



## **Quanta Services Reports 2016 Second Quarter Results**

**Diluted EPS from Continuing Operations of \$0.11**

**Non-GAAP Adjusted Diluted EPS from Continuing Operations of \$0.18**

**Charges on Power Plant Project Impact Second Quarter Results**

**Adjusts Full-Year Guidance to Reflect Power Plant Project Issues**

HOUSTON, Aug. 4, 2016 [/PRNewswire/](#) -- Quanta Services, Inc. (NYSE: PWR) today announced results for the three and six months ended June 30, 2016. Revenues in the second quarter of 2016 were \$1.79 billion and net income from continuing operations attributable to common stock was \$16.6 million, or \$0.11 per diluted share. Quanta's operating results for the three months ended June 30, 2016 were negatively impacted by a project loss of approximately \$30.5 million (\$18.6 million net of tax, or \$0.12 per diluted share) that resulted from a claimed force majeure event and continued engineering and production issues on a power plant construction project in Alaska. Operating results were also impacted by lower than anticipated revenues and margins in the oil and gas segment, which were attributable to delayed project starts and, to a lesser extent, wildfires in Alberta, Canada, as well as certain other negative project conditions. In addition, Quanta's operating results were negatively impacted by a higher than anticipated tax rate as the percentage of earnings from jurisdictions with higher tax rates increased.

"The power plant project continues to distort the earnings of our core electric operations, which have performed well in the first six months of the year. Further, activity in the large electric transmission project market is building, as evidenced by the two new projects announced in this release, and we continue to see substantial bidding activity," said Duke Austin, president and chief executive officer of Quanta Services. "Subsequent to the second quarter, we have mobilized and are preparing to mobilize on a number of large diameter pipeline projects, which support our expectations for meaningful increases in consolidated revenues, margins and earnings in the second half of this year. We continue to have a positive multi-year view on the end markets we serve and believe we are well positioned to serve the expanding needs of our customers."

Revenues in the second quarter of 2015 were \$1.87 billion and net income from continuing operations attributable to common stock was \$32.0 million, or \$0.15 per diluted share. Included in Quanta's operating results for the three months ended June 30, 2015 were project losses of \$25.1 million (\$16.2 million net of tax, or \$0.08 per diluted share) related to the same power plant construction project in Alaska and an electric transmission project in Canada. Also included in Quanta's net income from continuing operations for the three months ended June 30, 2015 were combined charges of \$7.2 million (\$6.7 million net of tax, or \$0.03 per diluted share) associated with certain tax law changes and acquisition-related items.

Adjusted diluted earnings per share from continuing operations (a non-GAAP measure) was \$0.18 for the three months ended June 30, 2016 compared to \$0.24 for the three months ended June 30, 2015.

## RECENT HIGHLIGHTS

- **Selected for Large Electric Transmission & Distribution Project** - In July 2016, Quanta was selected by a California-based utility for a large electric power transmission and distribution project located primarily in a national forest area in southern California. Led by CRUX Subsurface, Inc., a Quanta Services company, Quanta's scope of work includes the engineering, procurement and construction of the project, including rebuilding and replacing approximately 145 miles of 12 and 69 kilovolt underground and overhead electric power infrastructure. Engineering and related services for the project have begun, and completion is anticipated in late 2019.
- **Secured Contract for Midwest Transmission Line Project** - In late June 2016, PAR Electrical Contractors (PAR), a Quanta Services company, began construction on a new 100-mile double-circuit 345 kilovolt transmission line for a Midwest utility in its service territory. PAR's scope of work includes access roads, foundations, steel pole erection, wire stringing and material management. The project is scheduled to be completed in the third quarter of 2019.

## **RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

Revenues in the six months ended June 30, 2016 were \$3.51 billion compared to revenues of \$3.73 billion in the six months ended June 30, 2015. Net income from continuing operations attributable to common stock was \$37.1 million, or \$0.23 per diluted share, in the six months ended June 30, 2016 compared to net income from continuing operations attributable to common stock of \$79.7 million, or \$0.37 per diluted share, in the six months ended June 30, 2015. Included in Quanta's operating results for the six months ended June 30, 2016 was a project loss of approximately \$51.8 million (\$31.6 million net of tax, or \$0.20 per diluted share) that resulted from continued engineering and production issues and a claimed force majeure event on a power plant construction project in Alaska. Included in Quanta's operating results for the six months ended June 30, 2015 were project losses of \$41.3 million (\$27.4 million net of tax, or \$0.13 per diluted share) related to the same power plant construction project in Alaska and an electric transmission project in Canada.

Adjusted diluted earnings per share from continuing operations (a non-GAAP measure) was \$0.41 for the six months ended June 30, 2016 compared to \$0.52 for the six months ended June 30, 2015.

The adjusted diluted earnings per share measures used in this earnings release are calculated as GAAP diluted earnings per share before acquisition and integration costs, amortization of intangible assets, non-cash compensation expense, and certain other items that affect comparability of results between periods. See the attached table for a reconciliation of adjusted diluted earnings per share (a non-GAAP measure) to GAAP diluted earnings per share from continuing operations for the three and six months ended June 30, 2016 and 2015.

Quanta completed three acquisitions during the first six months of 2016 and five acquisitions during the second half of 2015. Therefore, the results for the three and six months ended June 30, 2016 included these acquisitions from the respective acquisition dates and are compared to the pre-acquisition historical results of Quanta for the three and six months ended June 30, 2015.

## **OUTLOOK**

The long-term outlook for Quanta's business is positive. However, weather, regulatory, permitting, project timing, execution challenges and other factors have impacted the company's historical results, and may impact Quanta's future financial results. Therefore, Quanta's financial outlook for revenues, margins and earnings reflects management's effort to properly align these uncertainties with the backlog the company is executing on and the opportunities expected to materialize during 2016. The following forward-looking statements are based on current expectations, and actual results may differ materially.

Quanta expects a meaningful increase in revenues, margins and earnings during the second half of 2016, as compared to the first half of 2016, due to a significant increase in the number of larger pipeline projects anticipated to be in construction during the period. Our outlook includes estimates for project start dates, which as of the timing of this earnings release, we believe are probable based on customer communications. However, variances in these estimated start dates could lead to revenue and earnings results that differ materially from our current estimates. Furthermore, some of these projects are larger in contract value, and performance of any individual project that significantly exceeds or is less than our current estimates for such projects could materially impact our earnings results. Quanta's outlook does not assume any recovery of the project losses recognized to date on the power plant project in Alaska, even though the company is pursuing various remedies for recovery of such losses.

Quanta expects revenues for the full year 2016 to range between \$7.75 billion and \$8.0 billion and diluted earnings per share from continuing operations to be \$1.20 to \$1.35. Quanta expects adjusted diluted earnings per share from continuing operations (a non-GAAP measure) for the full year 2016 to be \$1.52 to \$1.67. See the attached table for a reconciliation of estimated adjusted diluted earnings per share from continuing operations to estimated GAAP diluted earnings per share from continuing operations for the full year 2016.

## **NON-GAAP FINANCIAL MEASURES**

The non-GAAP measures in this press release and on Quanta's website are provided to enable investors, analysts and management to evaluate Quanta's performance excluding the effects of certain items that management believes impact the comparability of operating results between reporting periods. In addition, management believes these measures are useful in comparing Quanta's operating results with those of its competitors. These measures should be used in addition to, and not in lieu of, results prepared in conformity with GAAP. Reconciliations of other GAAP to non-GAAP measures not included in the table attached to this press release can be found on the company's website at [www.quantaservices.com](http://www.quantaservices.com) in the "Investors & Media" section.

## **CONFERENCE CALL INFORMATION**

Quanta Services has scheduled a conference call for August 4, 2016 at 9:00 a.m. Eastern Time. To participate in the call, dial 1-201-689-8345 or 1-877-407-8291 at least 10 minutes before the conference call begins and ask for the Quanta Services Second Quarter 2016 Earnings Conference Call. Investors, analysts and the general public will also have the opportunity to listen to the conference call over the Internet by visiting the company's website at [www.quantaservices.com](http://www.quantaservices.com). To listen to the call live on the Internet, please visit the Quanta Services website at least 15 minutes early to register and download and install any

necessary audio software. For those who cannot listen to the live event, an archive will be available shortly after the call on the company's website. For more information, please contact Kip Rupp, Vice President - Investor Relations at Quanta Services, by calling 713-341-7260 or emailing [investors@quantaservices.com](mailto:investors@quantaservices.com).

## **GET THE QUANTA SERVICES IR APP AND FOLLOW QUANTA ON SOCIAL MEDIA**

The Quanta investor relations app for iPhone, iPad and Android mobile devices is available for free at [Apple's App Store](#) for the iPhone and iPad and at [Google Play](#) for Android mobile devices. The Quanta investor relations app allows users to navigate the company's investor relations materials including the latest press releases, SEC filings, presentations, videos, audio cast conference calls and stock price information. Sharing functionality via email, Twitter and Facebook is available, as well as the ability for investors to be notified when new information is posted to Quanta's IR app.

Additionally, investors and others should note that while we announce material financial information and make other public disclosures of information regarding Quanta through SEC filings, press releases and public conference calls, we also utilize social media to communicate this information. It is possible that the information we post on social media could be deemed material. Accordingly, we encourage investors, the media and others interested in our company to follow Quanta, and review the information we post, on the social media channels listed on our website in the "[Investors & Media](#)" section.

## **ABOUT QUANTA SERVICES**

Quanta Services is a leading specialized contracting services company, delivering infrastructure solutions for the electric power and oil and gas industries. Quanta's comprehensive services include designing, installing, repairing and maintaining energy infrastructure. With operations throughout the United States, Canada and Australia and in select other international markets, Quanta has the manpower, resources and expertise to safely complete projects that are local, regional, national or international in scope. For more information, visit [www.quantaservices.com](http://www.quantaservices.com).

## **Forward-Looking Statements**

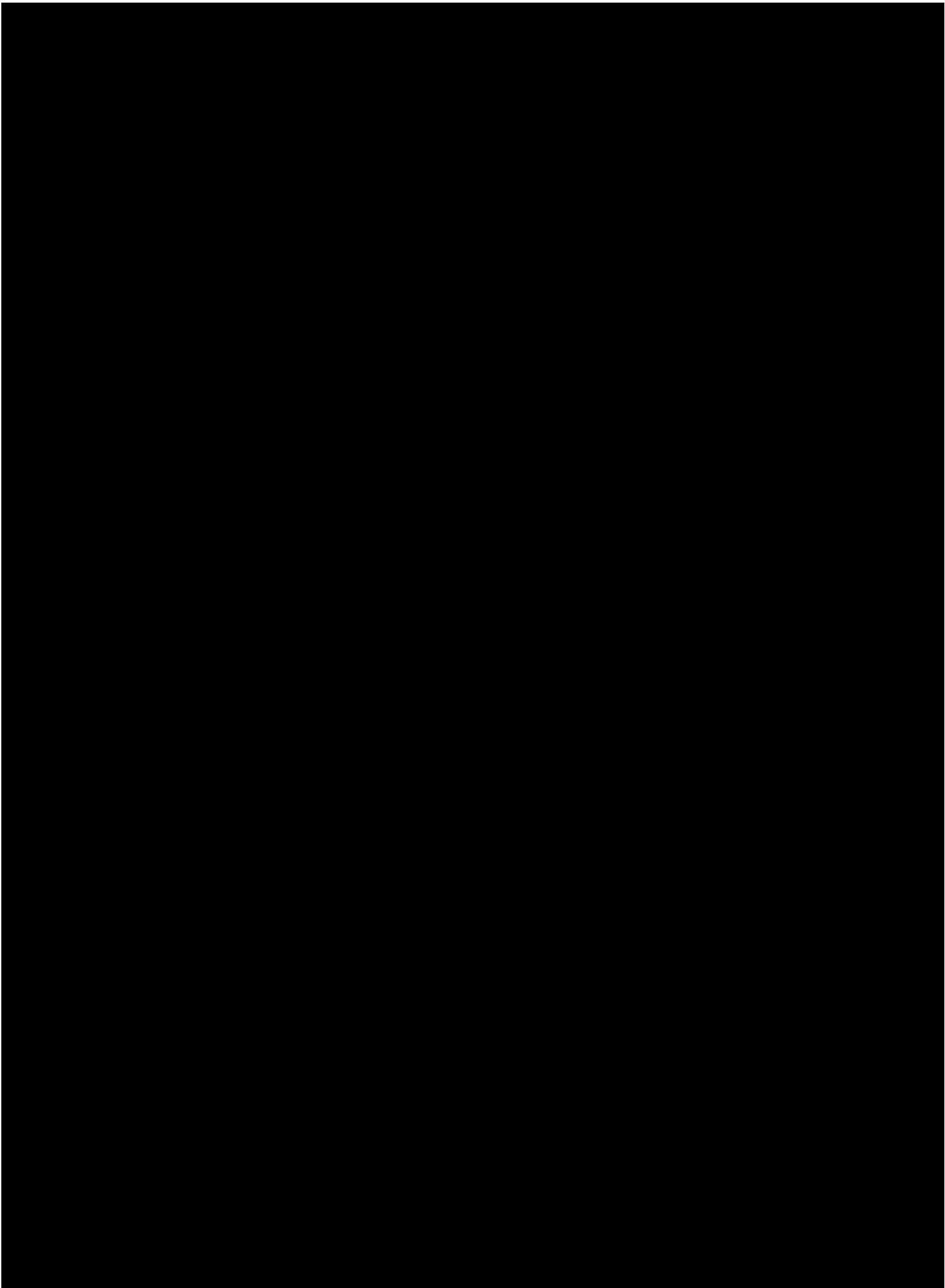
This press release (and oral statements regarding the subject matter of this press release, including those made on the conference call and webcast announced herein) contains forward-looking statements intended to qualify for the "safe harbor" from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements relating to projected revenues, net income, earnings per share, weighted average

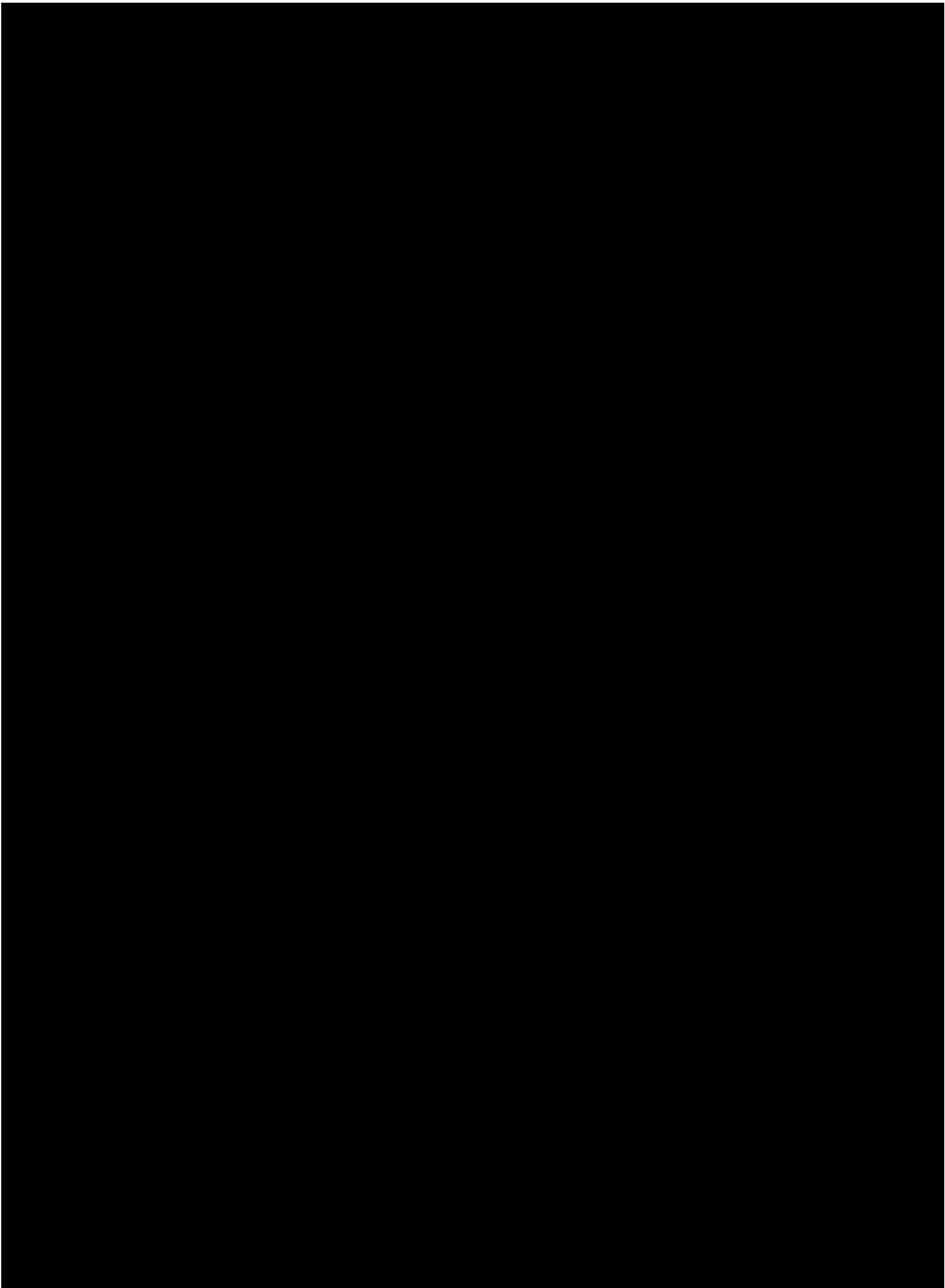
shares outstanding, margins, capital expenditures, and other projections of operating or financial results; expectations regarding the business or financial outlook, growth or opportunities in particular markets; backlog; future capital allocation initiatives, including the amount, timing, availability, and strategy with respect to any future stock repurchases; the ability to deliver increased value and return capital to shareholders; the strategic use of Quanta's balance sheet; the expected value of contracts or intended contracts with customers; the scope, services, term and results of any projects awarded or expected to be awarded for services to be provided by Quanta; the anticipated commencement and completion dates for any projects awarded; the development of larger electric transmission and oil and natural gas pipeline projects and their impact on Quanta's business or the demand for Quanta's services; the level of oil, natural gas and natural gas liquids prices and their impact on Quanta's business or demand for Quanta's services; the impact of renewable energy initiatives, including mandated state renewable portfolio standards, the economic stimulus package and other existing or potential energy legislation; potential opportunities that may be indicated by bidding activity or similar discussions with customers; the potential benefits from acquisitions; the expected outcome of pending and threatened litigation; the business plans or financial condition of Quanta's customers; Quanta's plans and strategies; and the current economic and regulatory conditions and trends in the industries Quanta serves, possible recovery on pending or contemplated change orders or affirmative claims against customers or third parties, as well as statements reflecting expectations, intentions, assumptions or beliefs about future events, and other statements that do not relate strictly to historical or current facts. Although Quanta's management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. These statements can be affected by inaccurate assumptions and by known and unknown risks and uncertainties that are difficult to predict or beyond Quanta's control, including, among others, market conditions; the effects of industry, economic or political conditions outside of the control of Quanta; quarterly variations in operating results; adverse economic and financial conditions, including weakness in the capital markets; trends and growth opportunities in relevant markets; delays, reductions in scope or cancellations of anticipated, pending or existing projects, including as a result of weather, regulatory or environmental processes, project performance issues, or customers' capital constraints; the successful negotiation, execution, performance and completion of anticipated, pending and existing contracts, including the ability to obtain awards of projects on which Quanta bids or is otherwise discussing with customers; the ability to attract skilled labor and retain key personnel and qualified employees; potential shortage of skilled employees; dependence on fixed price contracts and the potential to incur losses with respect to these contracts; estimates relating to the use of percentage-of-completion accounting; adverse impacts from weather; the ability to generate internal growth; competition in Quanta's business,

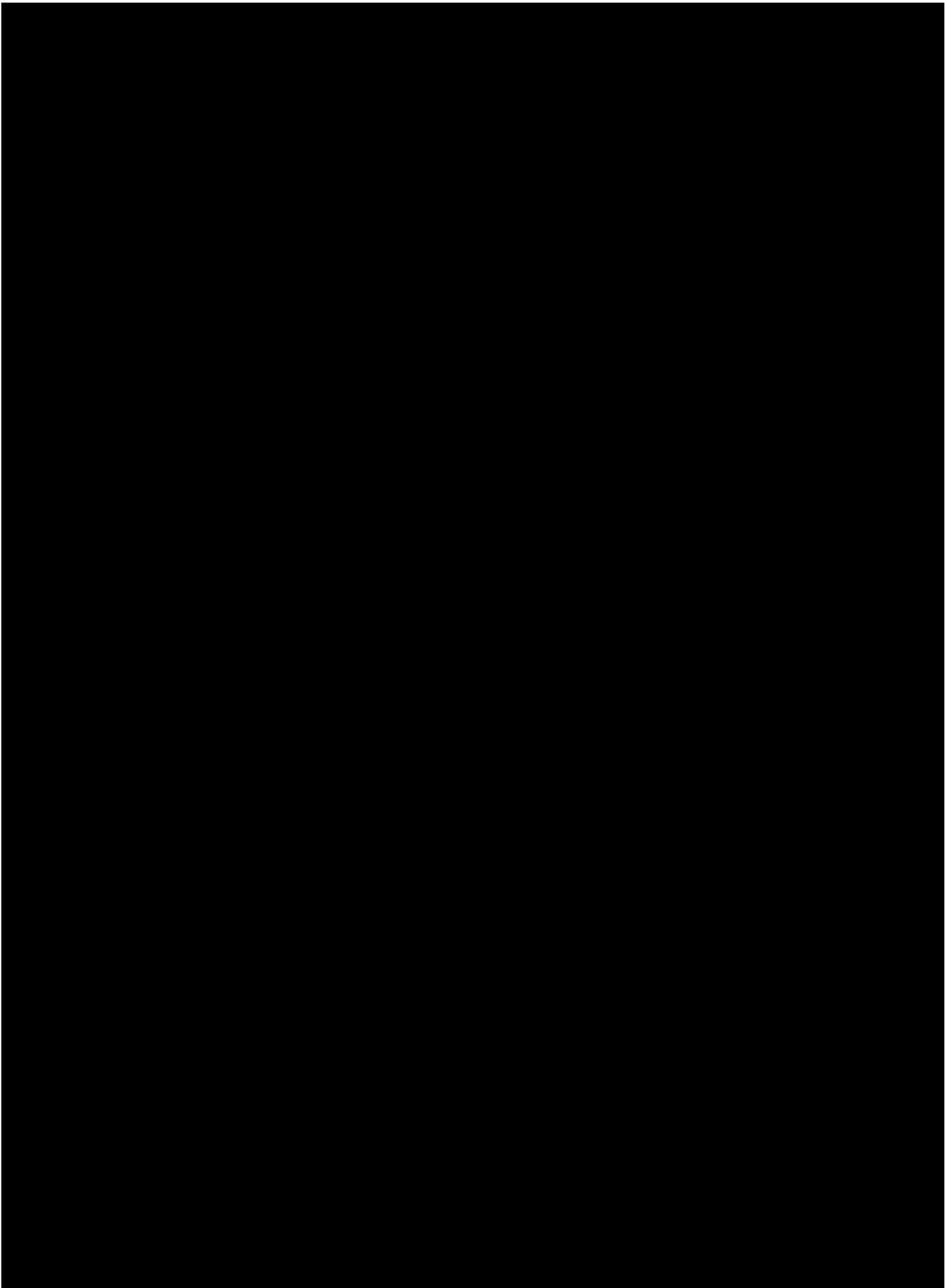
including the ability to effectively compete for new projects and market share; potential failure of renewable energy initiatives, the economic stimulus package or other existing or potential legislative actions to result in increased demand for Quanta's services; liabilities associated with multiemployer pension plans, including underfunding of liabilities and termination or withdrawal liabilities; the possibility of further increases in the liability associated with Quanta's withdrawal from a multiemployer pension plan; liabilities for claims that are self-insured or not insured; unexpected costs or liabilities that may arise from lawsuits or indemnity claims asserted against Quanta; the outcome of pending or threatened litigation; risks relating to the potential unavailability or cancellation of third party insurance, the exclusion of coverage for certain losses, and potential increases in premiums for coverage deemed beneficial to Quanta; cancellation provisions within contracts and the risk that contracts expire and are not renewed or are replaced on less favorable terms; loss of customers with whom Quanta has long-standing or significant relationships; the potential that participation in joint ventures exposes Quanta to liability and/or harm to its reputation for acts or omissions by partners; Quanta's inability or failure to comply with the terms of its contracts, which may result in unexcused delays, warranty claims, failure to meet performance guarantees, damages or contract terminations; the effect of natural gas, natural gas liquids and oil prices on Quanta's operations and growth opportunities and on Quanta's customers' capital programs and the resulting impact on demand for Quanta's services; the future development of natural resources in shale formations; the inability of customers to pay for services; the failure to recover on payment claims against project owners or to obtain adequate compensation for customer-requested change orders; the failure of Quanta's customers to comply with regulatory requirements applicable to their projects, including those related to awards of stimulus funds, which may result in project delays and cancellations; budgetary or other constraints that may reduce or eliminate tax incentives for or government funding of projects, including stimulus projects, which may result in project delays or cancellations; estimates and assumptions in determining financial results and backlog; the ability to realize backlog; risks associated with operating in international markets, including instability of foreign governments, currency fluctuations, tax and investment strategies and compliance with the laws of foreign jurisdictions as well as the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery and anti-corruption laws; the ability to successfully identify, complete, integrate and realize synergies from acquisitions; the potential adverse impact resulting from uncertainty surrounding acquisitions, including the ability to retain key personnel from the acquired businesses and the potential increase in risks already existing in Quanta's operations; the adverse impact of impairments of goodwill, receivables, property and equipment and other intangible assets or investments; growth outpacing Quanta's decentralized management and infrastructure; requirements relating to governmental regulation and changes thereto; inability to enforce Quanta's intellectual property rights or the obsolescence of such rights; risks related to the implementation of an information technology

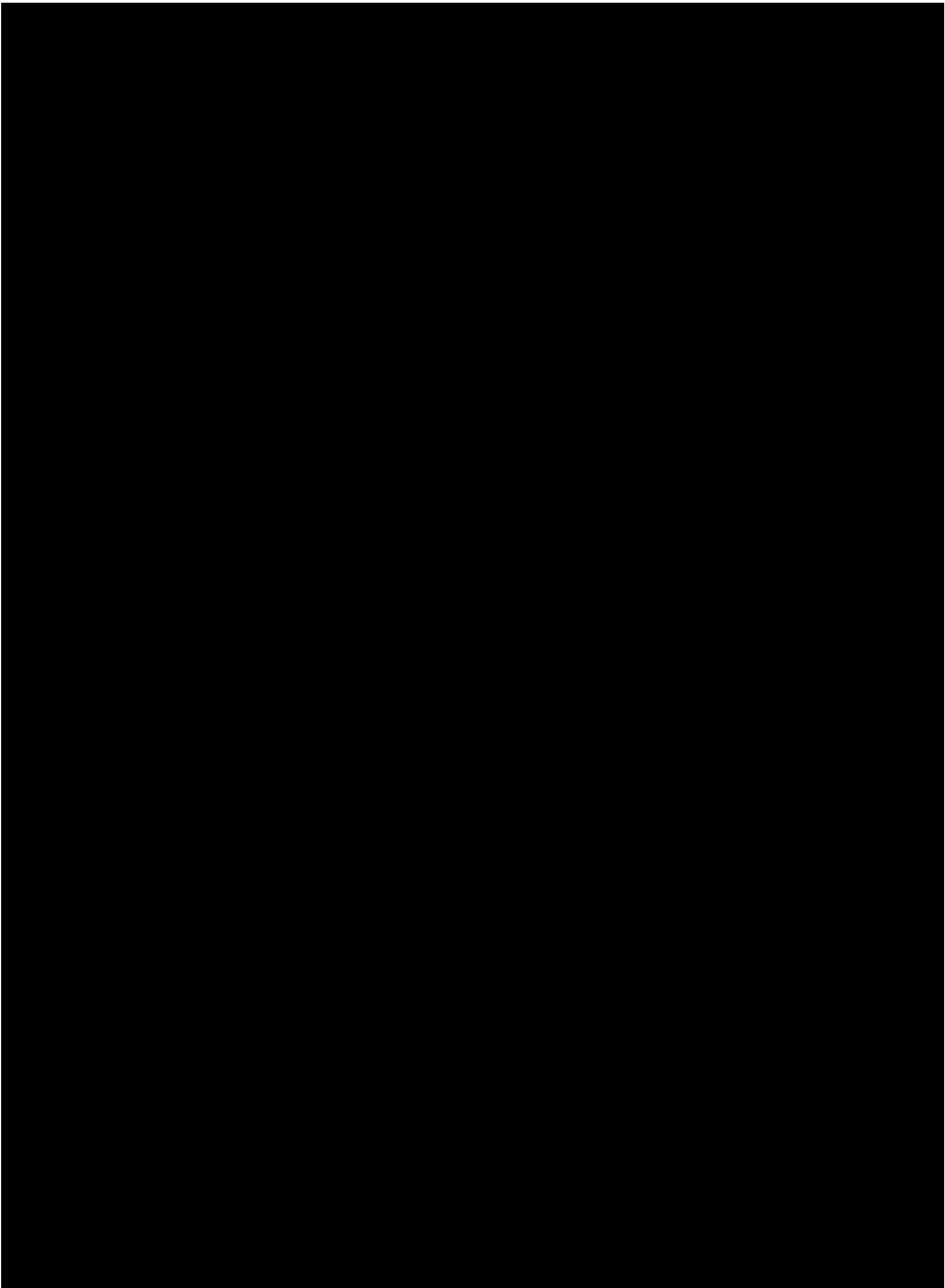
risks related to the implementation of an information technology solution; the impact of a unionized workforce on operations, including labor stoppages or interruptions due to strikes or lockouts; potential liabilities relating to occupational health and safety matters; Quanta's dependence on suppliers, subcontractors and equipment manufacturers; beliefs and assumptions about the collectability of receivables; the cost of borrowing, availability of credit and cash, fluctuations in the price and volume of Quanta's common stock, debt covenant compliance, interest rate fluctuations and other factors affecting financing and investing activities; the ability to access sufficient funding to finance desired growth and operations; the ability to obtain performance bonds; potential exposure to environmental liabilities; the ability to continue to meet the requirements of the Sarbanes-Oxley Act of 2002; rapid technological and structural changes that could reduce the demand for Quanta's services; the impact of increased healthcare costs arising from healthcare reform legislation; the impact of regulatory changes on labor costs; the impact of significant fluctuations in foreign currency exchange rates; the business, accounting or other effects from the sale of Quanta's fiber optic licensing operations; the potential for claims or damages associated with the sale of Quanta's fiber optic licensing operations, including as a result of indemnity claims; and other risks and uncertainties detailed in Quanta's Annual Report on Form 10-K for the year ended Dec. 31, 2015, Quanta's Quarterly Report on Form 10-Q for the quarter ended Mar. 31, 2016 and any other documents that Quanta files with the Securities and Exchange Commission (SEC). For a discussion of these risks, uncertainties and assumptions, investors are urged to refer to Quanta's documents filed with the SEC that are available through the company's website at [www.quantaservices.com](http://www.quantaservices.com) or through the SEC's Electronic Data Gathering and Analysis Retrieval System (EDGAR) at [www.sec.gov](http://www.sec.gov). Should one or more of these risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expressed or implied in any forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, which are current only as of this date. Quanta does not undertake and expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Quanta further expressly disclaims any written or oral statements made by any third party regarding the subject matter of this press release.

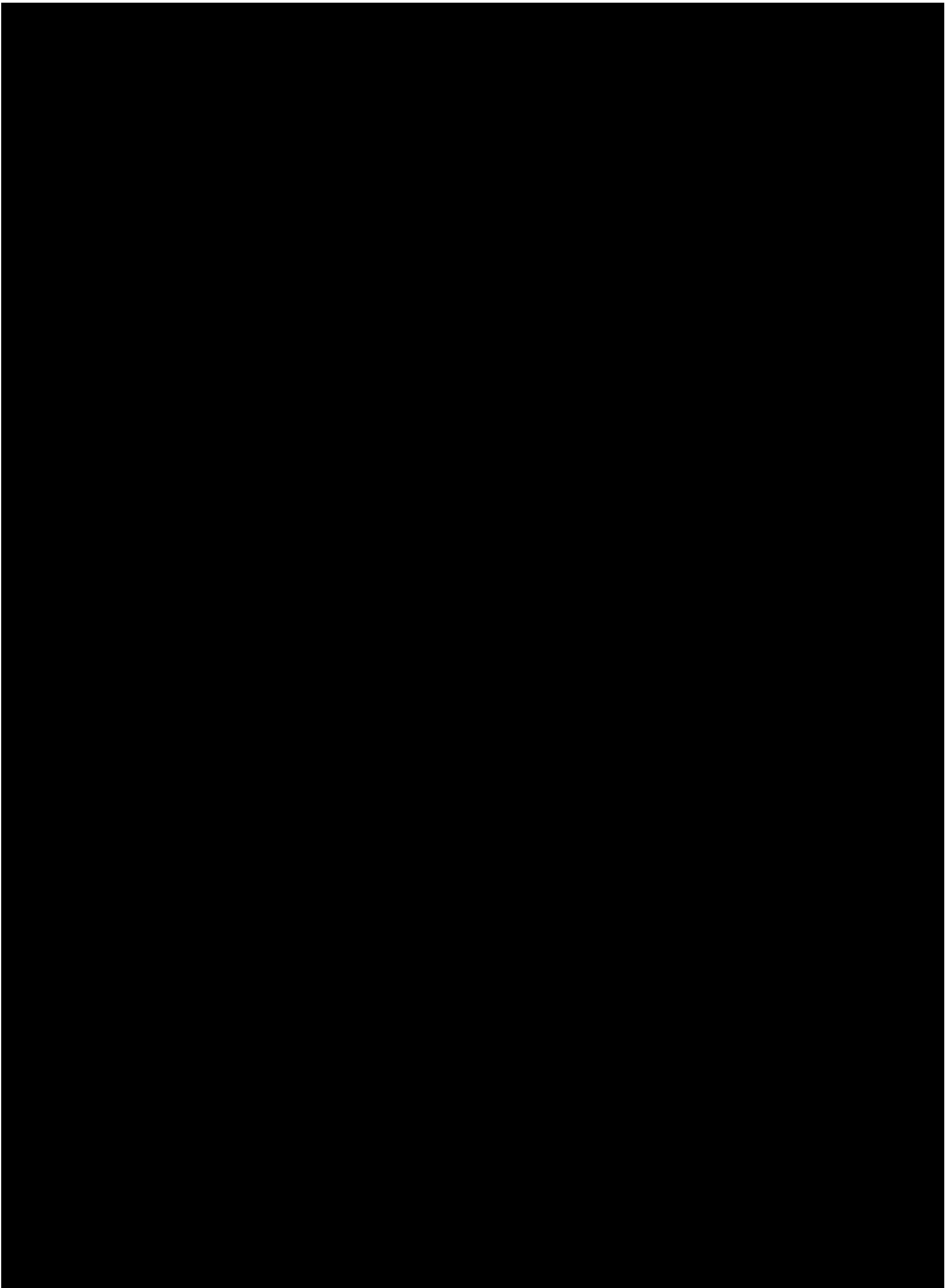




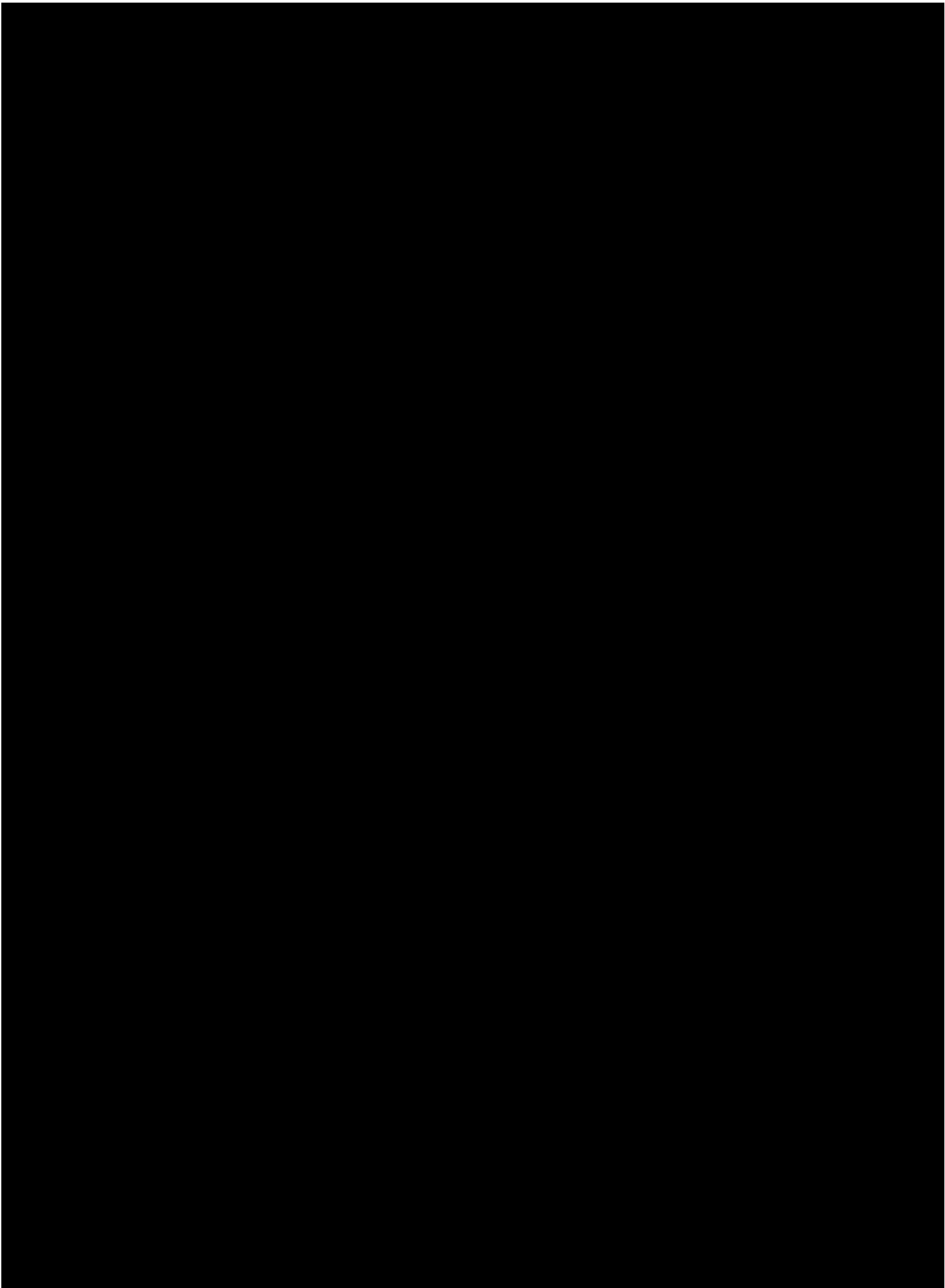


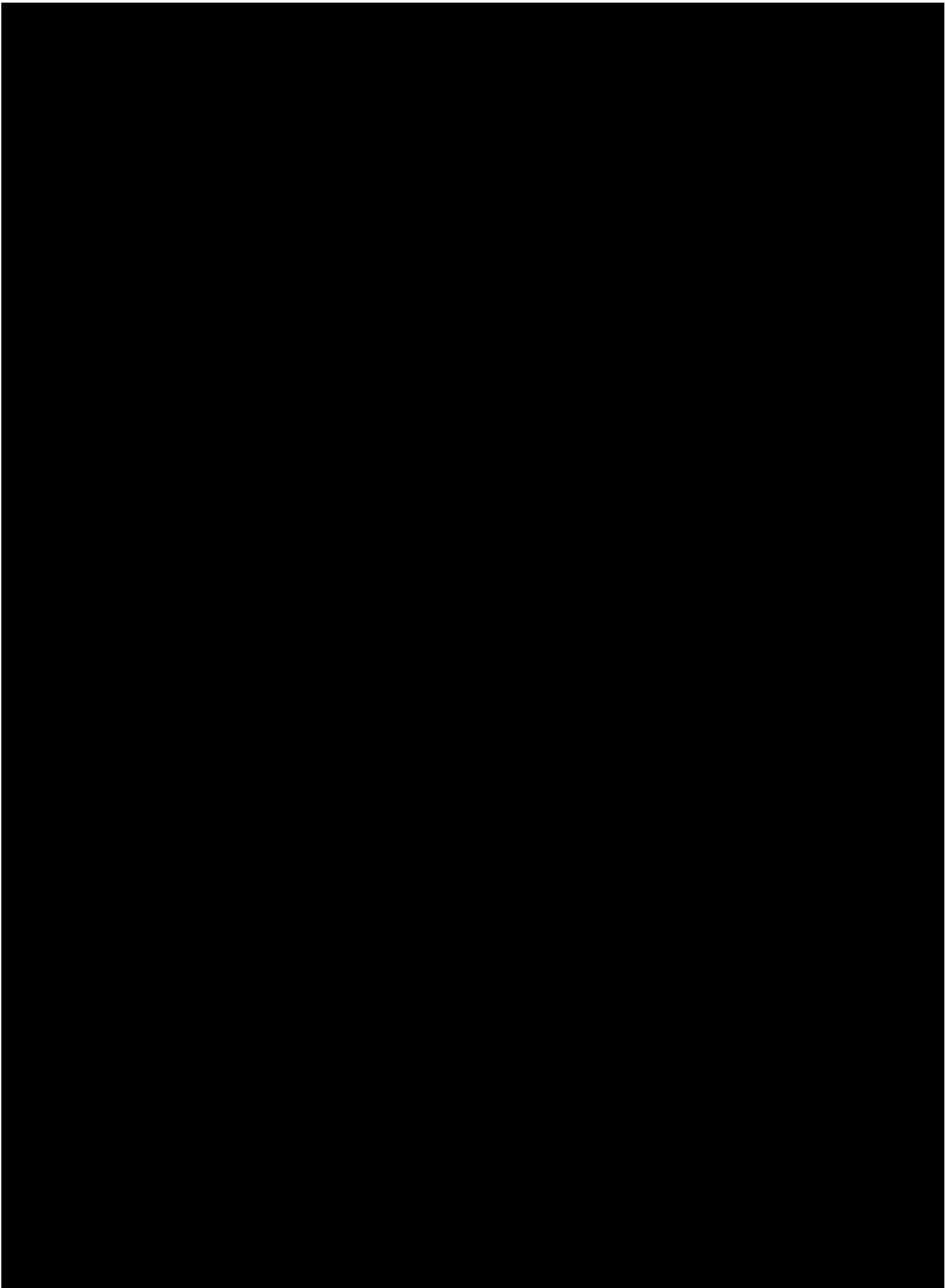






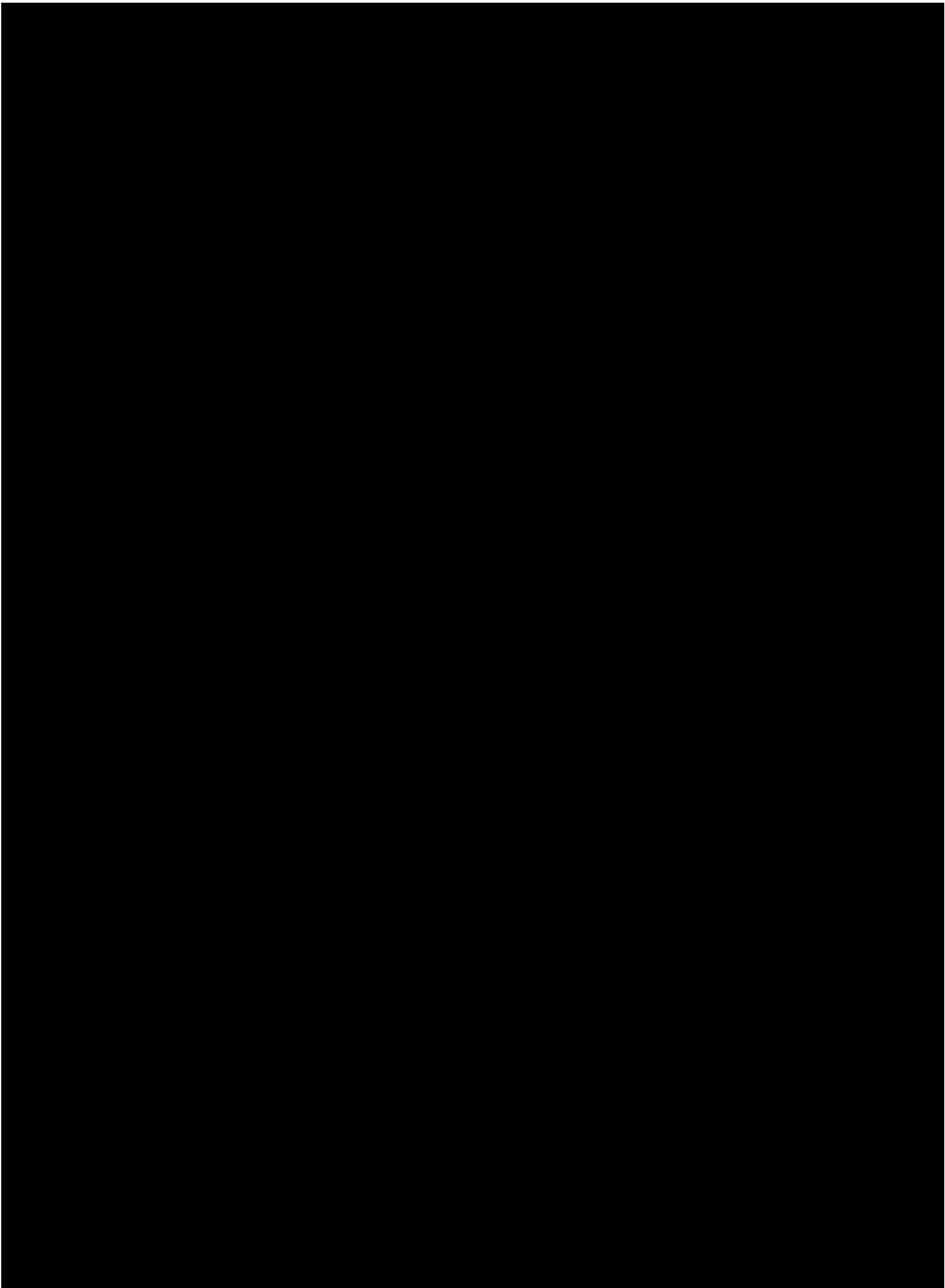
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