

QUANTA SERVICES INC  
Form 10-Q  
November 08, 2013  
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**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 September 30, 2013**

**or**

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

**For the transition period from                      to                      .**

**Commission file no. 001-13831**

**Quanta Services, Inc.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**74-2851603**  
**(I.R.S. Employer**  
**Identification No.)**

**2800 Post Oak Boulevard, Suite 2600**

**Houston, Texas 77056**

**(Address of principal executive offices, including zip code)**

**(713) 629-7600**

**(Registrant's telephone number, including area code)**

**N/A**

**(Former name, former address and former fiscal year, if changed since last report)**

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  (Do not check if a smaller reporting company) 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

As of October 31, 2013, the number of outstanding shares of Common Stock of the Registrant was 212,360,276. As of the same date, 3,500,000 Exchangeable Shares and one share of Series F Preferred Stock were outstanding.



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**QUANTA SERVICES, INC. AND SUBSIDIARIES**

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	<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 309,153	\$ 394,701
Accounts receivable, net of allowances of \$5,256 and \$5,447	1,434,701	1,328,081
Costs and estimated earnings in excess of billings on uncompleted contracts	232,292	342,777
Inventories	35,590	38,261
Prepaid expenses and other current assets	125,651	97,907
Total current assets	2,137,387	2,201,727
Property and equipment, net of accumulated depreciation of \$627,839 and \$555,030	1,153,629	1,045,983
Other assets, net	363,191	171,566
Other intangible assets, net of accumulated amortization of \$214,473 and \$198,082	190,749	183,836
Goodwill	1,650,012	1,537,645
Total assets	\$ 5,494,968	\$ 5,140,757
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Current maturities of long-term debt	\$ 2,639	\$
Accounts payable and accrued expenses	757,267	707,294
Billings in excess of costs and estimated earnings on uncompleted contracts	204,881	173,885
Total current liabilities	964,787	881,179
Deferred income taxes	240,394	225,050
Insurance and other non-current liabilities	265,533	262,612
Total liabilities	1,470,714	1,368,841
Commitments and Contingencies		

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Equity:

Common stock, \$.00001 par value, 600,000,000 shares authorized, 222,251,194 and 220,917,050 shares issued, and 210,230,028 and 209,270,586 shares outstanding	2	2
Exchangeable Shares, no par value, 3,500,000 and 3,909,110 shares issued and outstanding		
Series F Preferred Stock, \$.00001 par value, 1 share authorized, issued and outstanding		
Additional paid-in capital	3,338,978	3,287,086
Retained earnings	903,380	668,156
Accumulated other comprehensive income (loss)	(11,319)	14,453
Treasury stock, 12,021,166 and 11,646,464 common shares, at cost	(215,108)	(203,149)
Total stockholders' equity	4,015,933	3,766,548
Noncontrolling interests	8,321	5,368
Total equity	4,024,254	3,771,916
Total liabilities and equity	\$ 5,494,968	\$ 5,140,757

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**QUANTA SERVICES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share information)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenues	\$ 1,645,132	\$ 1,532,001	\$ 4,705,219	\$ 4,246,927
Cost of services (including depreciation)	1,372,079	1,280,001	3,952,609	3,595,959
Gross profit	273,053	252,000	752,610	650,968
Selling, general and administrative expenses	124,949	114,577	357,661	317,918
Amortization of intangible assets	7,026	10,290	17,406	28,781
Operating income	141,078	127,133	377,543	304,269
Interest expense	(475)	(963)	(1,480)	(2,496)
Interest income	1,139	383	2,230	1,178
Equity in earnings of unconsolidated affiliates		1,308		1,308
Other income (expense), net	(824)	(179)	(1,690)	(375)
Income from continuing operations before income taxes	140,918	127,682	376,603	303,884
Provision for income taxes	42,509	39,596	126,611	103,536
Net income from continuing operations	98,409	88,086	249,992	200,348
Income from discontinued operations, net of taxes		12,770		20,299
Net income	98,409	100,856	249,992	220,647
Less: Net income attributable to noncontrolling interests	5,503	4,458	14,768	13,004
Net income attributable to common stock	\$ 92,906	\$ 96,398	\$ 235,224	\$ 207,643
Amounts attributable to common stock:				
Net income from continuing operations	\$ 92,906	\$ 83,628	\$ 235,224	\$ 187,344
Net income from discontinued operations		12,770		20,299
Net income attributable to common stock	\$ 92,906	\$ 96,398	\$ 235,224	\$ 207,643
Earnings per share attributable to common stock basic and diluted:				
Continuing operations	\$ 0.43	\$ 0.39	\$ 1.10	\$ 0.88

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Discontinued operations			0.06		0.10			
Net income attributable to common stock	\$	0.43	\$	0.45	\$	1.10	\$	0.98
Shares used in computing earnings per share:								
Weighted average basic shares outstanding		214,866		213,150		214,178		212,564
Weighted average diluted shares outstanding		214,916		213,242		214,229		212,650

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands)****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income	\$ 98,409	\$ 100,856	\$ 249,992	\$ 220,647
Other comprehensive income (loss), net of tax provision:				
Foreign currency translation adjustment, net of tax of \$0, \$0, \$0 and \$0	13,120	22,289	(25,772)	19,047
Other, net of tax of \$0, \$1, \$0 and \$3		4		14
Other comprehensive income (loss)	13,120	22,293	(25,772)	19,061
Comprehensive income	111,529	123,149	224,220	239,708
Less: Comprehensive income attributable to noncontrolling interests	5,503	4,458	14,768	13,004
Total comprehensive income attributable to Quanta shareholders	\$ 106,026	\$ 118,691	\$ 209,452	\$ 226,704

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**QUANTA SERVICES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities:</b>				
Net income	\$ 98,409	\$ 100,856	\$ 249,992	\$ 220,647
Income from discontinued operations		(12,770)		(20,299)
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation	33,873	30,713	98,793	89,115
Amortization of intangible assets	7,026	10,290	17,406	28,781
Equity in earnings of unconsolidated affiliates		(1,308)		(1,308)
Amortization of debt issuance costs	218	228	654	678
Amortization of deferred revenues	(2,652)	(2,523)	(8,169)	(7,663)
Gain on sale of property and equipment	(859)	(187)	(1,512)	(634)
Foreign currency loss	1,303	243	2,247	617
Provision for doubtful accounts	170	468	1,832	2,827
Deferred income tax provision (benefit)	(15,481)	12,485	(10,507)	22,137
Non-cash stock-based compensation	7,669	6,634	27,747	20,120
Tax impact of stock-based equity awards	(229)	66	(2,797)	24
Changes in operating assets and liabilities, net of non-cash transactions				
(Increase) decrease in				
Accounts and notes receivable	(126,633)	(272,380)	(97,474)	(309,551)
Costs and estimated earnings in excess of billings on uncompleted contracts	(792)	(23,853)	(66,460)	(163,143)
Inventories	5,396	(1,137)	2,500	21,321
Prepaid expenses and other current assets	(22,947)	(27,486)	(7,519)	(17,305)