

QUANTA SERVICES INC
Form 10-Q
November 06, 2015
Table of Contents

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, 2015.

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 **74-2851603**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **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 November 5, 2015, the number of outstanding shares of Common Stock of the Registrant was 152,882,049. As of the same date, 3,500,000 exchangeable shares of a Canadian subsidiary of the Registrant associated with one share of Series F Preferred Stock of the Registrant were outstanding, 449,929 exchangeable shares of a Canadian subsidiary of the Registrant associated with one share of Series G Preferred Stock of the Registrant were outstanding and an additional 2,926,113 exchangeable shares of certain other Canadian subsidiaries of the Registrant were outstanding.

Table of Contents

QUANTA SERVICES, INC. AND SUBSIDIARIES

INDEX

	Page
PART I. FINANCIAL INFORMATION	
ITEM 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Balance Sheets</u>	2
<u>Condensed Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	45
ITEM 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	80
ITEM 4. <u>Controls and Procedures</u>	81
PART II. OTHER INFORMATION	
ITEM 1. <u>Legal Proceedings</u>	83
ITEM 1A. <u>Risk Factors</u>	83
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	83
ITEM 3. <u>Defaults Upon Senior Securities</u>	85
ITEM 4. <u>Mine Safety Disclosures</u>	85
ITEM 5. <u>Other Information</u>	85
ITEM 6. <u>Exhibits</u>	85
<u>Signature</u>	87

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****QUANTA SERVICES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share information)****(Unaudited)**

	September 30, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 49,194	\$ 190,515
Accounts receivable, net of allowances of \$5,281 and \$6,174	1,700,314	1,801,110
Costs and estimated earnings in excess of billings on uncompleted contracts	352,021	290,447
Inventories	64,690	38,921
Prepaid expenses and other current assets	196,445	210,267
Current assets of discontinued operations		22,716
Total current assets	2,362,664	2,553,976
Property and equipment, net of accumulated depreciation of \$733,234 and \$651,559	1,125,501	1,099,574
Other assets, net	62,915	79,133
Other intangible assets, net of accumulated amortization of \$244,933 and \$225,367	225,413	243,584
Goodwill	1,596,931	1,596,695
Non-current assets of discontinued operations		739,062
Total assets	\$ 5,373,424	\$ 6,312,024
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of long-term debt and short-term borrowings	\$ 2,350	\$ 8,876
Accounts payable and accrued expenses	938,535	856,245
Billings in excess of costs and estimated earnings on uncompleted contracts	252,505	251,113
Current liabilities of discontinued operations	147,148	21,091
Total current liabilities	1,340,538	1,137,325
Long-term debt and notes payable, net of current maturities	348,209	72,489
Deferred income taxes	226,078	234,379
Insurance and other non-current liabilities	254,685	227,730

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Non-current liabilities of discontinued operations		114,561
Total liabilities	2,169,510	1,786,484
Commitments and Contingencies		
Equity:		
Common stock, \$.00001 par value, 600,000,000 shares authorized, 227,855,948 and 226,194,656 shares issued, and 156,457,392 and 210,819,790 shares outstanding	2	2
Exchangeable Shares, no par value, 6,876,042 and 7,325,971 shares issued and outstanding		
Series F Preferred Stock, \$.00001 par value, 1 share authorized, issued and outstanding		
Series G Preferred Stock, \$.00001 par value, 1 share authorized, issued and outstanding		
Additional paid-in capital	3,489,627	3,592,906
Retained earnings	1,682,772	1,366,791
Accumulated other comprehensive income (loss)	(264,844)	(123,290)
Treasury stock, 71,398,556 and 15,374,866 common shares, at cost	(1,718,185)	(321,936)
Total stockholders' equity	3,189,372	4,514,473
Non-controlling interests	14,542	11,067
Total equity	3,203,914	4,525,540
Total liabilities and equity	\$ 5,373,424	\$ 6,312,024

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 OPERATIONS

(In thousands, except per share information)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenues	\$ 1,939,438	\$ 2,145,958	\$ 5,673,164	\$ 5,719,615
Cost of services (including depreciation)	1,704,223	1,809,055	4,972,538	4,862,449
Gross profit	235,215	336,903	700,626	857,166
Selling, general and administrative expenses	145,687	196,494	441,073	500,593
Amortization of intangible assets	8,650	9,125	25,674	25,160
Operating income	80,878	131,284	233,879	331,413
Interest expense	(2,021)	(1,321)	(5,096)	(3,431)
Interest income	346	900	1,118	3,041
Equity in earnings (losses) of unconsolidated affiliates			(314)	(332)
Other income (expense), net	(1,070)	(378)	(1,416)	(635)
Income from continuing operations before income taxes	78,133	130,485	228,171	330,056
Provision for income taxes	32,389	37,195	94,574	107,269
Net income from continuing operations	45,744	93,290	133,597	222,787
Net income from discontinued operations	173,212	6,725	193,109	21,320
Net income	218,956	100,015	326,706	244,107
Less: Net income attributable to non-controlling interests	2,568	5,367	10,725	13,969
Net income attributable to common stock	\$ 216,388	\$ 94,648	\$ 315,981	\$ 230,138
Amounts attributable to common stock:				
Net income from continuing operations	\$ 43,176	\$ 87,923	\$ 122,872	\$ 208,818
Net income from discontinued operations	173,212	6,725	193,109	21,320
Net income attributable to common stock	\$ 216,388	\$ 94,648	\$ 315,981	\$ 230,138

Earnings per share attributable to common stock basic and diluted:

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Continuing operations	\$ 0.23	\$ 0.40	\$ 0.59	\$ 0.95
Discontinued operations	0.92	0.03	0.94	0.10
Net income attributable to common stock	\$ 1.15	\$ 0.43	\$ 1.53	\$ 1.05
Shares used in computing earnings per share:				
Weighted average basic shares outstanding	188,951	219,492	206,181	219,395
Weighted average diluted shares outstanding	188,961	219,517	206,193	219,420

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)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$ 218,956	\$ 100,015	\$ 326,706	\$ 244,107
Other comprehensive income (loss), net of tax provision:				
Foreign currency translation adjustment, net of tax of \$0, \$0, \$0 and \$0	(67,497)	(50,053)	(141,549)	(36,656)
Other, net of tax of \$3, \$6, \$1 and \$18	(9)	(16)	(6)	(52)
Other comprehensive loss	(67,506)	(50,069)	(141,555)	(36,708)
Comprehensive income	151,450	49,946	185,151	207,399
Less: Comprehensive income attributable to non-controlling interests	2,568	5,367	10,725	13,969
Total comprehensive income attributable to Quanta stockholders	\$ 148,882	\$ 44,579	\$ 174,426	\$ 193,430

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 CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Cash Flows from Operating Activities of Continuing Operations:				
Net income	\$ 218,956	\$ 100,015	\$ 326,706	\$ 244,107
Adjustments to reconcile net income to net cash provided by (used in) operating activities of continuing operations				
Income from discontinued operations	(173,212)	(6,725)	(193,109)	(21,320)
Depreciation	40,954	36,485	121,382	103,239
Amortization of intangible assets	8,650	9,125	25,674	25,160
Equity in losses of unconsolidated affiliates			314	332
Amortization of debt issuance costs	273	273	819	821
Gain on sale of property and equipment	(734)	(890)	(844)	(1,991)
Foreign currency loss	843	381	1,556	797
Provision for (recovery of) doubtful accounts	(645)	11	59	1,121
Provision for contract receivable		52,542		52,542
Non-cash portion of arbitration expense				10,518
Deferred income tax benefit	(7,544)	(13,215)	(6,552)	(13,760)
Non-cash stock-based compensation	9,523	7,397	28,708	27,249
Tax impact of stock-based equity awards	(665)	(1,185)	(669)	(1,429)
Changes in operating assets and liabilities, net of non-cash transactions (Increase) decrease in				
Accounts and notes receivable	(59,739)	(216,792)	77,913	(374,751)
Costs and estimated earnings in excess of billings on uncompleted contracts	(11,828)	(96,008)	(78,597)	(100,844)
Inventories	(9,605)	1,058	(22,596)	(5,723)
Prepaid expenses and other current assets	14,305	(201)	4,729	(22,687)
Increase (decrease) in				
Accounts payable and accrued expenses and other non-current liabilities	60,333	142,070	111,779	39,866
Billings in excess of costs and estimated earnings on uncompleted contracts	20,950	33,886	6,381	23,515
Other, net	(1,917)	2,121	(9,003)	6,199
Net cash provided by (used in) operating activities of continuing operations	108,898	50,348	394,650	(7,039)