

DYCOM INDUSTRIES INC

Form 10-KT

March 02, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended _____

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from July 30, 2017 to January 27, 2018

Commission File Number 001-10613

DYCOM INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

59-1277135

(I.R.S. Employer Identification No.)

11780 US Highway 1, Suite 600, Palm Beach Gardens, FL 33408

(Address of principal executive offices)

(Zip Code)

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

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

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, par value \$0.33 1/3 per share New York Stock Exchange

Securities registered pursuant to Section 12(g) of the 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 No

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 No

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy of information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the common stock, par value \$0.33 1/3 per share, held by non-affiliates of the registrant, computed by reference to the closing price of such stock on the New York Stock Exchange on July 29, 2017, was \$2,694,828,770.

There were 31,188,000 shares of common stock with a par value of \$0.33 1/3 outstanding at February 28, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Transition Report on Form 10-K into which incorporated
Portions of the registrant's Proxy Statement to be filed by May 29, 2018	Parts II and III

Such Proxy Statement, except for the portions thereof which have been specifically incorporated by reference, shall not be deemed "filed" as part of this Transition Report on Form 10-K.

Dycom Industries, Inc.
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Explanatory Note Regarding the Transition Period

In September 2017, our Board of Directors approved a change in the Company's fiscal year end from the last Saturday in July to the last Saturday in January. The change in fiscal year end better aligns our fiscal year with the planning cycles of our customers. Year-over-year quarterly financial data continues to be comparative to prior periods as the months that comprise each fiscal quarter in the new fiscal year are the same as those in our historical financial statements.

This Transition Report on Form 10-K covers the six month transition period of July 30, 2017 through January 27, 2018 (the "2018 transition period"). After the 2018 transition period, each fiscal year will end on the last Saturday in January and consist of either 52 or 53 weeks of operations (with the additional week of operations occurring in the fourth fiscal quarter). We refer to the period beginning July 31, 2016 and ending July 29, 2017 as "fiscal 2017", the period beginning July 26, 2015 and ending July 30, 2016 as "fiscal 2016", and the period beginning July 27, 2014 and ending July 25, 2015 as "fiscal 2015". References herein to the six months ended January 28, 2017 represent the comparative prior year six month period from July 31, 2016 to January 28, 2017. The results for the six months ended January 28, 2017 are unaudited.

Cautionary Note Concerning Forward-Looking Statements

This Transition Report on Form 10-K, including any documents incorporated by reference or deemed to be incorporated by reference herein, contains forward-looking statements relating to future events, financial performance, strategies, expectations, and the competitive environment. Words such as "outlook," "believe," "expect," "anticipate," "estimate," "intend," "forecast," "may," "should," "could," "project," "target," and similar expressions, as well as statements in the future tense, identify forward-looking statements. They will not necessarily be accurate indications of whether or at what time such performance or results will be achieved. You should not consider forward-looking statements as guarantees of future performance or results. Forward-looking statements are based on information available at the time they are made and/or management's good faith belief at that time with respect to future events. Such statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors, assumptions, uncertainties, and risks that could cause such differences include, but are not limited to:

- anticipated outcomes of contingent events, including litigation;
- projections of revenues, income or loss, or capital expenditures;
- determinations as to whether the carrying value of our assets is impaired;
- expected benefits and synergies of businesses acquired and future opportunities for the combined businesses;
- plans for future operations, growth and acquisitions, dispositions, or financial needs;
- financing availability;
- customer capital budgets and spending priorities;
- outcomes of our plans for future operations, growth and services, including contract backlog;
- restrictions imposed by our credit agreement;
- use of our cash flow to service our debt;

future economic conditions and trends in the industries we serve;

the effect of changes in tax law, such as the effect of the Tax Cuts and Jobs Act of 2017;

assumptions relating to any of the foregoing;

and other factors discussed within Item 1. Business, Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Transition Report on Form 10-K and other risks outlined in our periodic filings with the Securities and Exchange Commission ("SEC"). Our forward-looking statements are expressly qualified in their entirety by this cautionary statement. Our forward-looking statements are only made as of the date of this

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Transition Report on Form 10-K, and we undertake no obligation to update them to reflect new information or events or circumstances arising after such date.

Available Information

Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available free of charge at our website, www.dycomind.com, as soon as reasonably practicable after we file these reports with, or furnish these reports to, the SEC. You may also request a copy of these reports, at no cost, by contacting us at: Dycom Industries, Inc., 11780 U.S. Highway 1, Suite 600, Palm Beach Gardens, Florida 33408, Attention: Secretary. Exhibits and schedules referenced in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K can be accessed on the SEC’s website at www.sec.gov. All references to www.dycomind.com in this report are inactive textual references only and the information on our website is not incorporated into this Transition Report on Form 10-K.

PART I

Item 1. Business.

Dycom Industries, Inc. (“Dycom” or the “Company”) is a leading provider of specialty contracting services throughout the United States and in Canada. Our subsidiaries provide program management, engineering, construction, maintenance, and installation services for telecommunications providers, underground facility locating services for various utilities, including telecommunications providers, and other construction and maintenance services for electric and gas utilities. Our consolidated revenues for the six months ended January 27, 2018 were \$1.4 billion.

Dycom was incorporated in the State of Florida in 1969 and has since expanded its geographic scope and service offerings, both organically and through acquisitions. Our established footprint and decentralized workforce provide the scale needed to quickly execute on opportunities to service existing and new customers.

Specialty Contracting Services

Our subsidiaries supply telecommunications providers with a comprehensive portfolio of specialty services, including program management, engineering, construction, maintenance, installation, and underground facility locating. We provide the labor, tools and equipment necessary to design, engineer, locate, maintain, expand, install and upgrade the telecommunications infrastructure of our customers.

Engineering services include the design of aerial, underground, and buried fiber optic, copper, and coaxial cable systems that extend from the telephone company central office, or cable operator headend, to the consumer’s home or business. We also obtain rights of way and permits in support of our engineering activities and those of our customers as well as provide construction management and inspection personnel in conjunction with engineering services or on a stand-alone basis.

Construction, maintenance, and installation services include the placement and splicing of fiber, copper, and coaxial cables. In addition, we excavate trenches in which to place these cables; place related structures such as poles, anchors, conduits, manholes, cabinets, and closures; place drop lines from main distribution lines to the consumer’s home or business; and maintain and remove these facilities. We provide these services for both telephone companies and cable multiple system operators in connection with the deployment, expansion, or maintenance of new and existing networks. We also provide tower construction, lines and antenna installation, and foundation and equipment pad construction for wireless carriers, as well as equipment installation and material fabrication and site testing

services. For cable multiple system operators, we install and maintain customer premise equipment such as digital video recorders, set top boxes and modems.

We also perform construction and maintenance services for electric and gas utilities and other customers. In addition, we provide underground facility locating services for a variety of utility companies, including telecommunications providers. Our underground facility locating services include locating telephone, cable television, power, water, sewer, and gas lines.

Business Strategy

Capitalize on Long-Term Growth Drivers. We are well-positioned to benefit from the increased demand for network bandwidth that is necessary to ensure reliable video, voice, and data services. Significant developments in consumer and business applications within the telecommunications industry, including advanced digital and video service offerings, continue

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to increase the demand for greater capacity and enhanced reliability from our customers' wireline and wireless networks. Telecommunications network operators are increasingly deploying fiber optic cable technology deeper into their networks and closer to consumers and businesses in order to respond to consumer demand, competitive realities, and public policy support. Additionally, wireless carriers are upgrading their networks and contemplating next generation mobile solutions in response to the significant demand for wireless broadband, driven by the proliferation of smart phones, mobile data devices and other advances in technology. The increasing wireless data traffic and emerging wireless technologies are driving significant incremental wireline deployments in many regions of the United States. Furthermore, significant consolidation and merger activity among telecommunications providers can also provide increased demand for our services as networks are integrated.

Selectively Increase Market Share. We believe our reputation for high quality and our ability to provide services nationally creates opportunities to expand our market share. Our decentralized operating structure and numerous points of contact within customer organizations position us favorably to win new opportunities with existing customers. Our significant financial resources enable us to address larger opportunities that some of our relatively capital-constrained competitors may be unable to perform. We do not intend to increase market share by pursuing unprofitable work.

Pursue Disciplined Financial and Operating Strategies. We manage the financial aspects of our business by centralizing certain activities that allow us to reduce costs through leveraging our scope and scale. We have centralized functions such as treasury, tax and risk management, the approval of capital equipment procurements, and the design and administration of employee benefit plans. We also centralize our information technology infrastructure to provide enhanced operating efficiency. In contrast, we decentralize the recording of transactions and the financial reporting necessary for timely operational decisions. Decentralization promotes greater accountability for business outcomes from our local decision makers. Our local managers are responsible for marketing, field operations, and ongoing customer service, and are empowered to capture new business and execute contracts on a timely and cost-effective basis. Our executive management team provides support to the local marketing efforts, while also marketing at a national level. This approach enables us to utilize capital resources efficiently while retaining the organizational agility necessary to compete with smaller, privately owned competitors.

Pursue Selective Acquisitions. We pursue acquisitions that are operationally and financially beneficial for the Company as a whole. In particular, we pursue acquisitions that will provide us with incremental revenue and geographic diversification while complementing our existing operations. We generally target companies for acquisition that have defensible leadership positions in their market niches, profitability that meets or exceeds industry averages, proven operating histories, sound management and certain clearly identifiable cost synergies.

Acquisitions

Fiscal 2017. During March 2017, we acquired Texstar Enterprises, Inc. ("Texstar") for \$26.1 million, net of cash acquired. Texstar provides construction and maintenance services for telecommunications providers in the Southwest and Pacific Northwestern regions of the United States. This acquisition expands our geographic presence within our existing customer base.

Fiscal 2016. During August 2015, we acquired TelCom Construction, Inc. and an affiliate (together, "TelCom"). The purchase price was \$48.8 million paid in cash. TelCom, based in Clearwater, Minnesota, provides construction and maintenance services for telecommunications providers throughout the United States. This acquisition expands our geographic presence within our existing customer base. During May 2016, we acquired NextGen Telecom Services Group, Inc. ("NextGen") for \$5.6 million, net of cash acquired. NextGen provides construction and maintenance services for telecommunications providers in the Northeastern United States. Additionally, during July 2016, we acquired certain assets and assumed certain liabilities associated with the wireless network deployment and wireline

operations of Goodman Networks Incorporated (“Goodman”) for a net cash purchase price of \$100.9 million after an adjustment of approximately \$6.6 million for working capital received below a target amount. The acquired operations provide wireless construction services in a number of markets, including Texas, Georgia, and Southern California. The acquired operations were immediately integrated with the operations of an existing subsidiary, which is a larger, well-established provider of services to the same primary customer. The acquisition reinforces our wireless construction resources and expands our geographic presence within our existing customer base. Subsequent to the close of this acquisition, activity levels within the contracts of the acquired operations trended considerably below expectations. The acquired contracts remain in effect and we have not experienced any adverse changes in customer relations. With the immediate integration of the Goodman operations into our existing subsidiary, we believe our ability to effectively perform services for the customer will provide future opportunities.

Fiscal 2015. During September 2014, we acquired Hewitt Power & Communications, Inc. (“Hewitt”) for \$8.0 million, net of cash acquired. Hewitt provides specialty contracting services primarily for telecommunications providers in the Southeastern United States. During January 2015, we acquired the assets of two cable installation contractors for an aggregate purchase price

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of \$1.5 million. During April 2015, we acquired Moll's Utility Services, LLC ("Moll's") for \$6.5 million, net of cash acquired. Moll's provides specialty contracting services primarily for utilities in the Midwestern United States. We also acquired the assets of Venture Communications Group, LLC ("Venture") for \$15.6 million during June 2015. Venture provides specialty contracting services primarily for telecommunications providers in the Midwest and Southeastern United States.

Customer Relationships

We have established relationships with many leading telecommunications providers, including telephone companies, cable multiple system operators, wireless carriers, telecommunication equipment and infrastructure providers, and electric and gas utilities. Our customer base is highly concentrated, with our top five customers during the 2018 transition period and fiscal 2017, 2016, and 2015 accounting for approximately 75.8%, 76.1%, 69.7%, and 61.1% of our total contract revenues, respectively. During the 2018 transition period, we derived approximately 21.6% of our total revenues from Comcast Corporation, 20.6% from AT&T Inc., 17.5% from CenturyLink, Inc., 12.0% from Verizon Communications, Inc., and 4.2% from Charter Communications, Inc. We believe that a substantial portion of our total revenues and operating income will continue to be generated from a concentrated group of customers.

We serve our markets locally through dedicated and experienced personnel. Our sales and marketing efforts are the responsibility of the management teams of our subsidiaries who possess intimate knowledge of their particular markets, allowing us to be responsive to customer needs. Our executive management team supplements these efforts, both at the local and national levels, focusing on contact with the appropriate managers within our customers' organizations.

We perform a substantial majority of our services under master service agreements and other agreements that contain customer-specified service requirements and have discrete pricing for individual tasks. We generally possess multiple agreements with each of our significant customers. To the extent that such agreements specify exclusivity, there are often a number of exceptions, including the customer's ability to issue work orders valued above a specified dollar amount to other service providers, the performance of work with the customer's own employees, and the use of other service providers when jointly placing facilities with another utility. In most cases, a customer may terminate an agreement for convenience with written notice. Historically, multi-year master service agreements have been awarded primarily through a competitive bidding process; however, we are occasionally able to extend these agreements through negotiations. We provide the remainder of our services pursuant to contracts for specific projects. These contracts may be long-term (with terms greater than one year) or short-term (with terms generally three to four months in duration) and often include customary retainage provisions under which the customer may withhold 5% to 10% of the invoiced amounts pending project completion.

Cyclical and Seasonality

The cyclical nature of the industry we serve may affect demand for our services. The capital expenditure and maintenance budgets of our customers, and the related timing of approvals and seasonal spending patterns, influence our revenues and results of operations. The business requirements of our customers may affect their capital expenditures and maintenance budgets. Factors affecting our customers include, but are not limited to, demands of their consumers, the introduction of new communications technologies, the physical maintenance needs of their infrastructure, the actions of our government and the Federal Communications Commission, overall economic conditions, and merger or acquisition activity. Changes in our mix of customers, contracts, and business activities, as well as changes in the general level of construction activity also drive variations in revenues and results of operations.

Our revenues and results of operations exhibit seasonality as we perform a significant portion of our work outdoors. Consequently, extended periods of adverse weather, which are more likely to occur during the winter season, impact

our operations during the fiscal quarters ending in January and April. In addition, a disproportionate percentage of paid holidays fall within the fiscal quarter ending in January, which decreases the number of available workdays. Because of these factors, we are most likely to experience reduced revenue and profitability during the fiscal quarters ending in January and April.

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Backlog

Our backlog consists of the estimated uncompleted portion of services to be performed under contractual agreements with our customers and totaled \$5.847 billion, \$6.016 billion and \$6.031 billion at January 27, 2018, July 29, 2017, and July 30, 2016, respectively. We expect to complete 52.1% of the January 27, 2018 total backlog during the next twelve months. Our backlog estimates represent amounts under master service agreements and other contractual agreements for services projected to be performed over the terms of contracts. These estimates are generally based on contract terms and assessments regarding the timing of the services to be provided. In the case of master service agreements, backlog is calculated based on the work performed in the preceding twelve month period, when available. When estimating backlog for newly initiated master service agreements and other long and short term contracts, we also consider the anticipated scope of the contract and information received from the customer in the procurement process. A significant majority of our backlog estimates comprise services under master service agreements and other long term contracts.

In many instances, our customers are not contractually committed to procure specific volumes of services under a contract. Revenue estimates reflected in our backlog can be subject to change due to a number of factors, including contract cancellations or changes in the amount of work we estimated to be performed at the time of calculating the backlog amount. In addition, revenue reflected in our backlog may be realized in different periods from those previously reported due to these factors, as well as project accelerations, or delays due to various reasons, including, but not limited to, commercial issues such as permitting, engineering revisions, difficult job site conditions, and adverse weather. The amount or timing of our backlog can also be impacted by the merger or acquisition activity of our customers. While we did not experience any material cancellations during the 2018 transition period or fiscal 2017, 2016, or 2015, many of our customers may cancel our contracts upon notice regardless of whether or not we are in default. The amount of backlog related to uncompleted projects in which a provision for estimated losses was recorded is not material.

Backlog is not a measure defined by United States generally accepted accounting principles; however, it is a common measurement used in our industry. Our methodology for determining backlog may not be comparable to the methodologies used by others.

Competition

The specialty contracting services industry in which we operate is highly fragmented and includes a large number of participants. We compete with several large corporations and numerous small, privately owned companies. We also face competition from the in-house service organizations of our existing and prospective customers, particularly telecommunications providers that employ personnel who perform some of the same services we provide. Relatively few barriers to entry exist in the markets in which we operate. As a result, any organization that has adequate financial resources, access to technical expertise, and the necessary equipment and materials may become a competitor. The principal competitive factors for our services include geographic presence, breadth of service offerings, worker and general public safety, price, quality of service, and industry reputation. We believe that we compare favorably to our competitors when evaluated against these factors.

Employees

We employed approximately 14,365 persons as of January 27, 2018. Our workforce includes a core group of technical and managerial personnel to supervise our projects and fluctuates in size to meet the demands of our customers. We consider our relations with employees to be good and believe our future success will depend, in part, on our continuing ability to attract, hire, and retain skilled and experienced personnel.

Materials and Independent Subcontractors

For a majority of the contract services we perform, our customers provide required materials, while we provide the necessary personnel, tools, and equipment. Because our customers retain the financial and performance risk associated with materials they provide, we do not include associated amounts in our revenues or costs of earned revenues. Under contracts that require us to supply part or all of the required materials, we do not depend upon any one source for materials and do not anticipate experiencing procurement difficulties.

We contract with independent subcontractors to help manage fluctuations in work volumes and to reduce the amount we expend on fixed assets and working capital. These independent subcontractors are typically small, locally owned companies that provide their own employees, vehicles, tools and insurance coverage. There are no individual independent subcontractors that are significant to the Company.

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Safety and Risk Management

We are committed to instilling safe work habits through proper training and supervision of our employees and expect adherence to safety practices that ensure a safe work environment. Our subsidiaries' safety programs require employees to participate both in safety training required by law and training that is specifically relevant to the work they perform. Our safety directors review safety incidents and claims for our operations, examine trends, and implement changes in procedures to address safety issues.

Claims arising in our business generally include workers' compensation claims, various general liability and damage claims, and claims related to motor vehicle collisions, including personal injury and property damage. For claims within our insurance program, we retain the risk of loss, up to certain limits, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), workers' compensation, and employee group health. We carefully monitor claims and actively participate with our insurers in determining claims estimates and adjustments. We accrue the estimated costs of claims as liabilities, and include estimates for claims incurred but not reported. Due to fluctuations in our loss experience from year to year, insurance accruals have varied and can affect the consistency of our operating margins. Our business could be materially and adversely affected if we experience insurance claims in excess of our umbrella coverage limit. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 9, Accrued Insurance Claims, in the Notes to Consolidated Financial Statements in this Transition Report on Form 10-K.

Environmental Matters

A significant portion of the work we perform is associated with the underground networks of our customers. We could be subject to potential material liabilities in the event we cause a release of hazardous substances or other environmental damage resulting from underground objects we encounter. Liabilities for contamination or exposure to hazardous materials, or failure to comply with environmental laws and regulations could result in significant costs including clean-up costs, fines, criminal sanctions for violations, and third-party claims for property damage or personal injury. These costs, as well as any direct impact to ongoing operations, could adversely affect our results of operations and cash flows.

Executive Officers of the Registrant

The following table sets forth certain information concerning the Company's executive officers, all of whom serve at the pleasure of the Board of Directors.

Name	Age	Office	Executive Officer Since
Steven E. Nielsen	54	Chairman, President and Chief Executive Officer	February 26, 1996
Timothy R. Estes	63	Executive Vice President and Chief Operating Officer	September 1, 2001
H. Andrew DeFerrari	49	Senior Vice President and Chief Financial Officer	November 22, 2005
Richard B. Vilsoet	65	Vice President, General Counsel and Corporate Secretary	June 11, 2005

There are no arrangements or understandings between any executive officer of the Company and any other person pursuant to which any executive officer was selected as an officer of the Company. There are no family relationships among the Company's executive officers.

Steven E. Nielsen has been the Company's President and Chief Executive Officer since March 1999. Prior to that, Mr. Nielsen was President and Chief Operating Officer of the Company from August 1996 to March 1999, and Vice President from February 1996 to August 1996.

Timothy R. Estes has been the Company's Executive Vice President and Chief Operating Officer since September 2001. Prior to that, Mr. Estes was the President of AnSCO & Associates, LLC, one of the Company's subsidiaries, from 1997 until 2001 and Vice President from 1994 until 1997.

H. Andrew DeFerrari has been the Company's Senior Vice President and Chief Financial Officer since April 2008. Prior to that, Mr. DeFerrari was the Company's Vice President and Chief Accounting Officer since November 2005 and was the Company's Financial Controller from July 2004 through November 2005. Mr. DeFerrari was previously a senior audit manager with Ernst & Young Americas, LLC.

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Richard B. Vilsoet has been the Company's General Counsel and Corporate Secretary since June 2005 and Vice President since November 2005. Before joining the Company, Mr. Vilsoet was a partner with Shearman & Sterling LLP. Mr. Vilsoet was with Shearman & Sterling LLP for over fifteen years.

Kimberly Dickens, who has been the Company's Vice President and Chief Human Resources Officer since May 2014, has announced that she will resign from the Company effective March 31, 2018. Before joining the Company in March 2014, Ms. Dickens was the Vice President, Global Human Resources of Cooper Standard Automotive, Inc. from 2008 to 2013. Prior to this, she held a similar position at Federal Signal Corporation from 2004 to 2008 and spent over fifteen years in a variety of human resources leadership roles at Borg Warner Corporation.

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Item 1A. Risk Factors.

Our business is subject to a variety of risks and uncertainties, including, but not limited to, the risks and uncertainties described below. You should read the following risk factors carefully in connection with evaluating our business and the forward-looking information contained in this Transition Report on Form 10-K. If any of the risks described below, or elsewhere in this Transition Report on Form 10-K were to occur, our financial condition and results of operations could suffer and the trading price of our common stock could decline. Additionally, if other risks not presently known to us, or that we do not currently believe to be significant, occur or become significant, our financial condition and results of operations could suffer and the trading price of our common stock could decline.

Demand for our services is cyclical and vulnerable to economic downturns affecting the industries we serve. Demand for our services has been, and will likely continue to be, cyclical in nature and vulnerable to downturns in the economy and the telecommunications industry. During times of uncertain or slowing economic conditions, our customers often reduce their capital expenditures and defer or cancel pending projects. In addition, uncertain or adverse economic conditions that create volatility in the credit and equity markets may reduce the availability of debt or equity financing for our customers causing them to reduce capital spending. Any reduction in capital spending or deferral or cancellation of projects by our existing or prospective customers could reduce demand for, or the timing of, our services, adversely affecting our operations, cash flows, and liquidity. In addition, these conditions make it difficult to estimate our customers' demand for our services and add uncertainty to the determination of our backlog.

We derive a significant portion of our revenues from master service agreements and other long-term contracts which may be canceled by our customers upon notice, do not guaranty a specific amount of work, or which we may be unable to renew on negotiated terms. During the 2018 transition period, we derived approximately 86.2% of our revenues from master service agreements and other long-term contracts. The majority of these contracts are cancelable by our customers upon notice regardless of whether or not we are in default. In addition, our customers generally have no obligation to assign a specific amount of work to us under these agreements. Consequently, projected expenditures by customers are not assured until a definitive work order is placed with us and the work completed. This makes it difficult to estimate our customers' demand for our services. Furthermore, our customers generally require competitive bidding of these contracts upon expiration of their terms. We may not be able to renew a contract if our competitors reduce their prices and underbid us in order to procure business, or we could be required to lower the price charged for work under the contract being rebid in order to retain the contract. The loss of work obtained through master service agreements and other long-term contracts or the reduced profitability of such work could adversely affect our results of operations, cash flows, and liquidity.

The telecommunications industry has experienced, and may continue to experience, rapid technological, structural, and competitive changes that could reduce the need for our services and adversely affect our revenues. We generate the majority of our revenues from customers in the telecommunications industry. The telecommunications industry is characterized by rapid technological change, intense competition and changing consumer demands. New technologies, or upgrades to existing technologies by customers, could reduce the need for our services by enabling telecommunications companies to improve their networks without physically upgrading them. New, developing, or existing services could displace the wireline or wireless systems that we install and that our customers use to deliver services to consumers and businesses. Reduced demand for our services or a loss of a significant customer due to technological changes could adversely affect our results of operations, cash flows, and liquidity.

The capital budgets and spending priorities of our customers can change, which may reduce demand for our services. Customer demand for a substantial portion of the services we provide are determined by their annual capital budgets. In addition to budgetary fluctuation due to changes in technology and a slowing or uncertain economy, our customers' capital budgets can change for other reasons over which we have no control. These reasons include, but are not limited to, reduced consumer demand for our customers' services, a decision to allocate resources to other areas of their

business or changes due at least in part to mergers or acquisition activity. These changes can happen quickly and without advance notice. Such changes could adversely affect our results of operations, cash flows and liquidity.

We derive a significant portion of our revenues from a limited number of customers, and the loss of one or more of these customers through competition from other service providers, industry consolidation or otherwise could adversely affect our revenues and profitability. Our customer base is highly concentrated, with our top five customers in the 2018 transition period and fiscal 2017, 2016, and 2015 accounting for approximately 75.8%, 76.1%, 69.7%, and 61.1% of our total revenues, respectively. Revenues under our contracts with significant customers may vary from period to period depending on the timing or volume of work that those customers order or self-perform the work with their in-house service organizations. Our revenue could significantly decline if we were to lose one or more of our significant customers or if one or more of our customers were to elect to use their own employees to self-perform the work we provide or shift a significant portion of that work to another

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service provider. Additionally, the telecommunications industry has been characterized by consolidation. In the case of a consolidation, merger or acquisition of an existing customer, the amount of work we receive could be reduced if procurement strategies employed by the surviving entity change from those of the existing customer or the surviving entity chooses to use a different service provider. The loss of work from a significant customer could adversely affect our results of operations, cash flows, and liquidity.

The specialty contracting services industry in which we operate is highly competitive. We compete with other specialty contractors, including numerous small, privately owned companies, as well as several large corporations that may have financial, technical, and marketing resources exceeding ours. Relatively few barriers to entry exist in the markets in which we operate. Any organization may become a competitor if they have adequate financial resources, access to technical expertise, and the necessary equipment and materials. Additionally, our competitors may develop expertise, experience and resources to provide services that are equal or superior to our services in both price and quality, and we may not be able to maintain or enhance our competitive position. We also face competition from the in-house service organizations of our customers whose personnel perform some of the services that we provide. We can offer no assurance that our existing or prospective customers will continue to outsource specialty contracting services in the future. Our results of operations, cash flows, and liquidity could be materially and adversely affected if we are unsuccessful in bidding on projects, if our ability to win projects requires that we settle for reduced margins or if our existing or prospective customers reduce the amount of specialty contracting services that are outsourced.

Our profitability is based on our delivering services within the estimated costs established when pricing our contracts. We perform a substantial majority of our services under master service agreements and other agreements that contain customer-specified service requirements and have discrete pricing for individual tasks. Revenue is recognized under these arrangements based on units-of-delivery as each unit is completed. Due to the fixed price nature of the tasks, our profitability could decline if our actual cost to complete each unit exceeds our original estimates. The remainder of our services, representing less than 5% of our contract revenues during the 2018 transition period and fiscal 2017, 2016 and 2015, are performed under contracts using the cost-to-cost measure of the percentage of completion method of accounting. Revenue is recognized under these arrangements based on the ratio of contract costs incurred to date to total estimated contract costs. Application of the percentage of completion method of accounting requires the use of estimates of costs to be incurred for the performance of the contract. The cost estimation process is based on the knowledge and experience of our project managers and financial professionals. Due to the fixed price nature of our contracts, any changes in original cost estimates, or the assumptions underpinning such estimates, may result in changes to costs, thereby reducing our profitability. We recognize these changes in the period in which they are determined, potentially resulting in a reduction or elimination of previously recognized earnings.

We have a significant amount of accounts receivable and costs and estimated earnings in excess of billings, which could become uncollectible. We extend credit to our customers as a result of performing work under contract prior to billing for that work. We periodically assess the credit risk of our customers and regularly monitor the timeliness of their payments. However, slowing conditions in the industries we serve, bankruptcies or financial difficulties within the telecommunications sector may impair the financial condition of one or more of our customers and hinder their ability to pay us on a timely basis or at all. As of January 27, 2018, we had net accounts receivable of \$318.7 million and costs and estimated earnings in excess of billings of \$369.5 million. The failure or delay in payment by one or more of our customers could reduce our expected cash flows and adversely affect our liquidity and profitability.

We retain the risk of loss for certain insurance-related liabilities. Within our insurance program, we retain the risk of loss, up to certain limits, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), workers' compensation, and employee group health. We are self-insured for the majority of all claims because most claims against us fall below the deductibles under our insurance policies. We estimate and develop our accrual for these claims, including losses incurred but not reported, based on facts, circumstances and historical evidence. However, the estimate for accrued insurance claims remains subject to

uncertainty as it depends in part on factors not known with precision. These factors include the estimated development of claims, the payment pattern of claims incurred, changes in the medical condition of claimants, and other factors such as inflation, tort reform or other legislative changes, unfavorable jury decisions and court interpretations. Should the cost of actual claims exceed what we have anticipated, our recorded reserves may not be sufficient, and we could incur substantial additional unanticipated charges. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Accrued Insurance Claims, and Note 9, Accrued Insurance Claims, in Notes to the Consolidated Financial Statements in this Transition Report on Form 10-K.

Revenues in backlog may be realized in different periods than initially reflected in our backlog, and our backlog is subject to reduction or cancellation. Our backlog consists of the estimated uncompleted portion of services to be performed under contractual obligations with our customers. Our backlog estimates represent amounts under master service agreements and other contractual agreements for services projected to be performed over the terms of contracts. These estimates are generally

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based on contract terms and assessments regarding the timing of the services to be provided. In the case of master service agreements, backlog is calculated based on the work performed in the preceding twelve month period, when available. When estimating backlog for newly initiated master service agreements and other long and short term contracts, we also consider the anticipated scope of the contract and information received from the customer in the procurement process.

In many instances, our customers are not contractually committed to procure specific volumes of services under a contract. Revenue estimates reflected in our backlog can be subject to change due a number of factors, including contract cancellations or changes in the amount of work we estimated to be performed at the time of calculating the backlog amount. In addition, revenue reflected in our backlog may be realized in different periods from those previously reported due to these factors as well as project accelerations, or delays due to various reasons, including, but not limited to, commercial issues such as permitting, engineering revisions, difficult job site conditions, and adverse weather. The amount or timing of our backlog can also be impacted by the merger or acquisition activity of our customers. A significant majority of our backlog estimates comprise services under master service agreements and other long term contracts. Our estimates of our customers' requirements during a particular future period may prove to be inaccurate. As a result, our backlog as of any particular date is an uncertain indicator of future revenues and earnings, or the timing of revenues and earnings.

We may incur impairment charges on goodwill or other intangible assets. We account for goodwill and other intangibles in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, Intangibles-Goodwill and Other ("ASC Topic 350"). Our goodwill resides in multiple reporting units. We assess goodwill and other indefinite-lived intangible assets for impairment annually in order to determine whether their carrying value exceeds their fair value. In addition, reporting units are tested on an interim basis if an event occurs or circumstances change between annual tests that would more likely than not reduce their fair value below carrying value. If we determine the fair value of the goodwill or other indefinite-lived intangible assets is less than their carrying value as a result of the tests, an impairment loss is recognized. Any such write-down would adversely affect our results of operations.

The profitability of individual reporting units may suffer periodically due to downturns in customer demand and the level of overall economic activity, including in particular construction and housing activity. Our customers may reduce capital expenditures and defer or cancel pending projects during times of slowing economic conditions. Additionally, adverse conditions in the economy and future volatility in the equity and credit markets could impact the valuation of our reporting units. The cyclical nature of our business, the high level of competition existing within our industry, and the concentration of our revenues from a limited number of customers may also cause results to vary. These factors may affect individual reporting units disproportionately, relative to the company as a whole. As a result, the performance of one or more of the reporting units could decline, resulting in an impairment of goodwill or intangible assets. In addition, adverse changes to the key valuation assumptions contributing to the fair value of our reporting units could result in an impairment of goodwill or intangible assets.

We may be subject to periodic litigation and regulatory proceedings, including Fair Labor Standards Act and state wage and hour class action lawsuits, which may adversely affect our business and financial performance. From time to time, we are involved in lawsuits and regulatory actions brought or threatened against us in the ordinary course of business. These actions and proceedings may involve claims for, among other things, compensation for alleged personal injury, workers' compensation, employment discrimination, breach of contract or property damage. In addition, we may be subject to class action lawsuits, including those involving allegations of violations of the Fair Labor Standards Act, state wage and hour laws, and misclassification of independent contractors. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of any such actions or proceedings. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify, as plaintiffs may seek recovery of very large or indeterminate amounts in these types of lawsuits, and the magnitude of

the potential loss may remain unknown for substantial periods of time. In addition, plaintiffs in many types of actions may seek punitive damages, civil penalties, consequential damages or other losses, or injunctive or declaratory relief. These proceedings could result in substantial cost and may require us to devote substantial resources to defend ourselves. The ultimate resolution of these matters through settlement, mediation, or court judgment could have a material impact on our financial condition, results of operations, and cash flows. For a description of current legal proceedings, see Item 3. Legal Proceedings, and Note 18, Commitments and Contingencies, in Notes to the Consolidated Financial Statements in this Transition Report on Form 10-K.

The loss of one or more of our executive officers or other key employees could adversely affect our business. We depend on the services of our executive officers and the senior management of our subsidiaries who have many years of experience in our industry. The loss of any one of them could negatively affect our customer relationships or the ability to execute our business strategy, adversely affecting our operations. Although we have entered into employment agreements with certain of our executive officers and other key employees, we cannot guarantee that any of them or other key management personnel will remain employed by us for any length of time. We do not carry “key-person” life insurance on any of our employees.

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Our business is labor intensive, and we may be unable to attract and retain qualified employees. Our ability to employ, train, and retain skilled personnel is necessary to operate our business and maintain productivity and profitability. We cannot be certain that we will be able to maintain the skilled labor force necessary to operate efficiently and support our growth strategy. Our ability to do so depends on a number of factors, such as general rates of employment, competitive demands for employees possessing the skills we need and the level of compensation required to hire and retain qualified employees. In addition, our labor costs may increase when there is a shortage in the supply of skilled personnel and we may be unable to pass these increases on to our customers due to the long-term nature of our contracts, thereby adversely affecting our results of operations.

We may be unable to secure sufficient independent subcontractors to fulfill our obligations, or our independent subcontractors may fail to satisfy their obligations to us. We contract with independent subcontractors to help manage fluctuations in work volumes and reduce the amount that we would otherwise expend on fixed assets and working capital. If we are unable to secure independent subcontractors at a reasonable cost or at all, we may be delayed in completing work under a contract or the cost of completing the work may increase. In addition, we may have disputes with these independent subcontractors arising from, among other things, the quality and timeliness of the work they have performed. We may incur additional costs in order to correct such shortfalls in the work performed by independent subcontractors. Any of these factors could adversely affect the quality of our service, our ability to perform under certain contracts and our relationship with our customers, which could have an adverse effect on our results of operations, cash flows, and liquidity.

The nature of our business exposes us to warranty claims, which may reduce our profitability. We typically warrant the services we provide, guaranteeing the work performed against defects in workmanship and the material we supply. Historically, warranty claims have not been material as our customers evaluate much of the work we perform for defects shortly after work is completed. However, if warranty claims occur, we could be required to repair or replace warrantied items at our cost. In addition, our customers may elect to repair or replace the warrantied item by using the services of another provider and require us to pay for the cost of the repair or replacement. Costs incurred as a result of warranty claims could adversely affect our operating results and financial condition.

Higher fuel prices may increase our cost of doing business, and we may not be able to pass along added costs to customers. Fuel prices fluctuate based on market events outside of our control. Most of our contracts do not allow us to adjust our pricing for higher fuel costs during a contract term and we may be unable to secure price increases reflecting rising costs when renewing or bidding contracts. As a result, higher fuel costs may negatively affect our financial condition and results of operations. Although we may hedge our anticipated fuel purchases with the use of financial instruments, underlying commodity costs have been volatile in recent periods. Accordingly, there can be no assurance that, at any given time, we will have financial instruments in place to hedge against the impact of increased fuel costs. To the extent we enter into hedge transactions, declines in fuel prices below the levels established in the financial instruments may require us to make payments, which could have an adverse impact on our financial condition and results of operations.

Our results of operations fluctuate seasonally. Our revenues and results of operations exhibit seasonality as we perform a significant portion of our work outdoors. Consequently, extended periods of adverse weather impact our operations. Adverse weather is most likely to occur during the winter season, our fiscal quarters ending in January and April. In addition, a disproportionate percentage of paid holidays fall within the fiscal quarter ending in January, which decreases the number of available workdays. Because of these factors, we are most likely to experience periods of reduced revenue and profitability during our fiscal quarters ending in January and April.

Our financial results include certain estimates and assumptions that may differ from actual results. In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, a number of estimates and assumptions are made by management that affect the amounts reported in the

financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements is either dependent on future events or cannot be calculated with a high degree of precision from available data. Estimates are primarily used in our assessment of the purchase price allocations of businesses acquired, the fair value of reporting units for goodwill impairment analysis, the assessment of impairment of intangibles and other long-lived assets, asset lives used in computing depreciation and amortization, accrued insurance claims, income taxes, accruals for contingencies, including legal matters, recognition of revenue for costs and estimated earnings under the percentage of completion method of accounting, allowance for doubtful accounts, and stock-based compensation expense for performance-based stock awards. In some instances, we must exercise significant judgment for these estimates. At the time they are made, we believe that such estimates are fair when considered in conjunction with our consolidated financial position and results of operations taken as a whole. However, actual results could differ from those estimates and such differences may be material to our financial statements.

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Failure to integrate future acquisitions successfully could adversely affect our business and results of operations. As part of our growth strategy, we may acquire companies that expand, complement, or diversify our business. We regularly review various opportunities and periodically engage in discussions regarding possible acquisitions. Future acquisitions may divert management's attention from our existing business and expose us to operational challenges and risks, including retaining management and other key employees; unanticipated issues in integrating information, communications and other systems; assumption of unknown liabilities or liabilities for which inadequate reserves have been established; consolidating corporate and administrative infrastructures; and failure to manage successfully and coordinate the growth of the combined company. These factors could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially affect our business, financial condition, and results of operations.

Fluctuations in our tax obligations and effective tax rate may cause volatility in our operating results. We are subject to income taxes in those jurisdictions in which we operate. We determine and provide for income taxes based on the tax laws of each of those jurisdictions. Changes in the mix and level of earnings among jurisdictions could materially impact our effective tax rate in a financial statement period. Tax laws and regulations at the federal, state and local level are subject to change, and new or existing tax laws are subject to new and varying interpretations, any of which could have a material adverse effect on our business and financial results. In December 2017 the Tax Cuts and Jobs Act ("Tax Reform") was enacted, reducing the U.S. Federal corporate income tax rate from 35% to 21%. As a result, we have recorded an income tax benefit of \$32.2 million during the 2018 transition period, primarily due to the re-measurement of our net deferred tax liabilities as a result of the lower tax rate. Our interpretations of the provisions of Tax Reform could differ from future interpretations and guidance from the U.S Treasury Department, the IRS and other regulatory agencies, including state taxing authorities in jurisdictions where we operate.

Changes to existing accounting rules can also cause fluctuation in our effective tax rate from period to period. For example, FASB Accounting Standards Update No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which we adopted effective July 30, 2017, the first day of the 2018 transition period, resulted in increased volatility in our income tax provision. See Note 1, Basis of Presentation and Accounting Policies, in Notes to the Consolidated Financial Statements in this Transition Report on Form 10 K for additional information regarding ASU 2016-09.

We are also subject to tax audits by various taxing authorities. We regularly assess the likely outcomes of audits in order to determine the appropriateness of our tax liabilities. We believe our tax positions are properly supported, although the final timing and resolution of tax examinations are subject to uncertainty as the taxing authorities may disagree with our positions.

Any of the factors described above could cause volatility in our operating results or otherwise impact our financial position, results of operations or cash flows.

Our bank credit facility imposes restrictions that may prevent us from engaging in beneficial transactions. We have a credit agreement with a syndicate of banks, which provides for a \$450.0 million revolving facility, \$385.0 million in aggregate term loan facilities, and contains a sublimit of \$200.0 million for the issuance of letters of credit. As of January 27, 2018, we had \$358.1 million outstanding under the term loans and \$48.6 million of outstanding letters of credit issued under the credit agreement. We did not have any outstanding borrowings under the revolving facility as of January 27, 2018. The credit agreement contains covenants that restrict or limit our ability to, among other things: make certain payments, including the payment of dividends, redeem or repurchase our capital stock, incur additional indebtedness and issue preferred stock, make investments or create liens, enter into sale and leaseback transactions, merge or consolidate with another entity, sell certain assets, and enter into transactions with affiliates. In addition, the credit agreement requires us to comply with a consolidated leverage ratio and a consolidated interest coverage ratio. 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. In addition, a default under our credit agreement could result in the acceleration of our obligations under both the credit agreement and the indenture governing our \$485.0 million of 0.75% convertible senior notes due September 15, 2021 as a result of cross-acceleration and cross-default provisions.

The convertible note hedge transactions and the warrant transactions may affect the value of our common stock. In connection with the issuance of our 0.75% convertible senior notes due September 15, 2021 (the "Notes"), we entered into privately negotiated convertible note hedge transactions with the hedge counterparties. The convertible note hedge transactions cover, subject to customary anti-dilution adjustments, the number of shares of common stock that initially underlay the Notes sold in the offering. We also entered into separate, privately negotiated warrant transactions with the hedge counterparties relating to the same number of shares of our common stock, subject to customary anti-dilution adjustments.

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The hedge counterparties and/or their affiliates may modify their hedge positions with respect to the convertible note hedge transactions and the warrant transactions from time to time. They may do so by purchasing and/or selling shares of our common stock and/or other securities of ours, including the Notes, in privately-negotiated transactions and/or open-market transactions or by entering into and/or unwinding various over-the-counter derivative transactions with respect to our common stock. The hedge counterparties are likely to modify their hedge positions during any observation period related to a conversion of the Notes or following any repurchase of Notes by us on any fundamental change (as defined in the indenture governing the Notes) repurchase date.

The effect, if any, of these transactions on the market price of our common stock will depend on a variety of factors, including market conditions, and could adversely affect the market price of our common stock. In addition, the hedge counterparties and/or their affiliates may choose to engage in, or to discontinue engaging in, any of these transactions with or without notice at any time, and their decisions will be at their sole discretion and not within our control.

We are subject to counterparty risk with respect to the convertible note hedge transactions. The hedge counterparties are financial institutions, and we are subject to the risk that they might default under the convertible note hedge transactions. Our exposure to the credit risk of the hedge counterparties is unsecured by any collateral. Global economic conditions have from time to time resulted in failure or financial difficulties for many financial institutions. If a hedge counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with that counterparty. Our exposure will depend on many factors but, generally, our exposure will increase in correlation to the increase in the market price and volatility of our common stock. In addition, upon a default by a hedge counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any hedge counterparty.

Conversion of the Notes or exercise of the warrants evidenced by the warrant transactions may dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes. At our election, we may settle Notes tendered for conversion entirely or partly in shares of our common stock. Further, the warrants evidenced by the warrant transactions are expected to be settled on a net-share basis. As a result, the conversion of some or all of the Notes or the exercise of some or all of such warrants may dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such conversion of the Notes or such exercise of the warrants could adversely affect the then-prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could depress the price of our common stock.

Many of our telecommunications customers are highly regulated, and new regulations or changes to existing regulations may adversely impact their demand for and the profitability of our specialty contracting services. The Federal Communications Commission regulates many of our telecommunications customers and may alter its application of current regulations and impose additional regulations. If existing or new regulations adversely affect our telecommunications customers and the profitability of the services they provide, our customers may reduce expenditures, which could affect the demand for specialty contracting services.

We may incur liabilities or suffer negative financial impact relating to occupational health and safety matters. Our operations are subject to stringent laws and regulations governing workplace safety. Our workers frequently operate heavy machinery and work near high voltage lines, subjecting them and others to potential injury or death. If any of our workers or other persons are injured or killed in the course of our operations, we could be found to have violated relevant safety regulations, resulting in fines or, in extreme cases, criminal sanctions. In addition, if our safety record were to deteriorate substantially over time, customers could decide to cancel our contracts or not award us future business.

Our failure to comply with environmental laws could result in significant liabilities. A significant portion of the work we perform is associated with the underground networks of our customers. We could be subject to potential material liabilities in the event we cause or are responsible for a release of hazardous substances or other environmental damages. Liabilities for contamination or exposure to hazardous materials, or failure to comply with environmental laws and regulations, could result in significant costs including clean-up costs, fines, criminal sanctions for violations, and third-party claims for property damage or personal injury. These costs as well as any direct impact to ongoing operations could adversely affect our results of operations and cash flows. In addition, new laws and regulations, altered 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 create new or increased liabilities that could harm our financial condition and results of operations.

We may not have access in the future to sufficient funding to finance desired growth. Using cash for operational growth, capital expenditures, share repurchases, or acquisitions may limit our financial flexibility and make us more likely to seek additional capital through future debt or equity financings. Our existing credit agreement contains significant restrictions on our

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operational and financial flexibility, including our ability to incur additional debt. In addition, if we seek to incur more debt, we may be required to agree to additional covenants that further limit our operational and financial flexibility. If we pursue additional debt or equity financings, we cannot be certain that such funding will be available on terms acceptable to us or at all.

Our capital expenditures may fluctuate because of changes in business requirements. Our anticipated capital expenditure requirements may vary from time to time because of changes in our business. Increased capital expenditures will use cash flow and may increase our borrowing costs if cash for capital expenditures is not available from operations.

Increases in our health care costs could adversely affect our results of operations and cash flows. The costs of employee health care have been increasing in recent years due to rising health care costs, legislative changes, and general economic conditions. We retain the risk of loss, up to certain limits, under our employee group health care plan. The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “Health Care Reform Laws”) have had a significant impact on employers, insurers and others associated with the health care industry, and are expected to continue to increase our employee health care costs. This legislation requires employers like us to offer health care benefits to full-time employees or face potential annual penalties. To avoid the penalties, employers must offer health benefits providing a minimum level of coverage and limit the amount that employees are charged for the coverage. Because of the breadth and complexity of these laws, as well as other health care reform legislation considered by Congress and state legislatures, including the repeal or significant modification of the Health Care Reform Laws, we cannot predict with certainty the future effect of these laws on us. A continued increase in health care costs or additional costs incurred as a result of the repeal or changes to the Health Care Reform Laws or other future health care reform laws imposed by Congress or state legislatures could have a negative impact on our financial position and results of operations.

Several of our subsidiaries participate in multiemployer pension plans under which we could incur material liabilities in certain circumstances. Pursuant to collective bargaining agreements, several of our subsidiaries participate in various multiemployer pension plans that provide defined pension benefits to covered employees. Because of the nature of multiemployer plans, there are risks associated with participation in these plans that differ from single-employer plans. Assets contributed by an employer to a multiemployer plan are not segregated into a separate account and are not restricted to providing benefits only to employees of that contributing employer. Under the Employee Retirement Income Security Act (“ERISA”), absent an applicable exemption, a contributing employer to an underfunded multiemployer plan is liable upon withdrawal from a plan for its proportionate share of the plan’s unfunded vested liability. In addition, if any of the plans in which we participate become significantly underfunded, as defined by the Pension Protection Act of 2006, we may be required to make additional cash contributions in the form of higher contribution rates or surcharges related to the underfunding of those plans.

During the fourth quarter of fiscal 2016, one of our subsidiaries ceased operations. This subsidiary contributed to a multiemployer pension plan, the Pension, Hospitalization and Benefit Plan of the Electrical Industry - Pension Trust Fund (the “Plan”). In October 2016, the Plan demanded payment for a claimed withdrawal liability of approximately \$13.0 million. In December 2016, we submitted a formal request to the Plan seeking review of the Plan’s withdrawal liability determination. We are disputing the claim of a withdrawal liability demanded by the Plan as we believe there is a statutory exemption available under ERISA for multiemployer pension plans that primarily cover employees in the building and construction industry. The Plan has taken the position that the work at issue does not qualify for the statutory exemption. We have submitted this dispute to arbitration, as required by ERISA, with a hearing expected sometime in calendar 2018. There can be no assurance that the Company will be successful in asserting the statutory exemption as a defense in the arbitration proceeding. As required by ERISA, in November 2016, the subsidiary began making monthly payments of a withdrawal liability to the Plan in the amount of approximately \$0.1 million. If we prevail in disputing the withdrawal liability all such payments will be refunded to the subsidiary.

Failure to protect critical data and technology systems adequately could materially affect our operations. We use our own information technology systems as well as those of business partners to manage our operations, financial reporting and other business processes and also to protect sensitive information maintained in the normal course of business. In November 2017, we determined that certain of our computers systems were subject to unauthorized access. Our investigation determined that only documents containing Company financial information were accessed. Law enforcement authorities were notified and new security enhancements and protocols were implemented. Third-party security breaches, employee error, malfeasance or other irregularities may compromise our measures to protect the information technology systems we use and may result in persons obtaining unauthorized access to our or our customers' data or accounts. The occurrence of any such event could have a material adverse effect on our business, including through increased operating costs, disruption of operations, harm to reputation and liability under laws and regulations that protect personal data.

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The market price of our common stock has been, and may continue to be, highly volatile. During the 2018 transition period, our common stock fluctuated from a low of \$76.07 per share to a high of \$120.60 per share. We may continue to experience significant volatility in the market price of our common stock due to numerous factors, including, but not limited to:

- fluctuations in our operating results or the operating results of one or more of our competitors;
- announcements by us or our competitors of significant contracts, acquisitions or capital commitments;
- announcements by our customers regarding their capital spending and start-up, deferral or cancellation of projects;
- government regulatory actions and changes in tax laws;
- changes in recommendations or earnings estimates by securities analysts; and
- the impact of economic conditions on the credit and stock markets and on our customers' demand for our services.

In addition, factors unrelated to our operating performance, such as market disruptions, industry outlook, general economic conditions, and political events, could decrease the market price of our common stock and, as a result, investors could lose some or all of their investments.

Anti-takeover provisions of Florida law and provisions in our articles of incorporation and by-laws could make it more difficult to effect an acquisition of our company or a change in our control. Certain provisions of our articles of incorporation and by-laws could delay or prevent an acquisition or change in control and the replacement of our incumbent directors and management. 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. In addition, our articles of incorporation authorize our board of directors, without further shareholder approval, to issue up to 1,000,000 shares of preferred stock on such terms and with such rights as our board of directors may determine. The issuance of preferred stock could dilute the voting power of the holders of common stock, including by the grant of voting control to others. Our by-laws also restrict the right of shareholders to call a special meeting of shareholders. Lastly, we are subject to certain anti-takeover provisions of the Florida Business Corporation Act. These anti-takeover provisions could discourage or prevent a change in control.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease our executive offices located in Palm Beach Gardens, Florida. Our subsidiaries operate from owned or leased administrative offices, district field offices, equipment yards, shop facilities, and temporary storage locations throughout the United States and Canada. Our leased properties operate under both non-cancelable and cancelable leases. We believe that our facilities are adequate for our current operations and additional facilities would be available on commercially reasonable terms, if necessary.

Item 3. Legal Proceedings.

In May 2013, CertusView Technologies, LLC (“CertusView”), a wholly-owned subsidiary of the Company, filed suit against S & N Communications, Inc. and S&N Locating Services, LLC (together, “S&N”) in the United States District Court for the Eastern District of Virginia alleging infringement of certain United States patents. In January 2015, the District Court granted S&N’s motion for judgment on the pleadings for failure to claim patent-eligible subject matter, and entered final judgment. CertusView appealed to the Federal Circuit Court the District Court judgment of patent invalidity. On August 11, 2017, the Federal Circuit Court affirmed the District Court’s decision. In October 2017, S&N filed a motion requesting that the District Court make a finding that the suit was an exceptional case and award S&N recovery of \$3.8 million in attorney fees. On February 9, 2018, the District Court denied S&N’s motion for an

exceptional case finding and any award of attorney fees.

From time to time, we are party to various other claims and legal proceedings. It is the opinion of management, based on information available at this time, that such other pending claims or proceedings will not have a material effect on our financial statements.

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Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information for Our Common Stock

Our common stock is traded on the New York Stock Exchange (“NYSE”) under the symbol “DY”. The following table shows the range of high and low closing sales prices for each quarter within the 2018 transition period and fiscal 2017 and 2016 as reported on the NYSE:

	High	Low
2018 Transition Period:		
First Quarter	\$90.88	\$76.07
Second Quarter	\$120.60	\$85.58

Fiscal 2017:		
First Quarter	\$96.76	\$72.50
Second Quarter	\$92.95	\$71.34
Third Quarter	\$108.46	\$76.85
Fourth Quarter	\$108.99	\$82.21

Fiscal 2016:		
First Quarter	\$79.32	\$59.38
Second Quarter	\$88.91	\$61.89
Third Quarter	\$68.13	\$48.61
Fourth Quarter	\$95.94	\$66.44

Holders

As of February 28, 2018, there were approximately 500 holders of record of our \$0.33 1/3 par value per share common stock.

Dividend Policy

We have not paid cash dividends since 1982. Our Board of Directors periodically evaluates our dividend policy based on our financial condition, profitability, cash flow, capital requirements, and the outlook of our business. We currently intend to retain any earnings for use in the business and other capital allocation strategies which may include investment in acquisitions and share repurchases. Consequently, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item is hereby incorporated by reference from our definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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Issuer Purchases of Equity Securities

The following table summarizes the Company's purchases of its common stock during the three months ended January 27, 2018:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 29, 2017 - November 25, 2017	—	\$—	—	(3)
November 26, 2017 - December 23, 2017	101,484 ⁽²⁾	\$110.78	—	(3)
December 24, 2017 - January 27, 2018	24 ⁽²⁾	\$111.59	—	(3)

⁽¹⁾ All shares repurchased have been subsequently canceled.

⁽²⁾ Represents shares withheld to meet payroll tax withholdings obligations arising from the vesting of restricted share units. Shares withheld do not reduce the Company's total share repurchase authority.

⁽³⁾ As of January 27, 2018, \$95.2 million remained available for repurchases through August 2018 under the Company's share repurchase program.

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Performance Graph

The performance graph below compares the cumulative total return for our common stock with the cumulative total return (including reinvestment of dividends) of the Standard & Poor's (S&P) 500 Composite Stock Index and that of a selected peer group consisting of MasTec, Inc., Quanta Services, Inc., MYR Group, Inc., and Willbros Group, Inc. for the 2018 transition period and the preceding five fiscal years. The graph assumes an investment of \$100 in our common stock and in each of the respective indices noted on July 31, 2012. The comparisons in the graph are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of the possible future performance of our common stock.

COMPARISON OF CUMULATIVE TOTAL RETURN*

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

*\$100 invested on 7/31/12 in stock or index, including reinvestment of dividends.

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Item 6. Selected Financial Data.

The selected financial data below should be read in conjunction with our consolidated financial statements and notes thereto, and with Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, in this Transition Report on Form 10-K. Fiscal 2017, 2015, 2014, and 2013 each consisted of 52 weeks of operations. Fiscal 2016 consisted of 53 weeks of operations. The results of operations of businesses acquired are included in the following selected financial data from their dates of acquisition (dollars in thousands, except per share amounts):

	Six Months Ended	Fiscal Year Ended				
	January 27, 2018 ⁽¹⁾	July 29, 2017 ⁽⁵⁾	July 30, 2016 ⁽⁶⁾	July 25, 2015 ⁽⁷⁾	July 26, 2014	July 27, 2013
Operating Data:						
Revenues	\$1,411,348	\$3,066,880	\$2,672,542	\$2,022,312	\$1,811,593	\$1,608,612
Net income	\$68,835	\$157,217	\$128,740	\$84,324	\$39,978	\$35,188
Earnings Per Common Share:						
Basic	\$2.22	\$5.01	\$3.98	\$2.48	\$1.18	\$1.07
Diluted ⁽²⁾	\$2.15	\$4.92	\$3.89	\$2.41	\$1.15	\$1.04
Balance Sheet Data (at end of period):						
Total assets ⁽³⁾	\$1,840,956	\$1,899,307	\$1,719,716	\$1,353,936	\$1,206,718	\$1,147,927
Long-term liabilities ⁽¹⁾⁽³⁾	\$856,348	\$909,186	\$839,802	\$620,026	\$525,252	\$519,751
Stockholders’ equity ⁽⁴⁾	\$724,996	\$671,583	\$557,287	\$507,200	\$484,934	\$428,361

⁽¹⁾ The 2018 transition period includes an income tax benefit associated with the Tax Cuts and Jobs Act of 2017 (“Tax Reform”) of approximately \$32.2 million. This benefit primarily resulted from the re-measurement of our net deferred tax liabilities at a lower U.S. federal corporate income tax rate. The 2018 transition period also includes an income tax benefit of approximately \$7.8 million for the tax effects of the vesting and exercise of share-based awards as a result of the application of Accounting Standards Update 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). See Note 12, Income Taxes, in the Notes to Consolidated Financial Statements in this Transition Report on Form 10-K for additional information regarding these tax benefits.

⁽²⁾ Diluted shares used in computing diluted earnings per common share for the 2018 transition period increased by approximately 177,575 shares as a result of the adoption of ASU 2016-09. Additionally, diluted shares used in computing diluted earnings per common share for the 2018 transition period increased by 217,394 shares resulting from the embedded convertible feature in our 0.75% convertible senior notes due September 2021 (the “Notes”). See Note 2, Computation of Earnings per Common Share, in the Notes to Consolidated Financial Statements in this Transition Report on Form 10-K for additional information regarding these dilutive effects.

⁽³⁾ Balance sheet data presented for the 2018 transition period reflects the adoption of Accounting Standards Update 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”), under which deferred tax liabilities are presented net of deferred tax assets. No prior periods have been retrospectively adjusted for the adoption of ASU 2015-17. Additionally, balance sheet data presented for periods prior to fiscal 2016 reflects the retrospective adoption of Accounting Standards Update No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, under which certain debt issuance costs are now presented as a contra-liability of the corresponding long-term debt rather than as other non-current assets. As a result, both total assets and long-term liabilities were reduced by \$4.9 million, \$5.6 million, and \$6.3 million as of July 25, 2015, July 24, 2014, and July 27, 2013, respectively.

⁽⁴⁾ We repurchased shares of our common stock as follows:

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	Six Months Ended	Fiscal Year Ended				
	January 27, 2018	July 29, 2017	July 30, 2016	July 25, 2015	July 26, 2014	July 27, 2013
Shares	200,000	713,006	2,511,578	1,669,924	360,900	1,047,000
Amount paid (dollars in millions)	\$ 16.9	\$ 62.9	\$ 170.0	\$ 87.1	\$ 10.0	\$ 15.2
Average price per share	\$ 84.38	\$ 88.23	\$ 67.69	\$ 52.19	\$ 27.71	\$ 14.52

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(5) During fiscal 2017, we entered into a \$35.0 million incremental term loan facility, thereby increasing the aggregate term loan facilities to \$385.0 million.

(6) During fiscal 2016 we issued \$485.0 million principal amount of Notes in a private placement. A portion of the proceeds were used to fund the full redemption of our aggregate principal amount of \$277.5 million of 7.125% senior subordinated notes. In connection with the offering of the Notes, we entered into convertible note hedge transactions at a cost of approximately \$115.8 million. In addition, we entered into separately negotiated warrant transactions resulting in proceeds of approximately \$74.7 million. We also amended our credit agreement to establish an additional term loan in the aggregate principal amount of \$200.0 million, thereby increasing the aggregate term loan facilities to \$350.0 million. See Note 11, Debt, in Notes to the Consolidated Financial Statements in this Transition Report on Form 10-K for additional information regarding our debt transactions.

(7) During fiscal 2015, we amended our existing credit agreement to extend its maturity date to April 24, 2020 and, among other things, increase the maximum revolver commitment from \$275.0 million to \$450.0 million, and increase the term loan facility to \$150.0 million.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the accompanying notes thereto, as well as Part I, Item 1. Business, and Part II, Item 1A. Risk Factors, of this Transition Report on Form 10-K.

Introduction

We are a leading provider of specialty contracting services throughout the United States and in Canada. Our subsidiaries provide program management, engineering, construction, maintenance and installation services for telecommunications providers, underground facility locating services for various utilities, including telecommunications providers, and other construction and maintenance services for electric and gas utilities. We provide the labor, tools and equipment necessary to design, engineer, locate, maintain, expand, install and upgrade the telecommunications infrastructure of our customers.

Significant developments in consumer and business applications within the telecommunications industry, including advanced digital and video service offerings, continue to increase the demand for greater capacity and enhanced reliability from our customers' wireline and wireless networks. Telecommunications providers outsource a significant portion of their engineering, construction, maintenance, and installation requirements, driving demand for our services.

Telecommunications network operators are increasingly deploying fiber optic cable technology deeper into their networks and closer to consumers and businesses in order to respond to consumer demand, competitive realities, and public policy support. Telephone companies are deploying fiber to the home to enable video offerings and 1 gigabit high-speed connections. Cable operators continue to increase the speeds of their services to residential customers and to deploy fiber to business customers. These deployments are often in anticipation of the customer sales process as confidence and the number of existing customers continue to increase. Fiber deep deployments to expand capacity as well as new build opportunities and overall capital expenditures are increasing.

Significant demand for wireless broadband is driven by the proliferation of smartphones and other mobile data devices. To respond to this demand and other advances in technology, wireless carriers are upgrading their networks and contemplating next generation mobile solutions such as small cells and 5G technologies. Wireless carriers are

actively spending on their networks to respond to the significant increase in wireless data traffic, to upgrade network technologies to improve performance and efficiency, and to consolidate disparate technology platforms. These initiatives present long-term opportunities for us with the wireless service providers we serve. As the demand for mobile broadband grows, the amount of wireless traffic that must be “backhauled” over customers’ fiber networks increases and, as a result, carriers are accelerating the deployment of fiber optic cables to cellular sites and small cells. In addition, emerging wireless technologies are driving significant wireline deployments. A complementary wireline investment cycle is underway to facilitate the deployment of fully converged wireless/wireline networks. The industry effort required to deploy these converged networks is driving demand for the type of services we provide. Wireless construction activity and support of expanded coverage and capacity is poised to accelerate through the deployment of enhanced macro cells and new small cells. These trends are driving demand for the type of services we provide.

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Consolidation and merger activity among telecommunications providers can also provide increased demand for our services as networks are integrated. As a result of merger activity, a significant customer has committed to the Federal Communications Commission (the “FCC”) to expand and increase broadband network capabilities. These activities may further create a competitive response driving long-term demand for our services.

The cyclical nature of the industry we serve may affect demand for our services. The capital expenditure and maintenance budgets of our customers, and the related timing of approvals and seasonal spending patterns, influence our revenues and results of operations. The business requirements of our customers may affect their capital expenditures and maintenance budgets. Factors affecting our customers include, but are not limited to, demands of their consumers, the introduction of new communications technologies, the physical maintenance needs of their infrastructure, the actions of our government and the FCC, overall economic conditions, and merger or acquisition activity. Changes in our mix of customers, contracts, and business activities, as well as changes in the general level of construction activity also drive variations in revenues and results of operations.

Fiscal Year

In September 2017, our Board of Directors approved a change in the Company’s fiscal year end from the last Saturday in July to the last Saturday in January. The change in fiscal year end better aligns our fiscal year with the planning cycles of our customers. Year-over-year quarterly financial data continues to be comparative to prior periods as the months that comprise each fiscal quarter in the new fiscal year are the same as those in our historical financial statements.

This Transition Report on Form 10-K covers the six month transition period of July 30, 2017 through January 27, 2018 (the “2018 transition period”). After the 2018 transition period, each fiscal year will end on the last Saturday in January and consist of either 52 or 53 weeks of operations (with the additional week of operations occurring in the fourth fiscal quarter). We refer to the period beginning July 31, 2016 and ending July 29, 2017 as “fiscal 2017”, the period beginning July 26, 2015 and ending July 30, 2016 as “fiscal 2016”, and the period beginning July 27, 2014 and ending July 25, 2015 as “fiscal 2015”. References herein to the six months ended January 28, 2017 represent the comparative prior year six month period from July 31, 2016 to January 28, 2017. The results for the six months ended January 28, 2017 are unaudited. Fiscal 2017 and 2015 each consisted of 52 weeks of operations and fiscal 2016 consisted of 53 weeks of operations. The next 53 week fiscal period will occur in the fiscal year ending January 30, 2021.

Customer Relationships and Contractual Arrangements

We have established relationships with many leading telecommunications providers, including telephone companies, cable multiple system operators, wireless carriers, telecommunications equipment and infrastructure providers, and electric and gas utilities. Our customer base is highly concentrated, with our top five customers accounting for approximately 75.8%, 76.1%, 69.7%, and 61.1% of our total contract revenues during the 2018 transition period and fiscal 2017, 2016, and 2015, respectively.

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The following reflects the percentage of total contract revenues from customers who contributed at least 2.5% to our total contract revenues during the 2018 transition period or fiscal 2017, 2016, or 2015:

	Six Months Ended		Fiscal Year Ended	
	January 27, 2018	July 29, 2017	July 30, 2016	July 25, 2015
Comcast Corporation	21.6%	17.7%	13.6%	12.9%
AT&T Inc.	20.6%	26.3%	24.4%	20.8%
CenturyLink, Inc. ⁽¹⁾	17.5%	18.2%	14.7%	14.5%
Verizon Communications Inc. ⁽²⁾	12.0%	9.2%	11.2%	7.7%
Charter Communications, Inc. ⁽³⁾	4.2%	3.9%	6.1%	8.5%
Windstream Corporation	3.8%	5.4%	5.7%	4.7%

⁽¹⁾ For comparison purposes, revenues from CenturyLink, Inc. and Level 3 Communications, Inc. have been combined for periods prior to their November 2017 merger.

⁽²⁾ For comparison purposes, revenues from Verizon Communications Inc. and XO Communications LLC's fiber-optic network business have been combined for periods prior to their February 2017 merger.

⁽³⁾ For comparison purposes, revenues from Charter Communications, Inc., Time Warner Cable Inc., and Bright House Networks, LLC have been combined for periods prior to their May 2016 merger.

In addition, another customer contributed 1.3%, 3.6%, 6.2%, and 5.6% to our total revenue during the 2018 transition period and fiscal 2017, 2016, and 2015, respectively.

We perform a substantial majority of our services under master service agreements and other agreements that contain customer-specified service requirements and have discrete pricing for individual tasks. We generally possess multiple agreements with each of our significant customers. To the extent that such agreements specify exclusivity, there are often a number of exceptions, including the customer's ability to issue work orders valued above a specified dollar amount to other service providers, the performance of work with the customer's own employees, and the use of other service providers when jointly placing facilities with another utility. In most cases, a customer may terminate an agreement for convenience with written notice. Historically, multi-year master service agreements have been awarded primarily through a competitive bidding process; however, we occasionally are able to extend these agreements through negotiations. Revenues from multi-year master service agreements were approximately 67.3%, 64.6%, 61.4%, and 65.2% of total contract revenues during the 2018 transition period and fiscal 2017, 2016, and 2015, respectively.

We provide the remainder of our services pursuant to contracts for specific projects. These contracts may be long-term (with terms greater than one year) or short-term (with terms generally three to four months in duration) and often include customary retainage provisions under which the customer may withhold 5% to 10% of the invoiced amounts pending project completion. Revenues from long-term contracts were 18.9%, 22.4%, 19.6%, and 14.7% during the 2018 transition period and fiscal 2017, 2016, and 2015, respectively.

Acquisitions

As part of our growth strategy, we may acquire companies that expand, complement, or diversify our business. We regularly review opportunities and periodically engage in discussions regarding possible acquisitions. Our ability to sustain our growth and maintain our competitive position may be affected by our ability to identify, acquire, and successfully integrate companies.

Fiscal 2017. During March 2017, we acquired Texstar Enterprises, Inc. ("Texstar") for \$26.1 million, net of cash acquired. Texstar provides construction and maintenance services for telecommunications providers in the Southwest

and Pacific Northwestern regions of the United States. This acquisition expands our geographic presence within our existing customer base.

Fiscal 2016. During August 2015, we acquired TelCom Construction, Inc. and an affiliate (together, "TelCom"). The purchase price was \$48.8 million paid in cash. TelCom, based in Clearwater, Minnesota, provides construction and maintenance services for telecommunications providers throughout the United States. This acquisition expands our geographic

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presence within our existing customer base. During May 2016, we acquired NextGen Telecom Services Group, Inc. (“NextGen”) for \$5.6 million, net of cash acquired. NextGen provides construction and maintenance services for telecommunications providers in the Northeastern United States. Additionally, during July 2016, we acquired certain assets and assumed certain liabilities associated with the wireless network deployment and wireline operations of Goodman Networks Incorporated (“Goodman”) for a net cash purchase price of \$100.9 million after an adjustment of approximately \$6.6 million for working capital received below a target amount. The acquired operations provide wireless construction services in a number of markets, including Texas, Georgia, and Southern California. The acquired operations were immediately integrated with the operations of an existing subsidiary, which is a larger, well-established provider of services to the same primary customer. The acquisition reinforces our wireless construction resources and expands our geographic presence within our existing customer base. Subsequent to the close of this acquisition, activity levels within the contracts of the acquired operations trended considerably below expectations. The acquired contracts remain in effect and we have not experienced any adverse changes in customer relations. With the immediate integration of the Goodman operations into our existing subsidiary, we believe our ability to effectively perform services for the customer will provide future opportunities.

With respect to the acquisition from Goodman, \$22.5 million of the purchase price was placed into escrow to cover indemnification claims and working capital adjustments. During fiscal 2017, \$2.5 million of escrowed funds were released following resolution of closing working capital and \$10.0 million of escrowed funds were released as a result of Goodman’s resolution of a sales tax liability with the State of Texas. As of January 27, 2018, \$10.0 million remains in escrow pending resolution of certain post-closing indemnification claims.

Fiscal 2015. During September 2014, we acquired Hewitt Power & Communications, Inc. (“Hewitt”) for \$8.0 million, net of cash acquired. Hewitt provides specialty contracting services primarily for telecommunications providers in the Southeastern United States. During January 2015, we acquired the assets of two cable installation contractors for an aggregate purchase price of \$1.5 million. During April 2015, we acquired Moll’s Utility Services, LLC (“Moll’s”) for \$6.5 million, net of cash acquired. Moll’s provides specialty contracting services primarily for utilities in the Midwestern United States. We also acquired the assets of Venture Communications Group, LLC (“Venture”) for \$15.6 million during June 2015. Venture provides specialty contracting services primarily for telecommunications providers in the Midwest and Southeastern United States.

The results of these businesses acquired are included in the consolidated financial statements from their respective dates of acquisition. The purchase price allocations of each of the 2016 and 2015 acquisitions were completed within the 12-month measurement period from the dates of acquisition. The purchase price allocation of Texstar was completed during the second quarter of the 2018 transition period. Adjustments to provisional amounts were recognized in the reporting period in which the adjustments are determined and were not material during the 2018 transition period or fiscal 2017, 2016, or 2015.

Understanding Our Results of Operations

The following information is presented in order for the reader to better understand certain factors impacting our results of operations and profitability, and should be read in conjunction with Critical Accounting Policies and Estimates below, as well as Note 1, Basis of Presentation and Accounting Policies, in the Notes to the Consolidated Financial Statements in this Transition Report on Form 10-K.

Revenues. We perform a substantial majority of our services under master service agreements and other agreements that contain customer-specified service requirements and have discrete pricing for individual tasks. Revenue is recognized under these arrangements based on units-of-delivery as each unit is completed. The remainder of our services are performed under contracts using the cost-to-cost measure of the percentage of completion method of accounting as more fully described within Critical Accounting Policies and Estimates below.

Cost of Earned Revenues. Cost of earned revenues includes all direct costs of providing services under our contracts, including costs for direct labor provided by employees, services by independent subcontractors, operation of capital equipment (excluding depreciation), direct materials, insurance costs, and other direct costs. For claims within our insurance program, we retain the risk of loss, up to certain limits, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), workers' compensation, and employee group health.

General and Administrative Expenses. General and administrative expenses primarily consist of employee compensation and related expenses, including performance-based compensation and stock-based compensation, legal, consulting and professional fees, information technology and development costs, provision for or recoveries of bad debt expense, acquisition and integration costs of businesses acquired, and other costs not directly related to the provision of our services under customer contracts. We incur information technology and development costs primarily to support and enhance our operating efficiency.

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Our executive management team and the senior management of our subsidiaries perform substantially all of our sales and marketing functions as part of their management responsibilities.

Depreciation and Amortization. Our property and equipment primarily consist of vehicles, equipment and machinery, and computer hardware and software. We depreciate property and equipment on a straight-line basis over the estimated useful lives of the assets. In addition, we have intangible assets, including customer relationships, contract backlog, trade names, and non-compete intangibles, which we amortize over the estimated useful lives. We recognize amortization of customer relationship intangibles and acquired contract backlog intangibles on an accelerated basis as a function of the expected economic benefit. We recognize amortization of our other finite-lived intangibles on a straight-line basis over the estimated useful life.

Loss on Debt Extinguishment. Loss on debt extinguishment for fiscal 2016 includes pre-tax charges related to the redemption of our 7.125% senior subordinated notes (the “7.125% Notes”), including the write-off of deferred debt issuance costs on the 7.125% Notes.

Interest Expense, Net. Interest expense, net, consists of interest incurred on outstanding variable rate and fixed rate debt and certain other obligations. Interest expense also includes non-cash amortization of our convertible senior notes debt discount and amortization of debt issuance costs. See Note 11, Debt, in the Notes to the Consolidated Financial Statements in this Transition Report on Form 10-K for information on the non-cash amortization of the debt discount and debt issuance costs.

Other Income, Net. Other income, net, primarily consists of gains or losses from sales of fixed assets. Other income, net also includes discount fee expense associated with the collection of accounts receivable under a customer-sponsored vendor payment program in which we began participating during fiscal 2016.

Seasonality and Quarterly Fluctuations. Our revenues and results of operations exhibit seasonality as we perform a significant portion of our work outdoors. Consequently, extended periods of adverse weather, which are more likely to occur during the winter season, impact our operations during the fiscal quarters ending in January and April. In addition, a disproportionate percentage of paid holidays fall within the fiscal quarter ending in January, which decreases the number of available workdays. Because of these factors, we are most likely to experience reduced revenue and profitability during the fiscal quarters ending in January and April.

We may also experience variations in our profitability driven by a number of factors. Such factors include fluctuations in insurance expense due to changes in claims experience and actuarial assumptions, variances in incentive pay and stock-based compensation expense as a result of operating performance and vesting provisions, changes in the employer portion of payroll taxes as a result of reaching statutory limits, and variances in bad debt expense. Other factors that may contribute to quarterly variations in results of operations include gain on sale of fixed assets from the timing and levels of capital assets sold during the period, changes in levels of depreciation expense, and variations in our effective tax rate.

Accordingly, operating results for any fiscal period are not necessarily indicative of results we may achieve for any subsequent fiscal period.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based on consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial

statements and accompanying notes. These estimates and assumptions require the use of judgment as to the likelihood of various future outcomes and, as a result, actual results could differ materially from these estimates.

We have identified the accounting policies below as critical to the accounting for our business operations and the understanding of our results of operations because they involve making significant judgments and estimates used in the preparation of our consolidated financial statements. The impact of these policies affects our reported and expected financial results. We have discussed the development, selection and application of our critical accounting policies with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the disclosure relating to our critical accounting policies herein.

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed below, are also important to understanding our consolidated financial statements. The Notes to Consolidated Financial Statements in this

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Transition Report on Form 10-K contain additional information related to our accounting policies and should be read in conjunction with this discussion.

Revenue Recognition. We perform a substantial majority of our services under master service agreements and other agreements that contain customer-specified service requirements and have discrete pricing for individual tasks. We recognize revenue under these arrangements based on units-of-delivery as each unit is completed. The remainder of our services, representing less than 5% of our contract revenues during the 2018 transition period and fiscal 2017, 2016 and 2015, are performed under contracts using the cost-to-cost measure of the percentage of completion method of accounting. Revenue is recognized under these arrangements based on the ratio of contract costs incurred to date to total estimated contract costs. For contracts using the cost-to-cost measure of completion, we accrue the entire amount of a contract loss at the time the loss is determined to be probable and can be reasonably estimated. During the 2018 transition period and each of fiscal 2017, 2016, and 2015, there was no material impact to our results of operations due to changes in contract estimates.

There were no material amounts of unapproved change orders or claims recognized during the 2018 transition period or fiscal 2017, 2016, or 2015. The current asset “Costs and estimated earnings in excess of billings” represents revenues recognized in excess of amounts billed. The current liability “Billings in excess of costs and estimated earnings” represents billings in excess of revenues recognized.

Allowance for Doubtful Accounts. We grant credit under normal payment terms, generally without collateral, to our customers. We maintain an allowance for doubtful accounts for estimated losses on uncollected balances. Management analyzes the collectability of accounts receivable balances each period. This analysis considers the aging of account balances, historical bad debt experience, changes in customer creditworthiness, current economic trends, customer payment activity, and other relevant factors. Should any of these factors change, the estimate made by management may also change, which could affect the level of our future provision for doubtful accounts. We recognize an increase in the allowance for doubtful accounts when it is probable that a receivable is not collectible and the loss can be reasonably estimated. Any increase in the allowance account has a corresponding negative effect on our results of operations.

Accrued Insurance Claims. For claims within our insurance program, we retain the risk of loss, up to certain limits, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), workers’ compensation, and employee group health. We have established reserves that we believe to be adequate based on current evaluations and our experience with these types of claims. A liability for unpaid claims and the associated claim expenses, including incurred but not reported losses, is determined with the assistance of an actuary and reflected in the consolidated financial statements as accrued insurance claims. The effect on our financial statements is generally limited to the amount needed to satisfy our insurance deductibles or retentions. Amounts for total accrued insurance claims and insurance recoveries/receivables is as follows (dollars in millions):

	January 27, 2018	July 29, 2017	July 30, 2016
Accrued insurance claims - current	\$ 53,890	\$ 39,909	\$ 36,844
Accrued insurance claims - non-current	59,385	62,007	52,835
Total accrued insurance claims	\$ 113,275	\$ 101,916	\$ 89,679
Insurance recoveries/receivables:			
Current (included in Other current assets)	\$ 13,701	\$—	\$—
Non-current (included in Other assets)	6,722	9,243	5,714
Total insurance recoveries/receivables	\$ 20,423	\$ 9,243	\$ 5,714

The liability for total accrued insurance claims included incurred but not reported losses of approximately \$53.3 million, \$50.0 million, and \$45.0 million as of January 27, 2018, July 29, 2017, and July 30, 2016, respectively.

We estimate the liability for claims based on facts, circumstances, and historical experience. Even though they will not be paid until sometime in the future, recorded loss reserves are not discounted. Factors affecting the determination of the expected cost for existing and incurred but not reported claims include, but are not limited to, the magnitude and quantity of future claims, the payment pattern of claims which have been incurred, changes in the medical condition of claimants, and other factors such as inflation, tort reform or other legislative changes, unfavorable jury decisions and court interpretations.

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With regard to losses occurring in fiscal 2015 through the 2018 transition period, we retain the risk of loss of up to \$1.0 million on a per-occurrence basis for automobile liability, general liability, and workers' compensation. We have maintained this same level of retention for the twelve month policy period ending January 31, 2019. These retention amounts are applicable to all of the states in which we operate, except with respect to workers' compensation insurance in two states in which we participate in state-sponsored insurance funds. Aggregate stop-loss coverage for automobile liability, general liability, and workers' compensation claims was \$67.1 million for the six month policy period ending January 31, 2018, \$103.7 million for fiscal 2017, and \$84.6 million for fiscal 2016.

We are party to a stop-loss agreement for losses under our employee group health plan. For calendar years 2018, 2017, and 2016, we retain the risk of loss, on an annual basis, up to the first \$400,000 of claims per participant, as well as an annual aggregate amount. With regard to losses occurring in calendar year 2015, we retained the risk of loss up to the first \$250,000 of claims per participant, as well as an annual aggregate amount.

Stock-Based Compensation. We have stock-based compensation plans under which we grant stock-based awards, including stock options, restricted share units, and performance-based restricted share units to attract, retain, and reward talented employees, officers and directors, and to align stockholder and employee interests. Our policy is to issue new shares to satisfy equity awards under our stock-based compensation plans. We have outstanding stock-based awards under our 2003 Long-Term Incentive Plan, 2007 Non-Employee Directors Equity Plan, 2012 Long-Term Incentive Plan, and 2017 Non-Employee Directors Equity Plan (collectively, the "Plans"). No further awards will be granted under the 2003 Long-Term Incentive Plan or 2007 Non-Employee Directors Equity Plan.

During the 2018 transition period, our shareholders approved the 2017 Non-Employee Directors Equity Plan which replaced the 2007 Non-Employee Directors Equity Plan and authorized 140,000 shares of common stock for equity awards to non-employee directors. In addition, our shareholders approved an amendment to the 2012 Long-Term Incentive Plan to, among other things, increase the number of shares available for issuance by 865,000. As of January 27, 2018, the total number of shares available for grant under the Plans was 1,446,377.

Compensation expense for stock-based awards is based on fair value at the measurement date and fluctuates over time as a result of the vesting period of the stock-based awards and our performance, as measured by criteria set forth in performance-based awards. This expense is included in general and administrative expenses in the consolidated statements of operations and the amount of expense ultimately recognized depends on the number of awards that actually vest. For performance-based restricted share units ("Performance RSUs"), we evaluate compensation expense quarterly and recognize expense for performance-based awards only if we determine it is probable that the performance criteria for the awards will be met. In a period we determine it is no longer probable that we will achieve certain performance criteria for the awards, we reverse the stock-based compensation expense that we had previously recognized associated with the portion of Performance RSUs that are no longer expected to vest. Accordingly, stock-based compensation expense may vary from period to period.

The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option pricing model. Stock options generally vest ratably over a four-year period and are exercisable over a period of up to ten years. The fair value of time-based restricted share units ("RSUs") and Performance RSUs is estimated on the date of grant and is generally equal to the closing stock price on that date. Each RSU and Performance RSU is settled in one share of our common stock upon vesting. RSUs vest ratably over a period of four years. Performance RSUs vest over a period of three years from the date of grant if certain performance measures are achieved. The performance criteria for target awards are based on our operating earnings (adjusted for certain amounts) as a percentage of contract revenues and our operating cash flow level for the applicable performance period. Additionally, certain awards include three-year performance goals that, if met, result in supplemental shares awarded. The three-year performance goals required to earn supplemental awards are more difficult to achieve than those required to earn annual target awards and are based on our three-year cumulative operating earnings (adjusted for certain amounts) as a percentage of contract revenues

and our three-year cumulative operating cash flow level (adjusted for certain amounts).

Income Taxes. We account for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. During the six months ended January 27, 2018, we recognized an income tax benefit of approximately \$32.2 million associated with the Tax Cuts and Jobs Act of 2017 (“Tax Reform”). This benefit primarily resulted from the re-measurement of our net deferred tax liabilities at a lower U.S. federal corporate income tax rate. Additionally, we recognized an income tax benefit of approximately \$7.8 million for the tax effects of the vesting and exercise of share-based awards in accordance with ASU 2016-09.

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In addition to the impacts described above, fluctuations in our effective income tax rate were also attributable to the difference in income tax rates from state to state, non-deductible and non-taxable items, and production-related tax deductions recognized in relation to our pre-tax results during the periods. See Note 12, Income Taxes, in the Notes to the Consolidated Financial Statements in this Transition Report on Form 10-K for further information.

Measurement of our tax position is based on the applicable statutes, federal and state case law, and our interpretations of tax regulations. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income during the period that includes the enactment date. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all relevant factors, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event we determine that we would be able to realize deferred income tax assets in excess of their net recorded amount, we would adjust the valuation allowance, which would reduce the provision for income taxes.

In accordance with Financial Accounting Standards Board Accounting Standards Codification (“ASC”) Topic 740, Income Taxes (“ASC Topic 740”), we recognize tax benefits in the amount that we deem more likely than not will be realized upon ultimate settlement of any tax uncertainty. Tax positions that fail to qualify for recognition are recognized during the period in which the more-likely-than-not standard has been reached, when the tax positions are resolved with the respective taxing authority or when the statute of limitations for tax examination has expired. We recognize applicable interest related to tax amounts in interest expense and penalties within general and administrative expenses.

Contingencies and Litigation. In the ordinary course of our business, we are involved in certain legal proceedings. ASC Topic 450, Contingencies (“ASC Topic 450”) requires an estimated loss from a loss contingency be accrued by a charge to operating results if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. In determining whether a loss should be accrued, we evaluate, among other factors, the probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. If only a range of probable loss can be determined, we accrue for our best estimate within the range for the contingency. In those cases where none of the estimates within the range is better than another, we accrue for the amount representing the low end of the range in accordance with ASC Topic 450. As additional information becomes available, we reassess the potential liability related to our pending contingencies and litigation and revise our estimates as applicable. Revisions of our estimates of the potential liability could materially impact our results of operations. Additionally, if the final outcome of such litigation and contingencies differs adversely from that currently expected, it would result in a charge to operating results when determined.

Business Combinations. We account for business combinations under the acquisition method of accounting. The purchase price of each business acquired is allocated to the tangible and intangible assets acquired and the liabilities assumed based on information regarding their respective fair values on the date of acquisition. Any excess of the purchase price over the fair value of the separately identifiable assets acquired and liabilities assumed is allocated to goodwill. We determine the fair values used in purchase price allocations for intangible assets based on historical data, estimated discounted future cash flows, expected royalty rates for trademarks and trade names, as well as certain other information. The valuation of assets acquired and liabilities assumed requires a number of judgments and is subject to revision as additional information about the fair value of assets and liabilities becomes available. Additional information, which existed as of the acquisition date but unknown to us at that time, may become known during the remainder of the measurement period, a period not to exceed twelve months from the acquisition date. The Company will recognize any adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined. Additionally, the Company will record, in the same period’s financial statements in which adjustments are recorded, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of any change to the provisional amounts, calculated as if the

accounting adjustment had been completed at the acquisition date. Acquisition costs are expensed as incurred. The results of operations of businesses acquired are included in the consolidated financial statements from their dates of acquisition.

Goodwill and Intangible Assets. We account for goodwill and other intangibles in accordance with ASC Topic 350, Intangibles - Goodwill and Other (“ASC Topic 350”). Goodwill and other indefinite-lived intangible assets are assessed annually for impairment, or more frequently, if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. We perform our annual impairment review of goodwill at the reporting unit level. Each of our operating segments with goodwill represents a reporting unit for the purpose of assessing impairment. If we determine the fair value of the reporting unit’s goodwill or other indefinite-lived intangible assets is less than their carrying value as a result of the tests, an impairment loss is recognized and reflected in operating income or loss in the consolidated statements of operations during the period incurred.

In accordance with ASC Topic 360, Impairment or Disposal of Long-Lived Assets, we review finite-lived intangible assets for impairment whenever an event occurs or circumstances change that indicates that the carrying amount of such assets may

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not be fully recoverable. Recoverability is determined based on an estimate of undiscounted future cash flows resulting from the use of an asset and its eventual disposition. Should an asset not be recoverable, an impairment loss is measured by comparing the fair value of the asset to its carrying value. If we determine the fair value of an asset is less than the carrying value, an impairment loss is recognized in operating income or loss in the consolidated statements of operations during the period incurred.

We use judgment in assessing whether goodwill and intangible assets are impaired. Estimates of fair value are based on our projection of revenues, operating costs, and cash flows taking into consideration historical and anticipated future results, general economic and market conditions, as well as the impact of planned business or operational strategies. We determine the fair value of our reporting units using a weighing of fair values derived in equal proportions from the income approach and market approach valuation methodologies. The income approach uses the discounted cash flow method and the market approach uses the guideline company method. Changes in our judgments and projections could result in significantly different estimates of fair value, potentially resulting in impairments of goodwill and other intangible assets. The inputs used for fair value measurements of the reporting units and other related indefinite-lived intangible assets are the lowest level (Level 3) inputs.

Our goodwill resides in multiple reporting units. The profitability of individual reporting units may suffer periodically due to downturns in customer demand and the level of overall economic activity including, in particular, construction and housing activity. Our customers may reduce capital expenditures and defer or cancel pending projects during times of slowing economic conditions. Additionally, adverse conditions in the economy and future volatility in the equity and credit markets could impact the valuation of our reporting units. The cyclical nature of our business, the high level of competition existing within our industry, and the concentration of our revenues from a limited number of customers may also cause results to vary. These factors may affect individual reporting units disproportionately, relative to the Company as a whole. As a result, the performance of one or more of the reporting units could decline, resulting in an impairment of goodwill or intangible assets.

We evaluate current operating results, including any losses, in the assessment of goodwill and other intangible assets. The estimates and assumptions used in assessing the fair value of the reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Changes in judgments and estimates could result in significantly different estimates of the fair value of the reporting units and could result in impairments of goodwill or intangible assets of the reporting units. In addition, adverse changes to the key valuation assumptions contributing to the fair value of our reporting units could result in an impairment of goodwill or intangible assets.

We have historically completed our annual goodwill impairment assessment as of the first day of the fourth fiscal quarter of each year. As a result of the change in our fiscal year end, the annual goodwill impairment assessment date was changed to the first day of the fiscal quarter ending on the last Saturday in January, as this will be the first day of our fourth fiscal quarter. For the six month transition period ended January 27, 2018, the assessment was performed as of October 29, 2017, which is approximately six months earlier than in previous years. The change in the annual goodwill impairment assessment date is deemed a change in accounting principle, which we believe to be preferable as the change was made to better align the annual goodwill impairment test with the change in our annual planning and budgeting process related to the new fiscal year end. This change in accounting principle did not delay, accelerate or avoid a goodwill impairment charge and had no effect on the consolidated financial statements, including any cumulative effect on retained earnings.

We performed our annual impairment assessment for the 2018 transition period and each of fiscal 2017, 2016, and 2015 and concluded that no impairment of goodwill or the indefinite-lived intangible asset was indicated at any reporting unit for any of the periods. In the 2018 transition period and each of fiscal 2017, 2016, and 2015, qualitative assessments were performed on reporting units that comprise a substantial portion of our consolidated goodwill balance. A qualitative assessment includes evaluating all identified events and circumstances that could affect the

significant inputs used to determine the fair value of a reporting unit or indefinite-lived intangible asset for the purpose of determining whether it is more likely than not that these assets are impaired. We consider various factors while performing qualitative assessments, including macroeconomic conditions, industry and market conditions, financial performance of the reporting units, changes in market capitalization, and any other specific reporting unit considerations. These qualitative assessments indicated that it was more likely than not that the fair value exceeded carrying value for those reporting units. For the remaining reporting units, we performed the first step of the quantitative analysis described in ASC Topic 350 in the 2018 transition period and each of fiscal 2017, 2016, and 2015. When performing the quantitative analysis, the Company determines the fair value of its reporting units using a weighing of fair values derived in equal proportions from the income approach and market approach valuation methodologies. Under the income approach, the key valuation assumptions used in determining the fair value estimates of our reporting units for each annual test were: (a) a discount rate based on our best estimate of the weighted average cost of capital adjusted for certain risks for the reporting units; (b) terminal value based on our best estimate of terminal growth rates; and (c) seven expected years of cash flow before the terminal value.

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In fiscal 2017, we performed the first step of the quantitative analysis on our indefinite-lived intangible asset. In the 2018 transition period, fiscal 2016, and fiscal 2015, qualitative assessments were performed on our indefinite-lived intangible asset.

The table below outlines certain assumptions used in our quantitative impairment analyses for the 2018 transition period and fiscal 2017, 2016, and 2015:

	2018	2017	2016	2015
Terminal Growth Rate	2.5% - 3.0%	2.0% - 3.0%	2.0% - 3.0%	1.5% - 2.5%
Discount Rate	11.0%	11.0%	11.5%	11.5%

The discount rate reflects risks inherent within each reporting unit operating individually. These risks are greater than the risks inherent in the Company as a whole. Determination of discount rates included consideration of market inputs such as the risk-free rate, equity risk premium, industry premium, and cost of debt, among other assumptions. The discount rate for the 2018 transition period was consistent with the rate used for fiscal 2017. The slight decrease in discount rates for fiscal 2017 from fiscal 2016 is a result of reduced risk in industry conditions. The changes in these inputs for fiscal 2016 from fiscal 2015 had offsetting impacts and the discount rate remained at 11.5%. We believe the assumptions used in the impairment analysis each year are reflective of the risks inherent in the business models of our reporting units and within our industry. Under the market approach, the guideline company method develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key valuation assumptions and valuation multiples used in determining the fair value estimates of our reporting units rely on: (a) the selection of similar companies; (b) obtaining estimates of forecast revenue and earnings before interest, taxes, depreciation, and amortization for the similar companies; and (c) selection of valuation multiples as they apply to the reporting unit characteristics.

We determined that the fair values of each of the reporting units and the indefinite-lived intangible asset were substantially in excess of their carrying values in the 2018 transition period assessment. Management determined that significant changes were not likely in the factors considered to estimate fair value, and analyzed the impact of such changes were they to occur. Specifically, if there was a 25% decrease in the fair value of any of the reporting units due to a decline in their discounted cash flows resulting from lower operating performance, the conclusion of the assessment would remain unchanged. Additionally, if the discount rate applied in the 2018 transition period impairment analysis had been 100 basis points higher than estimated for each of the reporting units, and all other assumptions were held constant, the conclusion of the assessment would remain unchanged and there would be no impairment of goodwill. As of January 27, 2018, we believe the goodwill and the indefinite-lived intangible asset are recoverable for all of the reporting units and that no impairment has occurred. However, significant adverse changes in the projected revenues and cash flows of a reporting unit could result in an impairment of goodwill or the indefinite-lived intangible asset. There can be no assurances that goodwill or the indefinite-lived intangible asset may not be impaired in future periods.

Certain of our reporting units also have other intangible assets, including customer relationships, trade names, and non-compete intangibles. As of January 27, 2018, we believe that the carrying amounts of these intangible assets are recoverable. However, if adverse events were to occur or circumstances were to change indicating that the carrying amount of such assets may not be fully recoverable, the assets would be reviewed for impairment and the assets could be impaired.

Outlook

Significant developments in consumer and business applications within the telecommunications industry, including advanced digital and video service offerings, continue to increase the demand for greater capacity and enhanced

reliability from our customers' wireline and wireless networks. A proliferation of technological developments has been made possible by improved networks and their underlying fiber connections. Faster broadband connections are enabling the creation of other industries in which products and services rely on robust network connections for advanced functionality. Telecommunications providers will continue to expand their network capabilities to meet the demand of their consumers, driving demand for our services as these providers outsource a significant portion of their engineering, construction, maintenance, and installation requirements.

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Telecommunications network operators are increasingly deploying fiber optic cable technology deeper into their networks and closer to consumers and businesses in order to respond to consumer demand, competitive realities, and public policy support. Telephone companies are deploying fiber to the home to enable video offerings and 1 gigabit high-speed connections. Cable operators continue to increase the speeds of their services to residential customers and to deploy fiber to business customers. These deployments are often in anticipation of the customer sales process as confidence and the number of existing customers continue to increase. Fiber deep deployments to expand capacity, as well as new build opportunities and overall capital expenditures are increasing.

Significant demand for wireless broadband is driven by the proliferation of smartphones and other mobile data devices. To respond to this demand and other advances in technology, wireless carriers are upgrading their networks and contemplating next generation mobile solutions such as small cells and 5G technologies. Wireless carriers are actively spending on their networks to respond to the significant increase in wireless data traffic, to upgrade network technologies to improve performance and efficiency, and to consolidate disparate technology platforms. These initiatives present long-term opportunities for us with the wireless service providers we serve. As the demand for mobile broadband grows, the amount of wireless traffic that must be “backhauled” over customers’ fiber networks increases and, as a result, carriers are accelerating the deployment of fiber optic cables to cellular sites and small cells. In addition, emerging wireless technologies are driving significant wireline deployments. A complementary wireline investment cycle is underway to facilitate the deployment of fully converged wireless/wireline networks. The industry effort required to deploy these converged networks is driving demand for the type of services we provide. Wireless construction activity and support of expanded coverage and capacity is poised to accelerate through the deployment of enhanced macro cells and new small cells. These trends are driving demand for the type of services we provide.

Consolidation and merger activity among telecommunications providers can also provide increased demand for our services as networks are integrated. As a result of merger activity, a significant customer has committed to the FCC to expand and increase broadband network capabilities. These customer activities may further create a competitive response driving long-term demand for our services.

Overall economic activity, including in particular construction and housing activity, also contributes to the demand for our services. Within the context of the current economy, we believe the latest trends and developments as outlined above support our industry outlook. We will continue to closely monitor the effects that changes in economic and market conditions may have on our customers and our business and we will continue to manage those areas of the business we can control.

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Results of Operations

The results of operations of businesses acquired are included in the consolidated financial statements from their dates of acquisition.

Six Months Ended January 27, 2018 Compared to Six Months Ended January 28, 2017

The following table sets forth our consolidated statements of operations for the six months ended January 27, 2018 and January 28, 2017 and the amounts as a percentage of revenue (totals may not add due to rounding) (dollars in millions):

	For the Six Months Ended			
	January 27, 2018		January 28, 2017 (Unaudited)	
Revenues	\$1,411.3	100.0 %	\$1,500.4	100.0 %
Expenses:				
Cost of earned revenue, excluding depreciation and amortization	1,141.5	80.9	1,176.4	78.4
General and administrative	124.9	8.9	118.4	7.9
Depreciation and amortization	85.1	6.0	70.3	4.7
Total	1,351.5	95.8	1,365.0	91.0
Interest expense, net	(19.6)	(1.4)	(18.2)	(1.2)
Other income, net	6.2	0.4	1.9	0.1
Income before income taxes	46.6	3.3	119.0	7.9
(Benefit) provision for income taxes	(22.3)	(1.6)	44.3	3.0
Net income	\$68.8	4.9 %	\$74.7	5.0 %

Revenues. Revenues were \$1.411 billion during the six months ended January 27, 2018, compared to \$1.500 billion during the six months ended January 28, 2017. During the six months ended January 27, 2018, revenues of \$17.0 million were generated by a business acquired during the third quarter of fiscal 2017. Additionally, the Company earned approximately \$35.1 million of revenues from storm restoration services during the six months ended January 27, 2018.

Excluding amounts generated by a business acquired during the third quarter of fiscal 2017 and storm restoration services, revenues decreased by approximately \$141.1 million during the six months ended January 27, 2018 as compared to the six months ended January 28, 2017. Revenues decreased by approximately \$153.3 million as a result of moderation by a large telecommunications customer during the six months ended January 27, 2018. Revenues also decreased by approximately \$50.3 million for services performed on a customer's fiber network and by approximately \$35.7 million for services performed for a telecommunications customer in connection with rural services. Partially offsetting these declines, revenues increased by approximately \$42.5 million for a leading cable multiple system operator from installation, maintenance, and construction services, including services to provision fiber to small and medium businesses, as well as network improvements. Revenues also increased by approximately \$30.5 million for a large telecommunications customer primarily related to services performed resulting from new awards. All other customers had net increases in revenues of \$25.2 million on a combined basis during the six months ended January 27, 2018 as compared to the six months ended January 28, 2017.

The percentage of our revenues by customer type from telecommunications, underground facility locating, and electric and gas utilities and other customers, was approximately 91.0%, 6.3%, and 2.7%, respectively, for the six months ended January 27, 2018, compared to 92.1%, 5.2%, and 2.7%, respectively, for the six months ended January 28, 2017.

Costs of Earned Revenues. Costs of earned revenues decreased to \$1.141 billion, or 80.9% of contract revenues, during the six months ended January 27, 2018, compared to \$1.176 billion, or 78.4% of contract revenues, during the six months ended January 28, 2017. The primary components of the decrease were a \$34.0 million aggregate decrease in direct labor and subcontractor costs and a \$14.1 million decrease in direct material costs, primarily due to a lower level of operations. Partially offsetting these decreases, equipment maintenance and fuel costs combined increased \$4.8 million and other direct costs increased \$8.4 million.

Costs of earned revenues as a percentage of contract revenues increased 2.5% during the six months ended January 27, 2018, compared to the six months ended January 28, 2017. As a percentage of contract revenues, labor and

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subcontracted labor costs increased 1.3% during the six months ended January 27, 2018. The increase in labor and subcontracted labor costs as a percentage of contract revenues primarily resulted from costs incurred as the scale of our operations expanded and from widespread adverse weather which reduced the number of available workdays and negatively impacted productivity and margins during the fiscal quarter ended January 27, 2018. Equipment maintenance and fuel costs combined increased 0.6% as a percentage of contract revenues from under absorption of equipment costs and increased fuel costs relative to the mix of work. Additionally, direct material costs and other direct costs increased 0.5% as a percentage of contract revenues, on a combined basis, reflecting lower operating leverage and the impact of costs associated with the initiation of customer programs, including permitting costs.

General and Administrative Expenses. General and administrative expenses increased to \$124.9 million, or 8.9% of contract revenues, during the six months ended January 27, 2018, compared to \$118.4 million, or 7.9% of contract revenues, during the six months ended January 28, 2017. The increase in total general and administrative expenses during the six months ended January 27, 2018 primarily resulted from increased payroll and stock-based compensation costs, higher professional fees related to the change in fiscal year, increased software license and maintenance fees, and the costs of a business acquired in the third quarter of fiscal 2017. The increase in total general and administrative expenses as a percentage of contract revenues reflects lower absorption of certain office and support costs in relation to lower revenues during the six months ended January 27, 2018.

Depreciation and Amortization. Depreciation expense was \$73.0 million, or 5.2% of contract revenues, during the six months ended January 27, 2018, compared to \$58.0 million, or 3.9% of contract revenues, during the six months ended January 28, 2017. The increase in depreciation expense during the six months ended January 27, 2018 is primarily due to the addition of fixed assets during fiscal 2017 and the 2018 transition period that support our expanded in-house workforce and the normal replacement cycle of fleet assets. Amortization expense was \$12.1 million and \$12.3 million during the six months ended January 27, 2018 and January 28, 2017, respectively.

Interest Expense, Net. Interest expense, net was \$19.6 million and \$18.2 million during the six months ended January 27, 2018 and January 28, 2017, respectively. Interest expense includes approximately \$9.2 million and \$8.7 million for the non-cash amortization of debt discount associated with our convertible senior notes during the six months ended January 27, 2018 and January 28, 2017, respectively. Excluding this amortization, interest expense, net increased to \$10.4 million during the six months ended January 27, 2018 from \$9.6 million during the six months ended January 28, 2017 as a result of a higher interest rate environment during the current period.

Other Income, Net. Other income, net was \$6.2 million and \$1.9 million during the six months ended January 27, 2018 and January 28, 2017, respectively. The increase in other income, net is primarily a function of the number of assets sold and prices obtained for those assets during the six months ended January 27, 2018, compared to the six months ended January 28, 2017. Gain on sale of fixed assets was \$7.2 million during the six months ended January 27, 2018, compared to \$3.2 million during the six months ended January 28, 2017. Partially offsetting this increase, other income, net also reflects approximately \$1.4 million and \$1.5 million of discount fee expense during the six months ended January 27, 2018 and January 28, 2017, respectively, associated with the non-recourse sale of accounts receivable under a customer-sponsored vendor payment program.

Income Taxes. The following table presents our income tax (benefit) provision and effective income tax rate for the six months ended January 27, 2018 and January 28, 2017 (dollars in millions):

Six Months Ended	
January 27, 2018	January 28, 2017
Income	
tax	
\$(22.3)	\$ 44.3
(benefit)	
provision	

Effective
income
(47.9%)
tax
rate

37.2 %

During the six months ended January 27, 2018, we recognized an income tax benefit of approximately \$32.2 million associated with Tax Reform. This benefit primarily resulted from the re-measurement of our net deferred tax liabilities at a lower U.S. federal corporate income tax rate. Additionally, we recognized an income tax benefit of approximately \$7.8 million for the tax effects of the vesting and exercise of share-based awards in accordance with ASU 2016-09 during the six months ended January 27, 2018. See Note 12, Income Taxes, in the Notes to the Consolidated Financial Statements in this Transition Report on Form 10-K for further information.

In addition to the impacts described above, fluctuations in our effective income tax rate were also attributable to the difference in income tax rates from state to state, non-deductible and non-taxable items, and production-related tax deductions

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recognized in relation to our pre-tax results during the periods. We had total unrecognized tax benefits of approximately \$3.3 million as of January 27, 2018 which would reduce our effective tax rate during future periods if it is determined these unrecognized tax benefits are realizable.

Net Income. Net income was \$68.8 million for the six months ended January 27, 2018, compared to \$74.7 million for the six months ended January 28, 2017.

Non-GAAP Adjusted EBITDA. Non-GAAP Adjusted EBITDA was \$157.2 million, or 11.1% of contract revenues, for the six months ended January 27, 2018, compared to \$215.4 million, or 14.4% of contract revenues, for the six months ended January 28, 2017. See Non-GAAP Measure below for further information regarding Non-GAAP Adjusted EBITDA.

Year Ended July 29, 2017 Compared to Year Ended July 30, 2016

The following table sets forth our consolidated statements of operations for the fiscal years ended July 29, 2017 and July 30, 2016 and the amounts as a percentage of revenue (totals may not add due to rounding) (dollars in millions):

	For the Fiscal Year Ended			
	July 29, 2017		July 30, 2016	
Revenues	\$3,066.9	100.0 %	\$2,672.5	100.0 %
Expenses:				
Cost of earned revenue, excluding depreciation and amortization	2,404.7	78.4	2,083.6	78.0
General and administrative	239.2	7.8	217.1	8.1
Depreciation and amortization	147.9	4.8	124.9	4.7
Total	2,791.9	91.0	2,425.7	90.8
Interest expense, net	(37.4)	(1.2)	(34.7)	(1.3)
Loss on debt extinguishment	—	—	(16.3)	(0.6)
Other income, net	12.8	0.4	10.4	0.4
Income before income taxes	250.4	8.2	206.3	7.7
Provision for income taxes	93.2	3.0	77.6	2.9
Net income	\$157.2	5.1 %	\$128.7	4.8 %

Revenues. Revenues increased to \$3.067 billion during fiscal 2017 from \$2.673 billion during fiscal 2016. Revenues increased in the current period primarily from services for customers deploying 1 gigabit networks, new awards with significant customers, and revenues generated by businesses acquired during fiscal 2017 and 2016.

During fiscal 2017 and 2016, total revenues of \$214.9 million and \$119.8 million, respectively, were generated by businesses that were not owned for the full year in both the current and prior fiscal years. Excluding these amounts, revenues increased by approximately \$299.2 million during fiscal 2017 as compared to fiscal 2016. Revenues increased by approximately \$178.2 million for a leading cable multiple system operator from installation, maintenance, and construction services, including services to provision fiber to small and medium businesses, as well as network improvements and by approximately \$110.9 million for a large telecommunications customer primarily from increases in the volume of services performed under existing contracts and new awards. Revenues increased by approximately \$103.8 million for another significant telecommunications customer improving its network. Additionally, revenues increased approximately \$24.4 million for a customer who recently acquired certain wireline operations from another large telecommunications customer. Partially offsetting these increases, revenues declined by approximately \$55.3 million for services performed on a customer's fiber network, by approximately \$45.1 million for services performed for a cable multiple system operator, and by approximately \$15.4 million for a large telecommunications customer. All other customers had net decreases in revenues of \$2.3 million on a combined basis during fiscal 2017 as compared to fiscal 2016.

The percentage of our revenues by customer type from telecommunications, underground facility locating, and electric and gas utilities and other customers, was approximately 91.9%, 5.5%, and 2.7%, respectively, for fiscal 2017, compared to 90.7%, 5.9%, and 3.4%, respectively, for fiscal 2016.

Costs of Earned Revenues. Costs of earned revenues increased to \$2.405 billion, or 78.4% of contract revenues, during fiscal 2017, compared to \$2.084 billion, or 78.0% of contract revenues, during fiscal 2016. The increase in total costs of earned

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revenues during the fiscal 2017 was primarily due to a higher level of operations, including the operating costs of businesses acquired during fiscal 2017 and 2016, partially offset by the additional week of operations during the fourth quarter of fiscal 2016. The primary components of the increase were a \$241.9 million aggregate increase in direct labor and subcontractor costs, a \$43.9 million increase in direct material costs, and a \$35.3 million net increase in other direct costs.

Costs of earned revenues as a percentage of contract revenues increased 0.4% during fiscal 2017, compared to fiscal 2016. As a percentage of contract revenues, labor and subcontracted labor costs increased 0.3% of contract revenues for fiscal 2017, compared to fiscal 2016. The increase in labor and subcontracted labor costs as a percentage of contract revenues primarily resulted from costs incurred as the scale of our operations expanded. Direct material costs and other direct costs increased 0.1%, on a combined basis, primarily as a result of our mix of work during fiscal 2017 which included a higher level of projects where we provided materials to the customer.

General and Administrative Expenses. General and administrative expenses increased to \$239.2 million, or 7.8% of contract revenues, during fiscal 2017, compared to \$217.1 million, or 8.1% of contract revenues, during fiscal 2016. The increase in total general and administrative expenses during fiscal 2017 primarily resulted from increased payroll and performance-based compensation costs and higher legal and professional fees. Additionally, stock-based compensation increased to \$20.8 million during fiscal 2017, compared to \$16.8 million during fiscal 2016. General and administrative expenses decreased as a percentage of contract revenues during fiscal 2017, compared to fiscal 2016 primarily resulting from operating leverage on our increased level of operations.

Depreciation and Amortization. Depreciation expense was \$123.1 million, or 4.0% of contract revenues, during fiscal 2017, compared to \$105.5 million, or 3.9% of contract revenues, during fiscal 2016. The increase in depreciation expense during fiscal 2017 is a result of the addition of fixed assets and the incremental expense of businesses acquired during fiscal 2017 and 2016. Amortization expense was \$24.8 million and \$19.4 million during fiscal 2017 and 2016, respectively. The increase in amortization expense is a result of the incremental expense of amortizing intangibles for businesses acquired during fiscal 2017 and 2016, partially offset by reduced amortization expense as certain intangible assets became fully amortized during fiscal 2017.

Interest Expense, Net. Interest expense, net was \$37.4 million and \$34.7 million during fiscal 2017 and 2016, respectively. Interest expense includes approximately \$17.6 million and \$14.7 million for the non-cash amortization of debt discount associated with our convertible senior notes during fiscal 2017 and 2016, respectively. Excluding this amortization, interest expense, net decreased to \$19.8 million during fiscal 2017 from \$20.0 million during fiscal 2016.

Loss on Debt Extinguishment. In connection with the redemption of our 7.125% Notes, we incurred a pre-tax charge for early extinguishment of debt of approximately \$16.3 million during the first quarter of fiscal 2016. See Note 11, Debt, in Notes to the Consolidated Financial Statements in this Transition Report on Form 10-K for additional information regarding the Company's debt transactions.

Other Income, Net. Other income, net was \$12.8 million and \$10.4 million during fiscal 2017 and 2016, respectively. The increase in other income, net is primarily a function of the number of assets sold and prices obtained for those assets during fiscal 2017, compared to fiscal 2016. Gain on sale of fixed assets was \$14.9 million during fiscal 2017, compared to \$9.8 million during fiscal 2016. Partially offsetting this increase, other income, net also reflects approximately \$3.2 million and \$0.2 million of discount fee expense during fiscal 2017 and 2016, respectively, associated with the collection of accounts receivable under a customer-sponsored vendor payment program in which we began participating during fiscal 2016.

Income Taxes. The following table presents our income tax provision and effective income tax rate for fiscal 2017 and 2016 (dollars in millions):

Fiscal Year	
Ended	
2017	2016
Income	
\$93.2	\$77.6
provision	
Effective	
income	
37.2 %	37.6 %
tax	
rate	

Fluctuations in our effective income tax rate were primarily attributable to the difference in income tax rates from state to state, non-deductible and non-taxable items, certain dispositions of incentive stock option exercises, and production-related tax deductions recognized in relation to our pre-tax results during the periods. The decrease in our effective income tax rate during fiscal 2017, as compared to fiscal 2016, is primarily due to increased production-related tax deductions recognized in relation to higher pre-tax results in fiscal 2017 and a lesser impact of non-deductible items. We had total unrecognized tax benefits of

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approximately \$3.1 million and \$2.4 million as of July 29, 2017 and July 30, 2016, respectively, which, if recognized, would favorably affect our effective tax rate.

Net Income. Net income was \$157.2 million for fiscal 2017, compared to \$128.7 million for fiscal 2016.

Non-GAAP Adjusted EBITDA. Non-GAAP Adjusted EBITDA was \$441.6 million, or 14.4% of contract revenues, for fiscal 2017, compared to \$390.0 million, or 14.6% of contract revenues, for fiscal 2016. See Non-GAAP Measure below for further information regarding Non-GAAP Adjusted EBITDA.

Year Ended July 30, 2016 Compared to Year Ended July 25, 2015

The following table sets forth our consolidated statements of operations for the fiscal years ended July 30, 2016 and July 25, 2015 and the amounts as a percentage of revenue (totals may not add due to rounding) (dollars in millions):

	For the Fiscal Year Ended			
	July 30, 2016		July 25, 2015	
Revenues	\$2,672.5	100.0 %	\$2,022.3	100.0 %
Expenses:				
Cost of earned revenue, excluding depreciation and amortization	2,083.6	78.0	1,593.3	78.8
General and administrative	217.1	8.1	178.7	8.8
Depreciation and amortization	124.9	4.7	96.0	4.7
Total	2,425.7	90.8	1,868.0	92.4
Interest expense, net	(34.7)	(1.3)	(27.0)	(1.3)
Loss on debt extinguishment	(16.3)	(0.6)	—	—
Other income, net	10.4	0.4	8.3	0.4
Income before income taxes	206.3	7.7	135.6	6.7
Provision for income taxes	77.6	2.9	51.3	2.5
Net income	\$128.7	4.8 %	\$84.3	4.2 %

Revenues. Revenues increased to \$2.673 billion during fiscal 2016 from \$2.022 billion during fiscal 2015. Revenues increased in fiscal 2016 primarily from services for customers deploying 1 gigabit networks, new awards with significant customers, and revenues generated by businesses acquired during fiscal 2016 and 2015. Additionally, fiscal 2016 included an additional week of operations as a result of our fiscal calendar.

During fiscal 2016 and 2015, total revenues of \$159.0 million and \$17.7 million, respectively, were generated by businesses that were not owned for the full year in both fiscal 2016 and 2015. Excluding these amounts, revenues increased by approximately \$508.9 million during fiscal 2016 as compared to fiscal 2015. Revenues increased by approximately \$224.9 million for a significant telecommunications customer improving its network and by approximately \$139.7 million for a large telecommunications customer primarily for increased activity for services performed under new awards. Revenues increased for a leading cable multiple system operator by approximately \$102.8 million from installation, maintenance and construction services, including services to provision fiber to small and medium businesses, as well as network improvements. Further, revenues increased by approximately \$69.3 million for services performed for a telecommunications customer in connection with rural services. Revenues also increased for services performed on a customer's fiber network by approximately \$54.5 million. Partially offsetting these increases, revenues related to stimulus work on projects funded in part by the American Recovery and Reinvestment Act of 2009 declined by \$41.5 million during fiscal 2016 as the program was completed. In addition, revenues declined by \$31.5 million for a customer where we were providing fiber construction on their end customer's network. All other customers, on a combined basis, had net decreases in revenues of \$9.3 million during fiscal 2016, as compared to fiscal 2015.

The percentage of our revenues by customer type from telecommunications, underground facility locating, and electric and gas utilities and other customers, was approximately 90.7%, 5.9%, and 3.4%, respectively, for fiscal 2016, compared to 90.0%, 6.2%, and 3.8%, respectively, for fiscal 2015.

Costs of Earned Revenues. Costs of earned revenues increased to \$2.084 billion during fiscal 2016, compared to \$1.593 billion during fiscal 2015. The increase was primarily due to a higher level of operations during fiscal 2016, including

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the operating costs of businesses acquired during fiscal 2016 and fiscal 2015 as well as an additional week of operations during fiscal 2016 as a result of our fiscal calendar. The primary components of the increase were a \$410.5 million aggregate increase in direct labor and subcontractor costs, \$46.3 million increase in direct material costs, \$13.0 million net increase in equipment rental, maintenance and fuel costs, and \$20.5 million net increase in other direct costs.

Costs of earned revenues as a percentage of contract revenues decreased 0.8% during fiscal 2016, compared to fiscal 2015. Direct material costs and other direct costs combined decreased 2.2% of contract revenues primarily as a result of operating leverage on our increased level of operations, mix of work, and from lower fuel prices. Partially offsetting these decreases, labor and subcontractor costs increased 1.4% of contract revenues for fiscal 2016, compared to fiscal 2015. The increase in labor and subcontractor costs as a percentage of contract revenues primarily resulted from changes in work type mix and costs incurred to expand operations for several large customer programs, including the impact on productivity. Additionally, during the second quarter of fiscal 2016 we experienced a more pronounced seasonal impact from the businesses acquired during calendar year 2015.

General and Administrative Expenses. General and administrative expenses increased to \$217.1 million, or 8.1% of contract revenues during fiscal 2016, compared to \$178.7 million, or 8.8% of contract revenues, during fiscal 2015. The increase in total general and administrative expenses during fiscal 2016 primarily resulted from increased payroll and performance-based compensation costs, costs of businesses acquired in fiscal 2016 and 2015, and increased technology and facilities costs as we expanded our operations. We recognized approximately \$0.7 million of acquisition costs during fiscal 2016 in connection with a business acquired in the fourth quarter of fiscal 2016. Additionally, stock-based compensation increased to \$16.8 million during fiscal 2016, compared to \$13.9 million during fiscal 2015. The decrease in general and administrative expenses as a percentage of contract revenues is due to operating leverage on our increased level of operations.

Depreciation and Amortization. Depreciation and amortization was \$124.9 million and \$96.0 million during fiscal 2016 and 2015, respectively, and totaled 4.7% of contract revenues during each fiscal year. The increase in depreciation and amortization expense during fiscal 2016 is primarily a result of the addition of fixed assets during fiscal 2016 and 2015 and incremental expense of businesses acquired in fiscal 2016 and 2015. Amortization expense was \$19.4 million and \$16.7 million during fiscal 2016 and 2015, respectively.

Interest Expense, Net. Interest expense, net was \$34.7 million and \$27.0 million during fiscal 2016 and 2015, respectively. Interest expense includes approximately \$14.7 million for the non-cash amortization of debt discount associated with our convertible senior notes during fiscal 2016. Excluding this amortization, interest expense, net decreased to \$20.0 million during fiscal 2016 primarily due to a lower interest coupon rate on the convertible senior notes issued in September 2015 compared to the previously outstanding 7.125% Notes.

Loss on Debt Extinguishment. In connection with the redemption of our 7.125% Notes, we incurred a pre-tax charge for early extinguishment of debt of approximately \$16.3 million during the first quarter of fiscal 2016. This charge is comprised of: (i) \$4.9 million for the present value of the interest payments for the period from the redemption date of October 15, 2015 through January 15, 2016, (ii) \$6.5 million for the excess of the present value of the redemption price over the carrying value of the 7.125% Notes, and (iii) \$4.9 million for the write-off of deferred financing charges related to the fees incurred in connection with the issuance of the 7.125% Notes.

Other Income, Net. Other income, net was \$10.4 million and \$8.3 million during fiscal 2016 and 2015, respectively. The increase in other income, net is primarily a function of the number of assets sold and prices obtained for those assets during fiscal 2016, compared to fiscal 2015. Other income, net during fiscal 2016 also includes immaterial discount fees related to a customer-sponsored vendor payment program in which we participate. Under this program, accounts receivable are collected on an expedited basis pursuant to a non-recourse sale of the receivables to a bank

partner of the customer. The program significantly reduces the time required to collect that customer's receivables.

Income Taxes. The following table presents our income tax provision and effective income tax rate for fiscal 2016 and 2015 (dollars in millions):

Fiscal Year		
Ended		
2016	2015	
Income		
\$77.6	\$51.3	
provision		
Effective		
income	37.6 %	37.8 %
tax		
rate		

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Fluctuations in our effective income tax rate were primarily attributable to the difference in income tax rates from state to state, non-deductible and non-taxable items, disqualifying dispositions of incentive stock option exercises, and production-related tax deductions recognized in relation to our pre-tax results during the periods. The decrease in our effective income tax rate during fiscal 2016, as compared to fiscal 2015, is primarily due to increased production-related tax deductions recognized in relation to higher pre-tax results in fiscal 2016 and a lesser impact of non-deductible items. We had total unrecognized tax benefits of approximately \$2.4 million and \$2.3 million as of July 30, 2016 and July 25, 2015, respectively, which, if recognized, would favorably affect our effective tax rate.

Net Income. Net income was \$128.7 million for fiscal 2016, compared to \$84.3 million for fiscal 2015.

Non-GAAP Adjusted EBITDA. Non-GAAP Adjusted EBITDA was \$390.0 million, or 14.6% of contract revenues, for fiscal 2016, compared to \$265.5 million, or 13.1% of contract revenues, for fiscal 2015. See Non-GAAP Measure below for further information regarding Non-GAAP Adjusted EBITDA.

Non-GAAP Measure

Adjusted EBITDA is a Non-GAAP measure, as defined by Regulation G of the Securities and Exchange Commission. We define Adjusted EBITDA as net income before interest, taxes, depreciation and amortization, gain on sale of fixed assets, stock-based compensation expense, loss on debt extinguishment, and certain non-recurring items. Management believes Adjusted EBITDA is a helpful measure for comparing the Company's operating performance with prior periods as well as with the performance of other companies with different capital structures or tax rates. The following table provides a reconciliation of net income to Non-GAAP Adjusted EBITDA (dollars in thousands):

	For the Six Months Ended		For the Fiscal Year Ended		
	January 27, 2018	January 28, 2017	July 29, 2017	July 30, 2016	July 25, 2015
Net income	\$68,835	\$74,713	\$157,217	\$128,740	\$84,324
Interest expense, net	19,560	18,248	37,364	34,720	27,025
(Benefit) provision for income taxes	(22,285)	44,332	93,208	77,587	51,260
Depreciation and amortization expense	85,053	70,252	147,906	124,940	96,044
Earnings Before Interest, Taxes, Depreciation & Amortization ("EBITDA")	151,163	207,545	435,695	365,987	258,653
Gain on sale of fixed assets	(7,217)	(3,172)	(14,866)	(9,806)	(7,110)
Stock-based compensation expense	13,277	11,015	20,805	16,850	13,923
Loss on debt extinguishment	—	—	—	16,260	—
Acquisition transaction related costs	—	—	—	715	—
Adjusted EBITDA	\$157,223	\$215,388	\$441,634	\$390,006	\$265,466

Liquidity and Capital Resources

We are subject to concentrations of credit risk relating primarily to our cash and equivalents, accounts receivable, and costs and estimated earnings in excess of billings. Cash and equivalents primarily include balances on deposit with banks and totaled \$84.0 million as of January 27, 2018, compared to \$38.6 million as of July 29, 2017 and \$33.8 million as of July 30, 2016. We maintain our cash and equivalents at financial institutions we believe to be of high credit quality. To date, we have not experienced any loss or lack of access to cash in our operating accounts.

In connection with the issuance of the 0.75% convertible senior notes due September 2021, we entered into privately-negotiated convertible note hedge transactions with certain counterparties. We are subject to counterparty

risk with respect to these convertible note hedge transactions. The hedge counterparties are financial institutions, and we are subject to the risk that they might default under the convertible note hedge transactions. To mitigate that risk, we contracted with institutional counterparties who met specific requirements under our risk assessment process. Additionally, the transactions are subject to a netting arrangement, which also reduces credit risk.

Sources of Cash. Our sources of cash are operating activities, long-term debt, equity offerings, stock option proceeds, bank borrowings, and proceeds from the sale of idle and surplus equipment and real property. Cash flow from operations is primarily influenced by demand for our services and operating margins, but can also be influenced by working capital needs associated

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with the services that we provide. In particular, working capital needs may increase when we have growth in operations and where project costs, primarily associated with labor, equipment, materials, and subcontractors, are required to be paid before the related customer balances owed to us are invoiced and collected. Our working capital (total current assets less total current liabilities, excluding the current portion of debt) was \$671.6 million as of January 27, 2018, compared to \$641.6 million as of July 29, 2017 and \$541.7 million as of July 30, 2016.

Capital resources are used primarily to purchase equipment and maintain sufficient levels of working capital to support our contractual commitments to customers. We periodically borrow from and repay our revolving credit facility depending on our cash requirements. We currently intend to retain any earnings for use in the business and other capital allocation strategies which may include investment in acquisitions and share repurchases. Consequently, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

We expect capital expenditures, net of disposals, to range from \$190.0 million to \$200.0 million during fiscal 2019, which is the twelve months ending January 26, 2019, to support growth opportunities and the replacement of certain fleet assets. Our level of capital expenditures can vary depending on the customer demand for our services, the replacement cycle we select for our equipment, and overall growth. We intend to fund these expenditures primarily from operating cash flows, availability under our credit agreement, and cash on hand.

Sufficiency of Capital Resources. We believe that our capital resources, including existing cash balances and amounts available under our credit agreement, are sufficient to meet our financial obligations. These obligations include interest payments required on our convertible senior notes and outstanding term loan facilities and revolver borrowings under our credit agreement, working capital requirements, and the normal replacement of equipment at our expected level of operations for at least the next twelve months. Our capital requirements may increase to the extent we seek to grow by acquisitions that involve consideration other than our stock, or to the extent we repurchase our common stock, repay credit agreement borrowings, or repurchase or convert our convertible senior notes. Changes in financial markets or other components of the economy could adversely impact our ability to access the capital markets, in which case we would expect to rely on a combination of available cash and our credit agreement to provide short-term funding. Management regularly monitors the financial markets and assesses general economic conditions for possible impact on our financial position. We believe our cash investment policies are prudent and expect that any volatility in the capital markets would not have a material impact on our cash investments.

Net Cash Flows. The following table presents our net cash flows for the six months ended January 27, 2018 and the fiscal years ended July 29, 2017, July 30, 2016, and July 25, 2015 (dollars in millions):

	For the Six Months Ended January 27, 2018	For the Fiscal Year Ended		
		July 29, 2017	July 30, 2016	July 25, 2015
Net cash flows:				
Provided by operating activities	\$160.5	\$256.4	\$261.5	\$141.9
Used in investing activities	\$(76.8)	\$(209.1)	\$(333.1)	\$(130.1)
(Used in) Provided by financing activities	\$(38.3)	\$(42.5)	\$84.1	\$(11.2)

Cash Provided by Operating Activities. Non-cash items in the cash flows from operating activities during the current and prior periods were primarily depreciation and amortization, stock-based compensation, amortization of debt discount and debt issuance costs, deferred income taxes, gain on sale of fixed assets, and bad debt expense.

During the six months ended January 27, 2018, net cash provided by operating activities was \$160.5 million. Changes in working capital (excluding cash) and changes in other long-term assets and liabilities provided \$9.1 million of operating cash flow during the six months ended January 27, 2018. Working capital changes that provided operating cash flow during the six months ended January 27, 2018 included decreases in accounts receivable and net costs and estimated earnings in excess of billings of \$51.0 million and \$17.0 million, respectively. Additionally, net decreases in other current and non-current assets combined provided \$1.6 million of operating cash flow during the six months ended January 27, 2018. Working capital changes that used operating cash flow during the six months ended January 27, 2018 included decreases in accrued liabilities and accounts payable of \$32.1 million and \$21.5 million, respectively, primarily resulting from amounts paid for annual incentive compensation during October 2017 and timing of other payments. In addition, a net increase in income tax receivable used \$6.7 million of operating cash flow during the six months ended January 27, 2018 primarily as a result of the timing of estimated tax payments.

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Our days sales outstanding (“DSO”) for accounts receivable is calculated based on the ending accounts receivable divided by the average daily revenue for the most recently completed quarter. Contract payment terms vary by customer and primarily range from 30 to 90 days after invoicing. Our DSO for accounts receivable was 44 days as of January 27, 2018, compared to 40 days as of January 28, 2017. Our DSO for costs and estimated earnings in excess of billings (“CIEB”) was 50 days and 49 days as of January 27, 2018 and January 28, 2017, respectively.

Our CIEB balances are maintained at a detailed task-specific level or project level and are evaluated regularly for realizability. These amounts are invoiced in the normal course of business according to contract terms that consider the completion of specific tasks and the passage of time. Project delays for commercial issues such as permitting, engineering changes, incremental documentation requirements, or difficult job site conditions can extend the time needed to complete certain work orders, which may delay invoicing to the customer for work performed. We were not experiencing any material project delays or other circumstances that would impact the realizability of the CIEB balance as of January 27, 2018 or July 29, 2017. Additionally, there were no material amounts of CIEB related to claims or unapproved change orders as of January 27, 2018 or July 29, 2017. As of January 27, 2018, we believe that none of our significant customers were experiencing financial difficulties that would impact the realizability of our CIEB or the collectability of our trade accounts receivable.

During fiscal 2017, net cash provided by operating activities was \$256.4 million. Changes in working capital (excluding cash) and changes in other long-term assets and liabilities used \$85.6 million of operating cash flow during fiscal 2017. Working capital changes that used operating cash flow during fiscal 2017 included increases in accounts receivable and net costs and estimated earnings in excess of billings of \$33.1 million and \$27.8 million, respectively. In addition, there was a net increase in income tax receivable of \$13.2 million primarily as a result of the timing of annual estimated tax payments made during fiscal 2017. Net increases in other current assets and other non-current assets combined used \$11.2 million of operating cash flow during fiscal 2017 primarily for increases of inventory and prepaid expenses. Changes in accounts payable and accrued liabilities used \$0.4 million of operating cash flow, on a combined basis, primarily resulting from the timing of payments.

Our DSO for accounts receivable was 43 days as of July 29, 2017, compared to 41 days as of July 30, 2016. Our DSO for CIEB was 44 days as of both July 29, 2017 and July 30, 2016, respectively.

During fiscal 2016, net cash provided by operating activities was \$261.5 million. Changes in working capital (excluding cash) and changes in other long-term assets and liabilities used \$33.8 million of operating cash flow during fiscal 2016. Working capital changes that used operating cash flow during fiscal 2016 included an increase in costs and estimated earnings in excess of billings of \$71.0 million. In addition, net increases in other current assets and other non-current assets combined used \$16.7 million of operating cash flow during fiscal 2016 primarily for inventory and prepaid costs. Working capital changes that provided operating cash flow during fiscal 2016, primarily resulting from the timing of payments, were net increases in income taxes payable of \$20.1 million, accrued liabilities of \$15.9 million, primarily resulting from an increase in accrued performance-based compensation as a result of operating performance, and accounts payable of \$15.1 million. Additionally, a decrease in accounts receivable provided \$2.7 million of operating cash flow during fiscal 2016.

Our DSO for accounts receivable was 41 days as of July 30, 2016, compared to 50 days as of July 25, 2015. Our DSO declined due to strong customer collections during the fourth quarter of fiscal 2016. During the fourth quarter of fiscal 2016, the Company began participating in a customer-sponsored vendor payment program. All eligible accounts receivable from this customer are included in the program and payment is received pursuant to a non-recourse sale to a bank partner of the customer. This program effectively reduces the time to collect these receivables as compared to that customer’s standard payment terms. The program has not changed since its inception during fiscal 2016. Our DSO for CIEB was 44 days and 41 days as of July 30, 2016 and July 25, 2015, respectively.

During fiscal 2015, net cash provided by operating activities was \$141.9 million. Changes in working capital (excluding cash) and changes in other long-term assets and liabilities used \$40.3 million of operating cash flow during fiscal 2015. Working capital changes that used operating cash flow during fiscal 2015 were increases in accounts receivable and net costs and estimated earnings in excess of billings of \$40.4 million and \$41.0 million, respectively. Net increases in other current and other non-current assets combined used \$8.0 million of operating cash flow during fiscal 2015, primarily for pre-paid costs during fiscal 2015. The primary working capital sources of cash flow during fiscal 2015 were changes in other accrued liabilities of \$30.3 million, primarily resulting from an increase in accrued insurance claims and an increase in accrued performance-based compensation as a result of operating performance. In addition, increases in accounts payable of \$7.1 million and increases in income tax payable, net of income tax receivables, of \$11.8 million provided operating cash flow during fiscal 2015 due to the timing of cash payments.