DYCOM INDUSTRIES INC
Form 10-Q
May 28, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended April 27, 2013
¨	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 001-10613
DYCOM INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Florida	59-1277135
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11770 US Highway 1, Suite 101, Palm Beach Gardens, Florida	33408
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (561) 627-7171

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 x 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 x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

There were 33,064,091 shares of common stock with a par value of $0.33 1/3 outstanding at May 22, 2013.

DYCOM INDUSTRIES, INC.
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	April 27, 2013	July 28, 2012
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$18,247	$52,581
Accounts receivable, net	234,037	141,788
Costs and estimated earnings in excess of billings	183,920	127,321
Inventories	35,047	26,274
Deferred tax assets, net	16,622	15,633
Income taxes receivable	907	4,884
Other current assets	13,014	8,466
Total current assets	501,794	376,947
PROPERTY AND EQUIPMENT, NET	189,145	158,247
GOODWILL	260,708	174,849
INTANGIBLE ASSETS, NET	127,252	49,773
OTHER	18,294	12,377
TOTAL NON-CURRENT ASSETS	595,399	395,246
TOTAL ASSETS	$1,097,193	$772,193
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$64,509	$36,823
Current portion of debt	7,031	74
Billings in excess of costs and estimated earnings	12,370	1,522
Accrued insurance claims	28,229	25,218
Other accrued liabilities	64,908	50,926
Total current liabilities	177,047	114,563
LONG-TERM DEBT (including debt premium of $3.7 million at April 27, 2013)	433,601	187,500
ACCRUED INSURANCE CLAIMS	26,394	23,591
DEFERRED TAX LIABILITIES, NET NON-CURRENT	46,691	49,537
OTHER LIABILITIES	4,637	4,071
Total liabilities	688,370	379,262
COMMITMENTS AND CONTINGENCIES, Notes 10, 11, and 16		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $1.00 per share: 1,000,000 shares authorized: no shares issued and outstanding	—	—

Common stock, par value $0.33 1/3 per share: 150,000,000 shares authorized: 33,060,853 and 33,587,744 issued and outstanding, respectively	11,020	11,196
Additional paid-in capital	110,373	114,820
Accumulated other comprehensive income	130	138
Retained earnings	287,300	266,777
Total stockholders' equity	408,823	392,931
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,097,193	$772,193

See notes to the condensed consolidated financial statements.

3

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended	
	April 27, 2013	April 28, 2012
	(Dollars in thousands, except per share amounts)	
REVENUES:		
Contract revenues	$437,367	$296,103
EXPENSES:		
Costs of earned revenues, excluding depreciation and amortization	357,664	241,386
General and administrative (including stock-based compensation expense of $2.5 million and $1.9 million, respectively)	38,205	26,956
Depreciation and amortization	24,531	15,561
Total	420,400	283,903
Interest expense, net	(6,637)	(4,178)
Other income, net	1,477	7,627
INCOME BEFORE INCOME TAXES	11,807	15,649
PROVISION (BENEFIT) FOR INCOME TAXES:		
Current	7,246	5,172
Deferred	(2,638)	832
Total	4,608	6,004
NET INCOME	$7,199	$9,645
EARNINGS PER COMMON SHARE:		
Basic earnings per common share	$0.22	$0.29
Diluted earnings per common share	$0.21	$0.28
SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE:		
Basic	33,033,740	33,741,255
Diluted	33,842,150	34,682,891

See notes to the condensed consolidated financial statements.

4

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Nine Months Ended	
	April 27, 2013	April 28, 2012
	(Dollars in thousands, except per share amounts)	
REVENUES:		
Contract revenues	$1,129,980	$883,085
EXPENSES:		
Costs of earned revenues, excluding depreciation and amortization	916,247	716,812
General and administrative (including stock-based compensation expense of $7.3 million and $4.9 million, respectively)	105,857	76,589
Depreciation and amortization	60,660	47,047
Total	1,082,764	840,448
Interest expense, net	(16,582)	(12,528)
Other income, net	3,519	12,943
INCOME BEFORE INCOME TAXES	34,153	43,052
PROVISION (BENEFIT) FOR INCOME TAXES:		
Current	17,589	12,626
Deferred	(3,958)	4,330
Total	13,631	16,956
NET INCOME	$20,522	$26,096
EARNINGS PER COMMON SHARE:		
Basic earnings per common share	$0.62	$0.78
Diluted earnings per common share	$0.61	$0.76
SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE:		
Basic	32,968,897	33,669,974
Diluted	33,684,974	34,516,902

See notes to the condensed consolidated financial statements.

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
	(Dollars in thousands)			
NET INCOME	$7,199	$9,645	$20,522	$26,096
Foreign currency translation gains (losses)	(21)	90	(8)	(54)
COMPREHENSIVE INCOME	$7,178	$9,735	$20,514	$26,042

See notes to the condensed consolidated financial statements.

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended	
	April 27, 2013	April 28, 2012
	(Dollars in thousands)	
OPERATING ACTIVITIES:		
Net income	$20,522	$26,096
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	60,660	47,047
Bad debt expense, net	51	180
Gain on sale of fixed assets	(3,867)	(12,578)
Deferred income tax provision (benefit)	(3,958)	4,330
Stock-based compensation	7,275	4,901
Write-off of deferred financing costs	321	—
Amortization of premium on long-term debt	(131)	—
Amortization of debt issuance costs and other	1,192	971
Excess tax benefit from share-based awards	(758)	(1,361)
Change in operating assets and liabilities:		
Accounts receivable, net	20,885	16,734
Costs and estimated earnings in excess of billings, net	4,880	(14,789)
Other current assets and inventory	(2,490)	(12,427)
Other assets	43	(146)
Income taxes receivable/payable	5,420	9,383
Accounts payable	(11,572)	1,903
Accrued liabilities, insurance claims, and other liabilities	(7,146)	(1,791)
Net cash provided by operating activities	91,327	68,453
INVESTING ACTIVITIES:		
Cash paid for acquisition, net of cash acquired	(318,984)	—
Capital expenditures	(45,743)	(62,790)
Proceeds from sale of assets	4,467	20,528
Changes in restricted cash	(31)	550
Net cash used in investing activities	(360,291)	(41,712)
FINANCING ACTIVITIES:		
Proceeds from issuance of 7.125% senior subordinated notes due 2021 (including $3.8 million premium on issuance)	93,825	—
Proceeds from Term Loan on Senior Credit Agreement	125,000	—
Proceeds from borrowings on Senior Credit Agreement	310,500	—
Principal payments on Senior Credit Agreement	(276,063)	—
Debt issuance costs	(6,739)	—
Repurchases of common stock	(15,203)	(10,942)
Exercise of stock options and other	3,511	5,299
Restricted stock tax withholdings	(885)	(329)
Excess tax benefit from share-based awards	758	1,361
Principal payments on capital lease obligations	(74)	(186)

Net cash provided by (used in) financing activities	234,630	(4,797)
Net (decrease) increase in cash and equivalents	(34,334)	21,944
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	52,581	44,766
CASH AND EQUIVALENTS AT END OF PERIOD	$18,247	$66,710

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
continued

SUPPLEMENTAL DISCLOSURE OF OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cash paid during the period for:		
Interest	$10,122	$8,220
Income taxes	$12,149	$2,697
Purchases of capital assets included in accounts payable or other accrued liabilities at period end	$2,626	$1,683

See notes to the condensed consolidated financial statements.

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

Basis of Presentation - Dycom Industries, Inc. ("Dycom" or the "Company") is a leading provider of specialty contracting services. These services, which are provided throughout the United States and in Canada, include engineering, construction, maintenance and installation services to telecommunications providers, underground facility locating services to various utilities, including telecommunications providers, and other construction and maintenance services to electric and gas utilities and others.

The condensed consolidated financial statements include the results of Dycom and its subsidiaries, all of which are wholly-owned. All intercompany accounts and transactions have been eliminated and the financial statements reflect all adjustments, consisting of only normal recurring accruals that are, in the opinion of management, necessary for a fair presentation of such statements. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission ("SEC"). The results of operations for the three and nine months ended April 27, 2013 are not necessarily indicative of the results that may be expected for any other interim period or for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements for the entire year ended July 28, 2012 included in the Company's 2012 Annual Report on Form 10-K, filed with the SEC on September 4, 2012.

On December 3, 2012, the Company acquired substantially all of the telecommunications infrastructure service subsidiaries of Quanta Services, Inc. The results of operations of the businesses acquired are included in the accompanying condensed consolidated financial statements from their acquisition date.

Accounting Period - The Company uses a fiscal year ending on the last Saturday in July.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. For the Company, key estimates include: recognition of revenue for costs and estimated earnings in excess of billings, the fair value of reporting units for goodwill impairment analysis, the assessment of impairment of intangibles and other long-lived assets, preliminary purchase price allocations of businesses acquired in fiscal 2013, income taxes, accrued insurance claims, asset lives used in computing depreciation and amortization, allowance for doubtful accounts, stock-based compensation expense for performance-based stock awards, and accruals for contingencies, including legal matters. At the time they are made, the Company believes that such estimates are fair when considered in conjunction with the consolidated financial position and results of operations taken as a whole. However, actual results could differ from those estimates and such differences may be material to the financial statements.

Restricted Cash – As of April 27, 2013 and July 28, 2012, the Company had approximately $3.8 million and $3.7 million, respectively, in restricted cash which is held as collateral in support of the Company's insurance obligations. Restricted cash is included in other current assets and other assets in the condensed consolidated balance sheets and changes in restricted cash are reported in cash flows used in investing activities in the condensed consolidated statements of cash flows.

Fair Value of Financial Instruments - Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures ("ASC Topic 820") defines and establishes a measurement framework for fair value and expands disclosure requirements. ASC Topic 820 requires that assets and liabilities carried at fair value are classified and disclosed in one of the following three categories: (1) Level 1 - Quoted market prices in active markets for identical assets or liabilities; (2) Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data; and (3) Level 3 - Unobservable inputs not corroborated by market data which require the reporting entity's own assumptions. The Company's financial instruments consist primarily of cash and equivalents, restricted cash, accounts and other receivables, income taxes receivable and payable, accounts payable and certain accrued expenses, and long-term debt. The carrying amounts of these items approximate fair value due to their short maturity, except for the Company's outstanding 7.125% senior subordinated notes due 2021 (the "2021 Notes") which are categorized as Level 2 as of April 27, 2013 and July 28, 2012, based on observable market-based inputs. See Note 10, Debt, for further information regarding the fair value of the 2021 Notes. The Company's cash and equivalents are categorized as Level 1 as of April 27, 2013 and July 28, 2012, based on quoted market prices in active markets for identical assets. During the three and nine months ended April 27, 2013 and April 28, 2012, the Company had no non-recurring fair value measurements of assets or liabilities subsequent to their initial recognition.

Table of Contents

Segment Information - The Company operates in one reportable segment as a specialty contractor, providing engineering, construction, maintenance and installation services to telecommunications providers, underground facility locating services to various utilities including telecommunications providers, and other construction and maintenance services to electric and gas utilities and others. All of the Company's operating segments have been aggregated into one reporting segment due to their similar economic characteristics, nature of services and production processes, type of customers, and service distribution methods. The Company's services are provided by its various subsidiaries throughout the United States and in Canada. Revenues from services provided in Canada were approximately $3.3 million and $9.7 million during the three and nine months ended April 27, 2013, respectively, and $2.5 million and $8.8 million during the three and nine months ended April 28, 2012, respectively. The Company had no material long-lived assets in the Canadian operations at April 27, 2013 or July 28, 2012.

Recently Issued Accounting Pronouncements

Adoption of New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income ("ASU 2011-05"). ASU 2011-05 requires the total of comprehensive income, the components of net income, and the components of other comprehensive income to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 also requires entities to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income. The Company adopted ASU 2011-05 in fiscal 2013.

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, Comprehensive Income (Topic 220) ("ASU 2013-02"), which does not change the requirements for reporting net income or other comprehensive income in financial statements under ASU 2011-05; however, the amendments require entities to report either on the income statement or in a footnote to the financial statements, the effects on earnings from items that are classified out of accumulated other comprehensive income. The adoption of this guidance did not have a material effect on the Company's condensed consolidated financial statements.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment ("ASU 2011-08"). ASU 2011-08 permits entities testing for goodwill impairment to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. ASU 2011-08 does not change how goodwill is determined or assigned to reporting units, nor does it revise the requirement to assess goodwill at least annually for impairment. ASU 2011-08 is effective for goodwill impairment tests performed in interim and annual periods for fiscal years beginning after December 15, 2011. The adoption of this guidance did not have a material effect on the Company's condensed consolidated financial statements.

Accounting Standards Not Yet Adopted

In July 2012, FASB issued Accounting Standards Update No. 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment ("ASU 2012-02"). ASU 2012-02 amends Topic 350 by establishing an optional two-step analysis for impairment testing of indefinite-lived intangibles other than goodwill. This update allows an entity the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. Under that option, an entity no longer would be required to calculate the fair value of the intangible asset unless the entity determines, based on that qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company's condensed consolidated financial statements.

Table of Contents

2. Computation of Earnings Per Common Share

The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per common share computation as required by ASC Topic 260, Earnings Per Share.

	For the Three Months Ended		For the Nine Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
	(Dollars in thousands, except per share amounts)			
Net income available to common stockholders (numerator)	$7,199	$9,645	$20,522	$26,096
Weighted-average number of common shares (denominator)	33,033,740	33,741,255	32,968,897	33,669,974
Basic earnings per common share	$0.22	$0.29	$0.62	$0.78
Weighted-average number of common shares	33,033,740	33,741,255	32,968,897	33,669,974
Potential common stock arising from stock options, and unvested restricted share units	808,410	941,636	716,077	846,928
Total shares-diluted (denominator)	33,842,150	34,682,891	33,684,974	34,516,902
Diluted earnings per common share	$0.21	$0.28	$0.61	$0.76
Anti-dilutive weighted shares excluded from the calculation of earnings per share	1,309,752	1,166,613	1,338,523	1,245,950

3. Acquisitions

On December 3, 2012, Dycom acquired substantially all of the telecommunications infrastructure services subsidiaries (the "Acquired Subsidiaries") of Quanta Services, Inc. for $275.0 million in cash plus an adjustment of approximately $40.4 million for working capital received in excess of a target amount and approximately $3.7 million for other specified items. As of April 27, 2013, the Company had paid the full purchase price of $319.0 million, net of cash acquired, with the final payment of $4.2 million made during the third quarter of fiscal 2013. The acquisition was funded through a combination of borrowings under a new $400 million credit facility and cash on hand. On December 12, 2012, Dycom's wholly-owned subsidiary, Dycom Investments, Inc., issued $90.0 million of 7.125% senior subordinated notes due 2021 and used the net proceeds to repay credit facility borrowings. See Note 10, Debt, for further information regarding the Company's debt financing.

The Company recognized approximately $6.5 million of acquisition costs during the nine months ended April 27, 2013, which are included within general and administrative expenses in the Company's condensed consolidated statements of operations. Additionally, the Company incurred approximately $1.4 million and $2.3 million in integration costs during the three and nine months ended April 27, 2013, which are also included within general and administrative expenses.

The Acquired Subsidiaries provide specialty contracting services, including engineering, construction, maintenance and installation services to telecommunications providers, and other construction and maintenance services to electric and gas utilities and others. Principal business facilities are located in Arizona, California, Florida, Georgia, Minnesota, New York, Pennsylvania, and Washington. On a combined basis, the businesses operate in 49 states serving over 300 individual customers. The Company believes that the acquisition strengthens its customer base, geographic scope and technical services offerings. In addition, it reinforces the Company's rural engineering and construction capabilities, wireless construction resources, and broadband construction competencies. The Company expects the acquisition to enhance the efficiency of the Company's operating scale.

Based on the acquisition method of accounting, the purchase price has been allocated by the Company to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values on the acquisition date. Purchase price in excess of fair value of the net tangible and identifiable intangible assets acquired has been allocated to goodwill. The purchase price allocation is based on information regarding the fair value of assets acquired and liabilities

Table of Contents

assumed as of the date of acquisition and is preliminary. Management has determined the fair values used in the purchase price allocation for intangible assets with the assistance of an independent valuation specialist based on historical data, estimated discounted future cash flows, contract backlog amounts and expected royalty rates for trademarks and trade names among other information. The valuation of assets acquired and liabilities assumed requires a number of judgments and is subject to revision as additional information about the fair value of assets and liabilities becomes available. Additional information, which existed as of the acquisition date but at that time was unknown to the Company, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Adjustments in the purchase price allocation may require a recasting of the amounts allocated to goodwill and intangible assets. The allocation of the purchase price is expected to be completed during the fourth quarter of fiscal 2013 when the valuations for intangible assets, property and equipment and other amounts are finalized.

The purchase price of the Acquired Subsidiaries is allocated on a preliminary basis as follows and reflects the elimination of intercompany balances (dollars in millions):

Assets	
Cash and equivalents	$0.2
Accounts receivable, net	113.2
Costs and estimated earnings in excess of billings	60.9
Inventories	9.0
Other current assets	1.7
Property and equipment	32.6
Goodwill	85.9
Intangibles - customer relationships	71.5
Intangibles - backlog	14.4
Intangibles - trade names	5.2
Other assets	2.4
Total assets	397.0
Liabilities	
Accounts payable	41.4
Billings in excess of costs and estimated earnings	10.3
Accrued and other liabilities	26.2
Total liabilities	77.9
Net Assets Acquired	$319.1

Goodwill of $85.9 million and amortizing intangible assets of $91.1 million related to the acquisition is expected to be deductible for tax purposes. See Note 7, Goodwill and Intangible Assets, for further information on amortization and estimated useful lives of intangible assets acquired. During the three months ended April 27, 2013, the Company made certain purchase accounting adjustments which decreased goodwill approximately $2.3 million. The decrease was primarily related to the fair values assigned to property and equipment and other assets, including vehicles leases, of $2.5 million. The remaining $0.2 million net change was based on information obtained about facts and circumstances that existed as of the acquisition date, including the final working capital adjustment.

The results of operations of the Acquired Subsidiaries have been included in the condensed consolidated statements of operations since the date of acquisition. For the three months ended April 27, 2013 and the year to date period since acquisition, the Acquired Subsidiaries earned revenues of $122.9 million and $198.8 million, respectively, incurred intangible amortization expense of $5.5 million and $8.8 million, respectively, and their net income since the date of acquisition was immaterial.

Table of Contents

The following unaudited pro forma information presents the Company's condensed consolidated results of operations as if the acquisition had occurred on July 31, 2011, the first day of the Company's 2012 fiscal year. The pro forma results include certain adjustments, including depreciation and amortization expense based on the estimated fair value of the assets acquired, interest and debt amortization expense related to the Company's debt financing of the transaction, elimination of expenses charged by the Seller to the businesses which will not continue after the acquisition date, and the income tax impact of these adjustments. Pro forma earnings for the nine months ended April 28, 2012 were adjusted to include $6.5 million of acquisition related costs as the pro forma information presents the condensed consolidated results of operations as if the acquisition had occurred on July 31, 2011. Accordingly, the pro forma earnings for the nine months ended April 27, 2013 were adjusted to exclude these acquisition related costs. Additionally, pro forma earnings in the three and nine months ended April 27, 2013 and April 28, 2012 have been adjusted to reflect the impact of amortization and depreciation as if the acquisition had occurred on July 31, 2011. This includes the impact of amortization expense, including customer relationships and contract backlog which is being recognized on an accelerated basis related to the expected economic benefit, and depreciation expense which is recognized over the estimated useful lives of the related property and equipment. The unaudited pro forma information is not necessarily indicative of the results of operations of the combined companies had the acquisition occurred at the beginning of the periods presented nor is it indicative of future results.

	For the Three Months Ended		For the Nine Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
	(Dollars in thousands, except per share amounts)			
Pro forma contract revenues	$437,367	$407,607	$1,358,621	$1,264,751
Pro forma income before income taxes	$16,762	$5,872	$62,988	$19,974
Pro forma net income	$10,220	$3,619	$37,856	$12,104
Pro forma earnings per share:				
Basic	$0.31	$0.11	$1.15	$0.36
Diluted	$0.30	$0.10	$1.12	$0.35

4. Accounts Receivable

Accounts receivable consists of the following:

	April 27, 2013	July 28, 2012
	(Dollars in thousands)	
Contract billings	$222,148	$136,610
Retainage and other receivables	12,082	5,448
Total	234,230	142,058
Less: allowance for doubtful accounts	(193)	(270)
Accounts receivable, net	$234,037	$141,788

As of April 27, 2013, the Company expected to collect all retainage balances within the next twelve months.

The allowance for doubtful accounts changed as follows:

	For the Three Months Ended		For the Nine Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
	(Dollars in thousands)			
	$279	$409	$270	$368

Allowance for doubtful accounts at beginning of period				
Bad debt expense, net	20	112	51	180
Amounts charged against the allowance	(106)	(252)	(128)	(279)
Allowance for doubtful accounts at end of period	$193	$269	$193	$269

13

Table of Contents

5. Costs and Estimated Earnings in Excess of Billings

Costs and estimated earnings in excess of billings, net, consists of the following:

	April 27, 2013	July 28, 2012
	(Dollars in thousands)	
Costs incurred on contracts in progress	$174,089	$100,766
Estimated to date earnings	40,644	26,555
Total costs and estimated earnings	214,733	127,321
Less: billings to date	(43,183)	(1,522)
	$171,550	$125,799
Included in the accompanying condensed consolidated balance sheets under the captions:		
Costs and estimated earnings in excess of billings	$183,920	$127,321
Billings in excess of costs and estimated earnings	(12,370)	(1,522)
	$171,550	$125,799

The above amounts include revenue for services from contracts based both on the units-of-delivery and the cost-to-cost measures of the percentage of completion method. Additionally, the amounts above include balances acquired on December 3, 2012 related to the Acquired Subsidiaries.

6. Property and Equipment

Property and equipment consists of the following:

	April 27, 2013	July 28, 2012
	(Dollars in thousands)	
Land	$3,479	$2,915
Buildings	11,411	10,630
Leasehold improvements	5,085	4,674
Vehicles	243,650	220,669
Computer hardware and software	63,740	57,965
Office furniture and equipment	8,087	5,552
Equipment and machinery	161,950	133,467
Total	497,402	435,872
Less: accumulated depreciation	(308,257)	(277,625)
Property and equipment, net	$189,145	$158,247

Depreciation expense and repairs and maintenance were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
	(Dollars in thousands)			
Depreciation expense	$17,477	$13,953	$47,065	$42,132
Repairs and maintenance expense	$5,616	$3,699	$13,804	$11,936

Table of Contents

7. Goodwill and Intangible Assets

Goodwill

The Company's goodwill balance was $260.7 million and $174.8 million as of April 27, 2013 and July 28, 2012, respectively. Changes in the carrying amount of goodwill for fiscal 2013 are as follows:

		Nine Months Ended April 27, 2013		
	As of July 28, 2012	Impairment Losses	Acquisitions	As of April 27, 2013
	(Dollars in thousands)			
Goodwill	$370,616	$—	$85,859	$456,475
Accumulated impairment losses	(195,767)	—	—	(195,767)
	$174,849	$—	$85,859	$260,708

The carrying value of goodwill increased as a result of the December 3, 2012 acquisition of substantially all of the telecommunications infrastructure service subsidiaries of Quanta Services, Inc. The Company's goodwill resides in multiple reporting units. The reporting units and related indefinite-lived intangible assets are tested annually during the fourth fiscal quarter of each year in accordance with ASC Topic 350, Intangibles - Goodwill and Other, in order to determine whether their carrying value exceeds their fair value. The inputs used for fair value measurements of the reporting units and related indefinite-lived intangible assets are the lowest level (Level 3) inputs.

The profitability of individual reporting units may periodically suffer from downturns in customer demand and other factors resulting from the cyclical nature of the Company's business, the high level of competition existing within the Company's industry, the concentration of the Company's revenues from a limited number of customers, and the level of overall economic activity. During times of slowing economic conditions, the Company's customers may reduce capital expenditures and defer or cancel pending projects. Individual reporting units may be relatively more impacted by these factors than the Company as a whole. As a result, demand for the services of one or more of the Company's reporting units could decline resulting in an impairment of goodwill or intangible assets.

As a result of the fiscal 2012 annual impairment analysis, the Company concluded that no impairment of goodwill or the indefinite-lived intangible asset was indicated at any reporting unit. However, the UtiliQuest reporting unit, having a goodwill balance of approximately $35.6 million and an indefinite-lived trade name of $4.7 million, has recently been at lower operating levels as compared to historical levels. During the fiscal 2012 annual impairment analysis, the estimated fair value of the UtiliQuest reporting unit exceeded its carrying value but the margin of excess had declined to less than 30%. The UtiliQuest reporting unit provides services to a broad range of customers including utilities and telecommunication providers. These services are required prior to underground excavation and are influenced by overall economic activity, including construction activity. The goodwill balance of this reporting unit may have an increased likelihood of impairment if a downturn in customer demand were to occur, or if the reporting unit were not able to execute against customer opportunities, and the long-term outlook for their cash flows were adversely impacted. Furthermore, changes in the long-term outlook may result in changes to other valuation assumptions.

As of April 27, 2013, the Company believes the goodwill and the indefinite-lived intangible asset is recoverable for all of the reporting units; however, there can be no assurances that goodwill and the indefinite-lived intangible asset will not be impaired in future periods.

Table of Contents

Intangible Assets

The Company's intangible assets consist of the following:

	Weighted Average Remaining Useful Lives (Years)	April 27, 2013	July 28, 2012
		(Dollars in thousands)	
Carrying amount:			
Customer relationships	12.5	$160,645	$89,145
Contract backlog	2.5	14,410	—
Trade names	5.3	8,025	2,860
UtiliQuest trade name	—	4,700	4,700
Non-compete agreements	2.7	150	150
		187,930	96,855
Accumulated amortization:			
Customer relationships		53,335	45,852
Contract backlog		5,497	—
Trade names		1,774	1,182
Non-compete agreements		72	48
Net Intangible Assets		$127,252	$49,773

Amortization of the Company's intangible assets of customer relationships and contract backlog is recognized on an accelerated basis related to the expected economic benefit. As a result, the weighted average remaining useful lives for these intangible assets is not representative of the average period in which the amortization expense will be recognized. Amortization for the Company's other finite-lived intangibles is recognized on a straight-line basis over the estimated useful life of the intangible assets.

The carrying amount of customer relationships, contract backlog, and trade names increased $71.5 million, $14.4 million, and $5.2 million, respectively, during fiscal 2013 as a result of the preliminary allocation of the purchase price of the Acquired Subsidiaries. The acquired customer relationships, contract backlog, and trade names have been assigned a preliminary estimated useful life of 15 years, 1-4 years (based on remaining contract values), and 5 years, respectively. Amortization expense for finite-lived intangible assets for the three months ended April 27, 2013 and April 28, 2012 was $7.1 million and $1.6 million, respectively. Amortization expense for finite-lived intangible assets for the nine months ended April 27, 2013 and April 28, 2012 was $13.6 million and $4.9 million, respectively.

Estimated total amortization expense for the remainder of fiscal 2013 and each of the five succeeding fiscal years is as follows (including amortization for the newly acquired subsidiaries based on the preliminary purchase allocation as of April 27, 2013):

Period	Amount
	(Dollars in thousands)
Three months ending July 27, 2013	$7,056
Fiscal 2014	$18,110
Fiscal 2015	$15,241
Fiscal 2016	$14,427
Fiscal 2017	$13,088
Fiscal 2018	$10,766
Thereafter	$43,864

As of April 27, 2013, the Company believes that the carrying amounts of the intangible assets are recoverable. However, if adverse events were to occur or circumstances were to change indicating that the carrying amount of such assets may not be fully recoverable, the assets would be reviewed for impairment and the assets could be impaired.

Table of Contents

8. Accrued Insurance Claims

The Company retains the risk of loss, up to certain limits, for claims relating to automobile liability, general liability (including locate damages), workers' compensation, and employee group health. With regard to losses occurring in fiscal 2013, the Company has retained the risk of loss up to $1.0 million on a per occurrence basis for automobile liability, general liability and workers' compensation. These retention amounts are applicable to all of the states in which the Company operates, except with respect to workers' compensation insurance in three states in which the Company participates in a state-sponsored insurance fund. Aggregate stop loss coverage for automobile liability, general liability and workers' compensation claims increased to $52.5 million from $41.8 million for fiscal 2013 as a result of additional coverage obtained on the Acquired Subsidiaries. In connection with the acquisition of the Acquired Subsidiaries, Quanta Services, Inc. has agreed to retain the risk of loss for insured claims of the Acquired Subsidiaries outstanding, or arising out of events, facts or circumstances existing, as of the closing date of the acquisition.

For losses under the Company's employee health plan, the Company is party to a stop-loss agreement under which it retains the risk of loss, on an annual basis, of the first $250,000 of claims per participant. In addition, the Company retains the risk of loss for the first $550,000 of claim amounts that aggregate across all health plan participants that exceed $250,000.

Accrued insurance claims consist of the following:

	April 27, 2013	July 28, 2012
	(Dollars in thousands)	
Amounts expected to be paid within one year:		
Accrued auto, general liability and workers' compensation	$18,020	$16,514
Accrued employee group health	4,361	2,867
Accrued damage claims	5,848	5,837
	28,229	25,218
Amounts expected to be paid beyond one year:		
Accrued auto, general liability and workers' compensation	24,062	21,423
Accrued damage claims	2,332	2,168
	26,394	23,591
Total accrued insurance claims	$54,623	$48,809

9. Other Accrued Liabilities

Other accrued liabilities consist of the following:

	April 27, 2013	July 28, 2012
	(Dollars in thousands)	
Accrued payroll and related taxes	$19,743	$19,248
Accrued employee benefit and incentive plan costs	10,980	12,488
Accrued construction costs	17,717	11,515
Accrued interest and related bank fees	5,916	—
Other current liabilities	10,552	7,675
Total other accrued liabilities	$64,908	$50,926

17

Table of Contents

10. Debt

The Company’s outstanding indebtedness consists of the following:

	April 27, 2013	July 28, 2012
	(Dollars in thousands)	
Borrowings on Senior Credit Agreement (matures December 2017)	$36,000	$—
Senior Credit Agreement Term Loan (matures December 2017)	123,438	—
7.125% senior subordinated notes due 2021	277,500	187,500
Long-term debt premium on 7.125% senior subordinated notes due 2021	3,694	—
Capital leases	—	74
	440,632	187,574
Less: current portion	(7,031)	(74)
Long-term debt	$433,601	$187,500

Senior Subordinated Notes Due 2021

On July 28, 2012, Dycom Investments, Inc. (the "Issuer"), a wholly-owned subsidiary of the Company, had outstanding an aggregate principal amount of $187.5 million of 7.125% senior subordinated notes due 2021 that were issued under an indenture governing the notes dated January 21, 2011 (the "Indenture"). On December 12, 2012, an additional $90.0 million in aggregate principal amount of 7.125% senior subordinated notes due 2021 were issued under the Indenture at 104.25% of the principal amount. The resulting debt premium of $3.8 million is being amortized to interest expense over the remaining term of the notes. The net proceeds of this issuance were used to repay a portion of the borrowings under the Company's new credit facility. Holders of all $277.5 million aggregate principal amount of the senior subordinated notes (the "2021 Notes") will vote as one series under the Indenture.

The 2021 Notes are guaranteed by Dycom and substantially all of the Company's subsidiaries. The Indenture contains covenants that limit, among other things, the ability of the Company and its subsidiaries to incur additional debt and issue preferred stock, make certain restricted payments, consummate specified asset sales, enter into transactions with affiliates, incur liens, impose restrictions on the ability of the Company's subsidiaries to pay dividends or make payments to the Company and its restricted subsidiaries, merge or consolidate with another person, and dispose of all or substantially all of its assets.

The Company determined that the fair value of the 2021 Notes was approximately $301.3 million, on April 27, 2013, based on quoted market prices, as compared to a $281.2 million carrying value (both amounts include debt premium of $3.7 million). As of July 28, 2012, the fair value of the 2021 Notes was $192.0 million as compared to a carrying value of $187.5 million.

Senior Credit Agreement

On December 3, 2012 Dycom Industries, Inc. and certain of its subsidiaries entered into a new, five-year credit agreement (the "Credit Agreement") with various lenders. The Credit Agreement matures in December 2017 and provides for a $125 million term loan (the "Term Loan") and a $275 million revolving facility. The Credit Agreement contains a sublimit of $150 million for the issuance of letters of credit. Subject to certain conditions, the Credit Agreement provides for the ability to enter into one or more incremental facilities, either by increasing the revolving commitments under the Credit Agreement and/or in the form of term loans, in an aggregate amount not to exceed $100 million. Borrowings under the Credit Agreement can be used to refinance certain indebtedness, to provide general working capital, and for other general corporate purposes. The Company used borrowings under the Credit Agreement to finance a portion of the purchase price of the Acquired Subsidiaries.

The Credit Agreement replaces Dycom's prior credit agreement, dated as of June 4, 2010 (the "Prior Credit Agreement"), which was due to expire in June 2015. At the time of termination, there were no outstanding borrowings and all outstanding letters of credit were transferred to the Credit Agreement. Dycom did not incur any material early termination penalties in connection with the termination of the Prior Credit Agreement. The Company recognized $0.3 million in write-off of deferred financing costs during the second quarter of fiscal 2013 in connection with the replacement of the Prior Credit Agreement.

Borrowings under the Credit Agreement (other than Swingline Loans (as defined in the Credit Agreement)) bear interest at a rate equal to either (a) the administrative agent's base rate, described in the Credit Agreement as the highest of (i) the administrative agent's prime rate, (ii) the Federal Funds Rate plus 0.50%, and (iii) a floating rate of interest equal to one month LIBOR plus 1.00%, or (b) the Eurodollar Rate, plus, in each case, an applicable margin based upon Dycom's consolidated

Table of Contents

leverage ratio. Swingline loans bear interest at a rate equal to the administrative agent's base rate plus a margin which totaled 4.25% at April 27, 2013 ("Base Rate") based upon Dycom's consolidated leverage ratio. Borrowings are eligible for a margin of 1.0% for borrowings based on the administrative agent's base rate and 2.0% for borrowings based on the Eurodollar Rate. The payments under the Credit Agreement are guaranteed by substantially all of Dycom's subsidiaries and secured by the stock of each wholly-owned, domestic subsidiary (subject to specified exceptions). The Company incurs fees under the Credit Agreement for the unutilized commitments at rates that range from 0.25% to 0.40% per annum, fees for outstanding standby letters of credit at rates that range from 1.50% to 2.25% per annum and fees for outstanding commercial letters of credit at rates that range from 0.75% to 1.125% per annum, in each case based on the Company's consolidated leverage ratio. As of April 27, 2013, $28.0 million of outstanding borrowings (and the Term Loan) were based on the Eurodollar Rate at a rate per annum of 2.21%. In addition, $8.0 million of borrowings were outstanding at the Base Rate at April 27, 2013 and were subsequently converted to a Eurodollar Rate borrowing. Unutilized commitments and outstanding standby letters of credit were at rates per annum of 0.35% and 2.0%, respectively.

The Credit Agreement contains affirmative and negative covenants which are customary for similar credit agreements, including, without limitation, limitations on Dycom and its subsidiaries with respect to indebtedness, liens, investments, distributions, mergers and acquisitions, disposition of assets, sale-leaseback transactions, transactions with affiliates and capital expenditures. The Credit Agreement contains financial covenants which require Dycom to (i) maintain a consolidated leverage ratio of not greater than (1) 3.50 to 1.00 for fiscal quarters ending April 27, 2013 through April 26, 2014, (2) 3.25 to 1.00 for fiscal quarters ending July 26, 2014 through April 25, 2015 and (3) 3.00 to 1.00 for fiscal quarters ending July 25, 2015 and each fiscal quarter thereafter, as measured on a trailing four quarter basis at the end of each fiscal quarter, and (ii) maintain a consolidated interest coverage ratio of not less than 3.00 to 1.00, as measured at the end of each fiscal quarter.

The Term Loan is subject to annual amortization payable in equal quarterly installments of principal. Contractual maturities on the Company's outstanding indebtedness, including the Term Loan and excluding issue premium, as of April 27, 2013 is as follows:

Period	Amount
	(Dollars in thousands)
Three months ending July 27, 2013	$1,563
Fiscal 2014	$7,813
Fiscal 2015	$10,938
Fiscal 2016	$14,063
Fiscal 2017	$17,186
Fiscal 2018	$107,875
Thereafter	$277,500

Included in the fiscal 2014 scheduled maturity above is $5.5 million which is included in the current portion of debt as of April 27, 2013.

On April 27, 2013 and July 28, 2012, the Company had $46.7 million and $38.5 million, respectively, of outstanding letters of credit issued under the Credit Agreement and Prior Credit Agreement, respectively. The outstanding letters of credit are issued as part of the Company's insurance program. At April 27, 2013 and July 28, 2012, the Company was in compliance with the financial covenants and had additional borrowing availability of $192.3 million and $186.5 million, respectively, as determined by the most restrictive covenants of the applicable agreement.

11. Income Taxes

The Company accounts for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The Company’s effective income tax rate differs from the statutory rate for the tax jurisdictions where it operates primarily as the result of the impact of non-deductible and non-taxable items and tax credits recognized in relation to pre-tax results. Measurement of certain aspects of the Company’s tax positions are based on interpretations of tax regulations, federal and state case law and the applicable statutes.

The Company files income tax returns in the U.S. federal jurisdiction, multiple state jurisdictions and in Canada. With limited exceptions, the Company is no longer subject to U.S. federal and most state and local income tax examinations for

Table of Contents

fiscal years ended 2008 and prior. During fiscal 2012 the Company was notified by the Internal Revenue Service that its federal income tax return for a recent period was selected for examination. The Company believes its provision for income taxes is adequate; however, any significant assessment could affect the Company's results of operations and cash flows.

As of both April 27, 2013 and July 28, 2012, the Company had total unrecognized tax benefits of $2.2 million which would reduce the Company's effective tax rate during future periods if it is subsequently determined that those liabilities were not required. The Company had approximately $0.6 million for the payment of interest and penalties accrued at both April 27, 2013 and July 28, 2012. The Company recognizes interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses. Interest expense related to unrecognized tax benefits was immaterial for each of the three and nine months ended April 27, 2013 and April 28, 2012.

12. Other Income, Net

The components of other income, net, are as follows:

	For the Three Months Ended		For the Nine Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
	(Dollars in thousands)			
Gain on sale of fixed assets	$1,459	$7,439	$3,867	$12,578
Miscellaneous income (expense), net	18	188	(27)	365
Write-off of deferred financing costs	—	—	(321)	—
Total other income, net	$1,477	$7,627	$3,519	$12,943

The Company recognized $0.3 million in write-off of deferred financing costs during the nine months ended April 27, 2013 in connection with the replacement of its Prior Credit Agreement. See Note 10, Debt, for further information regarding the Company's debt financing.

13. Capital Stock

On March 15, 2012, the Board of Directors authorized $40.0 million to repurchase shares of the Company's outstanding common stock to be made over eighteen months in open market or private transactions. During fiscal 2011, fiscal 2012 and for the quarter ended October 27, 2012, the Company made the following repurchases under its current and previously authorized share repurchase programs:

Period	Number of Shares Repurchased	Total Consideration (Dollars in thousands)	Average Price Per Share
Fiscal 2011	5,389,500	$64,548	$11.98
Fiscal 2012	597,700	$12,960	$21.68
Quarter Ended October 27, 2012	1,047,000	$15,203	$14.52

All shares repurchased have been subsequently cancelled. No shares were repurchased during the second or third quarters of fiscal 2013. As of April 27, 2013, approximately $22.8 million remained authorized for repurchases through September 15, 2013.

14. Stock-Based Awards

The Company has certain stock-based compensation plans which provide for the grants of stock options, time based restricted share units ("RSUs"), and performance based restricted share units ("Performance RSUs").

On November 20, 2012, the shareholders of the Company approved the Dycom Industries, Inc. 2012 Long-Term Incentive Plan (the "2012 Plan"). The 2012 Plan authorizes 3,000,000 shares of common stock for grants of stock options, RSUs and Performance RSUs to key employees and officers of the Company. No new awards will be made under the Company's previous 2003 Long-Term Incentive Plan. As of April 27, 2013, the number of shares available for grant under the 2012 Plan was 1,911,121.

Table of Contents

Compensation expense for stock-based awards is based on the fair value at the measurement date and is included in general and administrative expenses in the condensed consolidated statements of operations. Stock-based compensation expense and the related tax benefit recognized related to stock options and restricted share units during the three and nine months ended April 27, 2013 and April 28, 2012 were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
	(Dollars in thousands)			
Stock-based compensation	$2,513	$1,933	$7,275	$4,901
Tax benefit recognized	$(931)	$(732)	$(2,779)	$(1,834)

As of April 27, 2013, unrecognized compensation expense related to stock options, RSUs and target Performance RSUs was $6.1 million, $6.0 million and $9.9 million, respectively. The Company may recognize an additional $12.1 million in compensation expense related to Performance RSUs if the maximum amount of restricted share units are earned based on certain performance goals being met. Any compensation expense previously recognized with respect to Performance RSUs will be reversed to the extent the performance goals are not met. Unrecognized compensation expense related to stock options, RSUs and Performance RSUs will be recognized over a weighted-average period of 2.2, 3.1 and 1.4 years, respectively, which is the weighted average remaining contractual term for RSUs and Performance RSUs.

Stock Options - The following table summarizes stock option award activity during the nine months ended April 27, 2013:

	Stock Options	
	Shares	Weighted Average Exercise Price
Outstanding as of July 28, 2012	3,298,747	$17.08
Granted	144,155	$18.47
Options exercised	(342,294)	$10.26
Forfeited or cancelled	(120,670)	$24.16
Outstanding as of April 27, 2013	2,979,938	$17.65
Exercisable options as of April 27, 2013	2,087,683	$19.25

RSUs and Performance RSUs - The following table summarizes RSU and Performance RSU activity during the nine months ended April 27, 2013:

	Restricted Stock RSUs		Performance RSUs	
	Share Units	Weighted Average Grant Price	Share Units	Weighted Average Grant Price
Outstanding as of July 28, 2012	222,760	$14.49	774,264	$18.76
Granted	329,001	$18.36	831,390	$18.08
Share units vested	(90,017)	$12.79	(137,432)	$18.23
Forfeited or cancelled	(71,904)	$17.71	(150,388)	$18.34

Outstanding as of April 27, 2013	389,840	$17.49	1,317,834	$18.44

Included in the RSU shares granted during the nine months ended April 27, 2013 was approximately 219,000 shares at an average grant price of $18.29 to employees of the Acquired Subsidiaries as of the date of acquisition. The Performance RSUs in the above table represent the maximum number of awards that could vest, which is two hundred percent of the target awards. Accordingly, the target amount of Performance RSUs outstanding as of April 27, 2013 was 658,917. During the nine months

Table of Contents

ended April 27, 2013, 137,432 Performance RSUs outstanding as of July 28, 2012 were cancelled due to certain fiscal 2012 performance criteria not being met.

15. Related Party Transactions

The Company leases administrative offices from entities related to officers of certain of the Company's subsidiaries. The total expense under these arrangements was $0.5 million and $0.4 million for the three months ended April 27, 2013 and April 28, 2012, respectively, and $1.3 million and $1.2 million for the nine months ended April 27, 2013 and April 28, 2012, respectively. Additionally, amounts paid for subcontracting services to entities related to officers of certain of the Company's subsidiaries were $0.1 million and $0.3 million for the three months ended April 27, 2013 and April 28, 2012, respectively, and $0.4 million and $0.3 million for the nine months ended April 27, 2013 and April 28, 2012, respectively.

16. Commitments and Contingencies

As part of the Company's insurance program, it retains the risk of loss, up to certain limits, for claims related to automobile liability, general liability, workers' compensation, employee group health, and locate damages, and the Company has established reserves that it believes to be adequate based on current evaluations and experience with these types of claims. For these claims, the effect on the Company's financial statements is generally limited to the amount needed to satisfy its insurance deductibles or retentions.

From time to time, the Company and its subsidiaries are parties to various other claims and legal proceedings. It is the opinion of the Company's management, based on information available at this time, that such other pending claims or proceedings will not have a material effect on its condensed consolidated financial statements.

Employee Benefit Plans

Certain of the Company's subsidiaries, including the Acquired Subsidiaries, participate in multiemployer benefit pension plans under the terms of collective-bargaining agreements. The Company's contributions were $0.8 million and $2.6 million during the three and nine months ended April 27, 2013, respectively. The risks of participating in a multiemployer defined benefit pension plan are different from single-employer plans in the following aspects: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be inherited by the remaining participating employers; and (c) if the Company chooses to stop participating in the Multi-Employer Plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Performance Bonds and Guarantees

The Company has obligations under performance and other surety contract bonds related to certain of its customer contracts. Performance bonds generally provide the Company's customer with the right to obtain payment and/or performance from the issuer of the bond if the Company fails to perform its contractual obligations. As of April 27, 2013, the Company had $434.4 million of outstanding performance and other surety contract bonds. The estimated cost to complete projects secured by the Company's outstanding performance and other surety contract bonds was approximately $149.2 million as of April 27, 2013. No events have occurred in which the customers have exercised their rights under the bonds.

The Company has periodically guaranteed certain obligations of its subsidiaries, including obligations in connection with obtaining state contractor licenses and leasing real property and equipment.

Letters of Credit

The Company has standby letters of credit issued under its Credit Agreement as part of its insurance program. These standby letters of credit collateralize the Company’s obligations to its insurance carriers in connection with the settlement of potential claims. As of April 27, 2013 and July 28, 2012, the Company had $46.7 million and $38.5 million, respectively, of outstanding standby letters of credit issued under the Credit Agreement.

17. Concentration of Credit Risk

The Company’s customer base is highly concentrated. The top five customers accounted for approximately 58.6% and 59.1% of its total revenues for the nine months ended April 27, 2013 and April 28, 2012, respectively. AT&T Inc. ("AT&T"), CenturyLink, Inc. ("CenturyLink"), Comcast Corporation ("Comcast"), and Verizon Communications, Inc. ("Verizon")

Table of Contents

represent a significant portion of the Company’s customer base and each were over 10% of total revenue during the three or nine months ended April 27, 2013 or April 28, 2012 as reflected in the following table:

	For the Three Months Ended		For the Nine Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
AT&T	17.4%	13.4%	15.0%	14.1%
CenturyLink	14.3%	13.0%	14.3%	13.6%
Comcast	10.1%	12.5%	11.2%	12.7%
Verizon	8.9%	11.1%	9.3%	11.0%

The Company believes that none of its significant customers were experiencing financial difficulties that would materially impact the collectability of the Company’s trade accounts receivable and costs in excess of billings as of April 27, 2013. Customers representing 10% or more of combined amounts of trade accounts receivable and costs and estimated earnings in excess of billings as of April 27, 2013 or July 28, 2012 had the following outstanding balances and the related percentage of the Company’s total outstanding balances:

	April 27, 2013			July 28, 2012		
	Amount	% of Total		Amount	% of Total	
		(Dollars in millions)				
AT&T	$53.3	12.7	%	$24.7	9.2	%
CenturyLink	$51.8	12.4	%	$47.6	17.7	%
Verizon	$41.6	10.0	%	$30.5	11.3	%
Windstream Corporation	$61.8	14.8	%	$35.4	13.2	%

18. Supplemental Condensed Consolidating Financial Statements

As of April 27, 2013, the outstanding aggregate principal amount of the Company’s 2021 Notes was $277.5 million, comprised of $187.5 million and $90.0 million in principal amount issued in fiscal 2011 and the second quarter of fiscal 2013, respectively. The 2021 Notes were issued by Dycom Investments, Inc., a wholly-owned subsidiary of the Company. See Note 10, Debt, for further information regarding the Company's debt financing. The following condensed consolidating financial statements present, in separate columns, financial information for (i) Dycom Industries, Inc. ("Parent") on a parent only basis, (ii) Dycom Investments, Inc. ("the Issuer"), (iii) the guarantor subsidiaries for the 2021 Notes on a combined basis, (iv) other non-guarantor subsidiaries on a combined basis, (v) the eliminations and reclassifications necessary to arrive at the information for the Company on a consolidated basis, and (vi) the Company on a consolidated basis. The condensed consolidating financial statements are presented in accordance with the equity method. Under this method, the investments in subsidiaries are recorded at cost and adjusted for the Company’s share of subsidiaries’ cumulative results of operations, capital contributions, distributions and other equity changes. Intercompany charges (income) between the Parent and subsidiaries are recognized in the condensed consolidating financial statements during the period incurred and the settlement of intercompany balances is reflected in the condensed consolidating statement of cash flows based on the nature of the underlying transactions.

Each guarantor and non-guarantor subsidiary is wholly-owned, directly or indirectly, by the Issuer and the Parent. The Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary and Parent. There are no contractual restrictions limiting transfers of cash from guarantor and non-guarantor subsidiaries to Issuer or Parent, within the meaning of Rule 3-10 of Regulation S-X.

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
APRIL 27, 2013

	Parent	Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	Dycom Consolidated
	(Dollars in thousands)					
ASSETS						
CURRENT ASSETS:						
Cash and equivalents	$—	$—	$17,631	$616	$—	$18,247
Accounts receivable, net	—	—	232,575	1,462	—	234,037
Costs and estimated earnings in excess of billings	—	—	182,976	944	—	183,920
Inventories	—	—	35,047	—	—	35,047
Deferred tax assets, net	2,742	—	13,984	299	(403)	16,622
Income taxes receivable	907	—	—	—	—	907
Other current assets	5,342	25	7,084	563	—	13,014
Total current assets	8,991	25	489,297	3,884	(403)	501,794
PROPERTY AND EQUIPMENT, NET	13,340	—	160,251	15,554	—	189,145
GOODWILL	—	—	260,708	—	—	260,708
INTANGIBLE ASSETS, NET	—	—	127,252	—	—	127,252
DEFERRED TAX ASSETS, NET NON-CURRENT	—	63	15,672	532	(16,267)	—
INVESTMENT IN SUBSIDIARIES	754,974	1,452,399	—	—	(2,207,373)	—
INTERCOMPANY RECEIVABLES	—	—	628,514	—	(628,514)	—
OTHER	9,095	6,502	2,584	113	—	18,294
TOTAL NON-CURRENT ASSETS	777,409	1,458,964	1,194,981	16,199	(2,852,154)	595,399
TOTAL ASSETS	$786,400	$1,458,989	$1,684,278	$20,083	$(2,852,557)	$1,097,193
LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable	$2,209	$—	$61,685	$615	$—	$64,509
Current portion of debt	7,031	—	—	—	—	7,031
Billings in excess of costs and estimated earnings	—	—	12,370	—	—	12,370
Accrued insurance claims	83	—	28,014	132	—	28,229
Deferred tax liabilities	—	248	77	78	(403)	—
Other accrued liabilities	6,516	5,936	50,879	1,577	—	64,908
Total current liabilities	15,839	6,184	153,025	2,402	(403)	177,047
LONG-TERM DEBT	152,407	281,194	—	—	—	433,601
	—	—	26,237	157	—	26,394

ACCRUED INSURANCE CLAIMS						
DEFERRED TAX LIABILITIES, NET	1,077	—	60,892	989	(16,267)	46,691
NON-CURRENT INTERCOMPANY PAYABLES	205,290	416,637	—	6,587	(628,514)	—
OTHER LIABILITIES	2,964	—	1,670	3	—	4,637
Total liabilities	377,577	704,015	241,824	10,138	(645,184)	688,370
Total stockholders' equity	408,823	754,974	1,442,454	9,945	(2,207,373)	408,823
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$786,400	$1,458,989	$1,684,278	$20,083	$(2,852,557)	$1,097,193

24

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
JULY 28, 2012

	Parent	Issuer