and estimated earnings in excess of billings on uncompleted contracts	28,466
Prepaid expenses and other	2,806
Total current assets	114,946
Property and equipment, net	153,749
Goodwill	32,168
Intangible assets, net of amortization	--
Other assets	317
Total assets	$301,180
Liabilities and Stockholders' Equity	
Current liabilities	
Current portion of long-term debt	$ --
Accounts payable	
Trade	12,894
Retainage	350
Accrued liabilities	13,030
Taxes payable	181
Billings in excess of costs and estimated earnings on uncompleted contracts	7,042
Total current liabilities	33,497
Long-term debt, less current portion	--
Other long-term liabilities	690

Deferred income taxes	17,718
Deferred revenue	245
Total liabilities	52,150
Stockholders' equity	
Common stock	270
Treasury stock	--
Additional paid in capital	155,302
Retained earnings	93,458
Total stockholders' equity	249,030
Total liabilities and stockholders' equity	$301,180

	Three Months Ended March 31, 2011 (Unaudited)
Net cash flow from operating activities	$5,542
Capital Expenditures	$5,284

SOURCE: Orion Marine Group, Inc.

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