

MASTEC INC  
 Form 10-K  
 February 27, 2014  
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UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
 OF THE SECURITIES EXCHANGE ACT OF 1934  
 For the fiscal year ended December 31, 2013  
 Commission File Number 001-08106

MasTec, Inc.  
 (Exact Name of Registrant as Specified in Its Charter)  
 Florida 65-0829355  
 (State or Other jurisdiction of (I.R.S. Employer  
 Incorporation or Organization) Identification No.)

800 S. Douglas Road, 12th Floor,  
 Coral Gables, FL 33134  
 (Address of Principal Executive Offices) (Zip Code)  
 (305) 599-1800  
 (Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.10 Par Value	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Exchange Act: None	
Indicate by check mark if the registrant is a well-known seasoned issuer; as defined in rule 405 of the Securities Act. Yes <input type="checkbox"/> No <input type="checkbox"/>	
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes <input type="checkbox"/> No <input type="checkbox"/>	
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 <input type="checkbox"/> No <input type="checkbox"/>	
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 <input type="checkbox"/> No <input type="checkbox"/>	
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. <input type="checkbox"/>	

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Indicate by check mark if 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     Accelerated filer     Non-accelerated filer     Smaller reporting company

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

The aggregate market value of the registrant’s outstanding common stock held by non-affiliates of the registrant computed by reference to the price at which the common stock was last sold as of the last business day of the registrant’s most recently completed second fiscal quarter was approximately \$2.0 billion (based on a closing price of \$32.90 per share for the registrant’s common stock on the New York Stock Exchange on June 28, 2013).

There were 77,322,333 shares of common stock outstanding as of February 24, 2014.

The registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for the 2013 annual meeting of shareholders is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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Cautionary Statement Regarding Forward-Looking Statements

MasTec, Inc. ("we," "our," "us," "the Company" or "MasTec") is making this statement pursuant to the safe harbor provisions for forward-looking statements described in the Private Securities Litigation Reform Act of 1995. We make statements in this Annual Report on Form 10-K and in the documents that we incorporate by reference into this Annual Report that are forward-looking. When used in this Annual Report or in any other presentation, statements which are not historical in nature, including the words "anticipate," "estimate," "could," "should," "may," "plan," "seek," "exp," "believe," "intend," "target," "will," "project" and variations of these words and negatives thereof and similar expressions are intended to identify forward-looking statements. They also include statements regarding:

- our future growth and profitability;
- our competitive strengths; and
- our business strategy and the trends we anticipate in the industries and economies in which we operate.

These forward-looking statements are based on our current expectations and are subject to a number of risks, uncertainties and assumptions. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Important factors that could cause actual results to differ materially from those in forward-looking statements include:

- the effect of economic downturns on demand for our services, reduced capital expenditures by our customers, reduced financing availability, customer consolidation and technological and regulatory changes in the industries we serve;
- market conditions, technological developments and regulatory changes that affect us or our customers' industries;
- the activity in the oil and gas and electricity industry and the expenditure levels impacted by the trends in electricity, oil, natural gas and other energy source prices;
- the highly competitive nature of our industry;
- our ability to accurately estimate the costs associated with our fixed price and other contracts, including any material changes in estimates for completion of projects;
- our ability to manage projects effectively and in accordance with our estimates;
- the timing and extent of fluctuations in geographic, weather and operational factors affecting our customers, projects and the industries in which we operate;
- the ability of our customers, including our largest customers, to terminate or reduce the amount of work, or in some cases, the prices paid for services on short or no notice under our contracts;
- customer disputes related to our performance of services;
- any material changes in estimates for legal costs or case settlements or adverse determinations on any claim, lawsuit or proceeding;
- disputes with, or failures of, our subcontractors to deliver agreed-upon supplies or services in a timely fashion;
- our ability to replace non-recurring projects with new projects;
- our dependence on a limited number of customers;
- the adequacy of our insurance, legal and other reserves and allowances for doubtful accounts;
- risks related to acquisitions and joint ventures;
- the outcome of our plans for future operations, growth and services, including business development efforts, backlog, acquisitions and dispositions;
- our ability to maintain a workforce based upon current and anticipated workloads;
- our ability to attract and retain qualified personnel, key management and skilled employees, including from acquired businesses, and our ability to enforce any noncompetition agreements, integrate acquired businesses within expected timeframes and achieve the revenue, cost savings and earnings levels from such acquisitions at or above the levels projected;
- any exposure resulting from system or information technology interruptions or data security breaches;
- the impact of U.S. federal, local or state tax legislation and other regulations affecting renewable energy, electricity prices, electrical transmission, oil and gas production, broadband and related projects and expenditures;



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the effect of state and federal regulatory initiatives, including costs of compliance with existing and future safety and environmental requirements;

increases in fuel, maintenance, materials, labor and other costs;

the impact of being required to pay our subcontractors even if our customers do not pay;

fluctuations in foreign currencies;

risks associated with operating in international markets, which could restrict our ability to expand globally and harm our business and prospects or any failure to comply with laws applicable to our foreign activities;

risks associated with potential environmental issues and other hazards from our operations;

the impact of any unionized workforce on our operations, including labor availability and relations;

liabilities associated with multi-employer pension plans, including underfunding and withdrawal liabilities, for our operations that employ unionized workers;

restrictions imposed by our credit facility, senior notes, convertible notes and any future loans or securities;

our ability to obtain performance and surety bonds;

a small number of our existing shareholders have the ability to influence major corporate decisions;

any dilution or stock price volatility that shareholders may experience in connection with shares we may issue as consideration for earn-out obligations or as purchase consideration in connection with past or future acquisitions, or as a result of conversions of convertible notes or other stock issuances;

our ability to settle conversions of our convertible notes in cash due to contractual restrictions, including those contained in our credit facility, and the availability of cash; and

other factors referenced in this Annual Report, including, without limitation, under Item 1, "Business," Item 1A, "Risk Factors," Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other factors detailed from time to time in the reports and other filings we make with the Securities and Exchange Commission (the "SEC").

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Furthermore, forward-looking statements speak only as of the date they are made. If any of these risks or uncertainties materialize, or if any of our underlying assumptions are incorrect, our actual results may differ significantly from the results that we express in, or imply by, any of our forward-looking statements. These and other risks are detailed in this Annual Report on Form 10-K, in the documents that we incorporate by reference into this Annual Report on Form 10-K and in other documents that we file with the Securities and Exchange Commission. We do not undertake any obligation to publicly update or revise these forward-looking statements after the date of this Annual Report on Form 10-K to reflect future events or circumstances, except as required by applicable law. We qualify any and all of our forward-looking statements by these cautionary factors.

## PART I

### ITEM 1. BUSINESS

#### Overview

We are a leading infrastructure construction company operating mainly throughout North America across a range of industries. Our primary activities include the engineering, building, installation, maintenance and upgrade of energy, utility and communications infrastructure, such as: petroleum and natural gas pipeline infrastructure; wireless, wireline and satellite communications; electrical utility transmission and distribution; power generation; and industrial infrastructure. Our customers are primarily in these industries. Including our predecessor companies, we have been in business for more than 80 years. We offer our services primarily under the MasTec service mark and, as of December 31, 2013, we had approximately 13,450 employees and 380 locations. We have been consistently ranked among the top specialty contractors by Engineering News-Record for the past five years.

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We provide our services to a diversified base of customers. We often provide services under multi-year master service and other service agreements, which are generally multi-year agreements. The remainder of our work was generated pursuant to contracts for specific projects or jobs that require the construction or installation of an entire infrastructure system or specified units within an infrastructure system. Revenues from non-recurring, project specific work may experience greater variability than master service agreement work due to the need to replace the revenue as projects are completed. If we are not able to replace work from completed projects with new project work, we may not be able to maintain our current revenue levels or our current level of capacity and resource utilization. We actively review our backlog of project work and take appropriate action to minimize such exposure.

We have actively pursued a diversification and expansion strategy in recent years. This strategy has deepened our presence and expanded our service offerings in key markets, including: natural gas, natural gas liquids and petroleum pipeline; electrical transmission; and wireless services, among others. In addition to integration and growth opportunities associated with our diversification and expansion strategy, we also seek opportunities to expand our geographic presence and to expand our traditional business areas, such as telecommunications and install-to-the-home services. For discussion of our recent acquisitions, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Business," which is incorporated herein by reference. We have also divested certain businesses or assets due to, among other things, their respective performance or fit within our long-term business strategy. See discussion of recently discontinued businesses in Note 4 - Discontinued Operations in the notes to the audited consolidated financial statements, which is incorporated herein by reference.

We present our continuing operations under five reportable segments: (1) Communications; (2) Oil and Gas; (3) Electrical Transmission; (4) Power Generation and Industrial and (5) Other. This structure is generally focused on broad end-user markets for our labor-based construction services. The Communications segment performs engineering, construction and maintenance of communications infrastructure primarily related to wireless and wireline communications and install-to-the-home. We perform engineering, construction and maintenance services on oil and natural gas pipelines and processing facilities for the energy and utilities industries through the Oil and Gas segment. The Electrical Transmission segment primarily serves the energy and utility industries through the engineering, construction and maintenance of electrical transmission lines and substations. The Power Generation and Industrial segment primarily serves the energy and utility end-markets and other end-markets through the installation and construction of conventional and renewable power plants, related electrical transmission infrastructure, ethanol facilities and various types of industrial infrastructure. The Other category primarily includes small business units that perform construction services for a variety of end markets in Mexico and elsewhere internationally.

Customer revenues by segment for the periods indicated were as follows (in millions):

Reportable Segment:	Years Ended December 31,								
	2013			2012			2011		
Communications	\$1,962.6	45	%	\$1,772.7	48	%	\$1,635.1	58	%
Oil and Gas	1,628.8	38	%	959.0	26	%	774.3	27	%
Electrical Transmission	428.8	10	%	312.2	8	%	198.3	7	%
Power Generation and Industrial	294.3	7	%	668.1	18	%	219.6	8	%
Other	12.3	—		16.7	—		4.8	—	
Eliminations	(2.0	)	—	(1.9	)	—	(0.8	)	—
Consolidated revenue	\$4,324.8	100	%	\$3,726.8	100	%	\$2,831.3	100	%

See Note 15 - Segments and Related Information in the notes to the audited consolidated financial statements, which is incorporated herein by reference, for operating results and financial position by segment.

**Industry Trends**

Our industry is composed of national, regional and local companies that provide services to customers in a range of industries.

We believe the following industry trends affect demand for our services:

Increased Demand for Wireless and Fiber Communications Network Services

Demand for faster and more robust wireless and fiber communications network services has increased significantly with the proliferation of high-speed internet connectivity, broadband, data transmission, video and music download services, high definition television and other advanced digital and video services. Data usage over wireless and fiber communications networks is rapidly increasing as more consumers surf the web, check email and watch video on mobile devices. Smartphones, laptops, tablets and other mobile devices have become increasingly important to consumers. In its 2014 Global Mobile Data Traffic Forecast Update, Cisco Systems, Inc. predicted that mobile data traffic will increase 11-fold by 2018. Cisco also predicted that 4G wireless service will be used for only 15 percent of connections, but will represent 51 percent of total traffic and that 4G connections will generate 6 times more traffic, on average, than non-4G connections and will grow 18-fold by 2018. Additionally, the report predicts that by 2018, mobile-connected tablets will generate double the traffic generated by the entire global mobile network in 2013. Service providers continue to upgrade the capacity and performance of their fiber communications and wireless networks and are deploying competing networks using new technologies to serve this developing market and the ever-increasing need for more bandwidth and faster data delivery services. Additionally, declining equipment costs and expanded capabilities of wireline and wireless network equipment have incentivized investment. At the same time, major regional and rural telecommunication companies are upgrading their networks from copper line to fiber optic line in order



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to enhance their ability to provide customers with bundled services that include video, voice and data. Similar dynamics of providers seeking to improve their offerings are prevalent in the cable and satellite markets as well.

### Increased Demand for Pipeline Infrastructure

Recent improved access to shale formations as a result of technological advances and improved economics has resulted in significant increases in petroleum industry estimates of available North American oil and natural gas reserves. Technological advances in horizontal drilling and hydraulic fracturing have made access to natural gas easier and cheaper, have led to a drilling boom in recent years and have caused an increase in natural gas reserves.

The sharp increase in drilling activity from oil and gas shales has enormous implications for the construction of oil, gas and natural gas liquids pipelines over the next two decades. According to the International Energy Agency World Energy Outlook 2013, the advances in technologies for oil and gas drilling and completion have created an energy boom in the U.S., which, subject to regulatory considerations pertaining to the export of natural gas, could lead to the U.S. becoming a net exporter of natural gas and liquid fuels by 2019 and the mid-2030s, respectively.

According to the U.S. Energy Information Administration's December 2012 "Energy in Brief," shale gas production has doubled since 2009 and is expected to almost double again by 2040. Additionally, the percentage of shale gas to total gas production is expected to rise to over 50% by 2040. The drilling and completion technology advancements have also positively affected exploration and production in the oil shale regions and the liquids-rich areas of the gas shale basins, where crude and high-value gas liquid by-products can be produced with gas. As a result, expanded long-term opportunities for liquids pipelines are predicted in the Bakken, Eagle Ford, Permian, Western Marcellus, Utica and other liquids-rich shale basins. Natural gas is one of the cleanest burning hydrocarbon fuels and is in demand because of its relative cost advantage over other fossil fuel sources. Higher availability of low-cost natural gas supplies could substantially increase gas-fired electric generating plant additions, changing the North American fuel mix while increasing dependency on a single, largely domestic fuel type. According to the 2013 NERC Long-Term Reliability Assessment, natural gas is projected to be the fastest growing source of fuel for electric power generation during the next ten years. Gas-fired plants are typically easy to construct, require little lead-time, and emit less carbon dioxide and are generally less expensive to construct when compared to coal and oil fired generation facilities. Federal and certain state regulations often make the siting and construction of coal fired power plants extremely difficult or in some cases, virtually impossible, due to environmental and emissions concerns. These trends are anticipated to continue, which could further increase the expected number of new build natural gas plants or coal plant conversions. We also believe that U.S. energy policy goals will continue to promote domestic sources of energy in order to reduce U.S. dependence on foreign energy sources, both for economic and national security reasons. Drilling continues at high levels, especially for oil and gas and natural gas liquids.

As result of these factors, the level of natural gas pipeline construction activity in the United States and Canada is expected to remain high. We believe that as new shale oil and gas reserves are developed, the demand for additional pipeline transport projects will grow.

We believe we are one of the leading pipeline contractors in the North America. Our service offerings include the construction and maintenance of large diameter pipeline, mid-stream pipeline, gathering pipelines, compressor and pumping stations and treatment plants. We anticipate that increased demand for pipeline infrastructure should provide robust pipeline, power generation and heavy industrial construction opportunities and that our diverse capabilities and expertise in these sectors will enable us to be a leading player in this growing market.

### Inadequacy of Existing Electrical Power Transmission and Distribution Networks

The U.S. electrical transmission and distribution infrastructure requires significant ongoing maintenance, upgrade and expansion to manage power line congestion and avoid delivery failures. Demand for electricity is expected to grow as the economy recovers and as the population grows. Regional shifts in population and industry, driven in part by the oil and gas drilling boom in the U.S. and the resulting energy supply and global price advantages, may also create pockets of demand for increased transmission and distribution build and upgrades. Additionally, investment in new transmission lines may be required to connect new renewable energy generation projects, which are typically in remote areas, to the electrical grid. According to the 2013 Annual Energy Outlook published by the Department of Energy's ("DOE") Energy Information Administration, the U.S. population will increase by about 29% from 2011 to

2040, with energy consumption increasing by 10%. NERC estimates that 21,800 circuit miles will be added to the electrical transmission system from 2014 through 2023 in its 2013 Long-Term Reliability Assessment. Significant capital investment in the U.S. transmission and distribution system will be required to meet the needs of the growing population as well as the projected increase in use of renewable energy power resources.

In addition to projects aimed at increasing electrical power transmission capacity and integration of new renewable energy resources, efforts to modernize the existing transmission system are also expected. The category of projects using digital technology to improve reliability, security and efficiency of the electric system are known as “Smart Grid” projects.

We believe that spending levels will continue to increase as utility companies work to address infrastructure maintenance, reliability and capacity requirements, as well as future reliability standards and state mandated renewable portfolio standards.

#### Renewable Energy Projects

The desire to decrease the U.S. dependence on foreign oil imports and the focus on a clean environment have created demand for more domestic, environmentally sensitive electrical power production, such as wind and solar collection farms. Currently, approximately 36 states as well as the District of Columbia and Puerto Rico have adopted renewable portfolio standards or goals. NERC’s 2013 Long-Term Reliability Assessment projected approximately 46,500 megawatts (“MW”) of new wind and solar capacity over the next ten years. We have expertise in wind, solar and industrial plant construction, and expect to be a leading player in renewable energy infrastructure projects.

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The renewable energy industry is reliant on federal and state tax incentives. The American Recovery and Reinvestment Act ("ARRA") was enacted in February 2009 and contained federal tax incentives applicable to the renewable energy industry. Certain key renewable energy provisions contained in the ARRA were extended in December 2010 and again in January 2013 by the American Taxpayer Relief Act (the "ATRA"). These provisions should have a positive impact on our customers' spending in a number of important areas and offer additional incentives that should benefit our business. One of the federal tax incentives contained in the ATRA is the extension of the production tax credit for wind projects that have commenced construction before January 1, 2014 and generally must be completed by December 31, 2015. The production tax credit provides the owner of a U.S. wind facility with a ten-year credit against its federal income tax obligations based on the amount of electricity produced at a qualifying facility by the owner and sold to unrelated parties during that period. The current production tax credit rate is 2.3 cents per kilowatt hour of electricity produced at a qualified wind energy facility. The wind industry will be negatively impacted, however, if the production tax credit is not extended further. The federal and state tax incentives have a finite duration, and efforts to extend or renew such incentives may not be successful. However, solar projects will continue to be eligible for the investment tax credit as long as the project is placed in service prior to January 1, 2017.

The accelerated tax depreciation provision for certain renewable energy generation assets (namely, certain equipment that uses solar or wind energy or energy from geothermal deposits or biomass) provides for a five year depreciable life for these assets, rather than the longer depreciable lives of many non-renewable energy assets. See Item 1A. "Risk Factors - The renewable energy industry is heavily reliant on tax incentives, the availability of which may be uncertain and could adversely affect demand for our services."

### Heavy Industrial Opportunities

Industrial plant construction opportunities across a wide variety of industries are present. The low price of natural gas is expected to spur the construction of new gas-fired electrical generating plants, conversions of coal-fired power plants to cleaner natural gas and the construction of other plants which use natural gas as a fuel source or chemical feedstock. Industrial facilities and plants that support the biofuels, food processing, natural gas, petroleum and related industries present opportunities as additional domestic energy reserves are produced, transported and processed.

### Competitive Strengths

Our competitive strengths include:

**Diverse Customer Relationships.** We serve a diversified customer and industry base. Our customers include some of the largest communications, utility and power generation companies in North America. We have longstanding relationships and have developed strong alliances with many of our customers, and we strive to maintain these customer relationships and our status as a preferred vendor to our customers. As a result of our diversification, we believe it is unlikely that a single customer will account for greater than 25% of our revenue in the foreseeable future.

**North American Footprint.** Including our predecessor companies, we have been in business for more than 80 years and are one of the largest companies in the infrastructure construction services industry, with approximately 380 locations and 13,450 employees, operating primarily throughout North America. We offer consistent, comprehensive infrastructure services to our customers and believe that our experience, technical expertise, geographic reach and size are important to our customers.

**Ability to Respond Quickly and Effectively.** The skills required to serve our end markets are similar, which allows us to utilize qualified personnel across multiple end markets and projects. We are able to respond quickly and effectively to industry changes, demand and major weather events by allocating our employees, fleet and other assets as and where they are needed, enabling us to provide cost effective and timely services for our customers.

**Reputation for Reliable Customer Service and Technical Expertise.** Over the years, we have established a reputation for quality customer service and technical expertise. Our reputation gives us an advantage in competing for new work, both from existing as well as potential customers. In addition, we have broad capabilities and expertise in the areas of communications, pipeline, electrical utility, power generation and heavy industrial infrastructure.

**Experienced Management Team.** Our management team plays a significant role in establishing and maintaining long-term relationships with our customers, supporting the growth of our business, integrating acquired businesses

and managing the financial aspects of our operations. Our chief executive officer, chief operating officer and business unit presidents have broad industry experience and a deep understanding of our customers and their requirements. Generally, key management personnel of recently acquired businesses continue to work for us under long-term employment agreements or services agreements.

Strategy

The key elements of our business strategy are as follows:

Focus on Growth Opportunities. We believe that our end markets offer compelling growth opportunities, and we expect increased spending by key customers in the industries we serve. We expect development of natural gas, natural gas liquids and petroleum pipeline infrastructure, expansion of wireless and fiber optic network infrastructure, electrical transmission capacity and distribution grid expansion and upgrades, development of power generation infrastructure, including renewable energy sources such as wind farms and solar farms, and heavy industrial

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projects to be areas of high investment and opportunity in the coming years. We intend to use our broad geographic presence, technical expertise, financial and operational resources, customer relationships and full range of services to capitalize on these trends and grow our business.

**Operational Excellence.** We seek to improve our operating margins and cash flows by focusing on profitable services and projects that have high margin potential, as well as by identifying opportunities for leverage within our business, such as deploying resources across multiple projects, while maintaining strong working capital management practices. We enhance our operating effectiveness and utilization rates through our ability to use certain resources across multiple customers and projects. We continue to pursue actions and programs designed to improve operating efficiencies and working capital management, such as increasing accountability throughout our organization, managing customer contract bidding procedures more effectively and increasing individual project profitability, hiring additional experienced operating and financial professionals and expanding the use of our financial and other management information systems.

**Maintain Conservative Capital Structure.** We have increased our financial resources in recent years. We repurchased and redeemed our \$150 million principal amount of 7.625% senior notes due 2017 and issued \$400 million principal amount of 4.875% senior notes due 2023 in the first quarter of 2013. In the fourth quarter of 2013, we amended our credit facility to expand our borrowing capacity from \$600 million to \$750 million. We evaluate our capital structure on an ongoing basis and may consider opportunities to refinance, repurchase or retire outstanding debt or repurchase equity in the future.

**Leverage Performance and Core Expertise Through Strategic Acquisitions, Alliances and/or Selected Divestitures.** We may pursue selected acquisitions, investments and strategic alliances that will allow us to expand our operations into targeted geographic areas or continue to expand our service offerings in related fields. We have diversified our business and expanded our service offerings and geographical footprint through numerous acquisitions in the last few years. Our strategy includes timely and efficient integration of acquisitions to best fit into our internal control environment and to maximize the potential of acquired businesses. We may also divest certain businesses or assets due to performance or fit within our long-term business strategy.

### Services

Our core services are the engineering, building, installing, maintaining and upgrading of infrastructure for communications, utility and power generation customers. We provide similar services to each of these customers, including:

**Build.** We build infrastructure projects for customers across a range of industries. We specialize in building natural gas, crude oil and refined product transport pipelines; underground and overhead distribution systems, including trenches, conduits, cable and power lines, which provide wireless and wireline communications; electrical power generation, transmission and distribution systems; power generation infrastructure, including renewable energy; heavy industrial plants; and compressor and pump stations and treatment plants.

**Install.** We install electrical and other energy distribution and transmission systems, power generation facilities, buried and aerial fiber optic cables, coaxial cables, copper lines and satellite dishes in a variety of environments for our customers. In connection with our installation work, we deploy and manage network connections that involve our customers' hardware, software and network equipment.

**Maintain and Upgrade.** We offer 24 hour/365 day a year maintenance and upgrade support to our customers. Our comprehensive service offerings include the regular maintenance of our customers' distribution facilities, networks and infrastructure, including natural gas and petroleum pipeline, communications, electrical distribution and transmission and power generation infrastructure. We also provide emergency services for accidents or storm damage. Our upgrade work ranges from routine replacements and upgrades to major overhauls.

### Customers

We have longstanding relationships with many customers, and often provide services under master service and other service agreements. Certain of our master service agreements are exclusive up to a specified dollar amount per work order for each defined geographic area, but do not obligate our customers to undertake any infrastructure projects or other work with us. Work performed under master service and other service agreements is typically generated through work orders, each of which is performed for a fixed fee. Services provided under these agreements range from

engineering, project management and installation work to maintenance and upgrade services. Master service and other service agreements are frequently awarded on a competitive bidding basis, although customers are sometimes willing to negotiate contract extensions beyond their original terms without re-bidding. Our master service and other service agreements have various terms, depending upon the nature of the services provided, and typically provide for termination on short or no advance notice. For the years ended December 31, 2013, 2012 and 2011, 45%, 43% and 55% of our revenue, respectively, was derived from projects performed under master service and other service agreements.

The remainder of our work is generated pursuant to contracts for specific projects or jobs that may require the construction and installation of an entire infrastructure system or specified units within an infrastructure system. Customers are billed with varying frequency, generally monthly or upon attaining specific milestones. Such contracts generally include retainage provisions under which 2% to 15% of the contract price is withheld from us until the work has been completed and accepted by the customer.

We believe that our industry experience, technical expertise and reputation for customer service, as well as the relationships developed between our customers and our senior management and project management teams are important to our being retained by our customers. See Note 15 - Segments and Related Information and Note 16 - Commitments and Contingencies in the notes to the audited consolidated financial statements, which are incorporated herein by reference, for significant customer concentrations.

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## Backlog

Estimated backlog represents the amount of revenue we expect to realize over the next 18 months from future work on uncompleted contracts, including new contractual agreements on which work has not begun. Our backlog estimates include amounts under master service and other service agreements in addition to construction projects. We determine the amount of backlog for work under master service and other service agreements based on historical trends, anticipated seasonal impacts and estimates of customer demand based on communications with our customers. The following presents 18-month backlog for our continuing operations by reportable segment as of the periods indicated (in millions):

Reportable Segment:	December 31, 2013	September 30, 2013	December 31, 2012
Communications	\$2,848	\$2,814	\$2,521
Oil and Gas	642	639	220
Electrical Transmission	418	441	453
Power Generation and Industrial	205	61	147
Other	14	14	17
Estimated 18-month backlog	\$4,127	\$3,969	\$3,358

We expect to realize approximately 74% of our year end 2013 backlog in 2014. While our backlog estimates include amounts under master service and other service agreements, our customers are not contractually committed to purchase a minimum amount of services under these agreements, most of which can be canceled on short or no advance notice. There can be no assurance as to our customers' requirements or that our estimates are accurate. In addition, timing of revenues for construction and installation projects included in our backlog can be subject to change as a result of customer delays, regulatory requirements and other project related factors. These changes could cause estimated revenues to be realized in periods later than originally expected, or not at all. As a result, our backlog as of any particular date is an uncertain indicator of future revenues and earnings.

## Sales and Marketing

Our customers increasingly require resources from multiple disciplines. Therefore, we market our services individually or in combination with other companies to provide what we believe is the most efficient and effective solution to meet our customers' demands. Through our unified MasTe<sup>®</sup> brand and an integrated organizational structure designed to permit rapid deployment of labor, equipment and materials, we are able to quickly and efficiently allocate resources to meet customer needs. We offer services and are branded under the MasTec<sup>®</sup> service mark and other service marks.

We have developed a marketing plan emphasizing the MasTec<sup>®</sup> registered service mark and trade names of certain acquired companies, as well as an integrated service offering to position ourselves as a provider of a full range of service solutions, providing services ranging from basic installation to sophisticated engineering, design and integration. We believe our longstanding relationships with customers and our reputation for reliability and efficiency facilitate our recurring business. Our marketing efforts are principally carried out by the management of our business units and project groups in coordination with our corporate marketing organization. Our management team has many years of industry experience, both at the service provider level and in some cases with the customers we serve. Our business unit and project group managers market directly to existing and potential customers for new contracts and also seek our inclusion on lists of vendors invited to submit proposals for service agreements and individual projects. Our executive management supplements these efforts at the national level.

## Safety and Insurance/Risk Management

We strive to instill safe work habits in our employees, and we require that our employees participate in training programs relevant to their employment and complete all training programs required by law. We evaluate employees in part based upon their safety records and the safety records of the employees they supervise. We have established a company-wide safety program to share best practices and to monitor and improve compliance with safety procedures and regulations.

Our business involves the use of heavy equipment, and exposure to various workplace conditions that can be dangerous. While we are committed to operating safely and prudently, we are subject to claims by employees, customers and third parties for property damage and personal injuries that occur in connection with our work. Our insurance policies are subject to high deductibles and we are self-insured up to the amount of the deductible. We maintain insurance policies for workers' compensation, general liability and automobile liability, which are subject to per claim deductibles. We also maintain excess umbrella coverage and an insurance policy with respect to employee group health claims. We are required to post letters of credit and provide cash collateral to certain of our insurance carriers and to obtain insurance-related surety bonds in certain states. See Note 16 - Commitments and Contingencies in the notes to the audited consolidated financial statements, which is incorporated herein by reference.

#### Suppliers, Materials and Working Capital

Under many of our contracts, our customers provide the necessary materials and supplies for projects and we are responsible for the installation of, but not the cost or warranty of those materials. Under certain other projects, we purchase the necessary materials and supplies on behalf of our customers from third-party providers. We are not dependent on any one supplier for materials or supplies and have not experienced any significant difficulty in obtaining an adequate supply of materials and supplies.

We utilize independent contractors to assist on projects and to help us manage work flow. Our independent contractors are typically sole proprietorships or small business entities that provide their own vehicles, tools and insurance coverage. We are not dependent on any single independent



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contractor. We need working capital to support seasonal variations in our business, primarily due to the impact of weather conditions on external construction and maintenance work and the spending patterns of our customers, both of which influence the timing of associated spending to support related customer demand. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources - Working Capital," which is incorporated herein by reference.

### Competition

Our industry is highly competitive and highly fragmented. We often compete with a number of companies in the markets in which we operate, ranging from small local independent companies to large national firms. The national or large regional firms that compete with us include Quanta Services, Inc., MYR Group, Inc., Dycom Industries, Inc., Pike Electric, Inc., Willbros Group, Bechtel Corporation, D.H. Blattner & Sons, Inc., M.A. Mortenson Company, General Dynamics, Black & Veatch, Wes Tower and Nexius.

Relatively few significant barriers to entry exist in the markets in which we operate, and, as a result, any organization that has adequate financial resources and access to technical expertise may become a competitor. Some of our customers employ personnel to perform infrastructure services of the type we provide. We compete based upon our industry experience, technical expertise, financial and operational resources, geographic presence, industry reputation and customer service. While we believe our customers consider a number of factors when selecting a service provider, most of their work is awarded through a bid process. Consequently, price is often a principal factor in determining which service provider is selected.

### Regulation and Environmental Matters

We are subject to state and federal laws that apply to businesses generally, including laws and regulations related to labor relations, worker safety and environmental protection. While many of our customers operate in regulated industries (for example, utilities regulated by the public service commission or communications companies regulated by the Federal Communications Commission), we are not generally subject to such regulation and oversight.

As a contractor, our operations are subject to various laws, including:

- regulations related to vehicle registrations, including those of state and the United States Department of Transportation ("DOT");

- regulations related to worker safety and health, including those established by the Occupational Safety and Health Administration ("OSHA") and state equivalents;

- contractor licensing requirements;

- permitting and inspection requirements; and

- building and electrical codes.

We are also subject to numerous environmental laws, including the handling, transportation and disposal of non-hazardous and hazardous substances and wastes, as well as emissions and discharges into the environment, including discharges into air, surface water and groundwater and soil. We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, liabilities can be imposed for cleanup of properties, regardless of whether we directly caused the contamination or violated any law at the time of discharge or disposal. The presence of contamination from such substances or wastes could interfere with ongoing operations or adversely affect our business. In addition, we could be held liable for significant penalties and damages under certain environmental laws and regulations. See Item 1A. "Risk Factors - Our failure to comply with environmental laws could result in significant liabilities."

We believe we have all licenses and permits needed to conduct operations and that we are in compliance with all material applicable regulatory requirements. However, if we fail to comply with any material applicable regulatory requirements, we could incur significant liabilities.

### Financial Information About Geographic Areas

We operate throughout North America, primarily in the United States and Canada, as well as in parts of Latin America. For the years ended December 31, 2013, 2012 and 2011, revenues from continuing operations of \$4.1 billion, \$3.6 billion and \$2.7 billion, respectively, were derived in the United States, and \$268 million, \$157 million and \$92 million, respectively, were derived from foreign operations. Long-lived assets held in the United States for our continuing operations include property and equipment, net, of \$437 million, \$337 million and \$252 million as of

December 31, 2013, 2012 and 2011, respectively. Long-lived assets held in foreign countries for our continuing operations, primarily in Canada, include property and equipment, net, of \$51 million, \$11 million and \$11 million as of December 31, 2013, 2012 and 2011, respectively. Intangible assets and goodwill, net, for our continuing operations of \$972 million, \$933 million and \$794 million as of December 31, 2013, 2012 and 2011, respectively, relate to businesses in the United States. Intangible assets and goodwill, net, for our continuing operations of \$93 million, \$31 million and \$31 million as of December 31, 2013, 2012 and 2011, respectively, relate to businesses in foreign countries.

Our business, financial condition and results of operations in foreign countries may be adversely affected by monetary and fiscal policies, currency fluctuations, energy shortages, regulatory requirements and other political, social and economic developments or instability.

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### Employees

As of December 31, 2013, we had approximately 13,450 employees, approximately 1,100 of whom were represented by a union or were subject to collective bargaining agreements. See Note 16 - Commitments and Contingencies in the notes to the audited consolidated financial statements, which is incorporated herein by reference.

We hire employees from a number of sources, including our industry, trade schools and colleges. Our primary sources for employees include promotion from within, team member referrals, print and internet advertising and direct recruiting. We attract and retain employees by offering technical training opportunities, bonus opportunities, stock ownership, competitive salaries and a comprehensive benefits package. We believe that our focus on training and career development helps us to attract and retain employees. Our employees participate in ongoing educational programs, many of which are internally developed, to enhance their technical and management skills through classroom and field training. We provide opportunities for promotion and mobility within our organization, which we also believe helps us to retain our employees. We believe our relations with our employees are good.

### Available Information

A copy of this Annual Report on Form 10-K, as well as our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 are available free of charge on the internet at our website, [www.mastec.com](http://www.mastec.com), as soon as reasonably practicable after we electronically file these reports with, or furnish these reports to, the Securities and Exchange Commission, which we refer to as the SEC. Copies of our Board of Directors Governance Principles and Code of Business Conduct and Ethics, which applies to all directors and employees and includes a code of ethics for our CEO, CFO and other senior executives, and which expressly applies to our senior financial officers (including our principal executive officer, principal financial officer and our controller), and the charters for each of our Audit, Compensation and Nominating and Corporate Governance Committees are also available on our website in the Investors section under the tab "Corporate Governance," or may be obtained by contacting our Vice President of Investor Relations by phone at (305) 406-1815, or by email at [investor.relations@mastec.com](mailto:investor.relations@mastec.com). We intend to provide any amendments or waivers to our Code of Business Conduct and Ethics for any of our directors and senior officers on our website within four business days of any such amendment or waiver. The reference to our website address does not constitute incorporation by reference of the information contained on the website and such information is not part of this report. Our reports filed with the SEC may be read or copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Alternatively, you may access these reports at the SEC's website at [www.sec.gov](http://www.sec.gov).

### Use of our Website to Distribute Material Company Information

We use our website as a channel of distribution for important company information. Important information, including press releases, investor presentations and financial information regarding our company is routinely posted and accessible by clicking on the tab labeled "Investors" on our website home page, [www.mastec.com](http://www.mastec.com). We also use our website to expedite public access to time-critical information regarding our company in advance of or in lieu of distributing a press release or a filing with the SEC disclosing the same information. Therefore, investors should look to the Investor Relations subpage of our website for important and time-critical information. Visitors to our website can also register to receive automatic e-mail and other notifications alerting them when new information is made available on the Investor Relations subpage of our website.

## ITEM 1A. RISK FACTORS

You should carefully consider the risks described below, together with all of the other information in this Annual Report on Form 10-K. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business. If any of these risks actually occur, our business, financial condition and results of operations could suffer, and the trading price of our common stock could decline.

Risks Related to Our Industry and Our Customers' Industries

Economic downturns could reduce capital expenditures in the industries we serve, which may result in a decrease in demand for our services.

The demand for our services has been, and will likely continue to be, cyclical in nature and vulnerable to general downturns in the U.S. economy and the economies of other countries in which we operate. During economic downturns, our customers may not have the ability to fund capital expenditures for infrastructure, or may have difficulty obtaining financing for planned projects. This has resulted, and in the future could result in cancellations of projects or deferral of projects to a later date. Such cancellations or deferrals could result in decreased demand for our services and could materially adversely affect the results of our operations, cash flows and liquidity.

In addition, our customers are negatively affected by economic downturns that decrease the need for their services or the profitability of their services. Slow-downs in real estate, fluctuations in commodity prices and decreased demand by end-customers for services could affect our customers and their capital expenditure plans. We continually monitor our customers' industries and their relative health compared to the economy as a whole because we have previously been negatively impacted by economic downturns. Reductions in new housing starts, for example, have negatively affected our customers who utilize our services to construct their "last mile" of communications infrastructure, and such reductions have also had negative impacts on other industries we serve, including electric utility transmission and grid connection and pipeline construction. Additionally, our customers who provide satellite and broadband communications to consumers across North America could be adversely impacted by an economic downturn if new subscriptions and upgrades for new and existing consumers are not ordered at the rate that our customers anticipate. During an economic downturn, our customers also may not have the ability or desire to continue to fund capital expenditures for infrastructure or may outsource less work. A decrease

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in any of these projects, new subscriptions or upgrades could negatively impact demand for the services we provide and could materially adversely affect our results of operations, cash flows and liquidity.

Additionally, in the past, we incurred significant losses after a number of customers filed for bankruptcy or experienced financial difficulties following a general economic downturn, in which certain industry factors worsened the impact of the overall economic downturn on those customers. In difficult economic times, some of our clients may find it difficult to pay invoices for our services timely, increasing the risk that our accounts receivable could become uncollectible and ultimately be written off. In certain cases, our clients for our large projects are project-specific entities that do not have significant assets other than their interests in the project. From time to time it may be difficult for us to collect payments owed to us by these clients. Delays in client payments may require us to make a working capital investment, which could impact our cash flows and liquidity. If a client fails to pay invoices on a timely basis or defaults in making its payments on a project in which we have devoted significant resources, there could be a material adverse effect on our results of operations or liquidity.

Many of the industries we serve are subject to consolidation and rapid technological and regulatory change, and our inability or failure to adjust to our customers' changing needs could reduce demand for our services.

We derive, and anticipate that we will continue to derive, a substantial portion of our revenue from customers in the communications, utilities and power generation industries, which are subject to rapid changes in technology and governmental regulation. Changes in technology may reduce the demand for the services we provide. For example, new or developing telecommunications technologies could displace existing technologies, such as the wireline systems used for the transmission of voice, video and data. Furthermore, improvements in existing technologies could allow communications providers to significantly improve their networks without physically upgrading them.

Technological advances may also result in lower costs for sources of energy, which may render existing renewable energy and natural gas projects and technologies uncompetitive or obsolete. Additionally, the industries we serve have been characterized by a high level of consolidation that may result in the loss of one or more of our customers. Our failure to rapidly adopt and master new technologies as they are developed in any of the industries we serve or the consolidation of one or more of our significant customers could have a material adverse effect on our results of operations, cash flows and liquidity. Furthermore, regulatory and environmental requirements affecting any of the communications, utilities and power generation industries would adversely affect our results of operations. Our customers in these industries face stringent regulatory and environmental requirements and permitting processes as they implement plans for their projects, which can result in delays, reductions and cancellations of some of their projects.

Demand for pipeline construction services depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil, natural gas and other fuel prices and the cost of energy infrastructure projects.

Demand for our pipeline construction services is particularly sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies. Additionally, pipelines have competition from rail and trucking companies that also transport hydrocarbons. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of, and demand for, oil and natural gas, as well as market uncertainty and a variety of other factors that are beyond our control. Low prices for oil and natural gas generally depress levels of exploration, development and production activity, which could result in a corresponding decline in demand for pipeline construction services. Factors affecting the prices of oil and natural gas include:

- the levels of supply and demand for oil and natural gas, especially demand for natural gas in the United States;
- governmental regulations, including policies regarding the exploration, production and development of oil and natural gas reserves as well as environmental laws and initiatives to control global warming;
- global weather conditions and natural disasters;
- worldwide political, military, and economic conditions; the level of oil production by non-Organization of the Petroleum Exporting Countries ("OPEC") suppliers and available excess production capacity within OPEC;
- oil refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
- the cost of producing and delivering oil and gas; and
- potential acceleration of development of alternative fuels.

Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile. Spending on exploration and production activities by large oil and gas companies has a significant impact on the activity levels of pipeline construction services. In addition, demand for pipeline construction services may be affected by the costs of energy exploration and the construction of energy infrastructure projects. For example, while high oil and gas prices may increase oil and gas exploration and production and transportation activity, the associated increase in demand for equipment, materials and labor required for such exploration and activity may increase their costs and dampen demand for our services. Furthermore, increased costs for raw materials such as steel and other commodities may make some projects uneconomical despite robust oil and gas prices, thus reducing demand for our pipeline construction services. A decrease in demand for our pipeline construction services could materially and adversely affect our results of operations, cash flows and liquidity.

Our industry is highly competitive, which may reduce our market share and harm our financial performance.

Our industry is highly fragmented, and we compete with other companies in most of the markets in which we operate, ranging from small independent firms servicing local markets to larger firms servicing regional and national markets.

We also face competition from existing and prospective customers that employ in-house personnel to perform some of the services we provide. There are relatively few barriers to entry into certain of the

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markets in which we operate and, as a result, any organization that has adequate financial resources and access to technical expertise and skilled personnel may become a competitor. Most of our customers' work is awarded through a bid process. Consequently, price is often the principal factor that determines which service provider is selected, especially on smaller, less complex projects. Smaller competitors sometimes win bids for these projects based on price alone due to their lower costs and financial return requirements. However, our bids for certain projects may not be successful because of a customer's perception of our relative ability to perform the work as compared to our competitors or a customer's perception of technology advantages held by our competitors as well as other factors. Our results of operations, cash flows and liquidity could be materially and adversely affected if we are unsuccessful in bidding on these projects, or if our ability to win such projects requires that we accept lesser margins. We also face competition from the in-house service organizations of our existing or prospective customers. As such, we cannot be certain that our existing or prospective customers will continue to outsource services in the future.

### Risks Related to Our Business

Our failure to properly manage projects, or project delays, may result in additional costs or claims, which could have a material adverse effect on our operating results, cash flows and liquidity.

Certain of our engagements involve large-scale, complex projects that may occur over extended time periods. The quality of our performance on such a project depends in large part upon our ability to manage our client relationship and the project itself and to timely deploy appropriate resources, including third-party contractors and our own personnel. Our results of operations, cash flows and liquidity could be adversely affected if we miscalculate the resources or time needed to complete a project with capped or fixed fees, or the resources or time needed to meet contractual milestones. Additionally, delays on a particular project, including delays in designs, engineering information or materials provided by the customer or a third party, delays or difficulties in equipment and material delivery, schedule changes, delays from our customer's failure to timely obtain permits or rights-of-way or to meet other regulatory requirements, weather-related delays, permitting delays and other factors, some of which are beyond our control, may cause us to incur costs for standby pay, and may lead to personnel shortages on other projects scheduled to commence at a later date. We also may encounter project delays due to local opposition, which may include injunctive actions as well as public protests, to the siting of electric power, natural gas or oil transmission lines, solar or wind projects, or other facilities. In addition, some of our agreements require that we share in cost overages or pay liquidated damages if we do not meet project deadlines; therefore, any failure to properly estimate or manage cost, or delay in completion of projects, could subject us to penalties, which could adversely affect our results of operations, cash flows and liquidity. Further, any defects or errors, or failures to meet our customers' expectations could result in large damage claims against us, and because of the substantial cost of, and potentially long lead-times necessary to acquire certain of the materials and equipment used in our complex projects, such as pipeline and power generation, including renewable energy, damage claims may substantially exceed the amount we can charge for our associated services.

We may not accurately estimate the costs associated with our services provided under fixed price contracts, which could impair our financial performance.

A significant portion of our revenue is derived from master service and other service agreements that are fixed price contracts. Under these contracts, we set the price of our services on a per unit or aggregate basis and assume the risk that costs associated with our performance may be greater than we anticipated. In addition to master or other service agreements, we enter into contracts for specific projects or jobs that may require the installation or construction of an entire infrastructure system or specified units within an infrastructure system. Under those agreements, we contractually agree to a price per unit. Profitability will be reduced if the actual costs to complete each unit exceed original estimates. We are also required to immediately recognize the full amount of any expected losses on these projects if estimated costs to complete the remaining units for the projects exceed the revenue to be earned on such units. Our profitability is therefore dependent upon our ability to accurately estimate the costs associated with our services. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at work sites differing materially from what was anticipated at the time we bid on the contract and higher costs of materials and labor. These variations, along with other risks inherent in performing fixed price contracts, may cause actual project revenue and profits to differ from original estimates, and as a result, certain agreements or projects

could have lower margins than anticipated, or losses, if actual costs exceed our estimates, which could reduce our profitability, cash flows and liquidity.

Our business may be affected by difficult work sites and environments, which could cause delays and increase our costs.

We perform work under a variety of conditions, including, but not limited to, difficult and hard to reach terrain and difficult site conditions. Performing work under such conditions can result in project delays or cancellations, potentially causing us to incur additional, unanticipated costs, reductions in revenues or the payment of liquidated damages. In addition, some of our contracts require that we assume the risk should actual site conditions vary from those expected. Some of our projects involve challenging engineering, procurement and construction phases that may occur over extended time periods. We may encounter difficulties in engineering, delays in designs or materials provided by the customer or a third party, equipment and material delivery delays, schedule changes, delays from customer failure to timely obtain rights-of-way, weather-related delays, delays by subcontractors in completing their portion of the project and other factors, some of which are beyond our control, but which impact our ability to complete a project as originally scheduled. In some cases, delays and additional costs may be substantial, and we may be required to cancel a project and/or compensate the customer for the delay. We may not be able to recover any of such costs. Any such delays or cancellations or errors or other failures to meet customer expectations could result in damage claims substantially in excess of the revenue associated with a project. Delays or cancellations could also negatively impact our reputation or relationships with our customers, which could adversely affect our ability to secure new contracts.

Our failure to recover adequately on claims against project owners, subcontractors or suppliers for payment or performance could have a material effect on our financial results.

We occasionally bring claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. Similarly, we present change orders and claims to our subcontractors and suppliers. If we fail to properly document the nature of change orders or claims, or are otherwise unsuccessful in negotiating a reasonable settlement, we could incur reduced profits, cost overruns and in some cases a loss on the project. These types of claims can often occur due to matters such as owner-caused delays, changes from the initial project scope, which



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result in additional cost, both direct and indirect or from project or contract terminations. From time to time, these claims can be the subject of lengthy and costly proceedings, and it is often difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we may invest significant working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a material adverse impact on our liquidity and financial results. We recognize revenue from installation/construction fixed price contracts using the percentage-of-completion method; therefore, variations of actual results from our assumptions may reduce our profitability.

We recognize revenue from installation/construction fixed price contracts using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. The cumulative amount of revenue recorded on a contract at a specified point in time is the percentage of total estimated revenue that incurred costs to date bear to estimated total contract costs. The percentage-of-completion method, therefore, relies on estimates of total expected contract costs. Contract revenue and total cost estimates are reviewed and revised periodically as the work progresses. Adjustments are reflected in contract revenue in the fiscal period in which such estimates are revised. Estimates are based on management's reasonable assumptions and experience, but are subject to the risks inherent in estimates. Variation of actual results from estimates on a large project or on a number of smaller projects could be material. We immediately recognize the full amount of an estimated loss on a contract when our estimates indicate such a loss. Such adjustments and accrued losses could result in reduced profitability, which could negatively impact our liquidity and results of operations.

We maintain a workforce based upon current and anticipated workloads. If we do not receive future contract awards or if these awards are delayed, significant cost may result.

Our estimates of future performance and results of operations depend on, among other matters, whether and when we will receive certain new contract awards, including the extent to which we utilize our workforce. The rate at which we utilize our workforce is impacted by a variety of factors including our ability to manage attrition, our ability to forecast our need for services which allows us to maintain an appropriately sized workforce, our ability to transition employees from completed projects to new projects or between internal business groups, and our need to devote resources to non-chargeable activities such as training or business development. While our estimates are based upon our good faith judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when we will receive a contract award. The uncertainty of contract award timing can present difficulties in matching our workforce size with our contract needs. If an expected contract award is delayed or not received, we could incur cost resulting from reductions in staff or redundancy of facilities that would have the effect of reducing our profits and cash flows.

Claims, lawsuits and proceedings could reduce our profitability, cash flows and liquidity.

We are subject to various claims, lawsuits and proceedings which arise in the ordinary course of business. These actions may seek, among other things, compensation for alleged personal injury, workers' compensation, employment discrimination, breach of contract, property damage, punitive damages, civil penalties or other losses, liquidated damages, consequential damages, or injunctive or declaratory relief. In addition, pursuant to our service agreements, we generally indemnify our customers for claims related to the services we provide. Claimants may seek large damage awards and defending claims can involve significant costs. When appropriate, we establish reserves against these items that we believe to be adequate in light of current information, legal advice and professional indemnity insurance coverage, and we adjust such reserves from time to time according to case developments. See Note 16 – Commitments and Contingencies in the notes to the audited consolidated financial statements, which is incorporated herein by reference. If our legal reserves are inadequate, or if in the future our insurance coverage proves to be inadequate or unavailable, or if there is an increase in liabilities for which we self-insure, we could experience a reduction in our profitability and liquidity. An adverse determination on any such claim, lawsuit or proceeding could have a material adverse effect on our business, financial condition or results of operations. In addition, claims, lawsuits and proceedings may harm our reputation or divert management resources away from operating our business.

We may choose, or be required, to pay our subcontractors even if our customers do not pay, or delay paying us for the related services.

We use subcontractors to perform portions of our services and to manage work flow. In some cases, we pay our subcontractors before our customers pay us for the related services. We could experience a material decrease in profitability and liquidity if we choose, or are required, to pay our subcontractors for work performed for customers who fail to pay, or delay paying us for the related work.

Most of our contracts may be canceled on short or no advance notice, which could reduce our revenue, and certain of our contracts with customers are subject to their ability to secure financing or other conditions and therefore may not result in revenues or profits.

Most of our contracts are cancelable on short or no advance notice, ranging from immediate cancellation to cancellation upon 180 days notice, even if we are not in default under the contract. Many of our contracts, including our service agreements, are periodically open to public bid. We may not be the successful bidder on our existing contracts that are re-bid. We also provide a significant portion of our services on a non-recurring, project-by-project basis. We could experience a reduction in our revenue, profitability and liquidity if: (i) our customers cancel a significant number of contracts; (ii) we fail to win a significant number of our existing contracts upon re-bid; or (iii) if we complete the required work under a significant number of our non-recurring projects and cannot replace them with similar projects.

Additionally, from time to time, we enter into contracts that contain financing or other conditions, which must be satisfied before we may begin work; therefore, certain of these contracts may not result in revenues or profits if our customers are unable to obtain the associated financing or satisfy any other conditions associated with such projects are otherwise not met.

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Our subcontractors may fail to satisfy their obligations to us or other parties, or we may be unable to maintain these relationships, either of which may have a material adverse effect on our results of operations, cash flows and liquidity. We depend on subcontractors to complete certain work on some of our projects. There is a risk that we may have disputes with subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractors, customer concerns about the subcontractors or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if any of our subcontractors fail to deliver on a timely basis the agreed-upon supplies and/or perform the agreed-upon services, then our ability to fulfill our obligations as a prime contractor may be jeopardized. In addition, the absence of qualified subcontractors with whom we have a satisfactory relationships could adversely affect the quality of our service and our ability to perform under some of our contracts. Any of these factors may have a material adverse effect on our results of operations, cash flows and liquidity. In addition, on certain projects we rely on suppliers to obtain the necessary materials. We also rely on equipment manufacturers and lessors to provide us with the equipment required to conduct our operations. Although we are not dependent on any single supplier or equipment manufacturer or lessor, any substantial limitation on the availability of required suppliers or equipment could negatively impact our operations. The risk of a lack of available suppliers or equipment may be heightened as a result of market and economic conditions. To the extent we cannot acquire materials or equipment, we could experience a material adverse effect on our results of operations, cash flows and liquidity.

If we are unable to attract and retain qualified managers and skilled employees, we will be unable to operate efficiently, which could reduce our revenue, profitability and liquidity.

Our business is labor intensive, and some of our operations experience a high rate of employee turnover. In addition, given the nature of the highly specialized work we perform, many of our employees are trained in and possess specialized technical skills. At times of low unemployment rates in the areas we serve, it can be difficult for us to find qualified and affordable personnel. We may be unable to hire and retain a sufficiently skilled labor force necessary to support our operating requirements and growth strategy. Our labor expenses may increase as a result of a shortage in the supply of skilled personnel. We may also be forced to incur significant training expenses if we are unable to hire employees with the requisite skills. Additionally, our business is managed by a number of key executive and operational officers and is dependent upon retaining and recruiting qualified management. Labor shortages, increased labor or training costs, or the loss of key personnel could materially adversely affect our results of operations, cash flows and liquidity.

The renewable energy industry is heavily reliant on tax incentives, the availability of which may be uncertain and could adversely affect demand for our services.

Because the unsubsidized cost of electric power from renewable resources such as wind and solar often exceeds that of fossil fuel and nuclear generating facilities, the renewable energy industry is heavily reliant on tax incentives. These tax incentives effectively reduce the market price at which renewable energy can be sold, which spurs investment in renewable energy facilities. These tax incentives, however, such as those provided by the ARRA, as extended by the ATRA, have a finite duration. The finite duration of these tax incentives creates uncertainty for the developers of renewable energy facilities and may adversely affect investment in them and, accordingly, the demand for our services. Moreover, in light of the ongoing debate over federal budget and tax policies, the likelihood that ARRA will be further extended or enhanced cannot be predicted. Accordingly, we cannot predict the impact that this legislation will have on the demand for our services.

For example, the current election to claim the investment tax credit in lieu of the production tax credit is available only for qualified wind facilities on which construction commenced prior to January 1, 2014, and generally must be completed by December 31, 2015; the U.S. Treasury Section 1603 grant program for wind and solar projects applied only to facilities placed in service in 2010 or 2011 (or after 2011 as long as construction began in 2010 or 2011 and is completed before the termination date of the credit otherwise available for the property) and has not been extended by Congress. Additionally, the investment tax credit for qualified solar projects will only be available for projects placed in service prior to January 1, 2017.

The current election to claim the investment tax credit in lieu of the production tax credit is available only for qualified wind facilities on which construction commenced prior to January 1, 2014. In addition, the production tax credit only applies to wind energy facilities on which construction commenced prior to January 1, 2014 and will not be available for energy generated from wind facilities on which construction commences after that date, unless the production tax credit is extended or renewed. Whether the investment tax credit or the expired Section 1603 U.S. Treasury grant program will be effective in the future for wind, solar or other renewable energy projects is uncertain, as are any future efforts to extend or renew the production tax credit, the investment tax credit, and/or the Section 1603 U.S. Treasury grant program. Furthermore, the provisions regarding any extension or renewal may not be as favorable as those that currently exist. In addition, we cannot assure you that any extension or renewal of the production tax credit, the investment tax credit, and/or the U.S. Treasury grant program would be enacted prior to its expiration or, if allowed to expire, that any extension or renewal enacted thereafter would be enacted with retroactive effect.

We also cannot assure you that the tax laws providing for accelerated and bonus depreciation with respect to wind or solar energy generation assets will not be modified, amended or repealed in the future. If the investment tax credit or the U.S. Treasury grant program are not effective or if the federal production tax credit is not extended or renewed, or is extended or renewed at a lower rate, these generating facilities may be less profitable to build and operate and the ability of our customers to obtain financing for these projects may be impaired or eliminated. As a result, our revenue and results of operations could be materially adversely affected if demand for our services or the tax incentives were reduced.

Changes to renewable portfolio standards could, and decreased demand for renewable energy projects would, negatively impact our results of operations, cash flows and liquidity.

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A portion of our business provides construction and/or installation services to owners and operators of wind power, solar power and other renewable energy facilities. The development of wind, solar and other renewable energy facilities is highly dependent upon federal production tax credits, which only apply if construction commenced prior to January 1, 2014, the existence of renewable portfolio standards and other tax or state incentives. Renewable portfolio standards are state specific statutory provisions requiring that electric utilities generate a certain amount of electricity from renewable energy sources or devote a certain portion of operational/development capacity to renewable energy sources. Additionally, certified renewable energy generators earn certificates for every megawatt hour of electricity they produce and can sell these along with their electricity to their customers. In the past, these standards have spurred growth in the renewable energy industry and demand for renewable energy infrastructure construction services. However, revenues from renewable energy projects in the past have been, and in the future are expected to continue to be, highly volatile. For example, revenues in our Power Generation and Industrial segment, which include renewable projects, have ranged from \$220 million to \$668 million over the past three years. Currently, approximately 35 states as well as the District of Columbia and Puerto Rico have adopted renewable portfolio standards or goals. Elimination of, or changes to, existing renewable portfolio standards or similar environmental policies may negatively affect demand for our services. Additionally, renewable energy is generally more expensive to produce and may require additional power generation sources as backup. The locations of renewable energy projects are often remote and are not viable unless connectivity to the grid to transport the power to demand centers is economically feasible. Furthermore, funding for renewable energy initiatives may not be available, particularly during periods of tight credit markets. These factors could result in fewer renewable energy projects than anticipated or a delay in the timing of construction of these projects and the related infrastructure, which would negatively affect demand for our services.

Our failure to comply with the regulations of OSHA, the U.S. DOT and other state and local agencies that oversee transportation and safety compliance could reduce our revenue, profitability and liquidity.

The Occupational Safety and Health Act of 1970, as amended, establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated by OSHA and various recordkeeping, disclosure and procedural requirements. Various standards, including standards for notices of hazards and safety in excavation and demolition work may apply to our operations. We have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of business in complying with OSHA and other state and local laws and regulations, and could incur penalties and fines in the future, including in extreme cases, criminal sanctions.

While we have invested, and will continue to invest, substantial resources in occupational health and safety programs, our industry involves a high degree of operational risk, and there can be no assurance that we will avoid significant liability. Although we have taken what we have believed to be appropriate precautions, we have had employee injuries and fatalities in the past and may suffer additional injuries or fatalities in the future. Serious accidents of this nature may subject us to substantial penalties, civil litigation or criminal prosecution. Personal injury claims for damages, including for bodily injury or loss of life, could result in substantial costs and liabilities, which could materially and adversely affect our financial condition, results of operations or cash flows. In addition, if our safety record were to deteriorate, or if we suffered substantial penalties or criminal prosecution for violation of health and safety regulations, customers could cancel existing contracts and not award future business to us, which could materially adversely affect our liquidity, cash flows and results of operations. We have, from time to time, received notice from the DOT that our motor carrier operations will be monitored and that the failure to improve our safety performance could result in suspension or revocation of vehicle registration privileges. If we were not able to successfully resolve such issues, our ability to service our customers could be damaged, which could lead to a material adverse effect on our results of operations, cash flows and liquidity.

Many of our customers are highly regulated and the addition of new regulations or changes to existing regulations may adversely impact their demand for our specialty contracting services and the profitability of those services.

Many of our communications customers are regulated by the Federal Communications Commission ("FCC"), and our energy customers are regulated by the Federal Energy Regulatory Commission ("FERC"). In addition, our utility customers are regulated by state public utility commissions. These agencies could change the way in which they

interpret the application of their current regulations and may impose additional regulations. Interpretative changes or new regulations that have an adverse effect on our customers and the profitability of the services they provide, could reduce demand for our specialty contracting services, which could adversely affect our results of operations, cash flows and liquidity.

Our failure to comply with environmental laws could result in significant liabilities.

Some of the work we perform is in underground environments. If the field location maps supplied to us are not accurate, or if objects are present in the soil that are not indicated on the field location maps, our underground work could strike objects in the soil containing pollutants and result in a rupture and discharge of pollutants. In such a case, we may be liable for fines and damages. We own and lease several facilities at which we store our equipment. Some of these facilities contain fuel storage tanks which may be above or below ground. If these tanks were to leak, we could be responsible for the cost of remediation as well as potential fines. Additionally, we sometimes perform directional drilling operations below certain environmentally sensitive terrains and water bodies. Due to the inconsistent nature of the terrain and water bodies, it is possible that such directional drilling may cause a surface fracture releasing subsurface materials. These releases may contain contaminants in excess of amounts permitted by law, potentially exposing us to remediation costs and fines. In addition, new environmental laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or leaks, or the imposition of new clean-up requirements could require us to incur significant costs or become the basis for new or increased liabilities that could have a material negative impact on our results of operations, cash flows and liquidity. There are also other legislative and regulatory proposals to address greenhouse gas emissions. These proposals, if enacted, could result in a variety of regulatory programs including potential new regulations, additional charges to fund energy efficiency activities, or other regulatory actions. Any of these actions could result in increased costs associated with our operations and impact the prices we charge our customers. For example, if new regulations are adopted regulating greenhouse gas emissions from mobile sources such as cars and trucks, we could experience a significant increase

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in environmental compliance costs in light of our large fleet and amount of construction machinery owned. In addition, if our operations are perceived to result in high greenhouse gas emissions, our reputation could suffer. We derive a significant portion of our revenue from a few customers, and the loss of one or more of these customers or a reduction in their demand for our services could impair our financial performance. For the year ended December 31, 2013, we derived approximately 18%, 18% and 14% of our revenue from continuing operations from AT&T, Enbridge, Inc. and DIRECTV®, respectively. For the year ended December 31, 2012, we derived approximately 18% and 17% of our revenue from continuing operations from AT&T and DIRECTV®, respectively. For the year ended December 31, 2011, we derived approximately 24% and 20% of our revenue from continuing operations from AT&T and DIRECTV®, respectively. In addition, our ten largest customers accounted for approximately 69%, 64% and 71% of our revenue from continuing operations for the years ended December 31, 2013, 2012 and 2011, respectively. Because our business is concentrated among relatively few major customers, and certain of our services are provided on a non-recurring, project by project basis, our results of operations, cash flows and liquidity could be negatively affected if these customers reduce the amount of business they provide to us, or if we complete the required work on our projects for these customers and cannot replace them with similar projects. Approximately 55% of our revenue from continuing operations was derived from non-recurring project specific work for the year ended December 31, 2013, which may further increase this risk if we are not able to replace completed project work with new work. In addition, many of the contracts with our largest customers may be canceled on short or no advance notice. Any of these factors could negatively impact our results of operations, cash flows and liquidity. Our inability to enforce non-competition agreements with former principals and key management of the businesses we acquire may adversely affect our operating results, cash flows and liquidity. In connection with our acquisitions, we generally require that key management and the former principals of the businesses we acquire enter into non-competition agreements in our favor. Enforceability of these non-competition agreements varies from state to state, and state courts will generally examine all of the facts and circumstances at the time a party seeks to enforce a non-competition agreement; consequently, we cannot predict with certainty whether, if challenged, a court will enforce any particular non-competition agreement. If one or more former principals or members of key management of the businesses we acquire leave and the courts refuse to enforce the non-competition agreement entered into by such person or persons, we might be subject to increased competition, which could materially and adversely affect our operating results, cash flows and liquidity. We may incur goodwill impairment charges, which could harm our profitability. When we acquire a business, we record goodwill equal to the excess amount we pay for the business, including anticipated future liabilities, over the fair value of the acquired net assets of that business. As a result of our acquisitions, we have \$1.1 billion of goodwill and identifiable intangible assets recorded as of December 31, 2013. We expect to continue to record additions to goodwill in future periods in connection with completed acquisitions, including goodwill resulting from future earn-out payments for acquisitions that closed prior to January 1, 2009, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for such acquisitions. We periodically review the carrying values of our goodwill and indefinite-lived intangible assets to determine whether such carrying values exceed their fair market values. We may incur impairment charges related to goodwill or indefinite-lived intangible assets in connection with any of our acquisitions in the future if the markets they serve or their businesses deteriorate. Our operations may impact the environment or cause exposure to hazardous substances, and our properties may have environmental contamination, which could result in material liabilities. Our operations are subject to various environmental laws and regulations, including those dealing with the handling and disposal of waste products, polychlorinated biphenyls ("PCBs"), fuel storage and air quality. Certain of our current and historical construction operations have used hazardous materials and, to the extent that such materials are not properly stored, contained or recycled, they could become hazardous waste. Additionally, some of our contracts require that we assume the environmental risk of site conditions and require that we indemnify our customers for any damages, including environmental damages, incurred in connection with our projects. We may be subject to claims under various environmental laws and regulations, federal and state statutes and/or common law doctrines for toxic torts and other damages, as well as for natural resource damages and the investigation and clean up of soil, surface

water, groundwater, and other media under laws such as the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). Such claims may arise, for example, out of current or former conditions at project sites, current or former properties owned or leased by us, and contaminated sites that have always been owned or operated by third parties. Liability may be imposed without regard to fault and may be strict and joint and several, such that we may be held responsible for more than our share of any contamination or other damages, or even for the entire share, and may be unable to obtain reimbursement from the parties causing the contamination.

Our business is subject to physical hazards that could result in substantial liabilities and weaken our financial condition.

Construction projects undertaken by us expose our employees to electrical lines, pipelines carrying potentially explosive materials, heavy equipment, mechanical failures, transportation accidents, adverse weather conditions and the risk of damage to equipment and property. These hazards can cause personal injuries and loss of life, severe damage to or destruction of property and equipment and other consequential damages and could lead to suspension of operations and large damage claims which could, in some cases, substantially exceed the amount we charge for the associated services. In addition, if serious accidents or fatalities occur, or our safety records were to deteriorate, we may be restricted from bidding on certain work and obtaining other new contracts and certain existing contracts could be terminated. Our safety processes and procedures are monitored by various agencies and rating bureaus. The occurrence of accidents in our business could result in significant liabilities, employee turnover, increase the costs of our projects, or harm our ability to perform under our contracts or enter into new contracts with customers, which could materially reduce our revenue, profitability and liquidity.

Increases in the costs of fuel could reduce our operating margins.



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The price of fuel needed to run our vehicles and equipment is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns and environmental concerns. Any increase in fuel costs could materially reduce our profitability and liquidity because most of our contracts do not allow us to adjust our pricing.

Risks associated with operating in international markets could restrict our ability to expand globally and harm our business and prospects, and we could be adversely affected by our failure to comply with the laws applicable to our foreign activities, including the U.S. Foreign Corrupt Practices Act and other similar anti-bribery laws.

We derived 6% of our revenue from continuing operations from international markets for the year ended December 31, 2013, and we may further expand the volume of services we provide internationally. Our international operations are presently conducted primarily in Canada, Latin America and the Caribbean, but we have performed work in various other foreign countries, and revenues derived from, or the number of countries in which we operate, could expand over the next few years. Economic conditions, including those resulting from wars, civil unrest, acts of terrorism and other conflicts, or volatility in the global markets may adversely affect our customers, their demand for our services and their ability to pay for our services. In addition, there are numerous risks inherent in conducting our business internationally, including, but not limited to, potential instability in international markets, changes in regulatory requirements applicable to international operations, foreign currency fluctuations, exchange controls and other limits on our ability to repatriate earnings, political, economic and social conditions in foreign countries and complex U.S. and foreign laws and treaties, including tax laws and the U.S. Foreign Corrupt Practices Act (the "FCPA"). These risks could restrict our ability to provide services to international customers or to operate our international business profitably, and our overall business and results of operations could be negatively affected by our foreign activities.

The FCPA and similar anti-bribery laws in other jurisdictions prohibit U.S.-based companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. We pursue opportunities in certain parts of the world that experience government corruption to some degree, and, in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Our policies mandate compliance with these anti-bribery laws. Further, we require our subcontractors, agents and others who work for us or on our behalf to comply with the FCPA and other anti-bribery laws. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with the FCPA and other anti-bribery laws, there is no assurance that such policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our agents, employees and intermediaries. If we are found to be liable for FCPA violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could incur severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our reputation, business, results of operations or cash flows. In addition, detecting, investigating, and resolving actual or alleged FCPA violations is expensive and can consume significant time and attention of our senior management.

We are subject to foreign exchange and currency risks that could adversely affect our operations, and our ability to reinvest earnings from operations, as well as mitigate our foreign exchange risk through hedging transactions may be limited.

We generally attempt to denominate our contracts in U.S. Dollars or in the currencies of our costs. However, we have historically entered into, and in the future may, enter into contracts in Canada as well as parts of Latin America and the Caribbean that subject us to currency risk exposure, primarily when our contract revenue is denominated in a currency different from the contract costs. Certain portions of our consolidated revenue and consolidated operating expenses are in foreign currencies. As a result, we are subject to significant foreign currency risks, including risks resulting from changes in foreign exchange rates and limitations on our ability to reinvest earnings from operations in one country to fund the financing requirements of our operations in other countries.

Our business is seasonal and is affected by adverse weather conditions and the spending patterns of our customers, exposing us to variable quarterly results.

Some of our customers reduce their expenditures and work order requests towards the end of the calendar year. Adverse weather conditions, particularly during the winter season, can also affect our ability to perform outdoor

services in certain regions of North America. As a result, we generally experience reduced revenue in the first quarter of each calendar year. Natural catastrophes such as hurricanes or other severe weather could also have, and have had, a negative impact on the economy overall and on our ability to perform outdoor services in affected regions or utilize equipment and crews stationed in those regions, which could negatively affect our results of operations, cash flows and liquidity.

Acquisitions involve risks that could negatively affect our operating results, cash flows and liquidity.

We have made, and in the future may continue to make strategic acquisitions and investments. However, we may not be able to identify suitable acquisition or strategic investment opportunities, or may be unable to obtain any required consent of our lenders and therefore may not be able to complete such acquisitions or strategic investments. We may pay for acquisitions or strategic investments with our common stock or with convertible securities, which may dilute your investment in our common stock, or we may decide to pursue acquisitions with which our investors may not agree. In connection with most of our acquisitions, we have agreed to substantial earn-out arrangements. To the extent we defer the payment of the purchase price for any acquisition through a cash earn-out arrangement, it will reduce our cash flows in subsequent periods. In addition, acquisitions may expose us to operational challenges and risks, including:

- the ability to profitably manage acquired businesses or successfully integrate the acquired business' operations, financial reporting and accounting control systems into our business;

- increased indebtedness and contingent purchase price obligations associated with an acquisition;

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the ability to fund cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions, or unforeseen internal difficulties;

the availability of funding sufficient to meet increased capital needs;

diversion of management's attention; and

the ability to retain or hire qualified personnel required for expanded operations.

In addition, acquired companies may have liabilities that we failed, or were unable, to discover in the course of performing due diligence investigations. We cannot assure you that the indemnification granted to us by sellers of acquired companies will be sufficient in amount, scope or duration to fully offset the possible liabilities associated with businesses or properties we assume upon consummation of an acquisition. We may learn additional information about our acquired businesses that materially adversely affect us, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business.

Failure to successfully manage the operational challenges and risks associated with, or resulting from, acquisitions could adversely affect our results of operations, cash flows and liquidity. Borrowings or issuances of convertible debt associated with these acquisitions may also result in higher levels of indebtedness which could impact our ability to service our debt within the scheduled repayment terms.

We may incur restructuring or impairment charges, which could reduce our profitability.

From time to time, we review our operations in an effort to improve profitability. We could incur charges in the future as a result of eliminating service offerings that no longer fit into our business plan, reducing or eliminating services or operations that do not produce adequate revenues or margins, reducing costs of reporting units that need margin improvements, or as a result of identification of business opportunities that utilize our existing human and physical resources. Any charges related to restructuring or impairment would be reflected as operating expenses and could materially reduce our profitability and liquidity.

We rely on information, communications and data systems in our operations. Systems and information technology interruption and breaches in data security could adversely impact our ability to operate and our operating results. We are heavily reliant on computer, information and communications technology and related systems in order to operate. From time to time, we experience system interruptions and delays. Our operations could be interrupted or delayed or our data security could be breached if we are unable to add software and hardware, effectively maintain and upgrade our systems and network infrastructure and take other steps to improve the efficiency of and protect our systems. In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, power loss, telecommunications failures, computer viruses, acts of war or terrorism, physical or electronic break-ins and similar events or disruptions, including breaches by computer hackers and cyber-terrorists. Any of these or other events could cause system interruption, delays and loss of critical data including private data, could delay or prevent operations including the processing of transactions and reporting of financial results, loss of data, processing inefficiency, downtime, or could result in the unintentional disclosure of customer or our information and could adversely affect our operating results. While management has taken steps to address these concerns by implementing network security and internal control measures, there can be no assurance that a system failure or loss or data security breach will not materially adversely affect our financial condition and operating results.

Many of our contracts do not obligate our customers to undertake any infrastructure projects or other work with us. Almost 50% of our revenue from continuing operations is derived from multi-year master service agreements and other service agreements. Under our multi-year master service agreements and other service agreements, we contract to provide customers with individual project services through work orders within defined geographic areas on a fixed fee basis. Under these agreements, our customers have no obligation to undertake any infrastructure projects or other work with us. A significant decline in the projects customers assign us under these service agreements could negatively affect our results of operations, cash flows and liquidity.

Amounts included in our backlog may not result in actual revenue or translate into profits. Our backlog is subject to cancellation and unexpected adjustments and therefore is an uncertain indicator of future operating results.

A significant portion of our 18-month backlog as of December 31, 2013 was composed of master service agreements and other service agreements, none of which require our customers to purchase a minimum amount of services and are

cancelable on short or no advance notice. The balance of our backlog is our estimate of work to be completed on long-term installation/construction fixed price agreements. These backlog amounts are based on our estimates and therefore may not result in actual receipt of revenue in the originally anticipated period, or at all. In addition, contracts included in our backlog may not be profitable. We may experience variances in the realization of our backlog because of project delays or cancellations resulting from weather conditions, other project deferrals or delays, scope adjustments, external market factors and economic factors beyond our control. If our backlog fails to materialize, our results of operations, cash flows and liquidity would be materially and adversely affected. Accordingly, our backlog as of any particular date is an uncertain indicator of future earnings.

Certain of our businesses have employees who are represented by a union or are subject to collective bargaining agreements; the unionized workforce and any related obligations could adversely affect our operations.

Certain of our employees are represented by labor unions and collective bargaining agreements. Although all such collective bargaining agreements prohibit strikes and work stoppages, we cannot be certain that strikes or work stoppages will not occur despite the terms of these agreements. Strikes or work stoppages would adversely impact relationships with our customers and could cause us to lose business and decrease our revenue. Additionally, as current agreements expire, the labor unions may not be able to negotiate extensions or replacements on terms favorable to their members,

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or at all, or avoid strikes, lockouts or other labor actions from time to time that may affect their members. Therefore, it cannot be assured that new agreements will be reached with employee labor unions as existing contracts expire, or on terms that we find desirable. Any labor action against us relating to failure to reach an agreement with employee labor unions could have a material adverse effect on our liquidity, cash flows and results of operations.

Our participation in multi-employer pension plans may subject us to liabilities that could materially adversely affect our liquidity, cash flows and results of operations.

Substantially all of our union and collective bargaining agreements require us to participate with other companies in multi-employer pension plans. To the extent that those plans are underfunded defined benefit plans, the Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980 (“ERISA”), may subject us to substantial liabilities if we withdraw from such multi-employer plans or if they are terminated. Under current law regarding multi-employer defined benefit plans, a plan’s termination, an employer’s voluntary partial or complete withdrawal from, or the mass withdrawal of all contributing employers from, an underfunded multi-employer defined benefit plan requires participating employers to make payments to the plan for their proportionate share of the multi-employer plan’s unfunded vested liabilities. Furthermore, the Pension Protection Act of 2006 added new funding rules generally applicable to plan years beginning after 2007 for multi-employer plans that are classified as “endangered,” “seriously endangered,” or “critical” status. If plans in which we participate are in critical status, benefit reductions may apply and/or we could be required to make additional contributions, which could materially adversely affect our liquidity, cash flows and results of operations.

Based upon the information available to us from plan administrators as of December 31, 2013, several of the multi-employer pension plans in which we participate are underfunded. The Pension Protection Act requires that underfunded pension plans improve their funding ratios within prescribed intervals based on the level of their underfunding. In addition, if a multi-employer defined benefit plan fails to satisfy certain minimum funding requirements, the Internal Revenue Service may impose a nondeductible excise tax of 5% on the amount of the accumulated funding deficiency for those employers contributing to the fund. We have been notified that certain plans to which our subsidiaries contribute are in “critical” status and require additional contributions in the form of a surcharge on future benefit contributions required for future work performed by union employees covered by these plans. As a result, we expect our required contributions to these plans to increase in the future. The amount of additional funds we may be obligated to contribute in the future cannot be estimated, as such amounts will be based on future levels of work that require the specific use of the union employees covered by these plans, investment returns and the level of underfunding of such plans.

On November 15, 2011, we, along with other members of the Pipe Line Contractors Association (“PLCA”), voluntarily withdrew from the Central States Southeast and Southwest Areas Pension Fund (“Central States”), a defined benefit multi-employer pension plan. In connection with this withdrawal, we recorded a withdrawal liability of \$6.4 million within costs of revenue, excluding depreciation and amortization. We withdrew from Central States in order to mitigate our liability in connection with the plan, which is in critical status. The plan, however, has asserted that the PLCA members did not effectively withdraw in 2011 and are responsible for a withdrawal liability that includes 2011 contribution amounts. By letter dated March 14, 2013, Central States demanded from us the sum of \$10.8 million in withdrawal liability, which included 2011 contribution amounts. We are vigorously opposing this demand because we believe that we legally and effectively withdrew from Central States on November 15, 2011. If Central States were to prevail in its assertion that we withdrew after that date, then the amount of our initial withdrawal liability would increase to approximately \$11 million. In addition, if this plan were to undergo a mass withdrawal, as defined by ERISA and the Pension Benefit Guaranty Corporation, within the three year period commencing with the beginning of the calendar year from the point of our withdrawal, we could have additional liability. Withdrawal liabilities, requirements to pay increased contributions, and/or excise taxes in connection with any of the multi-employer pension plans in which we participate could negatively impact our liquidity and results of operations.

Our financial results are based, in part, upon estimates and assumptions that may differ from actual results.

In preparing our consolidated financial statements in conformity with U.S. GAAP, a number of estimates and assumptions are made by management that affect the amounts reported in the consolidated financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of our

consolidated financial statements is either dependent on future events or cannot be calculated with a high degree of precision from data available. In some cases, these estimates are particularly uncertain and we must exercise significant judgment. Estimates are primarily used in: our assessment of revenue recognition, in particular on long-term construction contracts, including estimates to complete and provisions for contract losses; allowances for doubtful accounts; accrued self-insured claims; estimated fair values of goodwill and intangible assets, acquisition-related contingent consideration, investments in equity method investees, assets and liabilities classified as held for sale and certain convertible debt obligations; asset lives used in computing depreciation and amortization, including amortization of intangible assets; other reserves and accruals; income taxes; and litigation and contingencies. Actual results could differ materially from the estimates and assumptions that we use, which could have a material adverse effect on our results of operations, cash flows and liquidity.

We may have additional tax liabilities associated with our domestic and international operations.

We are subject to income taxes in the United States and certain foreign jurisdictions. Significant judgment is required in determining our provision for income taxes due to lack of clear and concise tax laws and regulations in certain jurisdictions. It is not unlikely that laws may be changed or clarified and such changes may adversely affect our tax provisions. We are audited by various U.S. and foreign tax authorities and in the ordinary course of our business there are many transactions and calculations where the ultimate tax determination may be uncertain. Although we believe that our tax estimates are reasonable, the final outcome of tax audits and related litigation could be materially different from that which is reflected in our financial statements.

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We are self-insured against many potential liabilities.

We are effectively self-insured for substantially all claims because most claims against us do not exceed the deductibles under our insurance policies. We actuarially determine any liabilities for unpaid claims and associated expenses, including losses incurred but not reported, and reflect the present value of those liabilities in our balance sheet as other current and non-current liabilities. The determination of such claims and expenses and the appropriateness of the related liability is reviewed and updated quarterly. However, insurance liabilities are difficult to assess and estimate due to the many relevant factors, the effects of which are often unknown, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety program. If our insurance claims increase or if costs exceed our estimates of insurance liabilities, we could experience a decline in profitability and liquidity.

Warranty claims resulting from our services could have a material adverse effect on our business.

We generally warrant the work we perform for a one to two-year period following substantial completion of a project, subject to further extensions of the warranty period following repairs or replacements. We have not historically accrued reserves for potential warranty claims as they have been immaterial, but such claims could potentially increase. While we generally require the materials suppliers to provide us warranties that are consistent with those we provide to the customers, if any of these suppliers default on their warranty obligations to us, we may incur costs to repair or replace the defective materials for which we are not reimbursed. The costs associated with such warranties, including any warranty related legal proceedings, could have a material adverse effect on our results of operations, cash flows and liquidity.

Our revolving credit facility, senior notes and senior convertible notes impose restrictions on us which may prevent us from engaging in transactions that might benefit us, including responding to changing business and economic conditions or securing additional financing, if needed.

The terms of our indebtedness contain customary events of default and covenants that prohibit us from taking certain actions without satisfying certain financial tests or obtaining the consent of the lenders. The prohibited actions include, among other things:

- buying back shares in excess of specified amounts;
- making investments and acquisitions in excess of specified amounts;
- incurring additional indebtedness in excess of specified amounts;
- paying cash dividends;
- creating certain liens against our assets;
- prepaying subordinated indebtedness;
- engaging in certain mergers or combinations; and
- engaging in transactions that would result in a “change of control” (as defined in the credit facility and the indentures governing our senior notes).

Additionally, certain provisions of our convertible notes could make it more expensive for a third party to acquire us or require us to repurchase the convertible notes for cash when required by the holders, including following a “fundamental change” (as defined in the indenture). Our credit facility requires that we comply with a consolidated leverage ratio and a consolidated interest coverage ratio. Should we be unable to comply with the terms and covenants of our credit facility, we would be required to obtain further modifications of the facility or secure another source of financing to continue to operate our business, neither of which may be available to us on reasonable terms or at all. A default could also result in the acceleration of our obligations under the credit facility or under the indentures relating to our senior notes. In addition, these covenants may prevent us from engaging in transactions that benefit us, including responding to changing business and economic conditions or securing additional financing, if needed. Our business is capital intensive and, to the extent we need additional financing, we may not be able to obtain such financing at all or on favorable terms, which may materially decrease our profitability, cash flows and liquidity. We may be unable to obtain sufficient bonding capacity to support certain service offerings, and the need for performance and surety bonds may reduce our availability under our credit facility.

Some of our contracts require performance and payment bonds. If our business continues to grow, our bonding requirements may increase. If we are not able to renew or obtain a sufficient level of bonding capacity in the future,

we may be precluded from being able to bid for certain contracts or successfully contract with certain customers. In addition, even if we are able to successfully renew or obtain performance or payment bonds, we may be required to post letters of credit in connection with the bonds, which would reduce availability under our credit facility.

Furthermore, under standard terms in the surety market, sureties issue or continue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of additional collateral as a condition to issuing or renewing any bonds. If we were to experience an interruption or reduction in the availability of bonding capacity as a result of these or any other reasons, we may be unable to compete for or work on certain projects that would require bonding.

We may incur additional healthcare costs arising from federal healthcare reform legislation.



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In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law in the U.S. This legislation expands health care coverage to many uninsured individuals and expands coverage to those already insured. The changes required by this legislation could cause us to incur additional healthcare and other costs, although we do not expect any material short-term impact on our financial results as a result of the legislation. We are currently assessing the extent of any long-term impact from the legislation.

**Risks Related to Our Company and Our Common Stock**

There may be future sales of our common stock or other dilution of our equity, which may adversely affect the market price of our common stock. In connection with certain completed acquisitions and financing transactions, we have issued shares of our common stock or securities that are convertible into shares of our common stock, and in addition, we have the option to issue shares of our common stock instead of cash as consideration for future earn-out obligations. We may agree to issue additional securities in connection with other future acquisition or financing transactions; which, if issued, would dilute your share ownership and could lead to volatility in our common stock price.

We grow our business organically as well as through acquisitions. One method of acquiring companies or otherwise funding our corporate activities is through the issuance of additional equity securities. In connection with certain completed acquisitions, we have the option to issue shares of our common stock instead of paying cash for certain earn-out obligations. Such issuances could have the effect of diluting our earnings per share as well as our existing shareholders' individual ownership percentages and could lead to volatility in our common stock price. Our Amended and Restated Articles of Incorporation provide that we may issue up to a total 145,000,000 shares of common stock, of which 77,258,086 shares were outstanding as of December 31, 2013.

We are not restricted from issuing additional common stock. The issuance of additional shares of our common stock upon conversion of any of our \$215 million aggregate principal amount of convertible notes, in connection with future acquisitions or other issuances of our common stock or convertible securities, including outstanding options and warrants, or otherwise, will dilute the ownership interest of our common shareholders. Sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

We have a significant amount of debt. Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations.

We have a significant amount of debt and substantial debt service requirements. This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations;
  - our failing to comply with the financial and other restrictive covenants contained in our debt agreements, which could trigger an event of default that results in all of our debt becoming immediately due and payable;
  - reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions or strategic investments and other general corporate requirements, and limiting our ability to obtain additional financing for these purposes;
  - subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our credit facility;
  - limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to changes in our business, the industry in which we operate and the general economy; and
  - placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.
- preventing us from paying dividends;

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations. Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future

borrowings will be available to us under our credit facility or otherwise, in an amount sufficient to enable us to meet our payment obligations and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital, and some of these activities may be on terms that are unfavorable or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations. Conversions of our senior convertible notes that we issued in January 2011, which we refer to as our 2011 Convertible Notes, may be settled in cash or shares. Currently, we intend to settle the principal amounts of our 2011 Convertible Notes upon any conversion thereof in cash, and we intend to settle any premium value, which is the value of any excess of the actual share price over the conversion prices of the 2011 Convertible Notes, in shares. As of December 31, 2013, there was outstanding \$202.3 million aggregate principal amount of our 2011 Convertible Notes. Notwithstanding our present intention to settle the principal amount of our 2011 Convertible Notes in cash, we cannot assure you that we will be able to do so due to provisions in our credit facility, which we refer to as our 2013 Credit Facility, which restrict the repurchase or prepayment of certain unsecured indebtedness, including our senior notes due 2023 and all of senior convertible notes due 2014, unless we have at least \$50 million of remaining liquidity (as defined

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in the 2013 Credit Facility) after any such repurchase or prepayment. If we were required to settle conversions of our 2011 Convertible Notes in accordance with our stated intent to settle principal amounts due in cash, and we were unable to do so with existing cash balances or through our 2013 Credit Facility, we could be required to obtain additional funding or settle such conversions by issuing shares of our common stock, which would be dilutive to our existing shareholders. We cannot be certain that such funding would be available on terms acceptable to us, or at all. The market price of our common stock has been, and may continue to be, highly volatile.

The market price of our common stock on the New York Stock Exchange has been volatile in recent years. We may continue to experience significant volatility in the market price of our common stock. Numerous factors could have a significant effect on the price of our common stock, including:

- announcements of fluctuations in our operating results or the operating results of one of our competitors;
- announcements by us or one of our competitors of new or terminated customers or new, amended or terminated contracts;
- market conditions in our customers' industries;
- announcements of acquisitions by us or one of our competitors;
- changes in recommendations or earnings estimates by securities analysts;
- conversions or anticipated conversions of our senior convertible notes, or any sales in the public market of any of our common stock issuable upon such conversion; and
- future sales of our common stock or other securities, including any shares issued in connection with business acquisitions or earn-out obligations for any past or future acquisitions.

In addition, the stock market has experienced significant price and volume fluctuations in recent years, which have sometimes been unrelated or disproportionate to operating performance. Volatility in the market price of our common stock could cause shareholders to lose some or all of their investment in our common stock.

A small number of our existing shareholders have the ability to influence major corporate decisions.

Jorge Mas, our Chairman, Jose Mas, our Chief Executive Officer, and other members of the Mas family employed by MasTec beneficially owned approximately 19.2% of the outstanding shares of our common stock as of December 31, 2013. Accordingly, they are in a position to influence:

- the vote of most matters submitted to our shareholders, including any merger, consolidation or sale of all or substantially all of our assets;
- the nomination of individuals to our Board of Directors; and
- a change in our control.

These factors may discourage, delay or prevent a takeover attempt that shareholders might consider in their best interests or that might result in shareholders receiving a premium for their common stock.

Our articles of incorporation and certain provisions of Florida law contain anti-takeover provisions that may make it more difficult to effect a change in our control.

Certain provisions of our articles of incorporation, by-laws and the Florida Business Corporation Act could delay or prevent an acquisition or change in control and the replacement of our incumbent directors and management, even if doing so might be beneficial to our shareholders by providing them with the opportunity to sell their shares possibly at a premium over the then market price of our common stock. For example, our Board of Directors is divided into three classes. At any annual meeting of our shareholders, our shareholders only have the right to appoint approximately one-third of the directors on our Board of Directors. Consequently, it will take at least two annual shareholder meetings to effect a change in control of our Board of Directors, which may discourage hostile takeover bids. In addition, our articles of incorporation authorize our Board of Directors, without further shareholder approval, to issue preferred stock. The issuance of preferred stock could also dilute the voting power of holders of our common stock, including the granting of voting control to others, which could delay or prevent an acquisition or change in control.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our corporate headquarters, which is located in Coral Gables, Florida, is a leased facility approximating 37,000 square feet. As of December 31, 2013, our operations were conducted from approximately 380 locations primarily within the United States and Canada, and, to a lesser extent, Latin America. None of these facilities is material to our operations because most of our services are performed on customers' premises or on public rights of way and suitable alternative locations are available in substantially all areas where we currently conduct business. We also own property and equipment

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that had a net book value of approximately \$488 million as of December 31, 2013. This property and equipment includes land, buildings, vans, trucks, tractors, trailers, bucket trucks, backhoes, sidebooms, bulldozers, excavators, trenchers, directional boring machines, digger derricks, cranes, computers, computer software, office and building equipment, including furniture and fixtures and other equipment. Our equipment is acquired from third-party vendors, none of whom we depend upon, and we did not experience any difficulties in obtaining desired equipment in 2013.

**ITEM 3. LEGAL PROCEEDINGS**

The material set forth in Note 16 – Commitments and Contingencies in the notes to the audited consolidated financial statements in Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II****ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock is listed on the New York Stock Exchange under the symbol “MTZ.” The following table sets forth, for the quarters indicated, the high and low sale prices of our common stock, as reported by the New York Stock Exchange.

	For the Years Ended December 31,			
	2013		2012	
	High	Low	High	Low
First Quarter	\$31.47	\$25.11	\$20.08	\$15.53
Second Quarter	\$33.97	\$26.27	\$18.53	\$13.61
Third Quarter	\$35.31	\$28.88	\$20.80	\$12.86
Fourth Quarter	\$34.17	\$29.76	\$24.98	\$19.66

**Holders.** As of February 24, 2014, there were 6,205 shareholders of record of our common stock.

**Dividends.** We have never paid any cash dividends and do not anticipate paying any cash dividends in the foreseeable future. We intend to retain any future earnings for reinvestment. Our Board of Directors will make any future determination as to the payment of dividends at its discretion, and this determination will depend upon our operating results, financial condition and capital requirements, general business conditions and such other factors that the Board of Directors considers relevant. In addition, our credit agreements prohibit us from paying cash dividends or making other distributions of our common stock without prior consent of the lender. The indenture governing our senior notes also contains covenants that restrict our ability to make certain payments including the payment of dividends. See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources.”

**Issuer Purchases of Equity Securities.** The following table provides information about repurchases of our common stock during the three month period ended December 31, 2013:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased under the Program
October 1 through October 31	—	\$—	—	\$—
November 1 through November 30	506	(a) \$31.65	—	\$—
December 1 through December 31	—	\$—	—	\$—
<b>Total</b>	<b>506</b>		<b>—</b>	

(a) Reflects shares of common stock withheld for income tax purposes in connection with shares issued to certain employees and directors under compensation and benefit programs.



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## Performance Graph

The performance graph below compares the cumulative total returns for our common stock with the cumulative total return (including reinvestment of dividends) of the Standard and Poor's 500 Composite Stock Index (S&P 500), and with that of our peer group, composed of Quanta Services, Inc., MYR Group, Inc., Dycom Industries, Inc., Pike Electric, Inc. and Willbros Group. The graph assumes an investment of \$100 in our common stock and in each of the respective indices for the period from December 31, 2008 to December 31, 2013. The comparisons in the graph are based upon historical data and are not intended to forecast or be indicative of possible future performance of our common stock.

The performance graph shall not be deemed incorporated by reference by any general statement incorporating by reference this annual report into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

## COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among MasTec, Inc., the S&P 500 Index and a Selected Peer Group

\*\$100 invested on 12/31/08 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

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As of December 31,	2008	2009	2010	2011	2012	2013
MasTec, Inc.	\$100.00	\$107.94	\$125.99	\$150.00	\$215.28	\$282.56
S&P 500	\$100.00	\$126.46	\$145.51	\$148.59	\$172.37	\$228.19
Peer Group	\$100.00	\$111.91	\$108.65	\$111.98	\$138.49	\$165.24

## ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data has been derived from our audited consolidated financial statements and should be read together with our audited consolidated financial statements and notes thereto, as well as Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our consolidated results of operations are not necessarily comparable from period to period due to the impact of recent acquisitions. Our 2013 results include a \$5.6 million loss on extinguishment of debt and a \$2.8 million legal settlement charge, and our 2012 results include a \$9.6 million legal settlement charge. In addition, our 2011 results include a \$29.0 million gain from the remeasurement of our equity investment in EC Source Services LLC ("EC Source") and a \$6.4 million multi-employer pension plan withdrawal charge. See Note 3 – Acquisitions and Note 16 - Commitments and Contingencies in the notes to our audited consolidated financial statements, which notes are incorporated herein by reference.

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	Years Ended December 31,				
	2013	2012	2011	2010	2009
	(in millions, except per share amounts)				
<b>Statement of Operations Data</b>					
Revenue	\$4,324.8	\$3,726.8	\$2,831.3	\$2,143.0	\$1,482.1
Costs of revenue, excluding depreciation and amortization	\$3,682.4	\$3,239.2	\$2,459.7	\$1,829.5	\$1,276.0
Net income from continuing operations	\$147.7	\$116.6	\$97.5	\$66.1	\$44.8
Net (loss) income from discontinued operations	\$(6.5 )	\$(9.2 )	\$8.5	\$24.3	\$25.9
Net income	\$141.2	\$107.4	\$106.0	\$90.4	\$70.7
Net income (loss) attributable to non-controlling interests	\$0.3	\$0.0	\$0.0	\$(0.1 )	\$0.0
Net income attributable to MasTec, Inc.	\$140.9	\$107.4	\$106.0	\$90.5	\$70.7
Basic earnings per share from continuing operations	\$1.92	\$1.49	\$1.19	\$0.87	\$0.59
Diluted earnings per share from continuing operations	\$1.74	\$1.42	\$1.13	\$0.78	\$0.58
Basic (loss) earnings per share from discontinued operations	\$(0.09 )	\$(0.12 )	\$0.10	\$0.32	\$0.34
Diluted (loss) earnings per share from discontinued operations	\$(0.08 )	\$(0.11 )	\$0.10	\$0.27	\$0.32
	As of December 31,				
	2013	2012	2011	2010	2009
	(in millions)				
<b>Balance Sheet Data</b>					
Working capital	\$480.4	\$335.5	\$236.3	\$235.1	\$202.5
Property and equipment, net	\$488.1	\$348.9	\$263.0	\$176.5	\$196.1
Total assets	\$2,919.6	\$2,416.3	\$2,094.7	\$1,655.8	\$1,382.2
Total debt	\$816.8	\$598.9	\$494.8	\$412.2	\$437.7
Total equity	\$1,021.1	\$861.9	\$811.2	\$653.2	\$528.2

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical consolidated financial statements and related notes thereto in Item 8. "Financial Statements and Supplementary Data." The discussion below contains forward-looking statements that are based upon our current expectations and is subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in "Cautionary Statement Regarding Forward-Looking Statements" and Item 1A. "Risk Factors."

**Business**

See Item 1. "Business - Overview," which is incorporated herein by reference, for discussion pertaining to our business and reportable segments. In connection with our diversification and expansion strategy, we have acquired several businesses in recent years.

**2013 Acquisitions.** We acquired Big Country Energy Services, Inc. and its affiliated operating companies (collectively, "Big Country"), a North American oil and gas pipeline and facility construction services company, headquartered in Calgary, Alberta, Canada during the second quarter of 2013. Big Country is expected to enhance our ability to take advantage of the rapidly expanding opportunities anticipated for pipeline energy infrastructure work in North America. During the second quarter of 2013, we also acquired a former subcontractor to our wireless business,



which will provide self-perform communications tower construction, installation, maintenance and other services. In addition, during the third quarter of 2013, we acquired an electrical transmission services company that focuses primarily on substation construction activities.

2012 Acquisitions. During the fourth quarter of 2012, we acquired Bottom Line Services, LLC ("BLS"), a natural gas and petroleum pipeline infrastructure services company, which performs services including pipeline and facilities construction, painting and maintenance services, primarily in eastern Texas. Also during the fourth quarter of 2012, we acquired (i) a former subcontractor to our oil and gas business that provides self-perform clearing and trenching services for natural gas and petroleum pipeline infrastructure construction, and (ii) a former subcontractor to our wireless business that provides self-perform communications tower construction, installation, maintenance and other services.

2011 Acquisitions. In November 2010, we acquired 33% of EC Source, a nationally recognized full-service engineering, procurement and construction services company that installs extra high voltage ("EHV") electrical transmission systems throughout North America. During the second

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quarter of 2011, we acquired the remaining 67% equity interest in EC Source. We also completed four additional acquisitions during the second quarter of 2011, including: (i) a company based in western Canada that provides natural gas and petroleum pipeline infrastructure construction services; (ii) a company that provides telephone, cabling, engineering, construction, equipment integration, testing, wiring and computer network services to telecommunications carriers; (iii) a self-perform wireless infrastructure services company headquartered in California; and (iv) an install-to-the-home contractor operating primarily in portions of New York, Pennsylvania and New England, whose primary customer is DIRECTV®.

Dispositions. In the third quarter of 2012, our board of directors approved a plan of sale for Globetec Construction, LLC ("Globetec"), a small water and sewer subsidiary that had not been performing well due to a lack of financial resources available to municipalities and state governments, and accordingly, Globetec was classified as a discontinued operation. During the third quarter of 2013, we sold all of our membership interests in Globetec. Additionally, in the second quarter of 2012, Red Ventures exercised its option to purchase DirectStar TV, LLC and its subsidiaries ("DirectStar"), which provides marketing and sales services on behalf of DIRECTV®. The Company consummated the sale of DirectStar to Red Ventures in June 2012.

For additional information pertaining to our recent acquisitions, see Note 3 – Acquisitions in the notes to the audited consolidated financial statements, which is incorporated herein by reference. See Note 4 – Discontinued Operations in the notes to the audited consolidated financial statements, which is incorporated herein by reference, for information pertaining to our discontinued operations.

### Economic, Industry and Market Factors

While overall economic and market conditions have improved over the past year, we closely monitor the effects that changes in these conditions may have on our customers. General economic conditions can negatively affect demand for our customers' products and services, which can lead to rationalization of our customers' capital and maintenance budgets in certain end markets. This influence, as well as the highly competitive nature of our industry, particularly when work is deferred, can, and in recent years, has, resulted in lower bids and lower profit on the services we provide. In the face of increased pricing pressure, we strive to maintain our profit margins through productivity improvements and cost reduction programs. Other market and industry factors, such as access to capital for customers in the industries we serve, changes to our customers' capital spending plans, changes in technology, tax and other incentives, renewable energy portfolio standards and new or changing regulatory requirements affecting the industries we serve, can affect demand for our services. Fluctuations in market prices for, or availability of, oil, gas and other fuel sources can also affect demand for our pipeline and renewable energy construction services. While we actively monitor economic, industry and market factors affecting our business, we cannot predict the impact such factors may have on our future results of operations, liquidity and cash flows.

### Impact of Seasonality and Cyclical Nature of Business

Our revenues and results of operations can be subject to seasonal and other variations. These variations are influenced by weather, customer spending patterns, bidding seasons, project schedules and timing, particularly for large non-recurring projects and holidays. Typically, our revenues are lowest in the first quarter of the year because cold, snowy or wet conditions cause delays. Revenues in the second quarter are typically higher than in the first quarter, as some projects begin, but continued cold and wet weather can often impact second quarter productivity. The third and fourth quarters are typically the most productive quarters of the year, as a greater number of projects are underway and weather is normally more accommodating to construction projects. In the fourth quarter, many projects tend to be completed by customers seeking to spend their capital budget before the end of the year, which generally has a positive impact on our revenues. However, the holiday season and inclement weather can cause delays, which can reduce revenues and increase costs on affected projects. Any quarter may be positively or negatively affected by out of the ordinary weather patterns, such as excessive rainfall or warm winter weather, making it difficult to predict quarterly revenue and margin variations.

Additionally, our industry can be highly cyclical. Fluctuations in end-user demand within the industries we serve, or in the supply of services within those industries, can impact demand for our services. As a result, our business may be adversely affected by industry declines or by delays in new projects. Variations in project schedules or unanticipated changes in project schedules, in particular in connection with large construction and installation projects, can create fluctuations in revenues, which may adversely affect us in a given period, even if not in total. The financial condition of our customers and their access to capital; variations in project margins; regional, national and global economic and market conditions; regulatory or environmental influences; and acquisitions, dispositions or strategic investments can also materially affect quarterly results. Accordingly, our operating results in any particular period may not be indicative of the results that can be expected for any other period.

## Understanding our Operating Results

### Revenue

We provide engineering, building, installation, maintenance and upgrade services to our customers. Revenues are derived from projects performed under master and other service agreements as well as from fixed price contracts for specific projects or jobs requiring the construction and installation of an entire infrastructure system or specified units within an entire infrastructure system. See Item 1. "Business" for discussion of our business and revenue-generating activities and see "Comparison of Fiscal Year Results" below for details of revenue by reportable segment.

### Costs of Revenue, Excluding Depreciation and Amortization

Costs of revenue, excluding depreciation and amortization, consists principally of salaries, employee wages and benefits, subcontracted services, equipment rentals and repairs, fuel and other equipment expenses, material costs, parts and supplies, insurance and facilities expenses. Project margins are calculated by subtracting a project's costs of revenue, excluding depreciation and amortization, from project revenue. Project profitability and corresponding project margins will be reduced if actual costs to complete a project exceed original estimates on fixed price and installation/construction service agreements. Estimated losses on contracts are recognized immediately when estimated costs to complete a project exceed the

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remaining revenue to be received over the remainder of the contract. Factors impacting our costs of revenue, excluding depreciation and amortization, include:

**Revenue Mix.** The mix of revenues derived from the projects we perform impacts overall project margins, as certain projects provide higher margin opportunities. Installation work is often obtained on a fixed price basis, while maintenance work is often performed under pre-established or time and materials pricing arrangements. Project margins for installation work may vary from project to project, and can be higher than maintenance and upgrade work due to the fact that fixed price contracts often have a higher level of risk than other types of project work. Changes in project mix between installation work and maintenance or upgrade services can impact our project margins in a given period. Additionally, the mix of project revenues by industry served can also have an impact on overall project margins, as project margins can vary by industry and over time.

**Seasonality, Weather and Geographic Mix.** Seasonal patterns can have a significant impact on project margins. Generally, business is slower at the beginning of the year. Adverse or favorable weather conditions can impact project margins in a given period. For example, extended periods of rain or snowfall can negatively impact revenues and project margins as a result of reduced productivity from projects being delayed or temporarily placed on hold. Conversely, in periods when weather remains dry and temperatures are accommodating, more work can be done, sometimes with less cost, which can favorably impact project margins. In addition, the mix of business conducted in different parts of the country can affect project margins due to geographic characteristics associated with the physical location where the work is being performed, such as mountainous or rocky terrain versus open terrain. Site conditions, including unforeseen underground conditions, can also impact project margins.

**Performance Risk.** Overall project margins may fluctuate due to the volume of work performed, project pricing, job productivity and crew productivity. Job productivity can be impacted by quality of the work crew, quality of equipment, availability of skilled labor, environmental or regulatory factors, customer decisions and crew productivity. Crew productivity can be influenced by factors including weather conditions and job terrain, such as whether project work is in a right of way that is open or one that is obstructed (either by physical obstructions or legal encumbrances).

**Subcontracted Resources.** Our use of subcontracted resources in a given period varies, based upon activity levels and the amount and location of existing in-house resources and capacity. Project margins on subcontracted work may be lower than project margins on self-perform work. As a result, changes in the mix of subcontracted versus self-perform work can impact our overall project margins.

**Material versus Labor Costs.** In many cases, our customers are responsible for supplying their own materials on projects; however, under certain contracts, we may agree to provide all or part of the required materials. Project margins are typically lower on projects where we furnish a significant amount of materials due to the fact that mark-ups on materials are generally lower than project margins on labor costs. Therefore, increases in the percentage of work with significant materials requirements could decrease our overall project margins.

### **General and Administrative Expense**

General and administrative expenses consist principally of compensation and benefit expenses, travel expenses and related costs for our finance, benefits and risk, legal, facilities, information services and executive personnel. General and administrative expenses also include non-cash stock based compensation expenses, outside professional and accounting fees, acquisition costs, expenses associated with information technology used in administration of the business and various forms of insurance.

### **Interest Expense, Net**

Interest expense, net, consists of contractual interest expense on outstanding debt obligations, amortization of deferred financing costs, accretion of debt discount and other interest expense, offset by interest earned on cash and fixed income investments.

Other (Income) Expense, Net

Other (income) expense, net, consists primarily of gains or losses from sales of assets and investments, legal settlement charges and gains or losses from changes to estimated earn-outs accrued as a component of purchase price.

Financial Performance Metrics

Our senior management team regularly reviews certain key financial performance metrics within our business, including:

- revenue and profitability on an overall, reportable segment and, as required, on an individual project basis;
- changes in revenue and profitability on an overall, reportable segment and, as required, on an individual project basis;
- revenues by customer and by contract type;
- costs of revenue, excluding depreciation and amortization; general and administrative expenses; depreciation and amortization; other expenses or income; provision for income taxes; and interest expense, net;
- earnings from continuing operations before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA, which is EBITDA excluding non-cash share-based compensation, Sintel legal settlement charges, the loss on debt extinguishment from the repurchase and redemption of our 7.625% senior notes, the gain on remeasurement of our equity interests in EC Source and a multi-employer pension plan withdrawal charge. See discussion of non-U.S. GAAP financial measures following the "Comparison of Fiscal Year Results" below;
- days sales outstanding, net of billings in excess of costs and earnings; and days payable outstanding;

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interest and debt service coverage ratios; and

liquidity and cash flows.

Managements' analysis of this information includes detailed discussions of proposed investments in new business opportunities or property and equipment, acquisition integration efforts and cost reduction efforts. Measuring these key performance indicators is an important tool used by management to make informed and timely operational decisions, which we believe can help us improve our performance.

### Critical Accounting Estimates

This discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the amounts reported in our consolidated financial statements and the accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. As management estimates, by their nature, involve judgment regarding future uncertainties, actual results may differ from these estimates if conditions change or if certain key assumptions used in making these estimates ultimately prove to be materially incorrect. Our accounting policies and critical accounting measurements are reviewed frequently with the Audit Committee of the Board of Directors. Refer to Note 1 - Business, Basis of Presentation and Significant Accounting Policies in the notes to the audited consolidated financial statements, which is incorporated herein by reference, for discussion of our significant accounting policies.

We believe that our accounting estimates pertaining to: revenues and costs derived from fixed price contracts under the percentage-of-completion method; allowances for doubtful accounts; fair value estimates in connection with business acquisitions, in particular, estimated values of net assets acquired and estimated liabilities for future earn-out obligations; valuation of goodwill and indefinite-lived intangible assets; income taxes; legal contingencies; and self-insurance contingencies are the most critical in the preparation of our consolidated financial statements as they are important to the portrayal of our financial condition and as they require significant or complex judgment and estimates on the part of management.

### Revenue and Cost Recognition - Fixed Price Contracts

Revenues from fixed price contracts provide for a fixed amount of revenue for the entire project, subject to certain conditions for changed scope or specifications. Revenues from these contracts are recognized using the percentage-of-completion method. Under this method, the percentage of revenue to be recognized for a given project is measured by the percentage of costs incurred to date on the contract to the total estimated costs for the contract. The cost estimation process for such projects is based on the professional knowledge and experience of our engineers, project managers and financial professionals. Changes in job performance, job conditions and final contract settlements are factors that influence our assessment of total contract value and the total estimated costs to complete those contracts and, therefore, our profit recognition. Changes in these factors may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined. In addition, we may incur costs subject to change orders, whether approved or unapproved by the customer, and/or claims related to certain contracts. We determine the probability that such costs will be recovered based upon evidence such as engineering studies and legal opinions, past practices with the customer, specific discussions, correspondence or preliminary negotiations with the customer. Changes in project cost estimates could materially affect our results of operations in the period in which such changes are recognized. For example, a 100 basis point change in project cost estimates for our percentage-of-completion projects for the year ended December 31, 2013 would result in a \$23 million impact to costs of revenue, excluding depreciation and amortization.

### Allowance for Doubtful Accounts

We regularly analyze the collectibility of accounts receivable and the adequacy of our allowance for doubtful accounts based on the aging of account balances, historical bad debt experience, customer concentrations, customer credit-worthiness, customer financial condition and credit reports, availability of mechanics' and other liens, existence of payment bonds and other sources of payment and current economic trends. Estimates of collectibility are subject to significant change during times of economic weakness or uncertainty in either the overall economy or within the

industries served by us. If estimates of the collectibility of accounts receivable change, or should customers experience unanticipated financial difficulties, or if anticipated recoveries in existing bankruptcies or other work-out situations fail to materialize, adjustments to the allowance for doubtful accounts may be required, which could materially affect our results of operations in a given period.

#### Business Combinations – Valuation of Acquired Net Assets and Estimated Future Earn-Out Obligations

We allocate the purchase prices of acquired businesses based upon the fair value of consideration paid, including the estimated values of contingent earn-out obligations, and the estimated fair values of the acquired net assets.

Valuations of acquired net assets and contingent earn-out obligations require estimates and judgments of future cash flow expectations for the acquired businesses. Fair values are calculated by incorporating expected cash flows into industry standard valuation techniques. Changes in the estimated fair values of the net assets acquired or of the expected future earn-out obligations subsequent to the measurement period are recorded in earnings as gains or losses. Significant changes in the assumptions or estimates used in the underlying valuations, such as changes in the expected profitability or cash flows of an acquired business, could materially affect our operating results in the period such changes are recognized.

#### Valuation of Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but instead are tested for impairment at least annually. We perform our annual impairment review during the fourth quarter of each year. Goodwill is evaluated at the reporting unit level, which is one level below our reportable segments. Each of our reporting units comprises one component of our five reportable segments. For the year ended December 31, 2013, we assessed

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qualitative factors to determine whether it was more likely than not that the fair values of our reporting units were less than their carrying amounts. Based on this analysis, we estimated the fair values of three of our reporting units using a discounted cash flow methodology, which incorporated management estimates including five-year projections of revenues, operating costs and cash flows, considering both historical and anticipated future results, general economic and market conditions and the impact of planned business and operational strategies. We applied a discounted cash flow technique utilizing a terminal value equal to 5.5 times estimated year five EBITDA and an estimated discount rate of 7.2% per annum. For the year ended December 31, 2013, the estimated fair values of the Company's reporting units were determined to substantially exceed their carrying values. A 100 basis point change in the discount rate would not have had a material impact on the results of the impairment analyses. Our indefinite-lived intangible assets, which were also assessed during the fourth quarter of 2013 using qualitative factors, were determined to substantially exceed their carrying values.

Significant changes in the assumptions or estimates used in our impairment analyses, such as a reduction in profitability and/or cash flows, could result in impairment charges and materially affect our operating results.

### Income Taxes

Our provision for income taxes uses an effective tax rate based on annual pre-tax income, statutory tax rates, permanent tax differences and tax planning opportunities in the various jurisdictions in which we operate. Significant factors that can impact our annual effective tax rate include our assessment of certain tax matters, the location and amount of taxable earnings, changes in certain non-deductible expenses and expected credits. As of December 31, 2013, we have not made a provision for U.S. income taxes on unremitted foreign earnings because such earnings are intended to be indefinitely reinvested outside the U.S. Although we believe our provision for income taxes is correct and the related assumptions are reasonable, the final outcome of tax matters could be materially different from what we currently anticipate, which could result in significant costs or benefits to us.

In September 2013, the U.S. Treasury and Internal Revenue Service ("IRS") issued final Tangible Property Regulations ("TPR") regarding the deduction and capitalization of expenditures related to tangible property effective for tax years beginning on or after January 1, 2014. Since the changes will affect the timing for deducting expenditures for tax purposes, the impact will be reflected in the amount of income taxes payable or receivable, cash flows from operations, and deferred taxes beginning in 2014, with no net tax provision effect expected. We have completed a preliminary evaluation of the expected impact of the TPR and concluded that the expected impact is minimal. We will continue to monitor the impact of any future changes to the TPR.

### Litigation and Contingencies

Accruals for litigation and contingencies are based on our assessment, along with legal counsel, of expected outcomes of such litigation matters or contingencies. Significant judgment is required in both the determination of probability and the determination as to whether the amount of an exposure is reasonably estimable. As additional information becomes available, we reassess potential liabilities and may revise previous estimates, which could materially affect our results of operations in a given period.

### Self-Insurance

We are self-insured up to the amount of our deductible for our insurance policies. Liabilities under our insurance programs are accrued based upon our estimate of the ultimate liability for claims, with assistance from third-party actuaries. The determination of such claims and the related liability is reviewed and updated quarterly, however, insurance liabilities are difficult to estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties and the number of incidents not reported. Accruals are based upon known facts and historical trends, and while we believe such accruals to be adequate, a change in experience or actuarial assumptions could materially affect our results of operations in a particular period.

### 2014 Outlook

We believe we have significant market opportunities in 2014 in six areas:

Wireless and Fiber Communications Network Upgrades - we believe wireless and fiber optic communication network upgrades will continue to grow in 2014 and that the major regional and rural telecommunications and other communications companies will continue to expand and enhance their capabilities in these areas, which could increase demand for our services. We continue to expand our capabilities in wireless infrastructure construction. Additionally,



we expect continued technological development of broadband facilities throughout the U.S and expansion of broadband access into areas that are currently not served by high-speed data networks.

Petroleum, Natural Gas and Natural Gas Liquids Pipelines - we believe that demand for clean-burning, domestic natural gas will grow in order to reduce U.S. dependence on foreign energy sources. Improved access to shale formations as a result of technological advances and improved economics has driven significant increases in petroleum industry estimates of available North American oil and natural gas reserves. Technological advances in horizontal drilling and hydraulic fracturing have led to an oil and natural gas shale drilling boom in recent years and created additional proved reserves, with a much lower reliance on foreign imports from unstable regions of the world. We expect new North American producing fields to be developed as well as significantly expanded productivity within older producing fields. Much of the new oil and gas production is from relatively remote areas such as the Bakken in North Dakota and oil sands in Western Canada. In contrast, the largest concentration of refining capacity in North America is on the U.S. Gulf Coast. As a result of this reserve dislocation, significant amounts of oil and gas need to be transported to markets, or refining centers, to be utilized or converted into usable fuel. We anticipate the resulting incremental production will provide increasing opportunities for our oil and gas gathering, gas compression, liquids pumping, oil and gas treatment, long-haul and mid-stream oil and gas and other liquids pipeline construction operations. We have made acquisitions in the last few years to expand our capabilities in these areas.

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Electrical Grid Upgrades - we believe that the nation's electrical grid, which routinely encounters capacity and reliability issues, will be expanded, modernized and upgraded in the coming years. During the recent recession, demand for electric power declined, which eased many of the grid reliability issues that caused blackouts, brownouts and other grid failures in 2007 and early 2008. In addition, renewable energy, which is often generated in remote areas, requires significant investment in transmission and substation infrastructure in order to deliver this power to the population and to industrial centers with high electrical power demand. We expect continued efforts to modernize and expand the national electrical grid in order to develop a smart grid. As the economy improves, we believe that old grid reliability issues will reappear and that utilities across the country will respond by increasing their capital expenditures in this area. Additionally, we believe that cost and labor conditions are making it increasingly attractive for utilities to outsource their construction and maintenance activities.

Renewable Energy Projects - delay in the reinstatement of the federal investment and production tax credits for wind projects at the end of 2012 caused a significant slow down in wind project activity in 2013. We expect stronger levels of activity in 2014 as developers seek to qualify for these credits. Our power generation business specializes in the construction of renewable energy infrastructure, including wind farms and solar farms. Regulatory mandates, in addition to federal incentive programs for electricity generation from alternative and renewable sources, which call for expansion of domestic renewable energy sources through tax incentives, cash grants and loan guarantees drive demand for these services.

Power Plants and Heavy Industrial - we believe there will be increased demand for heavy industrial construction across a range of industries. The current low price and environmental advantage of clean burning natural gas should result in the conversion of coal fired power plants and the construction of new gas fired power plants. Additionally, a wide variety of industries may seek to expand, convert or construct new plants to take advantage of this economical, lower carbon fuel source. We continue to expand our capabilities in heavy industrial construction in anticipation of this trend.

Install-to-the-Home - we believe the continued high number of DIRECTV® subscribers and expansion of high definition video programming, special or proprietary programming, new technology set-top boxes and other in-home technology advances provide us with the continuing opportunity to provide installation, upgrade and maintenance services for new and existing customers. Our expertise in home installation and existing network of technicians also provide opportunities to offer installation services for new customers. Additionally, DIRECTV® and AT&T have recently rolled out home security and smart home management services that might provide additional install-to-the-home revenue opportunities.

Our 2014 results could be adversely affected by the matters discussed in the “Cautionary Statement Regarding Forward-Looking Statements,” Item 1A. “Risk Factors” and Item 3. “Legal Proceedings” of this Annual Report on Form 10-K.

#### Comparison of Fiscal Year Results

The following table reflects our consolidated results of operations in dollar and percentage of revenue terms for the periods indicated (dollar amounts in millions). Our consolidated results of operations are not necessarily comparable from period to period due to the impact of recent acquisitions. See Note 3 - Acquisitions in the notes to the audited consolidated financial statements, which is incorporated herein by reference.

	Years Ended December 31,								
	2013		2012		2011				
Revenue	\$4,324.8	100.0	%	\$3,726.8	100.0	%	\$2,831.3	100.0	%
Costs of revenue, excluding depreciation and amortization	3,682.4	85.1	%	3,239.2	86.9	%	2,459.7	86.9	%
Depreciation and amortization	140.9	3.3	%	92.0	2.5	%	74.2	2.6	%
General and administrative expenses	215.4	5.0	%	157.5	4.2	%	132.6	4.7	%
Interest expense, net	46.4	1.1	%	37.4	1.0	%	34.5	1.2	%
Loss on extinguishment of debt	5.6	0.1	%	—	—	%	—	—	%
Gain on remeasurement of equity interest in acquiree	—	—	%	—	—	%	(29.0)	(1.0)	%

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Other (income) expense, net	(6.1	)	(0.1	)	%	8.0	0.2	%	0.0	0.0	%			
Income from continuing operations before taxes	\$240.2		5.6		%	\$192.7	5.2	%	\$159.3	5.6	%			
Provision for income taxes	(92.5	)	(2.1	)	%	(76.1	)	(2.0	)	(61.8	)	(2.2	)	%
Net income from continuing operations	\$147.7		3.4		%	\$116.6	3.1	%	\$97.5	3.4	%			
Net (loss) income from discontinued operations	(6.5	)	(0.1	)	%	(9.2	)	(0.2	)	8.5	0.3	%		
Net income	\$141.2		3.3		%	\$107.4	2.9	%	\$106.0	3.7	%			
Net income (loss) attributable to non-controlling interests	0.3		0.0		%	0.0	0.0	%	0.0	0.0	%			
Net income attributable to MasTec, Inc	\$140.9		3.3		%	\$107.4	2.9	%	\$106.0	3.7	%			

Management reviews our operating results by reportable segment. See Note 15 - Segments and Related Information in the notes to the audited consolidated financial statements, which is incorporated herein by reference. Our reportable segments are: (1) Communications; (2) Oil and Gas; (3) Electrical Transmission; (4) Power Generation and Industrial and (5) Other. Management's review of reportable segment results includes analyses of trends in revenue and EBITDA. We calculate EBITDA for segment reporting purposes consistently with our consolidated EBITDA calculation. See discussion of non-U.S. GAAP financial measures following the Comparison of Fiscal Year Results discussion below. The following table presents revenue and EBITDA by reportable segment for our continuing operations for the periods indicated (dollar amounts in millions):

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Reportable Segment:	Years Ended December 31,			EBITDA and EBITDA Margin							
	2013	2012	2011	2013	2012	2011					
Communications	\$1,962.6	\$1,772.7	\$1,635.1	\$247.7	12.6%	\$192.0	10.8 %	\$154.3	9.4 %		
Oil and Gas	1,628.8	959.0	774.3	215.9	13.3%	99.4	10.4 %	80.1	10.4 %		
Electrical Transmission	428.8	312.2	198.3	41.2	9.6 %	38.7	12.4 %	28.7	14.5 %		
Power Generation and Industrial	294.3	668.1	219.6	(16.3 )	(5.5)%	32.0	4.8 %	(3.2 )	(1.4 )%		
Other	12.3	16.7	4.8	0.5	3.9 %	2.0	11.7 %	0.4	5.5 %		
Eliminations	(2.0 )	(1.9 )	(0.8 )	—	—	—	—	—	—		
Corporate	—	—	—	(61.4 )	—	(42.0 )	—	7.6	—		
Consolidated Results	\$4,324.8	\$3,726.8	\$2,831.3	\$427.6	9.9 %	\$322.1	8.6 %	\$267.9	9.5 %		

The following discussion and analysis of our results of operations should be read in conjunction with our audited consolidated financial statements and notes thereto in Item 8 of this Form 10-K.

#### Comparison of Years Ended December 31, 2013 and 2012

**Revenue.** Our revenue was \$4.3 billion in 2013 as compared with \$3.7 billion in 2012, an increase of \$598 million, or 16.0%. Oil and Gas revenue increased by \$670 million, or 70%, Communications revenue increased by \$190 million, or 11% and Electrical Transmission revenue increased by \$117 million, or 37%. As expected, Power Generation and Industrial revenue was down, with a decrease of \$374 million, or 56%. Organic revenue growth in the Oil and Gas, Electrical Transmission and Communications segments totaled \$565 million, or 18%. Organic revenue growth inclusive of the decrease in Power Generation and Industrial revenues was \$191 million, or 5%. Acquisitions contributed \$407 million of the year over year increase in revenue. A discussion of revenue by segment follows below.

**Communications Segment.** Communications revenue was \$2.0 billion in 2013, compared to \$1.8 billion in 2012, an increase of \$190 million, or 11%. Communications revenue was favorably affected by demand for our wireless and wireline services, which increased by \$253 million, offset in part by \$60 million of lower revenue for certain utility services. Organic revenue growth totaled \$138 million, or 8%. Acquisitions contributed \$52 million of the year over year increase in revenue.

**Oil and Gas Segment.** Oil and Gas revenue was \$1.6 billion in 2013, compared to \$959 million in 2012, an increase of \$670 million, or 70%. Long-haul activity for petroleum and natural gas pipelines increased by approximately \$552 million, while midstream shale and petroleum pipeline activities decreased by approximately \$63 million. Pipeline facility and other project work increased approximately \$181 million. Organic revenue increased by \$329 million, or 34% versus the prior year. Acquisitions contributed \$341 million of the year over year increase in revenue.

**Electrical Transmission Segment.** Electrical Transmission revenues were \$429 million in 2013, as compared with \$312 million in 2012, an increase of \$117 million, or 37%. Transmission and distribution activities increased by \$100 million, while substation activities increased by \$16 million. Acquisitions contributed \$14 million of the year over year increase in Electrical Transmission revenues.

**Power Generation and Industrial Segment.** Power Generation and Industrial revenues were \$294 million in 2013, compared to \$668 million in 2012, a decrease of \$374 million, or 56%. As expected, Power Generation and Industrial revenues were down, driven by a decrease in wind and other renewable revenue of \$486 million, partially offset by an increase of \$112 million in industrial and other project work, which include pumping stations, storage tanks and related civil projects for power generation facilities. Wind project activity was down in 2013 as a result of the delay in renewal of the federal production tax credit for qualified wind facilities, which was not renewed until January 2013.

**Other Segment.** Revenue from Other businesses was \$12 million in 2013, compared to \$17 million in 2012, a decrease of approximately \$4 million, or 26%. This decrease resulted from completion of a project in our international division. **Costs of revenue, excluding depreciation and amortization.** Costs of revenue, excluding depreciation and amortization, totaled \$3.7 billion, or 85.1% of revenue in 2013, as compared with \$3.2 billion, or 86.9% of revenue in 2012, a \$443 million, or 13.7% increase, of which approximately \$509 million was driven by higher revenue, offset in part by \$67 million of cost improvements. Costs of revenue, excluding depreciation and amortization, as a percentage

of revenue decreased by 180 basis points, driven largely by improved margins in our Oil and Gas and Communications segments. Oil and Gas margins have benefited from more profitable long-haul pipeline activities in 2013, as well as from improved contract pricing and project efficiencies. Additionally, in 2012, we incurred approximately \$36 million of project losses on two oil and gas pipeline projects. Project margins also improved in our Communications segment, primarily due to improvements in contract pricing and improved efficiencies on wireless projects. These improvements were partially offset by lower margins in our Power Generation and Industrial and Electrical Transmission segments.

Depreciation and amortization. Depreciation and amortization was \$141 million, or 3.3% of revenue in 2013, as compared with \$92 million, or 2.5% of revenue in 2012, an increase of approximately \$49 million, or 53.3%. The increase in depreciation and amortization was driven primarily by growth in our Oil and Gas segment, which typically requires a higher level of capital investment, as well as from growth in our Electrical Transmission segment.

Acquisition-related depreciation and amortization contributed \$23 million of the year over year increase in expense. See Note 15 - Segments and Related Information in the notes to the audited consolidated financial statements, which is incorporated herein by reference, for details of depreciation and amortization expense and capital spending by reportable segment.

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**General and administrative expense.** General and administrative expense was \$215 million, or 5.0% of revenue in 2013, as compared with \$158 million, or 4.2% of revenue in 2012, an increase of \$58 million, or 36.7%. Acquisitions contributed \$25 million of incremental general and administrative costs. Organic growth in general and administrative expenses was \$33 million, including \$9 million of incremental non-cash stock-based compensation expense. Non-cash stock-based compensation expense increased primarily as a result of the issuance of restricted share awards under a new equity incentive program for certain employees of our EC Source business. The remaining \$24 million of growth in general and administrative costs resulted from increases in labor expense, bonus expense, ongoing technology initiatives, acquisition-related transaction costs and other administrative costs to support growth in our business. As a percentage of revenue, general and administrative costs increased by approximately 80 basis points.

**Interest expense, net.** Interest expense, net of interest income, was \$46 million, or 1.1% of revenue in 2013, as compared with \$37 million, or 1.0% of revenue in 2012, an increase of \$9 million. The increase was largely attributable to \$7 million of incremental interest expense on our outstanding senior notes. In March 2013, we issued \$400 million aggregate principal amount of 4.875% senior notes and repurchased and redeemed \$150 million aggregate principal amount of our 7.625% senior notes. Additionally, higher average outstanding balances on equipment notes payable and capital lease obligations in 2013 contributed \$2.0 million of incremental interest expense.

**Loss on extinguishment of debt.** We incurred approximately \$5.6 million of debt extinguishment costs in 2013 in connection with the repurchase and redemption of \$150 million aggregate principal amount of our 7.625% senior notes. This amount is composed of \$4.1 million of early payment premiums and \$1.5 million of unamortized deferred financing costs.

**Other (income) expense, net.** Other income, net, was \$6 million in 2013, as compared with \$8 million of other expense, net, in 2012. The change was driven largely by \$3 million of legal settlement charges recorded in connection with the Sintel legal matter in 2013 as compared with \$10 million in 2012, a decrease of \$7 million. In addition, gains on sales of equipment increased, from \$1 million in 2012 to \$7 million in 2013.

**Income taxes.** Income tax expense was \$93 million in 2013 as compared with \$76 million in 2012, an increase of approximately \$16 million. The increase was primarily attributable to higher income, partially offset by a lower effective tax rate. Our effective tax rate decreased to 38.5% in 2013 from 39.5% in 2012.

**Loss from discontinued operations.** Loss from discontinued operations, net of tax, was \$6 million in 2013 as compared with \$9 million in 2012, a reduction of \$3 million. During the third quarter of 2013, we completed the sale of Globetec and recorded losses on disposal and impairment charges of \$4 million, net of tax, as compared with \$8 million, net of tax, in 2012. In addition, operating losses, net of tax, for the Globetec operation were \$2 million in 2013 as compared with \$5 million in 2012, a reduction of \$3 million. These changes were offset by a \$4 million reduction in net income from discontinued operations from DirectStar, which was sold in June of 2012.

#### Analysis of EBITDA by segment

**Communications Segment.** EBITDA for our Communications segment was \$248 million, or 12.6% of revenue in 2013, compared to \$192 million, or 10.8% of revenue in 2012, a \$56 million, or 29% increase. Higher revenue contributed \$24 million of incremental EBITDA. As a percentage of revenue, EBITDA increased approximately 180 basis points, or approximately \$32 million, primarily as a result of improvements in contract pricing of wireless services, as well as better project efficiencies and utilization of resources.

**Oil and Gas Segment.** EBITDA for our Oil and Gas segment was \$216 million, or 13.3% of revenue in 2013, compared to \$99 million, or 10.4% of revenue in 2012, an increase of \$116 million, or 117%. Higher revenues contributed \$89 million of incremental EBITDA. As a percentage of revenue, EBITDA improved by 290 basis points, or approximately \$28 million. EBITDA margins in 2013 benefited from higher margin long-haul pipeline activities, as well as improved contract pricing and project efficiencies on project work. Additionally, in 2012, we incurred approximately \$36 million of project losses on two oil and gas pipeline projects, which suppressed 2012's EBITDA margins.

**Electrical Transmission Segment.** EBITDA for our Electrical Transmission segment was \$41 million, or 9.6% of revenue in 2013, compared to \$39 million, or 12.4% of revenue in 2012, an increase of \$3 million, or 7%. Higher revenues contributed \$11 million of incremental EBITDA. EBITDA margins, however, decreased by 280 basis points,

or approximately \$9 million. The decrease in EBITDA margins was driven primarily by higher costs associated with a few projects.

**Power Generation and Industrial Segment.** EBITDA for our Power Generation and Industrial segment was negative \$16 million in 2013, compared to EBITDA of \$32 million, or 4.8% of revenue in 2012, a decrease of \$48 million. The decrease in EBITDA is due to higher costs associated with certain projects, as well as under-utilization of operating and overhead capacity in 2013 due to the decrease in revenue. Despite the current year reduction in wind project activity, the Power Generation and Industrial segment maintained its labor and equipment infrastructure in anticipation of growth in 2014, which resulted in low levels of overhead cost utilization in 2013.

**Other Segment.** EBITDA from Other businesses was \$0.5 million, or 3.9% of revenue in 2013, compared to \$2 million of EBITDA, or 11.7% of revenue in 2012. The decrease is primarily attributable to lower revenue.

**Corporate Segment.** EBITDA for our Corporate segment was negative \$61 million in 2013, compared to negative \$42 million in 2012. In 2013, we recorded a loss on extinguishment of debt of approximately \$6 million in connection with the repurchase and redemption of our 7.625% senior notes. Other cost increases in 2013 as compared with 2012 include \$9 million of incremental non-cash stock-based compensation expense and \$1 million of incremental acquisition-related transaction costs. Offsetting these cost increases is a reduction of \$7 million in legal settlement charges. We recorded \$3 million of legal settlement charges in connection with the Sintel matter in 2013, as compared with \$10 million in 2012. The remaining \$11 million variance resulted from increases in bonus expense, bad debt expense and other administrative costs to support growth in the business.

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## Comparison of Years Ended December 31, 2012 and 2011

Revenue. Our revenue was \$3.7 billion in 2012 as compared with \$2.8 billion in 2011, an increase of \$895 million, or 31.6%. Revenue grew in all of our reportable segments, with Power Generation and Industrial revenue increasing by \$448 million or 204%, Oil and Gas revenue increasing by \$185 million, or 24%, Electrical Transmission revenue increasing by \$114 million, or 57% and Communications revenue increasing by \$138 million, or 8%. Organic revenue growth totaled \$725 million, or 26%. Acquisitions contributed \$171 million of the year over year increase in revenue. A discussion of revenue by segment follows below.

Communications Segment. Communications revenue was \$1.8 billion in 2012, compared to \$1.6 billion in 2011, an increase of \$138 million, or 8.4%. Communications revenue was favorably affected by demand for our wireless and wireline services as well as from higher utility service and install-to-the home activity, which increased by \$33 million, \$46 million and \$59 million, respectively. Organic revenue growth totaled \$75 million, or 4.6%. Acquisitions contributed \$62 million of the year over year increase in revenue.

Oil and Gas Segment. Oil and Gas revenue was \$959 million in 2012, compared to \$774 million in 2011, an increase of \$185 million, or 23.9%. Midstream shale and petroleum pipeline activities increased by approximately \$226 million, partially offset by decreases of \$20 million in long-haul and \$21 million in pipeline facility and other project work. Organic revenue increased by \$129 million, or 17% versus the prior year. Acquisitions contributed \$56 million of the year over year increase in revenue.

Electrical Transmission Segment. Electrical Transmission revenues were \$312 million in 2012, as compared with \$198 million in 2011, an increase of \$114 million, or 57.4%. Transmission and distribution activities increased by \$120 million, while substation activities decreased by \$6 million. Acquisitions contributed \$52 million of the year over year increase in Electrical Transmission revenues.

Power Generation and Industrial Segment. Power Generation and Industrial revenues were \$668 million in 2012, compared to \$220 million in 2011, an increase of \$448 million, or 204%. The increase in revenue was driven largely by growth in renewable energy activities. Wind revenues were favorably affected by customers seeking to complete projects under the federal production tax credit program, which required that qualified facilities be placed in service by December 31, 2012.

Other Segment. Revenue from Other businesses was \$17 million in 2012, compared to \$5 million in 2011, an increase of \$12 million, or 242%. The increase resulted from a new project in our international division to secure a fiber optic circuit and build a central office facility.

Costs of revenue, excluding depreciation and amortization. Costs of revenue, excluding depreciation and amortization, totaled \$3.2 billion in 2012, as compared with \$2.5 billion, or 86.9% of revenue in both years, a \$779 million, or 31.7% increase. The increase was primarily driven by higher revenue. Costs of revenue, excluding depreciation and amortization, as a percentage of revenue was flat, despite \$36 million of project losses on two oil and gas pipeline projects in 2012 as compared with \$19 million in 2011. Year over year costs of revenue, excluding depreciation and amortization was also affected by a charge of approximately \$6 million that we recorded in 2011 related to our multi-employer pension plans.

Depreciation and amortization. Depreciation and amortization was \$92 million, or 2.5% of revenue in 2012, as compared with \$74 million, or 2.6% of revenue in 2011, an increase of approximately \$18 million, or 24%. The increase in depreciation and amortization was driven primarily by growth in our Oil and Gas segment, which typically requires a higher level of capital investment, as well as from growth in our Electrical Transmission segment.

Acquisition-related depreciation and amortization contributed \$5 million of the year over year increase in expense. See Note 15 - Segments and Related Information in the notes to the audited consolidated financial statements, which is incorporated herein by reference, for details of depreciation and amortization expense and capital spending by reportable segment.

General and administrative expenses. General and administrative expenses were \$158 million, or 4.2% of revenue in 2012 as compared with \$133 million, or 4.7% of revenue in 2011, an increase of \$25 million, or 19%. Acquisitions contributed \$8 million of incremental general and administrative costs. Organic growth in general and administrative expense of \$16 million was due to increases in labor expense, bonus expense, ongoing technology initiatives and other administrative costs to support growth in our business. As a percentage of revenue, general and administrative costs



decreased by approximately 50 basis points.

Interest expense, net. Interest expense, net of interest income, was \$37 million, or 1.0% of revenue in 2012, as compared with \$34 million, or 1.2% of revenue in 2011. The increase of \$3 million included approximately \$1.4 million of incremental interest expense on our credit facility resulting from higher average outstanding balances, as well as approximately \$1 million of incremental discount accretion from our 2011 senior convertible notes.

Gain on remeasurement of equity interest in acquiree. We recognized a \$29 million gain on remeasurement upon our acquisition of EC Source's remaining equity interests during the second quarter of 2011.

Other expense, net. Other expense, net, was \$8 million in 2012, driven by a legal settlement charge of \$10 million in connection with the Sintel legal matter, partially offset by gains on sales of assets. In 2011, gains and losses on sales of assets largely offset one another.

Income taxes. Income tax expense was \$76 million in 2012, as compared with \$62 million in 2011, an increase of \$14 million, which is due in large part to higher income, as well as an increase in our effective tax rate. Our effective tax rate on income from continuing operations increased to 39.5% in 2012 from 38.8% in 2011.

(Loss) income from discontinued operations. Loss from discontinued operations, net of tax, was \$9 million in 2012, as compared with \$9 million of income from discontinued operations, net of tax, in 2011. The \$18 million variance was driven, in part, by estimated losses on disposal of \$8 million, net of tax, that we recognized in 2012 in connection with our decision to sell Globetec. In addition, DirectStar, which was sold in

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June of 2012, contributed \$4 million of net income from discontinued operations in 2012 as compared with \$14 million in 2011, a reduction of \$10 million.

## Analysis of EBITDA by segment

**Communications Segment.** EBITDA for our Communications segment was \$192 million, or 10.8% of revenue in 2012, compared to \$154 million, or 9.4% of revenue in 2011, an increase of \$38 million, or 24.4%. Higher revenue contributed \$15 million of incremental EBITDA. As a percentage of revenue, EBITDA increased approximately 140 basis points, or approximately \$23 million, primarily as a result of better project efficiencies and utilization of resources.

**Oil and Gas Segment.** EBITDA for our Oil and Gas segment was \$99 million in 2012, compared to \$80 million, or 10.4% of revenue in both years, an increase of \$19 million, or 24.0%. The increase in EBITDA is primarily attributable to the increase in revenue. In 2012, we incurred approximately \$36 million of project losses on two oil and gas pipeline projects, as compared with \$19 million in 2011, which suppressed EBITDA margins in both years. Year over year EBITDA results were also affected by a charge of approximately \$6 million that we recorded in 2011 related to our multi-employer pension plans.

**Electrical Transmission Segment.** EBITDA for our Electrical Transmission segment was \$39 million, or 12.4% of revenue in 2012, compared to \$29 million, or 14.5% of revenue in 2011, an increase of \$10 million, or 34.9%. Higher revenues contributed \$14 million of incremental EBITDA. EBITDA margins, however, decreased by 210 basis points, or approximately \$4 million. The decrease in EBITDA margins was driven primarily by higher costs associated with several projects.

**Power Generation and Industrial Segment.** EBITDA for our Power Generation and Industrial segment was \$32 million, or 4.8% of revenue in 2012, compared to negative EBITDA of \$3 million in 2011, an increase of \$35 million. Higher revenue contributed \$22 million of incremental EBITDA. As a percentage of revenue, EBITDA increased approximately 620 basis points, or approximately \$14 million. The improvement in EBITDA margins is primarily attributable to the significant increase in revenue, which improved our level of overhead cost utilization. Despite low levels of project activity in 2011, the Power Generation and Industrial segment maintained its capacity levels in anticipation of expected revenue growth in 2012, which resulted in low levels of overhead cost utilization in 2011.

**Other Segment.** EBITDA from Other businesses was \$2 million, or 11.7% of revenue in 2012, compared to \$0.4 million of EBITDA in 2011, or 5.5% of revenue, an increase of \$1.7 million. The increase is primarily attributable to increased revenues, as described above.

**Corporate Segment.** EBITDA for our Corporate segment was negative \$42 million in 2012, compared to EBITDA of \$8 million in 2011, a net change of \$50 million. In 2011, we recorded a \$29 million non-cash gain on remeasurement of our equity investment in EC Source and in 2012, we recorded \$10 million of legal settlement charges in connection with the Sintel matter in 2012. The remaining \$11 million variance resulted from increases in insurance and other administrative costs to support growth in the business.

## Foreign Operations

We have operations in Canada as well as in parts of Latin America. See Note 15 - Segments and Related Information in the notes to the audited consolidated financial statements, which is incorporated herein by reference.

## Non-U.S. GAAP Financial Measures

As appropriate, we supplement our reported U.S. GAAP financial information with certain non-U.S. GAAP financial measures, including earnings from continuing operations before interest, income taxes, depreciation and amortization ("EBITDA"). In addition, we have presented "Adjusted EBITDA," as well as adjusted net income from continuing operations ("Adjusted Net Income From Continuing Operations") and adjusted diluted earnings per share from continuing operations ("Adjusted Diluted Earnings Per Share From Continuing Operations"). All of these "adjusted" non-U.S. GAAP measures exclude non-cash stock-based compensation expense, Sintel legal settlement charges, the loss on debt extinguishment from the repurchase and redemption of our 7.625% senior notes, the gain on remeasurement of our equity interest in EC Source and a multi-employer pension plan withdrawal charge. See Note 11 - Stock-Based Compensation and Other Employee Benefit Plans, Note 16 - Commitments and Contingencies, Note 9 - Debt and Note 3 - Acquisitions in the notes to the audited consolidated financial statements, which notes are incorporated herein by reference. The definitions of EBITDA and Adjusted EBITDA above are not the same as in our

2013 Credit Facility or in the indentures governing our notes; therefore, EBITDA and Adjusted EBITDA as presented in this discussion should not be used for purposes of determining our compliance with related covenants.

We use EBITDA, Adjusted EBITDA, Adjusted Net Income From Continuing Operations and Adjusted Diluted Earnings Per Share From Continuing Operations to evaluate our performance, both internally and as compared with our peers, because these measures exclude certain items that may not be indicative of our core operating results, as well as items that can vary widely across different industries or among companies within the same industry. Additionally, these measures provide a baseline for analyzing trends in our underlying business. Management also considers EBITDA and Adjusted EBITDA as indicators of our ability to generate cash to service debt, fund capital expenditures and expand our business, but management does not consider the presented non-U.S. GAAP financial measures as measures of our liquidity. While EBITDA and Adjusted EBITDA are measures of our ability to generate cash, these measures exclude the cash impact of changes in our assets and liabilities as well as interest and income taxes. Net cash provided by operating activities in the consolidated statement of cash flows accounts for these changes in our assets and liabilities.

We believe these non-U.S. GAAP financial measures provide meaningful information and help investors understand our financial results and assess our prospects for future performance. Because non-U.S. GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-U.S. GAAP financial measures having the same or similar names. These financial measures should not

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be considered in isolation from, as substitutes for, or alternative measures of, reported net income from continuing operations, diluted earnings per share from continuing operations and net cash provided by operating activities, and should be viewed in conjunction with the most comparable GAAP financial measures and the provided reconciliations thereto. We believe these non-U.S. GAAP financial measures, when viewed with our U.S. GAAP results and the provided reconciliations, provide a more complete understanding of our business. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not rely on any single financial measure.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net income from continuing operations, in dollar and percentage of revenue terms, for the periods indicated (dollar amounts in millions). The table below may contain slight summation differences due to rounding.

EBITDA Reconciliation - Continuing Operations:	For the Years Ended December 31,								
	2013			2012			2011		
Net income from continuing operations	\$147.7	3.4	%	\$116.6	3.1	%	\$97.5	3.4	%
Interest expense, net	46.4	1.1	%	37.4	1.0	%	34.5	1.2	%
Provision for income taxes	92.5	2.1	%	76.1	2.0	%	61.8	2.2	%
Depreciation and amortization	140.9	3.3	%	92.0	2.5	%	74.2	2.6	%
EBITDA – Continuing Operations	\$427.6	9.9	%	\$322.1	8.6	%	\$267.9	9.5	%
Non-cash stock-based compensation expense	12.9	0.3	%	4.4	0.1	%	3.6	0.1	%
Loss on debt extinguishment	5.6	0.1	%	—	—	%	—	—	%
Sintel legal settlement	2.8	0.1	%	9.6	0.3	%	—	—	%
Gain from remeasurement of equity interest in acquiree	—	—	%	—	—	%	(29.0)	(1.0)	%
Multi-employer pension plan withdrawal charge	—	—	%	—	—	%	6.4	0.2	%
Adjusted EBITDA – Continuing Operations	\$448.9	10.4	%	\$336.1	9.0	%	\$248.9	8.8	%

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net cash provided by operating activities for total MasTec (in millions):

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	For the Years Ended December 31,		
	2013	2012	2011
Total EBITDA Reconciliation:			
EBITDA, Continuing operations	\$427.6	\$322.1	\$267.9
EBITDA, Discontinued operations	(8.8	) (13.0	) 15.8
EBITDA, Total MasTec	\$418.8	\$309.0	\$283.7
Reconciliation to Adjusted EBITDA and to Net Cash Provided by Operating Activities, Total MasTec:			
Non-cash stock-based compensation expense	12.9	4.4	3.6
Loss on debt extinguishment	5.6	—	—
Sintel legal settlement	2.8	9.6	—
Gain from remeasurement of equity interest in acquiree	—	—	(29.0
Multi-employer pension plan withdrawal charge	—	—	6.4
Adjusted EBITDA, Continuing operations	\$448.9	\$336.1	\$248.9
Adjusted EBITDA, Discontinued operations	(8.8	) (13.0	) 15.8
Adjusted EBITDA, Total MasTec	\$440.1	\$323.1	\$264.6
Interest expense	(46.5	) (37.4	) (34.5
Provision for income taxes	(90.1	) (71.6	) (68.0
Payments for call premiums on extinguishment of debt	(4.1	) —	—
Sintel legal settlement	(2.8	) (9.6	) —
Multi-employer pension plan withdrawal charge	—	—	(6.4
Adjustments to reconcile net income to net cash provided by operating activities, excluding non-cash EBITDA adjustments <sup>(a)</sup>	25.3	24.3	56.2
Change in assets and liabilities, net of assets acquired and liabilities assumed	(121.5	) (56.3	) (191.2
Net cash provided by operating activities, Total MasTec	\$200.4	\$172.5	\$20.7

(a) Non-cash EBITDA adjustments include (i) depreciation and amortization expense in all years; (ii) non-cash stock-based compensation expense in all years; (iii) in 2013, a \$1.5 million write-off of deferred financing costs on redeemed debt, and (iv) in 2011, a \$29.0 million gain on remeasurement of our equity interests in EC Source.

#### Adjusted Net Income From Continuing Operations and Adjusted Diluted Earnings Per Share From Continuing Operations

The table below reconciles Adjusted Net Income From Continuing Operations and Adjusted Diluted Earnings Per Share From Continuing Operations with reported net income from continuing operations and reported diluted earnings per share from continuing operations, the most directly comparable U.S. GAAP financial measures. Adjustments have been tax effected using the effective tax rate from continuing operations for the respective periods.

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	For the Years Ended December 31,					
	2013		2012		2011	
	Net		Net		Net	
	Income	Diluted	Income	Diluted	Income	Diluted
	From	Earnings	From	Earnings	From	Earnings
	Continuing	Per Share,	Continuing	Per Share,	Continuing	Per Share,
	Operations	Continuing	Operations	Continuing	Operations	Continuing
	(in	Operations	(in	Operations	(in	Operations
	millions)		millions)		millions)	
Reported U.S GAAP measure	\$147.7	\$ 1.74	\$116.6	\$ 1.42	\$97.5	\$ 1.13
Non-cash stock-based compensation expense (a)	8.0	0.09	2.7	0.03	2.2	0.03
Loss on debt extinguishment (b)	3.5	0.04	—	—	—	—
Sintel legal settlement (c)	1.7	0.02				