

QUANTA SERVICES INC  
Form 10-Q  
November 09, 2009

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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, 2009
- 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.)*

**1360 Post Oak Blvd.**

**Suite 2100**

**Houston, Texas 77056**

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

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

**(713) 629-7600**

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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  Smaller reporting company   
(Do not check if a 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

209,171,196 shares of Common Stock were outstanding as of November 3, 2009. As of the same date, 662,293 shares of Limited Vote Common Stock were outstanding.

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**QUANTA SERVICES, INC. AND SUBSIDIARIES**

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**QUANTA SERVICES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share information)  
(Unaudited)

	<b>December 31, 2008</b>	<b>September 30, 2009</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 437,901	\$ 584,038
Accounts receivable, net of allowances of \$8,802 and \$9,766	795,251	663,277
Costs and estimated earnings in excess of billings on uncompleted contracts	54,379	62,353
Inventories	25,813	31,920
Prepaid expenses and other current assets	72,063	61,372
<b>Total current assets</b>	<b>1,385,407</b>	<b>1,402,960</b>
Property and equipment, net of accumulated depreciation of \$330,070 and \$373,122	635,456	692,543
Other assets, net	33,479	31,647
Other intangible assets, net of accumulated amortization of \$57,215 and \$72,475	140,717	131,053
Goodwill	1,363,100	1,375,902
<b>Total assets</b>	<b>\$ 3,558,159</b>	<b>\$ 3,634,105</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Notes payable	\$ 1,155	\$ 37
Accounts payable and accrued expenses	400,253	338,586
Billings in excess of costs and estimated earnings on uncompleted contracts	50,390	51,465
<b>Total current liabilities</b>	<b>451,798</b>	<b>390,088</b>
Convertible subordinated notes, net of discount of \$21,475 and \$18,257	122,275	125,493
Deferred income taxes	83,861	100,836
Insurance and other non-current liabilities	217,851	193,946
<b>Total liabilities</b>	<b>875,785</b>	<b>810,363</b>
Commitments and Contingencies		
Equity:		
Common stock, \$.00001 par value, 300,000,000 shares authorized, 199,317,237 and 200,665,654 shares issued and 196,928,203 and 198,067,674 shares outstanding, respectively	2	2
Limited Vote Common Stock, \$.00001 par value, 3,345,333 shares authorized, 662,293 shares issued and outstanding		

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Additional paid-in capital	2,803,836	2,836,051
Retained earnings (accumulated deficit)	(86,326)	20,731
Accumulated other comprehensive income (loss)	(2,956)	1,793
Treasury stock, 2,389,034 and 2,597,980 common shares, at cost	(32,182)	(35,708)
Total stockholders' equity	2,682,374	2,822,869
Noncontrolling interest		873
Total equity	2,682,374	2,823,742
Total liabilities and equity	\$ 3,558,159	\$ 3,634,105

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)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>
Revenues	\$ 1,053,355	\$ 780,794	\$ 2,858,679	\$ 2,332,703
Cost of services (including depreciation)	867,789	633,166	2,390,546	1,930,162
Gross profit	185,566	147,628	468,133	402,541
Selling, general and administrative expenses	80,126	71,018	227,134	217,591
Amortization of intangible assets	8,998	5,448	29,464	15,260
Operating income	96,442	71,162	211,535	169,690
Interest expense	(9,837)	(2,816)	(29,153)	(8,437)
Interest income	2,022	338	8,105	2,047
Loss on early extinguishment of debt	(2)		(2)	
Other income (expense), net	(74)	592	408	826
Income before income taxes	88,551	69,276	190,893	164,126
Provision for income taxes	36,614	5,320	79,817	45,036
Net income	51,937	63,956	111,076	119,090
Less: Net income attributable to noncontrolling interest		520		873
Net income attributable to common stock	\$ 51,937	\$ 63,436	\$ 111,076	\$ 118,217
Earnings per share attributable to common stock:				
Basic earnings per share	\$ 0.30	\$ 0.32	\$ 0.65	\$ 0.60
Diluted earnings per share	\$ 0.28	\$ 0.32	\$ 0.63	\$ 0.59
Shares used in computing earnings per share:				
Weighted average basic shares outstanding	173,007	198,608	172,168	198,618
Weighted average diluted shares outstanding	203,930	205,224	196,783	198,815

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)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>
<b>Cash Flows from Operating Activities:</b>				
Net income	\$ 51,937	\$ 63,956	\$ 111,076	\$ 119,090
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation	19,806	20,574	57,986	60,537
Amortization of intangibles	8,998	5,448	29,464	15,260
Non-cash interest expense	4,731	1,093	13,862	3,218
Amortization of debt issuance costs	538	230	1,613	691
Amortization of deferred revenues	(2,635)	(3,397)	(6,886)	(10,316)
(Gain) loss on sale of property and equipment	(841)	883	(1,147)	1,518
Loss on early extinguishment of debt	2		2	
Provision for doubtful accounts	1,328	156	4,230	2,088
Provision for insurance receivable			3,375	
Deferred income tax provision	8,277	28,764	2,788	33,346
Non-cash stock-based compensation	4,043	4,969	12,402	14,635
Tax impact of stock-based equity awards	(318)	(115)	(2,625)	1,593
Non-cash (gain) loss on foreign currency transactions		(634)		(634)
Changes in operating assets and liabilities, net of non-cash transactions				
(Increase) decrease in				
Accounts and notes receivable	(139,659)	75,205	(234,316)	136,158
Costs and estimated earnings in excess of billings on uncompleted contracts	10,624	(12,560)	7,118	(7,096)
Inventories	4,698	(3,391)	(213)	(5,545)
Prepaid expenses and other current assets	10,308	(9,760)	9,886	(7,496)
Increase (decrease) in				
Accounts payable and accrued expenses and other non-current liabilities	33,193	(48,792)	55,910	(78,886)
Billings in excess of costs and estimated earnings on uncompleted contracts	2,826	(15,284)	(14,271)	540
Other, net	(1,040)	614	(136)	(112)
Net cash provided by operating activities	16,816	107,959	50,118	278,589
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of property and equipment	2,058	2,075	11,122	4,779
Additions of property and equipment	(51,776)	(36,012)	(164,925)	(120,852)
Cash paid for acquisition, net of cash acquired	(4,819)	(14,148)	(27,728)	(14,148)



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Cash paid for developed technology			(14,573)	
Net cash used in investing activities	(54,537)	(48,085)	(196,104)	(130,221)
Cash Flows from Financing Activities:				
Proceeds from other long-term debt		123	635	2,218
Repayments of convertible subordinated notes	(1)		(1)	
Payments on other long-term debt	(45) &			