

DYCOM INDUSTRIES INC
Form 10-Q
May 22, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 25, 2015

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

For the transition period from _____ to _____

Commission File Number 001-10613

DYCOM INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation or
organization)

59-1277135

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

11770 US Highway 1, Suite 101,

Palm Beach Gardens, Florida

(Address of principal executive offices)

33408

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

There were 34,083,058 shares of common stock with a par value of \$0.33 1/3 outstanding at May 18, 2015.

Dycom Industries, Inc.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	April 25, 2015	July 26, 2014
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and equivalents	\$22,542	\$20,672
Accounts receivable, net	265,772	272,741
Costs and estimated earnings in excess of billings	247,979	230,569
Inventories	45,205	49,095
Deferred tax assets, net	19,278	19,932
Other current assets	20,112	12,727
Total current assets	620,888	605,736
Property and equipment, net	226,328	205,413
Goodwill	269,465	269,088
Intangible assets, net	110,031	116,116
Other	30,404	16,001
Total non-current assets	636,228	606,618
Total assets	\$1,257,116	\$1,212,354

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$64,463	\$63,318
Current portion of debt	—	10,938
Billings in excess of costs and estimated earnings	14,271	13,882
Accrued insurance claims	38,036	32,260
Other accrued liabilities	78,224	76,134
Total current liabilities	194,994	196,532
Long-term debt (including debt premium of \$2.9 million and \$3.2 million at April 25, 2015 and July 26, 2014, respectively)	446,692	446,863
Accrued insurance claims	39,487	33,782
Deferred tax liabilities, net non-current	48,815	45,361
Other liabilities	4,942	4,882
Total liabilities	734,930	727,420

COMMITMENTS AND CONTINGENCIES, Note 17

Stockholders' equity:

Preferred stock, par value \$1.00 per share: 1,000,000 shares authorized: no shares issued and outstanding	—	—
Common stock, par value \$0.33 1/3 per share: 150,000,000 shares authorized: 34,076,566 and 33,990,589 issued and outstanding, respectively	11,359	11,330
Additional paid-in capital	119,233	131,819
Accumulated other comprehensive loss	(846) (158

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Retained earnings	392,440	341,943
Total stockholders' equity	522,186	484,934
Total liabilities and stockholders' equity	\$1,257,116	\$1,212,354

See notes to the condensed consolidated financial statements.

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

	For the Three Months Ended	
	April 25, 2015	April 26, 2014
	(Dollars in thousands, except per share amounts)	
REVENUES:		
Contract revenues	\$492,363	\$426,284
EXPENSES:		
Costs of earned revenues, excluding depreciation and amortization	388,239	350,352
General and administrative (including stock-based compensation expense of \$3.2 million and \$2.7 million, respectively)	44,707	39,162
Depreciation and amortization	23,985	22,726
Total	456,931	412,240
Interest expense, net	(6,646	) (6,563
Other income, net	3,471	5,593
Income before income taxes	32,257	13,074
Provision (benefit) for income taxes:		
Current	9,346	7,094
Deferred	2,653	(1,915
Total provision for income taxes	11,999	5,179
Net income	\$20,258	\$7,895
Earnings per common share:		
Basic earnings per common share	\$0.59	\$0.23
Diluted earnings per common share	\$0.58	\$0.23
Shares used in computing earnings per common share:		
Basic	34,107,262	33,860,832
Diluted	35,028,956	34,763,035

See notes to the condensed consolidated financial statements.

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

	For the Nine Months Ended	
	April 25, 2015	April 26, 2014
	(Dollars in thousands, except per share amounts)	
REVENUES:		
Contract revenues	\$1,443,833	\$1,329,522
EXPENSES:		
Costs of earned revenues, excluding depreciation and amortization	1,147,136	1,087,824
General and administrative (including stock-based compensation expense of \$10.8 million and \$9.7 million, respectively)	131,218	120,799
Depreciation and amortization	70,179	69,713
Total	1,348,533	1,278,336
Interest expense, net	(20,126)	(20,249)
Other income, net	7,001	8,200
Income before income taxes	82,175	39,137
Provision (benefit) for income taxes:		
Current	27,654	16,666
Deferred	4,024	(1,017)
Total provision for income taxes	31,678	15,649
Net income	\$50,497	\$23,488
Earnings per common share:		
Basic earnings per common share	\$1.48	\$0.70
Diluted earnings per common share	\$1.44	\$0.68
Shares used in computing earnings per common share:		
Basic	34,081,381	33,707,957
Diluted	35,091,644	34,767,400

See notes to the condensed consolidated financial statements.

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

	For the Three Months Ended		For the Nine Months Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
	(Dollars in thousands)			
Net income	\$20,258	\$7,895	\$50,497	\$23,488
Foreign currency translation gains (losses), net of tax	38	(46)	(688)	(332)
Comprehensive income	\$20,296	\$7,849	\$49,809	\$23,156

See notes to the condensed consolidated financial statements.

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

	For the Nine Months Ended	
	April 25, 2015	April 26, 2014
	(Dollars in thousands)	
OPERATING ACTIVITIES:		
Net income	\$50,497	\$23,488
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisitions:		
Depreciation and amortization	70,179	69,713
Bad debt expense, net	308	519
Gain on sale of fixed assets	(6,249)	(7,904)
Deferred income tax provision (benefit)	4,024	(1,017)
Stock-based compensation	10,773	9,721
Amortization of premium on long-term debt	(296)	(275)
Amortization of debt issuance costs and other	1,490	1,428
Excess tax benefit from share-based awards	(5,224)	(2,837)
Change in operating assets and liabilities:		
Accounts receivable, net	8,602	18,406
Costs and estimated earnings in excess of billings, net	(17,225)	5,381
Other current assets and inventory	(2,041)	(13,242)
Other assets	(7,511)	(646)
Income taxes receivable/payable	(1,317)	(8,827)
Accounts payable	(1,224)	(5,506)
Accrued liabilities, insurance claims, and other liabilities	18,798	9,089
Net cash provided by operating activities	123,584	97,491
INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(9,821)	(700)
Capital expenditures	(76,825)	(70,585)
Proceeds from sale of assets	6,764	9,425
Changes in restricted cash	(541)	(305)
Other investing activities	(4,000)	—
Net cash used in investing activities	(84,423)	(62,165)
FINANCING ACTIVITIES:		
Proceeds from borrowings on senior credit agreement, including term loan	310,750	337,000
Principal payments on senior credit agreement, including term loan	(321,563)	(375,469)
Debt issuance costs	(3,527)	—
Repurchases of common stock	(30,687)	(9,999)
Exercise of stock options	6,842	14,010
Restricted stock tax withholdings	(4,330)	(3,590)
Excess tax benefit from share-based awards	5,224	2,837
Net cash used in financing activities	(37,291)	(35,211)
Net increase in cash and equivalents	1,870	115
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	20,672	18,607

CASH AND EQUIVALENTS AT END OF PERIOD	\$22,542	\$18,722
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DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (Continued)
 (Unaudited)

For the Nine Months Ended
 April 25, 2015 April 26, 2014
 (Dollars in thousands)

SUPPLEMENTAL DISCLOSURE OF OTHER CASH FLOW ACTIVITIES
 AND NON-CASH INVESTING AND FINANCING ACTIVITIES:

Cash paid during the period for:		
Interest	\$ 14,241	\$ 14,160
Income taxes	\$ 29,659	\$ 26,106
Purchases of capital assets included in accounts payable or other accrued liabilities at period end	\$ 4,160	\$ 4,328

See notes to the condensed consolidated financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Accounting Policies

Basis of Presentation

Dycom Industries, Inc. ("Dycom" or the "Company") is a leading provider of specialty contracting services throughout the United States and in Canada. The Company's services include engineering, construction, maintenance and installation services to telecommunications providers, underground facility locating services to various utilities, including telecommunications providers, and other construction and maintenance services to electric and gas utilities.

The accompanying unaudited condensed consolidated financial statements include the results of Dycom and its subsidiaries, all of which are wholly-owned. All intercompany accounts and transactions have been eliminated and the financial statements reflect all adjustments, consisting of only normal recurring accruals that are, in the opinion of management, necessary for a fair presentation of such statements. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. Operating results for the interim period are not necessarily indicative of the results expected for any other interim period or for the full fiscal year. These condensed consolidated financial statements and accompanying notes should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the Company's audited financial statements for the year ended July 26, 2014 included in the Company's Annual Report on Form 10-K for the year ended July 26, 2014, filed with the SEC on September 9, 2014.

Segment Information – The Company operates in one reportable segment as a specialty contractor, providing engineering, construction, maintenance and installation services to telecommunications providers, underground facility locating services to various utilities, including telecommunications providers, and other construction and maintenance services to electric and gas utilities. The Company's services are provided by its operating segments, each of which consists of a subsidiary (or in limited instances, the combination of two or more subsidiaries). Management of the operating segments report to the Company's Chief Operating Officer who reports to the Chief Executive Officer, the chief operating decision maker. All of the Company's operating segments have been aggregated into one reportable segment due to their similar economic characteristics, nature of services and production processes, type of customers, and service distribution methods. The Company's operating segments provide services throughout the United States and in Canada. Revenues from services provided in Canada were approximately \$2.0 million and \$9.8 million during the three and nine months ended April 25, 2015, respectively, and \$2.5 million and \$7.9 million during the three and nine months ended April 26, 2014, respectively. The Company had no material long-lived assets in Canada at April 25, 2015 or July 26, 2014.

Accounting Period – The Company uses a fiscal year ending on the last Saturday in July. As a result, each fiscal year may be comprised of fifty-two weeks or fifty-three weeks (with an additional week of operations occurring in the fourth quarter).

Significant Accounting Policies & Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. At the time they are made, the Company believes that such estimates are fair when considered in conjunction

with the consolidated financial position and results of operations taken as a whole. However, actual results could differ materially from those estimates. There have been no material changes to the Company's significant accounting policies and critical accounting estimates described in the Company's Annual Report on Form 10-K for the year ended July 26, 2014.

Restricted Cash – As of April 25, 2015 and July 26, 2014, the Company had approximately \$4.5 million and \$4.0 million, respectively, in restricted cash which is held as collateral in support of the Company's insurance obligations. Restricted cash is included in other current assets and other assets in the condensed consolidated balance sheets and changes in restricted cash are reported in cash flows used in investing activities in the condensed consolidated statements of cash flows.

Fair Value of Financial Instruments – The Company's financial instruments consist primarily of cash and equivalents, restricted cash, accounts receivables, income taxes receivable and payable, accounts payable and certain accrued expenses, and long-term debt. The carrying amounts of these items approximate fair value due to their short maturity, except for the Company's outstanding 7.125% senior subordinated notes due 2021 (the "2021 Notes") which are based on observable market-

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based inputs (Level 2) as of April 25, 2015 and July 26, 2014. See Note 10, Debt, for further information regarding the fair value of the 2021 Notes. The Company's cash and equivalents are based on quoted market prices in active markets for identical assets (Level 1) as of April 25, 2015 and July 26, 2014. During the three and nine months ended April 25, 2015 and April 26, 2014 the Company had no material non-recurring fair value measurements of assets or liabilities subsequent to their initial recognition.

Other Assets – Other assets consists of deferred financing costs, long-term deposits, contract acquisition costs and other non-current assets. During the third quarter of fiscal 2015, the Company made an investment of \$4.0 million in non-voting senior units of a customer. The investment was made in connection with this customer's restructuring plan and will accrue dividends at a rate of 5.25% per year.

Recently Issued Accounting Pronouncements

Accounting Standards Not Yet Adopted

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). ASU 2014-08 changes the criteria for reporting discontinued operations. In accordance with ASU 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations only if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. ASU 2014-08 also requires expanded disclosures about the assets, liabilities, income, and expenses of discontinued operations as well as disclosure of the pre-tax income rising from a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. ASU 2014-08 will be effective for the Company beginning in fiscal 2016 and interim reporting periods within that year. Early adoption is permitted only for disposals that have not been reported in financial statements previously issued or available for issuance. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASU 2014-09"). ASU 2014-09 requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 requires entities to disclose both qualitative and quantitative information that enables users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including disclosure of significant judgments affecting the recognition of revenue. ASU 2014-09 will be effective for the Company beginning in fiscal 2018 and interim reporting periods within that year, using either the retrospective or cumulative effect transition method. Early adoption is not permitted. The Company is currently evaluating the effect of the adoption of this guidance on the consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). ASU 2014-15 requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year after the date that financial statements are issued. If such conditions or events exist, an entity should disclose that there is substantial doubt about the entity's ability to continue as a going concern for a period of one year after the date that financial statements are issued. Disclosure should include the principal conditions or events that raise substantial doubt, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, and management's plans that are intended to mitigate those conditions or events. ASU 2014-15 will be effective for the Company beginning in fiscal 2017 and interim reporting

periods within that year. Early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In January 2015, the FASB issued Accounting Standards Update No. 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items ("ASU 2015-01"). ASU 2015-01 eliminates the concept of an extraordinary item from GAAP. As a result, an entity is no longer required to separately classify, present, or disclose extraordinary events and transactions; however, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained. ASU 2015-01 will be effective for the Company beginning in fiscal 2016 and interim reporting periods within that year. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU2015-03"), which requires debt issuance costs to be

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presented as a direct deduction from the associated debt liability on the balance sheet. ASU 2015-03 will be effective for the Company in fiscal 2017 and interim reporting periods within that year, using the retrospective method. Early adoption is permitted. See Note 10, Debt, for further information regarding the Company's debt financing.

2. Computation of Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per common share:

	For the Three Months Ended		For the Nine Months Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
	(Dollars in thousands, except per share amounts)			
Net income available to common stockholders (numerator)	\$20,258	\$7,895	\$50,497	\$23,488
Weighted-average number of common shares (denominator)	34,107,262	33,860,832	34,081,381	33,707,957
Basic earnings per common share	\$0.59	\$0.23	\$1.48	\$0.70
Weighted-average number of common shares	34,107,262	33,860,832	34,081,381	33,707,957
Potential common stock arising from stock options, and unvested restricted share units	921,694	902,203	1,010,263	1,059,443
Total shares-diluted (denominator)	35,028,956	34,763,035	35,091,644	34,767,400
Diluted earnings per common share	\$0.58	\$0.23	\$1.44	\$0.68
Anti-dilutive weighted shares excluded from the calculation of earnings per common share	158,113	576,257	159,484	570,859

3. Acquisitions

Fiscal 2015 - During the first quarter of fiscal 2015, the Company 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. The preliminary purchase price allocation of Hewitt includes working capital items, property and equipment, and \$5.9 million of customer relationship intangible assets. The Company also acquired the assets of two cable installation contractors for an aggregate purchase price of \$1.5 million during the second quarter of fiscal 2015.

Fiscal 2014 - During the third quarter of fiscal 2014, the Company acquired a telecommunications specialty construction contractor in Canada for \$0.7 million. The Company also acquired Watts Brothers Cable Construction, Inc. ("Watts Brothers") for \$16.4 million during the fourth quarter of fiscal 2014. Watts Brothers provides specialty contracting services primarily for telecommunications providers in the Midwest and Southeastern United States. The purchase price allocation included \$2.6 million of working capital items, \$3.7 million of property and equipment, \$8.5 million of customer relationship intangible assets and \$1.6 million of goodwill.

The results of these acquisitions are included in the consolidated financial statements from their respective closing dates. None of these acquisitions were considered material, individually or in the aggregate, to the Company's condensed consolidated financial statements. As a result, no pro forma information has been provided.

Purchase price allocations of businesses acquired during fiscal 2015 are preliminary and will be completed during fiscal 2015 when the valuations are finalized for intangible assets and other amounts.

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4. Accounts Receivable

Accounts receivable consisted of the following:

	April 25, 2015	July 26, 2014
	(Dollars in thousands)	
Contract billings	\$246,876	\$258,254
Retainage and other receivables	19,894	15,323
Total	266,770	273,577
Less: allowance for doubtful accounts	(998	) (836
Accounts receivable, net	\$265,772	\$272,741

The Company grants credit under normal payment terms, generally without collateral, to its customers. The Company expects to collect the outstanding balance of accounts receivable, net, including retainage and amounts on which it has filed construction liens, within the next twelve months. The increase in retainage during fiscal 2015 is the result of higher levels of work performed under contracts containing standard retainage provisions. Except as described below, there were no material accounts receivable amounts representing claims or other similar items subject to uncertainty as of April 25, 2015 or July 26, 2014.

In April 2014, Pauley Construction, Inc. ("Pauley"), a wholly-owned subsidiary of the Company, halted work and filed construction liens with respect to approximately \$17.7 million of past due balances from a customer on a rural project. The project was being funded primarily by the Rural Utilities Service agency of the United States Department of Agriculture (the "RUS") under the American Recovery and Reinvestment Act of 2009. During the third quarter of fiscal 2015, the Company made an investment of \$4.0 million in non-voting senior units of the customer in connection with the customer's restructuring plan with the RUS. In addition, the Company collected approximately \$7.1 million of past due balances and re-started work on the project during the third quarter of fiscal 2015. As of April 25, 2015, the Company's accounts receivable includes approximately \$13.1 million of past due balances from the customer. During May 2015, approximately \$5.8 million of the past due balances was subsequently collected. The Company expects to collect the remaining accounts receivable balances from the customer within the next twelve months. A significant portion of the outstanding balance is secured by construction liens. In the event the customer does not pay the balances owed, the Company may enforce its liens rights or take other actions necessary for collection. Amounts realized from these actions would depend on the fair value of the assets as well as the amount owed to, and priority of, other creditors at the time of resolution. See Note 17, Commitments and Contingencies, for further information regarding the construction liens and related litigation.

The Company maintains an allowance for doubtful accounts for estimated losses on uncollected balances. During the three and nine months ended April 25, 2015 and April 26, 2014, write-offs to the allowance for doubtful accounts, net of recoveries, were not material.

5. Costs and Estimated Earnings in Excess of Billings

Costs and estimated earnings in excess of billings ("CIEB") includes revenue for services from contracts based both on the units-of-delivery and the cost-to-cost measures of the percentage of completion method. Amounts consisted of the following:

	April 25, 2015	July 26, 2014
	(Dollars in thousands)	
Costs incurred on contracts in progress	\$228,683	\$234,766
Estimated to date earnings	65,324	57,335

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Total costs and estimated earnings	294,007	292,101
Less: billings to date	(60,299)	(75,414)
	\$233,708	\$216,687
Included in the accompanying condensed consolidated balance sheets under the captions:		
Costs and estimated earnings in excess of billings	\$247,979	\$230,569
Billings in excess of costs and estimated earnings	(14,271)	(13,882)
	\$233,708	\$216,687

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As of April 25, 2015, the Company expects that substantially all of its CIEB will be billed to customers and collected in the normal course of business within the next twelve months. Additionally, there were no material CIEB amounts representing claims or other similar items subject to uncertainty as of April 25, 2015 or July 26, 2014.

6. Property and Equipment

Property and equipment consisted of the following:

	Estimated Useful Lives (Years)	April 25, 2015 (Dollars in thousands)	July 26, 2014
Land	—	\$3,408	\$3,408
Buildings	10-35	11,655	11,589
Leasehold improvements	1-10	6,950	5,335
Vehicles	1-5	308,887	279,631
Computer hardware and software	3-10	84,235	73,349
Office furniture and equipment	2-7	8,244	7,790
Equipment and machinery	1-10	191,323	177,608
Total		614,702	558,710
Less: accumulated depreciation		(388,374)	(353,297)
Property and equipment, net		\$226,328	\$205,413

Depreciation expense was \$19.8 million and \$18.6 million for the three months ended April 25, 2015 and April 26, 2014, respectively, and \$57.8 million and \$55.7 million for the nine months ended April 25, 2015 and April 26, 2014, respectively.

7. Goodwill and Intangible Assets

Goodwill

The Company's goodwill balance was \$269.5 million and \$269.1 million as of April 25, 2015 and July 26, 2014, respectively. The increase in goodwill during fiscal 2015 is the result of preliminary purchase price allocations and final working capital adjustments associated with businesses acquired in fiscal 2014. Changes in the carrying amount of goodwill for fiscal 2015 were as follows:

	Goodwill	Accumulated Impairment Losses	Total
	(Dollars in thousands)		
Balance as of July 26, 2014	\$464,855	\$(195,767)	\$269,088
Purchase price allocation adjustments	377	—	377
Balance as of April 25, 2015	\$465,232	\$(195,767)	\$269,465

The Company's goodwill and other indefinite-lived intangible assets are assessed annually for impairment as of the first day of the fourth fiscal quarter of each year, or more frequently if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. The Company's goodwill resides in multiple reporting units. The profitability of individual reporting units may suffer periodically from downturns in customer demand and other factors resulting from the cyclical nature of the Company's business, the high level of competition existing within the Company's industry, the concentration of the Company's revenues from a limited number of customers, and the level of overall economic activity, including in particular construction and housing activity. During times of slowing economic conditions, the Company's customers may reduce capital expenditures and defer or cancel pending projects. Individual reporting units may be more impacted by these factors than the Company as a whole. As

a result, the performance of the Company's reporting units could decline, resulting in an impairment of goodwill or intangible assets.

As a result of the fiscal 2014 annual impairment analysis, the Company concluded that no impairment of goodwill or the indefinite-lived intangible asset was indicated at any reporting unit. During fiscal 2014, qualitative assessments were performed by the Company as the primary assessment method on reporting units comprising less than 20% of its consolidated goodwill balance. The qualitative assessments indicated that it was more likely than not that fair value exceeded carrying value for those reporting units. For the remaining reporting units, the Company performed the first step of the quantitative analysis described in

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ASC Topic 350, Intangibles-Goodwill and Other. The key valuation assumptions used in determining the fair value estimates of the Company's reporting units were (a) a discount rate of 11.5% based on the Company's best estimate of the weighted average cost of capital adjusted for risks associated with the reporting units; (b) terminal value based on terminal growth rates ranging from 1.5% to 3.0%; and (c) seven expected years of cash flow before the terminal value for each annual test.

In the fiscal 2014 impairment analysis, the fair value for three of the reporting units acquired in fiscal 2013 exceeded their carrying value by less than 25% each. The goodwill balances for these reporting units were \$10.6 million, \$4.8 million and \$3.6 million. Recent operating performance, along with assumptions for specific customer and industry opportunities, were considered in the key assumptions used during the fiscal 2014 impairment analysis. Management has determined that the goodwill balance of these reporting units may have an increased likelihood of impairment if the long-term outlook for their cash flows were adversely impacted by a prolonged downturn in customer demand or if the reporting units were not able to execute against customer opportunities. Furthermore, changes in the long-term outlook may result in changes to other valuation assumptions. Factors monitored by management which could result in a change to the reporting units' estimates include the outcome of customer requests for proposals and subsequent awards, strategies of competitors, labor market conditions and levels of overall economic activity, including construction and housing activity. As of April 25, 2015, the Company believes the goodwill is recoverable for all of the reporting units; however, there can be no assurances that goodwill will not be impaired in future periods.

Intangible Assets

The Company's intangible assets consisted of the following:

	April 25, 2015	July 26, 2014
	(Dollars in thousands)	
Carrying amount:		
Customer relationships	\$179,859	\$173,594
Contract backlog	8,076	15,285
Trade names	8,200	8,200
UtiliQuest trade name	4,700	4,700
Non-compete agreements	400	400
	201,235	202,179
Accumulated amortization:		
Customer relationships	79,531	69,048
Contract backlog	7,121	13,490
Trade names	4,328	3,361
Non-compete agreements	224	164
	91,204	86,063
Net Intangible Assets	\$110,031	\$116,116

During fiscal 2015, the carrying amount of customer relationship intangible assets increased \$5.9 million as a result of the preliminary purchase price allocation for Hewitt and \$0.4 million as a result of the preliminary purchase price allocation for businesses acquired during the second quarter of fiscal 2015. The carrying amount of contract backlog and the associated accumulated amortization decreased \$7.2 million during fiscal 2015 as the intangible assets became fully amortized. This decrease did not impact the net carrying value of intangible assets as of April 25, 2015.

Amortization of the Company's customer relationships and contract backlog intangible assets is recognized on an accelerated basis as a function of the expected economic benefit. Amortization for the Company's other finite-lived intangibles is recognized on a straight-line basis over the estimated useful life of the intangible asset. Amortization

expense for finite-lived intangible assets was \$4.1 million for each of the three months ended April 25, 2015 and April 26, 2014, and \$12.4 million and \$14.1 million for the nine months ended April 25, 2015 and April 26, 2014, respectively.

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Estimated total amortization expense for existing intangible assets for the remainder of fiscal 2015 and each of the five succeeding fiscal years and thereafter is as follows (dollars in thousands):

Period	Amount
Three months ending July 25, 2015	\$4,147
2016	15,918
2017	14,403
2018	12,212
2019	9,792
2020	8,855
Thereafter	40,004
Total	\$105,331

As of April 25, 2015, the Company believes that the carrying amounts of its 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.

8. Accrued Insurance Claims

Within its insurance program the Company retains the risk of loss, up to certain limits, for claims relating to automobile liability, general liability, workers' compensation, employee group health, and damages relating to underground facility locating services. With respect to losses occurring in fiscal 2015, the Company retains the risk of loss up to \$1.0 million on a per occurrence basis for automobile liability, general liability and workers' compensation. These retention amounts are applicable to all of the states in which the Company operates, except with respect to workers' compensation insurance in two states in which the Company participates in a state-sponsored insurance fund. Aggregate stop-loss coverage for automobile liability, general liability and workers' compensation claims within 2015 is \$59.5 million.

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

The liability for total accrued insurance claims and related processing costs was \$77.5 million and \$66.0 million at April 25, 2015 and July 26, 2014, respectively, of which, \$39.5 million and \$33.8 million, respectively, is reflected in non-current liabilities in the condensed consolidated financial statements.

9. Other Accrued Liabilities

Other accrued liabilities consisted of the following:

	April 25, 2015	July 26, 2014
	(Dollars in thousands)	
Accrued payroll and related taxes	\$16,974	\$18,429
Accrued employee benefit and incentive plan costs	21,060	17,677
Accrued construction costs	21,175	20,689
Accrued interest and related bank fees	5,591	872
Other current liabilities	13,424	18,467
Total other accrued liabilities	\$78,224	\$76,134

Other current liabilities within the above table includes income taxes payable of \$5.2 million as of July 26, 2014.

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10. Debt

The Company's outstanding indebtedness consisted of the following:

	April 25, 2015	July 26, 2014
	(Dollars in thousands)	
Credit Agreement - Revolving facility (matures April 2020)	\$ 16,250	\$ 63,000
Credit Agreement - Term Loan (matures April 2020)	150,000	114,063
7.125% senior subordinated notes due 2021	277,500	277,500
Long-term debt premium on 7.125% senior subordinated notes (amortizes to interest expense through January 2021)	2,942	3,238
	446,692	457,801
Less: current portion	—	(10,938)
Long-term debt	\$ 446,692	\$ 446,863

Senior Subordinated Notes Due 2021

As of April 25, 2015 and July 26, 2014, Dycom Investments, Inc., (the "Issuer"), a wholly-owned subsidiary of the Company, had outstanding an aggregate principal amount of \$277.5 million of 7.125% senior subordinated notes due 2021 that were issued under an indenture dated January 21, 2011 (the "Indenture"). In addition, the 2021 Notes had a debt premium of \$2.9 million and \$3.2 million as of April 25, 2015 and July 26, 2014, respectively.

The 2021 Notes are guaranteed by the Issuer's parent company and substantially all of the Company's subsidiaries. For additional information regarding these guarantees see Note 18, Supplemental Consolidating Financial Statements. The Indenture contains covenants that limit, among other things, the Company's ability to incur additional debt and issue preferred stock, make certain restricted payments, consummate specified asset sales, enter into transactions with affiliates, incur liens, impose restrictions on the ability of its subsidiaries to pay dividends or make payments to the Company and its restricted subsidiaries, merge or consolidate with another person, and dispose of all or substantially all of its assets.

The Company determined that the fair value of the 2021 Notes as of April 25, 2015 was approximately \$289.6 million based on quoted market prices, compared to a \$280.4 million carrying value (including the debt premium of \$2.9 million). As of July 26, 2014, the fair value of the 2021 Notes was \$297.6 million compared to a carrying value of \$280.7 million (including the debt premium of \$3.2 million).

Senior Credit Agreement

On April 24, 2015, Dycom Industries, Inc. and certain of its subsidiaries amended its existing credit agreement dated as of December 3, 2012 (as so amended by the "Amendment," the "Credit Agreement"), with various lenders named therein. The Amendment extends the maturity date of the credit agreement to April 24, 2020 and, among other things, increases the maximum revolver commitment from \$275 million to \$450 million and increases the term loan facility to \$150 million. The Amendment also increases the sublimit for the issuance of letters of credit from \$150 million to \$200 million. Subject to certain conditions, the Amendment provides the Company the ability to enter into one or more incremental facilities, up to the greater of (i) \$150 million and (ii) an amount such that, after giving effect to such incremental facility on a pro forma basis (assuming that the amount of the incremental commitments is fully drawn and funded), the consolidated senior secured leverage ratio does not exceed 2.25 to 1.00. The incremental facilities can be in the form of revolving commitments under the credit agreement and/or in the form of term loans. The payments under the Credit Agreement are guaranteed by substantially all of the Company's subsidiaries and secured by the stock of each wholly-owned, domestic subsidiary (subject to specified exceptions).

Borrowings under the Credit Agreement (other than Swingline Loans (as defined in the Credit Agreement)) will bear interest at a rate equal to either (a) the Eurodollar rate (based on LIBOR) plus an applicable margin, or (b) the administrative agent's base rate, described in the Credit Agreement as the highest of (i) the administrative agent's prime rate, (ii) the Federal Funds Rate plus 0.50%, and (iii) the Eurodollar rate plus 1.00%, plus an applicable margin. In each case, the applicable margin is based upon the Company's consolidated leverage ratio. In addition, the Company will pay a fee for unused revolver balances based upon the Company's consolidated leverage ratio. As of April 25, 2015, borrowings under the Credit Agreement were eligible for an applicable margin of 1.75% for borrowings based on the Eurodollar rate and 0.75% for borrowings based on the administrative agent's base rate. As of July 26, 2014, and up until the date of the amendment, borrowings under the credit agreement were at an applicable margin of 2.00% for borrowings based on the Eurodollar rate and 1.00% for borrowings based

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on the administrative agent's base rate. Swingline loans, if any, will bear interest at a rate equal to the administrative agent's base rate plus an applicable margin based upon the Company's consolidated leverage ratio.

The Amendment also amends the financial covenant which requires the Company to maintain a consolidated leverage ratio of not greater than 3.50 to 1.00, as measured at the end of each fiscal quarter. In addition, the Amendment provides for certain increases to this ratio in connection with permitted acquisitions on the terms and conditions specified in the Credit Agreement.

The Company incurs fees under the Credit Agreement for the unutilized commitments at rates that range from 0.25% to 0.40% per annum, fees for outstanding standby letters of credit at rates that range from 1.25% to 2.00% per annum and fees for outstanding commercial letters of credit at rates that range from 0.625% to 1.000% per annum, in each case based on the Company's consolidated leverage ratio.

The Company had \$150.0 million and \$114.1 million of outstanding principal amount under the term loan as of April 25, 2015 and July 26, 2014, respectively, which accrued interest at 1.93% per annum and 2.15% per annum, as of April 25, 2015 and July 26, 2014, respectively. Additionally, outstanding revolver borrowings were \$16.3 million and \$63.0 million as of April 25, 2015 and July 26, 2014, respectively. Revolver borrowings were comprised of borrowings at the applicable Eurodollar rate or the base rate and accrued interest at a weighted average rate of approximately 3.20% per annum and 2.55% per annum as of April 25, 2015 and July 26, 2014, respectively.

Standby letters of credit of approximately \$54.4 million and \$49.4 million, issued as part of the Company's insurance program, were outstanding under the Credit Agreement as of April 25, 2015 and July 26, 2014, respectively. Interest on outstanding standby letters of credit accrued at 1.75% and 2.00% per annum at April 25, 2015 and July 26, 2014, respectively. The unused facility fee was 0.35% of unutilized commitments at both April 25, 2015 and July 26, 2014.

At April 25, 2015 and July 26, 2014, the Company was in compliance with the financial covenants of the Credit Agreement and had additional borrowing availability of \$379.3 million and \$162.6 million, respectively, as determined by the most restrictive covenants of the Credit Agreement.

11. Income Taxes

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

The Company is subject to federal income taxes in the United States, the income taxes of multiple state jurisdictions and in Canada. There were immaterial amounts of pre-tax income related to Canadian operations for the three and nine months ended April 25, 2015 and April 26, 2014. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or Canadian income tax examinations for fiscal years ended 2010 and prior. The Company believes its provision for income taxes is adequate; however, any assessment would affect the Company's results of operations and cash flows. Income tax receivables totaling \$3.2 million and \$2.2 million are included in other current assets as of April 25, 2015 and July 26, 2014. Income tax payables totaling \$5.2 million are included in other accrued liabilities as of July 26, 2014.

As of both April 25, 2015 and July 26, 2014, the Company had total unrecognized tax benefits of \$2.4 million resulting from uncertain tax positions. The Company's effective tax rate will be reduced during future periods if it is determined that these tax benefits are realizable. The Company had approximately \$0.9 million and \$0.8 million for the payment of interest and penalties accrued at April 25, 2015 and July 26, 2014, respectively. Interest expense related to unrecognized tax benefits was immaterial during the three and nine months ended April 25, 2015 and April 26, 2014.

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12. Other Income, Net

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

	For the Three Months Ended		For the Nine Months Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
	(Dollars in thousands)			
Gain on sale of fixed assets	\$3,067	\$5,469	\$6,249	\$7,904
Miscellaneous income, net	404	124	752	296
Total other income, net	\$3,471	\$5,593	\$7,001	\$8,200

13. Capital Stock

During the nine months ended April 25, 2015, the Company repurchased 763,768 shares of its common stock in open market transactions for approximately \$30.7 million, an average price of \$40.18 per share, under authorized share repurchase programs. During fiscal 2014, the Company repurchased 360,900 shares of its common stock in open market transactions for approximately \$10.0 million, an average price of \$27.71 per share, under authorized share repurchase programs. All shares repurchased have been subsequently canceled. As of April 25, 2015, approximately \$26.5 million of the \$40.0 million authorized on February 24, 2015 remained available for repurchases through August 2016.

During the nine months ended April 25, 2015 and April 26, 2014, the Company withheld shares to meet the payroll tax withholdings obligations that arose on the vesting of restricted units. Approximately 138,535 shares and 130,195 shares, totaling \$4.3 million and \$3.6 million, respectively, were withheld during the nine months ended April 25, 2015 and April 26, 2014, respectively. All shares withheld have been canceled. Shares withheld for tax withholdings do not reduce the Company's total share repurchase authority.

14. Stock-Based Awards

The Company has certain stock-based compensation plans which provide for the grants of stock-based awards, including stock options, restricted shares, performance shares, restricted share units, performance share units, and stock appreciation rights.

Compensation expense for stock-based awards is based on fair value at the measurement date and fluctuates over time as a result of the Company's performance, as measured by the criteria set forth in the performance-based awards, as well as the vesting period of all stock-based awards. The expense is included in general and administrative expenses in the condensed consolidated statements of operations and the amount of expense ultimately recognized is based on the number of awards that actually vest. For performance share units ("Performance RSUs"), the Company evaluates compensation expense quarterly and recognizes expense for performance-based awards only if management determines it is probable that performance criteria for the awards will be met. Accordingly, the amount of compensation expense recognized during any fiscal year may not be representative of future stock-based compensation expense.

Stock-based compensation expense and the related tax benefit recognized related to stock options and restricted share units during the three and nine months ended April 25, 2015 and April 26, 2014 were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
	(Dollars in thousands)			
Stock-based compensation	\$3,219	\$2,671	\$10,773	\$9,721
	\$1,248	\$1,071	\$4,221	\$3,736

Tax benefit recognized in the statement of operations

As of April 25, 2015, unrecognized compensation expense related to stock options, time-based restricted share units ("RSUs") and target Performance RSUs (based on the Company's estimate of performance goal achievement) was \$3.5 million, \$6.9 million, and \$15.5 million, respectively. This expense will be recognized over a weighted-average period of 2.7 years, 2.5 years and 1.6 years, respectively, which is based on the average remaining service periods of the awards. As of April 25, 2015, the Company may recognize an additional \$5.3 million in compensation expense related to Performance RSUs if the maximum amount of restricted share units are earned based on certain performance goals being met.

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Stock Options

The following table summarizes stock option award activity during the nine months ended April 25, 2015:

	Stock Options Shares	Weighted Average Exercise Price
Outstanding as of July 26, 2014	2,044,893	\$18.68
Granted	90,686	\$31.46
Options exercised	(536,538	) \$12.75
Forfeited or canceled	(484,126	) \$34.48
Outstanding as of April 25, 2015	1,114,915	\$15.72
Exercisable options as of April 25, 2015	856,647	\$12.77

RSUs and Performance RSUs

The following table summarizes RSU and Performance RSU activity during the nine months ended April 25, 2015:

	Restricted Stock RSUs		Performance RSUs	
	Share Units	Weighted Average Grant Price	Share Units	Weighted Average Grant Price
Outstanding as of July 26, 2014	398,931	\$20.61	1,190,184	\$21.73
Granted	100,360	\$31.15	416,987	\$31.03
Share units vested	(134,764	) \$19.55	(317,908	) \$21.59
Forfeited or canceled	(13,781	) \$19.27	(333,977	) \$19.98
Outstanding as of April 25, 2015	350,746	\$24.09	955,286	\$26.45

The granted Performance RSUs in the above table is comprised of 357,331 target shares, granted to officers and employees, and 59,656 supplemental shares granted to officers. During fiscal 2015, the Company canceled 312,163 Performance RSUs outstanding as of July 26, 2014, including 48,313 target shares and 263,850 supplemental shares, as a result of the fiscal 2014 performance criteria not being fully met. The total amount of Performance RSUs outstanding as of April 25, 2015 is comprised of 725,438 target shares and 229,848 supplemental shares.

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15. Related Party Transactions

The Company leases certain administrative offices and equipment from entities related to officers of the Company's subsidiaries. Additionally, the Company pays for certain subcontracting services and materials to entities related to officers of the Company's subsidiaries. Expenses under these arrangements for the three and nine months ended April 25, 2015 and April 26, 2014 were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
	(Dollars in thousands)			
Real property and equipment leases	\$648	\$562	\$1,952	\$1,731
Subcontractors and materials expense	\$792	\$366	\$1,981	\$994

The Company believes that all related party transactions have been conducted on an arms-length basis and the terms are similar to those that would be available from third parties.

16. Concentration of Credit Risk

The Company's customer base is highly concentrated, with its top five customers in each period accounting for approximately 60.1% and 58.5% of its total revenues during the nine months ended April 25, 2015 and April 26, 2014, respectively. Customers whose revenues exceeded 10% of total revenue during the three or nine months ended April 25, 2015 or April 26, 2014 were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	April 25, 2015	April 26, 2014	April 25, 2015	April 26, 2014
AT&T Inc.	21.3%	20.8%	21.5%	18.9%
CenturyLink, Inc.	13.9%	12.8%	13.7%	14.3%
Comcast Corporation	13.3%	12.1%	13.0%	11.5%

Customers representing 10% or more of combined amounts of trade accounts receivable and costs and estimated earnings in excess of billings, net ("CIEB, net") as of April 25, 2015 or July 26, 2014 had the following outstanding balances and the related percentage of the Company's total outstanding balances:

	April 25, 2015		July 26, 2014		
	Amount	% of Total	Amount	% of Total	
	(Dollars in millions)				
AT&T Inc.	\$103.5	20.7	% \$87.6	17.9	%
CenturyLink, Inc.	\$56.2	11.2	% \$48.2	9.8	%
Comcast Corporation	\$55.5	11.1	% \$48.9	9.9	%

In addition, another customer represented \$51.0 million, or 10.2%, of combined amounts of trade accounts receivable and CIEB, net as of April 25, 2015 and \$20.5 million, or 4.7%, as of July 26, 2014.

17. Commitments and Contingencies

Pauley Construction, Inc. ("Pauley"), a wholly-owned subsidiary of the Company, filed construction liens on several parcels of land with respect to past due balances from a customer on a rural project funded primarily by the RUS (See Note 4, Accounts Receivable). In April 2014, R&R Taylor Construction, Inc. ("R&R") filed suit against this customer in the Montana Eighteenth Judicial District Court alleging that the customer failed to pay for construction services and materials. In its lawsuit, R&R seeks to foreclose on its construction lien and, ultimately, to foreclose on the parcel of land on which the lien was filed. In July 2014, R&R amended its lawsuit to include Pauley, alleging that its lien on

this parcel has priority over Pauley's lien on the parcel. Pauley has filed an answer to this amended complaint, a counterclaim against R&R and a cross-claim against the customer, alleging that Pauley's lien is superior to all other liens on such parcel of land. It is too early to evaluate the likelihood of an outcome to this matter. The Company intends to vigorously defend itself against this lawsuit as part of ongoing efforts to collect amounts due from this customer.

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In November 2013, the wife of a former employee of Nichols Construction, LLC (“Nichols”), a wholly-owned subsidiary of the Company, commenced a lawsuit against Nichols in the Circuit Court of Barbour County, West Virginia. The lawsuit, which the plaintiff filed on behalf of her husband’s estate, is based upon a “deliberate intent” claim pursuant to West Virginia Code in connection with the death of her husband who was struck by a falling tree while at work. The plaintiff seeks unspecified damages and other relief. In December 2012, Nichols removed the case to the United States District Court for the Northern District of West Virginia, and in January 2015, Nichols filed a motion for summary judgment with respect to certain of the “deliberate intent” issues in the lawsuit. The District Court has not ruled on the motion for summary judgment. Trial is currently scheduled for June 2015. Plaintiff’s expert has estimated economic damages of up to \$2.6 million, exclusive of damages for emotional distress. The Company believes that it has meritorious defenses and intends to vigorously defend itself against this lawsuit.

From time to time, the Company is 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 its financial statements.

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

Commitments

Performance Bonds and Guarantees - The Company has obligations under performance and other surety contract bonds related to certain of its customer contracts. Performance bonds generally provide a customer with the right to obtain payment and/or performance from the issuer of the bond if the Company fails to perform its contractual obligations. As of April 25, 2015 and July 26, 2014, the Company had \$308.7 million and \$446.8 million of outstanding performance and other surety contract bonds, respectively. There has been no material impact on the Company's financial statements as a result of customers exercising their rights under the bonds.

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

Letters of Credit - The Company has standby letters of credit issued under its Credit Agreement as part of its insurance program. These standby letters of credit collateralize the Company’s obligations to its insurance carriers in connection with the settlement of potential claims. As of April 25, 2015 and July 26, 2014, the Company had \$54.4 million and \$49.4 million, respectively, of outstanding standby letters of credit issued under the Credit Agreement.

Multi-Employer Benefit Plans - The Company contributes to several multi-employer defined benefit pension plans under the terms of collective bargaining agreements that cover certain employees represented by unions. The Company has not incurred withdrawal liabilities related to any plan as of April 25, 2015 or July 26, 2014.

18. Supplemental Consolidating Financial Statements

On April 25, 2015 and July 26, 2014, Dycom Investments, Inc. (the "Issuer") had outstanding an aggregate principal amount of \$277.5 million of 2021 Notes. The 2021 Notes are guaranteed by Dycom Industries, Inc. (the "Parent") and substantially all of the Company's subsidiaries. Each guarantor and non-guarantor subsidiary is 100% owned, directly or indirectly, by the Issuer and the Parent. The 2021 Notes are fully and unconditionally guaranteed on a joint and

several basis by each guarantor subsidiary and Parent. The Indenture contains certain release provisions for the guarantor subsidiaries and the Parent. With respect to the guarantor subsidiaries, these provisions include release upon (i) the sale or other disposition of all or substantially all of the assets of a guarantor or a sale or other disposition of all of the capital stock of a guarantor, in each case, to a person that is not the Issuer, the Parent or a restricted subsidiary of the Parent, (ii) the designation of a restricted subsidiary that is a guarantor as an unrestricted subsidiary, (iii) the legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, and (iv) the release of a guarantor of its guarantee of any credit facility. The Parent may not be released from its guarantee under any circumstances, except in the event of legal or covenant defeasance of the 2021 Notes or of satisfaction and discharge of the Indenture or pursuant to a provision of the Indenture which limits the Parent's liability under its guarantee in order to prevent a fraudulent conveyance. There are no contractual restrictions limiting transfers of cash from guarantor and non-guarantor subsidiaries to Issuer or Parent, within the meaning of Rule 3-10 of Regulation S-X.

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The following consolidating financial statements present, in separate columns, financial information for (i) the Parent on a parent only basis, (ii) the Issuer, (iii) the guarantor subsidiaries on a combined basis, (iv) other non-guarantor subsidiaries on a combined basis, (v) the eliminations and reclassifications necessary to arrive at the information for the Company on a consolidated basis, and (vi) the Company on a consolidated basis. The consolidating financial statements are presented in accordance with the equity method. Under this method, the investments in subsidiaries are recorded at cost and adjusted for the Company's share of subsidiaries' cumulative results of operations, capital contributions, distributions and other equity changes. Intercompany charges (income) between the Parent and subsidiaries are recognized in the consolidating financial statements during the period incurred and the settlement of intercompany balances is reflected in the consolidating statement of cash flows based on the nature of the underlying transactions.

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DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
April 25, 2015

	Parent	Issuer	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations and Reclassifications	Dycom Consolidated
	(Dollars in thousands)					
ASSETS						
Current Assets:						
Cash and equivalents	\$—	\$—	\$21,279	\$1,263	\$—	\$22,542
Accounts receivable, net	—	—	264,290	1,482	—	265,772
Costs and estimated earnings in excess of billings	—	—	246,539	1,440	—	247,979
Inventories	—	—	45,205	—	—	45,205
Deferred tax assets, net	3,191	—	16,161	76	(150)	19,278
Other current assets	11,673	36	7,716	687	—	20,112
Total current assets	14,864	36	601,190	4,948	(150)	620,888
Property and equipment, net	20,272	—	186,187	19,869	—	226,328
Goodwill	—	—	269,465	—	—	269,465
Intangible assets, net	—	—	109,492	539	—	110,031
Deferred tax assets, net non-current	375	52	3,556	333	(4,316)	—
Investment in subsidiaries	860,114	2,003,652	1,660	—	(2,865,426)	—
Intercompany receivables	—	—	1,082,143	—	(1,082,143)	—
Other	18,229	5,118	2,960	4,097	—	30,404
Total non-current assets	898,990	2,008,822	1,655,463	24,838	(3,951,885)	636,228
Total assets	\$913,854	\$2,008,858	\$2,256,653	\$29,786	\$(3,952,035)	\$1,257,116
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Accounts payable	\$1,494	\$—	\$61,803	\$1,166	\$—	\$64,463
Current portion of debt	—	—	—	—	—	—
Billings in excess of costs and estimated earnings	—	—	14,271	—	—	14,271
Accrued insurance claims	166	—	37,827	43	—	38,036
Deferred tax liabilities	—	80	14	56	(150)	—
Other accrued liabilities	10,959	5,458	60,911	896	—	78,224
Total current liabilities	12,619	5,538	174,826	2,161	(150)	194,994
Long-term debt	166,250	280,442	—	—	—	446,692
Accrued insurance claims	56	—	39,402	29	—	39,487
Deferred tax liabilities, net non-current	—	485	51,128	1,518	(4,316)	48,815
Intercompany payables	209,597	862,279	—	10,267	(1,082,143)	—
Other liabilities	3,146	—	1,792	4	—	4,942
Total liabilities	391,668	1,148,744	267,148	13,979	(1,086,609)	734,930
Total stockholders' equity	522,186	860,114	1,989,505	15,807	(2,865,426)	522,186
	\$913,854	\$2,008,858	\$2,256,653	\$29,786	\$(3,952,035)	\$1,257,116

Total liabilities and
stockholders' equity

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DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
JULY 26, 2014

	Parent	Issuer	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations and Reclassifications	Dycom Consolidated
	(Dollars in thousands)					
ASSETS						
Current Assets:						
Cash and equivalents	\$—	\$—	\$ 19,739	\$ 933	\$—	\$ 20,672
Accounts receivable, net	—	—	269,760	2,981	—	272,741
Costs and estimated earnings in excess of billings	—	—	228,541	2,028	—	230,569
Inventories	—	—	49,095	—	—	49,095
Deferred tax assets, net	3,822	—	16,193	87	(170	) 19,932
Other current assets	4,956	16	7,237	518	—	12,727
Total current assets	8,778	16	590,565	6,547	(170	) 605,736
Property and equipment, net	18,108	—	171,158	16,147	—	205,413
Goodwill	—	—	269,088	—	—	269,088
Intangible assets, net	—	—	115,483	633	—	116,116
Deferred tax assets, net non-current	182	—	3,884	15	(4,081) —
Investment in subsidiaries	809,617	1,540,338	1,621	—	(2,351,576) —
Intercompany receivables	—	—	628,443	—	(628,443) —
Other	7,748	5,636	2,466	151	—	16,001
Total non-current assets	835,655	1,545,974	1,192,143	16,946	(2,984,100	) 606,618
Total assets	\$ 844,433	\$ 1,545,990	\$ 1,782,708	\$ 23,493	\$ (2,984,270	) \$ 1,212,354
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Accounts payable	\$ 3,083	\$—	\$ 58,970	\$ 1,265	\$—	\$ 63,318
Current portion of debt	10,938	—	—	—	—	10,938
Billings in excess of costs and estimated earnings	—	—	13,882	—	—	13,882
Accrued insurance claims	612	—	31,599	49	—	32,260
Deferred tax liabilities	—	80	66	24	(170) —
Other accrued liabilities	12,668	566	61,284	1,616	—	76,134
Total current liabilities	27,301	646	165,801	2,954	(170	) 196,532
Long-term debt	166,125	280,738	—	—	—	446,863
Accrued insurance claims	778	—	32,959	45	—	33,782
Deferred tax liabilities, net non-current	—	432	48,593	417	(4,081	) 45,361
Intercompany payables	162,127	454,557	—	11,759	(628,443) —
Other liabilities	3,168	—	1,711	3	—	4,882
Total liabilities	359,499	736,373	249,064	15,178	(632,694	) 727,420
Total stockholders' equity	484,934	809,617	1,533,644	8,315	(2,351,576	) 484,934
	\$ 844,433	\$ 1,545,990	\$ 1,782,708	\$ 23,493	\$ (2,984,270) \$ 1,212,354

Total liabilities and
stockholders' equity

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CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

FOR THE THREE MONTHS ENDED April 25, 2015

(Dollars in thousands)

	Parent	Issuer	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Dycom Consolidated
Contract revenues	\$—	\$—	\$490,351	\$2,012	\$—	\$492,363
Costs of earned revenues, excluding depreciation and amortization	—	—	386,689	1,550	—	388,239
General and administrative	13,249	131	28,552	2,775	—	44,707
Depreciation and amortization	1,410	—	21,344	1,231	—	23,985
Intercompany charges (income), net	(16,294)	—	16,877	(583)	—	—
Interest expense, net	(1,635)	(5,002)	(9)	—	—	(6,646)
Other income, net	—	—	3,438	33	—	3,471
Income (loss) before income taxes and equity in earnings (losses) of subsidiaries	—	(5,133)	40,318	(2,928)	—	32,257
Provision (benefit) for income taxes:	—	(1,889)	14,965	(1,077)	—	11,999
Net income (loss) before equity in earnings of subsidiaries	—	(3,244)	25,353	(1,851)	—	20,258
Equity in earnings (losses) of subsidiaries	20,258	23,502	(10)	—	(43,750)	—
Net income (loss)	\$20,258	\$20,258	\$25,343	\$(1,851)	\$(43,750)	\$20,258
Foreign currency translation gains, net of tax	38	38	—	38	(76)	38
Comprehensive income (loss)	\$20,296	\$20,296	\$25,343	\$(1,813)	\$(43,826)	\$20,296

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

FOR THE THREE MONTHS ENDED APRIL 26, 2014

(Dollars in thousands)

	Parent	Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Dycom Consolidated
Contract revenues	\$—	\$—	\$423,853	\$2,431	\$—	\$426,284
Costs of earned revenues, excluding depreciation and amortization	—	—	348,602	1,750	—	350,352
General and administrative	9,878	211	26,308	2,765	—	39,162
Depreciation and amortization	1,164	—	20,506	1,056	—	22,726
Intercompany charges (income), net	(12,608)	—	12,669	(61)	—	—
Interest expense, net	(1,566)	(4,997)	—	—	—	(6,563)
Other income, net	—	—	5,554	39	—	5,593
Income (loss) before income taxes and equity in earnings of subsidiaries	—	(5,208)	21,322	(3,040)	—	13,074