PERINI CORP
Form 424B3
August 27, 2004
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Registration No. 333-117344

PROSPECTUS SUPPLEMENT

(To Prospectus dated July 21, 2004)

11,404,409 Shares

Common Stock

This prospectus supplement together with the accompanying prospectus relates to the offer and sale by the selling stockholders identified in the accompanying prospectus of 11,404,409 shares of common stock of Perini Corporation. This document is in two parts. This first part is this prospectus supplement, which includes certain financial information contained in our report on Form 10-Q for the quarter ended June 30, 2004, filed with the Securities and Exchange Commission on August 6, 2004. This prospectus supplement adds to and updates the information contained in the accompanying prospectus. The accompanying prospectus comprises the second part of this document and contains detailed information about our company and its business, financial condition and management, as well as the specific terms of this offering and information about the selling stockholders. It is important for you to read and carefully consider all information contained in this prospectus supplement and the accompanying prospectus.

Our common stock is quoted on the New York Stock Exchange under the symbol PCR. On August 25, 2004, the last reported sale price of our common stock on the New York Stock Exchange was $14.00 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-2 of this prospectus supplement and page 5 of the accompanying prospectus before deciding to invest in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is August 27, 2004.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may be used only where it is legal to sell these securities. The information in this document may be accurate only on the date of this document.

No dealer, sales representative or other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this prospectus supplement and the accompanying prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by us or any other person.

This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock to which it relates or an offer to, or a solicitation of, any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this prospectus supplement and accompanying prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs or that information contained in this prospectus supplement and the accompanying prospectus is correct as of any time subsequent to the date stated or the date hereof.

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RISK FACTORS

The following risk factors add to and update the risk factors listed on page 5 of the accompanying prospectus. You should carefully consider the risks contained in this prospectus supplement and the accompanying prospectus and all other information contained in this prospectus supplement and the accompanying prospectus before purchasing our common stock. If any such risks occur, our business, prospects, reputation, results of operations or financial condition could be harmed. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment. This prospectus supplement and the accompanying prospectus also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks described below and in the accompanying prospectus.

Economic, political and other risks associated with our international operations involve risks not faced by our domestic competitors, which could adversely affect our revenue and earnings.

Approximately 22% of our revenues for the six months ended June 30, 2004 were derived from our work on projects located outside of the United States. We expect non-U.S. projects to continue to contribute significantly to our revenue and earnings for the foreseeable future. Our international operations expose us to risks inherent in doing business outside the United States, including:

- political risks, including risks of loss due to civil disturbances, acts of terrorism, acts of war, guerilla activities and insurrection;
- unstable economic, financial and market conditions;
- potential incompatibility with foreign joint venture partners;
- foreign currency controls and fluctuations;
- trade restrictions;
- increases in taxes; and
- changes in labor conditions, labor strikes and difficulties in staffing and managing international operations.

Any of these factors could harm our international operations and, consequently, our business and consolidated operating results. In addition, failure to successfully manage international growth could result in higher operating costs than anticipated or could delay or preclude altogether our ability to generate revenues in key international markets.

If we are unable to accurately estimate the overall risks, revenues or costs on a contract, we may achieve a lower than anticipated profit or incur a loss on the contract.

We generally enter into four principal types of contracts with our clients: fixed price contracts, cost plus fee contracts, guaranteed maximum price contracts, and, to a lesser extent, construction management, or design-build, contracts. A significant portion of our revenues and backlog are derived from fixed price contracts. For example, approximately 17% of our revenues for the six months ended June 30, 2004 were derived from fixed price contracts. Fixed price contracts require us to perform the contract for a fixed price irrespective of our actual costs. As a result, we realize a profit on these contracts only if we successfully control our costs and avoid cost overruns. Cost plus fee contracts provide for reimbursement of the costs required to complete a project, but generally have a lower base fee and an incentive fee based on cost and/or schedule performance. If our costs exceed the revenues available under such a contract or are not allowable under the provisions of the contract, we may not receive reimbursement for these costs. Guaranteed maximum price contracts provide for a cost plus fee arrangement up to a maximum agreed-upon price. These contracts also place the risk on us for cost overruns that

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exceed the guaranteed maximum price. Construction management and design-build contracts are those under which we agree to manage a project for the client for an agreed-upon fee, which may be fixed or may vary based upon negotiated factors. Profitability on these types of contracts is driven by changes in the scope of work or design issues, which could cause cost overruns beyond our control and limit profits on these contracts.

Cost overruns, whether due to inefficiency, faulty estimates or other factors, result in lower profit or a loss on a project. A significant number of our contracts are based in part on cost estimates that are subject to a number of assumptions. If our estimates of the overall risks, revenues or costs prove inaccurate or circumstances change, then we may incur a lower profit or a loss on the contract.

We are subject to restrictive covenants under our credit facility that could limit our flexibility in managing the business.

Our credit facility imposes operating and financial restrictions on us. These restrictions include, among other things, limitations on our ability to:

- create liens or other encumbrances;
- enter into certain types of transactions with our affiliates;
- make certain capital expenditures;
- make investments, loans or other guarantees;
- sell or otherwise dispose of a portion of our assets; or
- merge or consolidate with another entity.

In addition, our credit facility prohibits us from incurring any debt, other than debt incurred for financing our corporate headquarters, insurance premiums and construction equipment, from other sources without the consent of our lenders. The amount available to us under our credit facility at June 30, 2004 was $47.2 million.

Our credit facility contains financial covenants that require us to maintain minimum working capital, tangible net worth and operating profit levels. Our credit facility also requires us to comply with a minimum interest coverage ratio. Our ability to borrow funds for any purpose will depend on our satisfying these tests. If we are unable to meet the terms of the financial covenants or fail to comply with any of the other restrictions contained in our credit facility, an event of default could occur. An event of default, if not waived by our lenders, could result in the acceleration of any outstanding indebtedness, causing such debt to become immediately due and payable. If such an acceleration occurs, we may not be able to repay such indebtedness on a timely basis. Because our credit facility is secured by substantially all of our assets, acceleration of indebtedness under our credit facility could result in foreclosure of those assets. In the event of a foreclosure, we would be unable to conduct our business and may be forced to discontinue ongoing operations.

We may not be able to fully realize the revenue value reported in our backlog.

As of June 30, 2004, our backlog was approximately $1.289 billion. We include a construction project in our backlog at such time as a contract is awarded or a firm letter of commitment is obtained and funding is in place. The revenue projected in our backlog may not be realized or, if realized, may not result in profits. For example, if a project reflected in our backlog is terminated, suspended or reduced in scope, it would result in a reduction to our backlog which would reduce, potentially to a material extent, the revenue and profit we actually receive from contracts in backlog. If a client cancels a project, we may be reimbursed for certain costs but typically have no contractual right to the total revenues reflected in our backlog. Significant cancellations or delays of projects in our backlog could have a material adverse effect on our revenues and profits.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this prospectus supplement and the accompanying prospectus, including under the sections titled Management s Discussion and Analysis of Financial Condition and Results of Operations, that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including without limitation, statements regarding us or our management s expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the headings Risk Factors in this prospectus supplement and in the accompanying prospectus. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as may be required under applicable securities laws.

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PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

JUNE 30, 2004 (UNAUDITED) AND DECEMBER 31, 2003

(In Thousands)

	JUNE 30, 2004 (unaudited)	DEC. 31, 2003
ASSETS		
Cash and Cash Equivalents (Note 4)	$ 89,327	$ 67,823
Accounts Receivable, including retainage	382,933	328,025
Unbilled Work	104,677	116,572
Deferred Tax Asset	10,685	10,844
Other Current Assets	3,703	2,479
Total Current Assets	$ 591,325	$ 525,743
Property and Equipment, less Accumulated Depreciation of $20,532 in 2004 and $22,125 in 2003	$ 17,847	$ 16,598
Goodwill	$ 12,678	$ 14,007
Other Assets	$ 10,987	$ 9,095
	$ 632,837	$ 565,443
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Maturities of Long-term Debt (Note 6)	$ 2,015	$ 490
Accounts Payable, including retainage	361,845	318,448
Deferred Contract Revenue	50,780	48,431
Accrued Expenses	24,694	32,977
Total Current Liabilities	$ 439,334	$ 400,346
Long-term Debt, less current maturities included above (Note 6)	$ 9,003	$ 8,522
Other Long-term Liabilities (Note 9)	$ 38,090	$ 36,015
Contingencies and Commitments (Note 5)		
Stockholders Equity:		
Preferred Stock	$ 56	$ 56
Series A Junior Participating Preferred Stock		
Stock Purchase Warrants	1,965	2,233
Common Stock	23,270	22,946
Paid-In Surplus	94,156	90,296
Retained Earnings	52,810	30,007
Less Treasury Stock	(965)	(965)

	$ 171,292	$ 144,573
Accumulated Other Comprehensive Loss	(24,882)	(24,013)
Total Stockholders Equity	$ 146,410	$ 120,560
	$ 632,837	$ 565,443

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

PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)

(In Thousands, Except Share and Per Share Data)

	THREE MONTHS ENDED JUNE 30, 2004	THREE MONTHS ENDED JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2004	SIX MONTHS ENDED JUNE 30, 2003
Revenues (Note 10)	$ 495,808	$ 286,336	$ 976,112	$ 577,596
Cost of Operations	472,077	271,966	928,853	549,523
Gross Profit	$ 23,731	$ 14,370	$ 47,259	$ 28,073
General and Administrative Expenses	9,065	9,864	18,808	18,672
INCOME FROM CONSTRUCTION OPERATIONS (Note 10)	**$ 14,666**	**$ 4,506**	**$ 28,451**	**$ 9,401**
Other Expense, Net	(1,407)	(108)	(3,251)	(282)
Interest Expense	(117)	(255)	(308)	(457)
Income before Income Taxes	$ 13,142	$ 4,143	$ 24,892	$ 8,662
(Provision) Credit for Income Taxes (Note 7)	(966)	(525)	(1,495)	6,375
NET INCOME	**$ 12,176**	**$ 3,618**	**$ 23,397**	**$ 15,037**
Less: Accrued Dividends on $21.25 Preferred Stock (Note 9)	(297)	(517)	(594)	(1,048)
Plus: Reversal of Accrued Dividends on $21.25 Preferred Stock based on results of June 2003 tender offer (Note 9)		6,658		6,658
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	$ 11,879	$ 9,759	$ 22,803	$ 20,647
BASIC EARNINGS PER COMMON SHARE (Note 8)	$ 0.51	$ 0.43	$ 0.99	$ 0.91
DILUTED EARNINGS PER COMMON SHARE (Note 8)	$ 0.48	$ 0.41	$ 0.91	$ 0.89
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (Note 8):				
BASIC	23,202,323	22,707,487	23,108,128	22,685,931
DILUTED	24,968,477	23,530,252	24,930,902	23,104,336

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

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PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(In Thousands)

	SIX MONTHS ENDED JUNE 30,	
	2004	**2003**
Cash Flows from Operating Activities:		
Net income	$ 23,397	$ 15,037
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	2,838	1,667
Cash used by changes in components of working capital other than cash, current maturities of long-term debt and deferred tax asset	(5,652)	(4,656)
Net deferred tax asset	238	(7,000)
Other long-term liabilities	79	(123)
Other non-cash items, net	(615)	(34)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	$ 20,285	$ 4,891
Cash Flows from Investing Activities:		
Acquisition of James A. Cummings, Inc., net of cash balance acquired	$	$ (8,613)
Acquisition of property and equipment	(2,792)	(3,508)
Proceeds from sale of property and equipment	858	178
Proceeds from land held for sale, net	423	778
Proceeds from sale of marketable securities		380
Proceeds from other investing activities	108	80