Quanta Services, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
For the Three and Six Months Ended June 30, 2017 and 2016
(In thousands)
(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 six months ended June 30, 2017 and 2016. 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 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, changes in 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 ongoing acquisition activity; 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 Services segment are not regularly occurring items. Because Adjusted EBITDA, as defined, excludes some, but not all, items that affect net income 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 attributable to common stock, and information reconciling the GAAP and non-GAAP financial measures, are included below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income attributable to common stock (GAAP as reported)	$ 63,837	$ 16,562	$ 112,104	$ 37,058
Interest expense	4,271	3,583	8,236	7,172
Interest income	(164)	(641)	(451)	(1,157)
Provision for income taxes	40,245	14,695	62,837	28,138
Equity in (earnings) losses of unconsolidated affiliates	2,148	378	2,751	559
Amortization of intangible assets	6,494	8,141	13,056	15,636
EBITA	116,831	42,718	198,533	87,406
Depreciation expense	44,650	42,759	87,343	83,929
EBITDA	161,481	85,477	285,876	171,335
Acquisition and integration costs	4,745	830	4,745	2,083
Non-cash stock-based compensation	11,557	9,503	23,423	21,513
Severance and restructuring charges (a)	—	—	—	6,352
Adjusted EBITDA	$ 177,783	$ 95,810	$ 314,044	$ 201,283

(a) The amount for the six months ended June 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.

Reconciliation of 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. Management believes that free cash flow provides useful information to Quanta's investors because free cash flow is viewed by management 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 for capital allocation purposes as it is viewed 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 below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net cash provided by operating activities of continuing operations (a)	$ 4,945	$ 67,810	$ 1,134	$ 273,621
Less: Net capital expenditures:				
Additions to property and equipment (a)	(58,257)	(60,855)	(105,281)	(108,550)
Proceeds from sale of property and equipment	7,543	5,165	12,344	10,254
Net capital expenditures	(50,714)	(55,690)	(92,937)	(98,296)
(Negative) Free Cash Flow	$ (45,769)	$ 12,120	$ (91,803)	$ 175,325

(a) Updated as of August 8, 2017 to correspond with the Condensed Consolidated Statements of Cash Flows presented in Quanta's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017.

Definition of Days Sales Outstanding:

Days Sales Outstanding is calculated by using the sum of current accounts receivable, net of allowance (which includes 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, and divided by average revenues per day during the quarter.

Definition of Total Liquidity:

Total liquidity includes Quanta's cash and cash equivalents and availability under Quanta's revolving credit facility.