Quanta Services, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
For the Three and Nine Months Ended September 30, 2016 and 2015
(In thousands, except per share information)
(Unaudited)

Reconciliation of EBITA, EBITDA and Adjusted EBITDA:

The following table presents the non-GAAP financial measures of EBITA, EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015. EBITA is defined as earnings before interest, taxes and amortization, EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization and certain other items as described below. These measures should not be considered as an alternative to net income or other measures of performance that are derived in accordance with GAAP. Management believes that the exclusion of these adjustments from net income from continuing operations attributable to common stock enables it to more effectively evaluate Quanta's operations period over period and to identify operating trends that could otherwise be masked by the excluded items. As to certain of the items below, (i) amortization of intangible assets is impacted by Quanta's acquisition activity, which can cause these amounts to vary from period to period; (ii) non-cash stock-based compensation expense may vary due to acquisition activity, factors influencing the estimated fair value of performance-based awards, forfeiture rates, accelerated vesting and amounts granted during the period; (iii) acquisition and integration costs vary period to period depending on the level of Quanta's acquisition activity ongoing during the period; and (iv) severance costs related to the departure of Quanta's former president and chief executive officer and severance and restructuring costs associated with certain operations primarily within Quanta's Oil and Gas Infrastructure segment are not regularly occurring items. Because Adjusted EBITDA, as defined, excludes some, but not all, items that affect net income (loss) from continuing operations attributable to common stock, Adjusted EBITDA as presented may not be comparable to similarly titled measures of other companies. The most comparable GAAP financial measure, net income (loss) from continuing operations attributable to common stock, and information reconciling the GAAP and non-GAAP financial measures, are included.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income from continuing operations attributable to common stock (GAAP as reported)	$ 73,137	$ 43,176	$ 110,195	$ 122,872
Interest expense	3,726	2,021	10,898	5,096
Interest income	(874)	(346)	(2,031)	(1,118)
Provision for income taxes	54,516	32,389	82,654	94,574
Equity in losses of unconsolidated affiliates	89	—	648	314
Amortization of intangible assets	8,094	8,650	23,730	25,674
EBITA	138,688	85,890	226,094	247,412
Depreciation expense	42,678	40,954	126,607	121,382
EBITDA	181,366	126,844	352,701	368,794
Acquisition and integration costs	970	3,141	3,053	6,823
Non-cash stock-based compensation	9,746	9,523	31,259	28,708
Severance and restructuring charges (a)	—	—	6,352	—
Adjusted EBITDA	$ 192,082	$ 139,508	$ 393,365	$ 404,325

(a) The amount for the nine months ended September 30, 2016 reflects the elimination of severance costs recognized in the first quarter of 2016 associated with the departure of Quanta's former president and chief executive officer and severance and restructuring costs associated with certain operations primarily within the Oil and Gas Infrastructure Services segment.

Free Cash Flow:

Free cash flow (a non-GAAP measure) is defined as net cash provided by operating activities of continuing operations less net capital expenditures. Net capital expenditures is defined as additions to property and equipment less proceeds from sale of property and equipment. We believe that free cash flow provides useful information to our investors because management views free cash flow as an important indicator of how much cash is provided or used by routine business operations, including the impact of net capital expenditures. Management uses free cash flow to make decisions in that it views free cash flow as a measure of cash available to pay debt, acquire businesses, repurchase its common stock and transact other investing and financing activities. The most comparable GAAP financial measure, net cash provided by operating activities of continuing operations, and information reconciling the GAAP and non-GAAP financial measures, are included.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net cash provided by (used in) operating activities of continuing operations	$ (69,335)	$ 108,898	$ 196,932	$ 394,650
Less: Net capital expenditures:				
Additions to property and equipment	(35,874)	(47,970)	(144,424)	(168,967)
Proceeds from sale of property and equipment	6,849	8,471	17,103	17,486
Net capital expenditures	(29,025)	(39,499)	(127,321)	(151,481)
Free Cash Flow	$ (98,360)	$ 69,399	$ 69,611	$ 243,169

Definition of Days Sales Outstanding:

Days Sales Outstanding is calculated by using the sum of current accounts receivable, net of allowance (which include retainage and unbilled balances), plus costs and estimated earnings in excess of billings on uncompleted contracts less billings in excess of costs and estimated earnings on uncompleted contracts, divided by average revenues per day during the quarter.