



2023 ANNUAL REPORT

THE PEOPLE
CONNECTING
AMERICA™



CORPORATE PROFILE

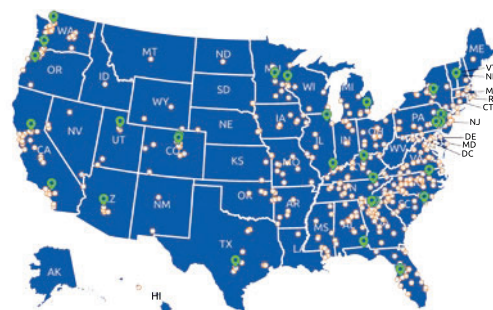
Dycom Industries, Inc. is a leading provider of specialty contracting services to the telecommunications infrastructure and utility industries throughout the United States. Since our incorporation in the State of Florida in 1969, we have expanded our scope and service offerings organically and through acquisitions. Today, Dycom is made up of more than 40 operating companies that serve a diverse customer base across 49 states from hundreds of field offices. Our deep industry knowledge, strong customer relationships, broad geographic presence and skilled workforce provide the scale needed to quickly execute on opportunities to service existing and new customers throughout urban and rural America.

Dycom's operating companies supply telecommunications providers with a comprehensive portfolio of specialty services, including program management; planning; engineering and design; aerial, underground, and wireless construction; maintenance; and fulfillment services. Additionally, we provide underground facility locating services for various utilities, including telecommunications providers, and other construction and maintenance services for electric and gas utilities. Dycom supplies the expertise, labor, equipment, and tools necessary to provide services to our customers.

Engineering Services. We provide engineering services to telecommunications providers, including the planning and design of aerial, underground, and buried fiber optic, copper, and coaxial cable systems that extend from the telephone company hub location, or cable operator headend, to a consumer's home or business. We also plan and design wireless networks in connection with the deployment of new and enhanced macro cell sites and new small cell sites. Additionally, we obtain rights of way and permits in support of our engineering activities and those of our customers and provide program and project management and inspection personnel in conjunction with engineering services or on a stand-alone basis.

Construction, Maintenance, and Installation Services. We provide a range of construction, maintenance, and installation services, including the placement and splicing of fiber, copper, and coaxial cables. We excavate trenches to place these cables; place related structures, such as poles, anchors, conduits, manholes, cabinets, and closures; place drop lines from main distribution lines to a consumer's home or business; and maintain and remove these facilities. We provide these services for both telephone companies and cable multiple system operators in connection with the deployment, expansion, or maintenance of new and existing networks. We also provide tower construction, lines and antenna installation, foundation and equipment pad construction, small cell site placement for wireless carriers, and equipment installation and material fabrication and site testing services. In addition, we provide underground facility locating services for various utility companies, including telecommunications providers. Our underground facility locating services include locating telephone, cable television, power, water, sewer, and gas lines. In addition, we install and maintain customer premise equipment, such as digital video recorders, set top boxes and modems, for cable multiple system operators and others. We also perform construction and maintenance services for electric and gas utilities and other customers.

Dycom's Nationwide Presence



Financial Highlights

The following financial information has been derived from the Company's consolidated financial statements. This information should be read in conjunction with the consolidated financial statements and the notes thereto contained in this Annual Report, as well as the section of this Annual Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Fiscal 2023	Fiscal 2022	Fiscal 2021
	In thousands, except earnings per common share amounts and number of employees		
Revenues	\$3,808,462	\$3,130,519	\$3,199,165
Net income	\$ 142,213	\$ 48,574	\$ 34,337
Earnings per common share – diluted	\$ 4.74	\$ 1.57	\$ 1.07
Non-GAAP Adjusted earnings per common share – diluted	\$ 4.74	\$ 1.52	\$ 2.54
Weighted average number of common shares – diluted	29,997	30,844	32,091
Total assets	\$2,313,254	\$2,118,224	\$1,944,165
Long-term obligations	\$ 974,948	\$ 977,884	\$ 684,367
Stockholders' equity	\$ 868,755	\$ 758,544	\$ 811,308
Number of employees	15,410	15,024	14,280

DEAR FELLOW SHAREHOLDERS



"...we remain confident in the prospects for our company and the significant long term growth opportunities that continue to exist for our industry."

April 2023

As fiscal 2024 begins, we look back on a year of strong operating performance. Despite difficulties created by macroeconomic conditions, we set records in total annual contract revenue and organic revenue growth, improved margins, and solidly deleveraged our balance sheet with significantly enhanced liquidity. In this time of increased macroeconomic uncertainty, we remain confident in the prospects for our company and the significant long term growth opportunities that continue to exist for our industry.

In May 2021, we first outlined the supply constraints becoming visible in our industry. Some regional labor shortages were emerging, particularly for new hire unskilled/semi-skilled positions, and lead times for fiber optic cable and equipment were lengthening. Throughout the balance of 2021, those pressures intensified with labor becoming tight in most regions of the country and extended delivery lead times for fiber optic cable and equipment becoming the industry norm. In the second half of 2021, automotive supply challenges emerged, particularly for the large truck chassis required for the specialty equipment we use in part to grow our business. Delivery times became extended and near-term availability very limited.

During fiscal 2023 (the twelve months ending January 2023) those supply constraints as well as dramatic increases in fuel prices, resulted in escalating costs. Field wages rose significantly, particularly for new hires, essentially resetting the lower end of our wage scale throughout the country. Fiber optic cable availability improved, but deliveries became more volatile in the short to intermediate term, causing job inefficiencies. Automotive supply challenges intensified with capital equipment prices increasing by more than 15 percent year over year. Initially industry participants were slow to recognize these cost pressures but as the year progressed, they increasingly understood that the pressures were industry wide and needed to be addressed to ensure service delivery. Internally, we reemphasized operating disciplines to measure and manage idle running time for capital equipment to reduce fuel consumption and enhanced our digital recruiting capabilities to expand our available labor pool. When possible, we negotiated protection against inflationary increases and when feasible and practical, shortened contract durations to reduce risk.

Even with this challenging backdrop, fiscal 2023 was a strong year. Total contract revenue was \$3,808.5 billion, an increase of \$677.9 million. Organic revenue growth of \$681.8 million, represented an annual organic growth rate of 21.8 percent. More impressive, organic growth was evenly distributed across each quarter with first quarter organic growth of 21.1 percent, second quarter 23.5 percent, third quarter 22.1 percent and fourth quarter organic growth 20.5 percent. Revenue concentration, as measured by the percentage of revenue generated by our top 5 customers, remained steady for the year, dropping to below 66 percent in the fourth quarter. Total contract revenue and organic revenue growth were both all time records while the annual organic rate of 21.8 percent was the highest annual rate since fiscal 2016 when the company was over 30 percent smaller.

Increasing revenue and growth were accompanied by materially improved profitability during fiscal 2023. Diluted earnings per share ("EPS") was \$4.74, increasing 212 percent from Non-GAAP Adjusted Diluted EPS for the prior fiscal year. In addition, Adjusted EBITDA increased to \$366.1 million from \$244.3 million, an increase of 49.8 percent year over year. Gross margin increased 116 basis points to 17.0 percent while total general and administrative expenses decreased 68 basis points to 7.7 percent. Interest expense, net increased by over \$7.5 million reflecting higher interest rates. Profit before tax of 4.7 percent nearly tripled from the prior fiscal year. In a year when inflationary pressures impacting the business were at levels last seen 40 years ago, these operating results represent tight cost controls and the focused effort of the entire management team.

Strong organic growth required significant investments in support of the needs of our customers. Capital expenditures during the year were \$201 million, an increase of \$44 million, the highest level in five years. This resulted from the proactive management of automotive supply chain challenges throughout the year and the foresight to initiate orders for new equipment much earlier than we would have in prior years. Working capital (total current assets less total current liabilities, excluding cash and equivalents and the current portion of debt) increased \$135 million to \$816 million. Despite this investment in working capital, operating cash flow finished the year strongly at \$246 million in the fourth quarter and \$165 million for the year. Total liquidity consisting of availability under our bank credit facility and cash on hand, finished the year at \$758 million, more than double the \$352 million at the end of the prior year. Increased financial flexibility allowed us to repurchase over 500 thousand shares, reducing fully diluted shares at the end of the fourth quarter below 30 million for the first time since 1999. Of note, since we began repurchases in September of 2001, we have retired over 27 million shares for an investment of just over \$900 million, a repurchase price of \$33.84 per share. At a recent share price of \$95, this represents a gain of over \$1.65 billion on the shares retired, or approximately \$61 per share.

In last year's letter, we highlighted the tremendous increase in planned deployments of fiber to the home networks by traditional wireline companies. We reiterated our belief, first articulated in 2016, that eventually 100 to 105 million total locations throughout the country would be served by fiber optic networks funded with non-governmental private capital. In addition, we outlined the significant number of federal and state government programs targeting broadband network deployments in rural America and the tens of billions of dollars appropriated to fund these rural deployments. This year's organic growth largely resulted from the significant acceleration in deployments that we so eagerly anticipated last year.

Not a surprise, last year's planned deployments by traditional wireline companies were met this year by very ambitious plans from the leading cable multiple system operators ("MSO's"). Over the last 10 to 15 years these companies have garnered the vast majority of consumer and small and medium business broadband subscriber growth. Through continued investment in their hybrid fiber coaxial cable networks, higher and higher speeds have been provisioned. Building on their robust existing infrastructure and newly developed technical capabilities, leading cable MSO's outlined plans during the year to dramatically increase the downstream and upstream bandwidth delivered by their networks over the next several years. These plans are designed to enable multi-gigabit product offerings that rival those offered by fiber optic networks.

The technical upgrades underway, will require the eventual replacement of all of the outside electronic devices that manage the radio frequency signals

"Total contract revenue and organic revenue growth were both all time records..."

"...operating cash flow finished the year strongly at \$246 million in the fourth quarter and \$165 million for the year."

that deliver information through a hybrid fiber coaxial cable network. These devices consist of nodes where light signals carried by a fiber optic cable are converted to radio frequency signals carried by coaxial cable and amplifiers that boost the signals as they travel through the coaxial cable from a node to an eventual subscriber. All told, millions and millions of these devices will be physically replaced. In addition, as this technical work is performed some construction will be required primarily to upgrade a portion of the coaxial cable plant so as to ensure that the full capabilities of the new technical upgrades are available. These upgrades present yet another multi-year opportunity for our industry.

As traditional wireline companies and cable MSO's upgrade their networks to provision multi-gigabit bandwidth to consumers and small and medium businesses, it is notable that consumer demand for 1 gigabit connections more than doubled last year. Each quarter, industry analyst OpenVault publishes a report showing the percentage of total broadband subscribers connected at various speeds. Its most recent report showed that during the fourth quarter of calendar 2022, 26% of consumers subscribed to a 1 gigabit or more connections compared to 12% during the fourth quarter of calendar 2021. If this trend continues, strong consumer preference for 1 gigabit services will ineluctably drive more network upgrades and deployments.

In contemplating the scope, scale, and duration of the opportunities our industry enjoys, we are comforted by history that strongly indicates that industry programs to enable higher capability networks generally grow in size and duration. The deployment of a fiber to the home network by an industry pioneer stands as a good case in point. Twenty years ago, this pioneer initiated a broad fiber optic deployment with the articulated goal of passing 18 million or approximately 55 percent of the 33 million homes then in its service territory. Over the years, this company sharpened its geographic focus, divesting approximately 8 million homes through four separate transactions but continued deploying within the territory it retained. Today this company has deployed more than 17 million homes and plans to continue passing approximately 500 thousand homes per year for the next few years. At this pace, it may eventually pass 19 to 20 million homes, or approximately 75 to 80 percent of its current footprint. Both of the companies who acquired territory from this pioneer are also aggressively deploying fiber optic networks today. We believe this percentage level of deployment will eventually be replicated by other traditional wireline companies across the country.

As we reflect on last year and contemplate this exciting future, we are encouraged that our simple vision "To connect America" has never been more critical for our country. We are grateful to our employees who every day live our mission "Serve customers skillfully. Deliver results with discipline. Accountable in all we do." and want to thank our customers for their patience when we occasionally fail to accomplish that mission. We will never finish improving our business. We can always do better.

To my fellow directors and shareholders, thank you for your confidence. It is much appreciated. And to Dwight Duke, our retiring director, thanks for your 12 years of service. I will always remember your industry insight, wise counsel, and dedication.

Sincerely,



Steven Nielsen
President and Chief Executive Officer

"We are grateful to our employees who every day live our mission "Serve customers skillfully. Deliver results with discipline. Accountable in all we do." "

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 28, 2023

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-10613
DYCOM INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of incorporation or organization)

59-1277135
(I.R.S. Employer Identification No.)

11780 US Highway 1, Suite 600
Palm Beach Gardens, FL 33408
(Address of principal executive offices,
including zip code)

Registrant's telephone number, including area code: (561) 627-7171

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, par value \$0.33 1/3 per share	DY	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to Section 240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the common stock, par value \$0.33 1/3 per share, held by non-affiliates of the registrant, computed by reference to the closing price of such stock on the New York Stock Exchange on July 30, 2022, was \$2,933,163,238.

There were 29,355,347 shares of common stock with a par value of \$0.33 1/3 outstanding at February 28, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Document

Portions of the registrant's Proxy Statement for its 2023 Annual Meeting of Shareholders

Part of Annual Report on Form 10-K into which incorporated

Parts II and III

Such Proxy Statement, except for the portions thereof which have been specifically incorporated by reference, shall not be deemed "filed" as part of this Annual Report on Form 10-K.

Dycom Industries, Inc.
Table of Contents

Cautionary Note Concerning Forward-Looking Statements	3
Available Information	4

PART I

Item 1.	Business	4
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	20
Item 2.	Properties	20
Item 3.	Legal Proceedings	20
Item 4.	Mine Safety Disclosures	20

PART II

Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	20
Item 6.	Selected Financial Data	23
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	24
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 8.	Financial Statements and Supplementary Data	42
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	78
Item 9A.	Controls and Procedures	78
Item 9B.	Other Information	78
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	78

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	79
Item 11.	Executive Compensation	79
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	79
Item 13.	Certain Relationships, Related Transactions and Director Independence	79
Item 14.	Principal Accounting Fees and Services	79

PART IV

Item 15.	Exhibits and Financial Statement Schedules	80
Item 16.	Form 10-K Summary	82

Signatures

Cautionary Note Concerning Forward-Looking Statements

This Annual Report on Form 10-K, including any documents that may be incorporated by reference, may contain forward-looking statements. Forward looking statements can be identified with words such as “believe,” “expect,” “anticipate,” “estimate,” “intend,” “project,” “forecast,” “target,” “outlook,” “may,” “should,” “could,” and similar expressions, as well as statements written in the future tense. These statements, as well as any other written or oral forward-looking statements we may make from time to time in other SEC filings or other public communications are intended to qualify for the “safe harbor” from liability established by the Private Securities Litigation Reform Act of 1995. You should not consider forward-looking statements as guarantees of future performance or results. When made, forward-looking statements are based on information known to management at such time and/or management’s good faith belief with respect to future events. Such statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in our forward-looking statements. Important factors, assumptions, uncertainties, and risks that could cause such differences include, but are not limited to:

- projections of revenues, income or loss, or capital expenditures;
- future economic conditions and trends in the industries we serve;
- customer capital budgets and spending priorities;
- our plans for future operations, growth and services, including contract backlog;
- our plans for future acquisitions, dispositions, or financial needs;
- expected benefits and synergies of businesses acquired and future opportunities for the combined businesses;
- anticipated outcomes of contingent events, including litigation;
- availability of capital;
- restrictions imposed by our senior notes and credit agreement;
- use of our cash flow to service our debt;
- the effects of changes in tax law;
- potential liabilities and other adverse effects arising from occupational health, safety, and other regulatory matters;
- potential exposure to environmental liabilities;
- determinations as to whether the carrying value of our assets is impaired;
- assumptions relating to any of the foregoing;
- duration and severity of widespread public health epidemics, including the coronavirus (“COVID-19”) pandemic, and their ultimate impact across our business;
- other risks outlined in our periodic filings with the SEC; and
- other factors that are discussed within Item 1. *Business*, Item 1A. *Risk Factors* and Item 7. *Management’s Discussion and Analysis of Financial Condition and Results of Operations* of this Annual Report on Form 10-K.

Our forward-looking statements are expressly qualified in their entirety by this cautionary statement. We do not undertake to update or revise forward-looking statements to reflect events or circumstances arising after the date of those statements or to reflect the occurrence of anticipated or unanticipated events.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports are available, free of charge, on our website, www.dycomind.com, as soon as reasonably practicable after we file these reports with, or furnish these reports to, the SEC. All references to www.dycomind.com in this report are inactive textual references only and information contained at that website is not incorporated herein and does not constitute a part of this Annual Report on Form 10-K. In addition, the SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, where you may obtain a copy of all of the materials we file publicly with the SEC. The SEC website address is www.sec.gov.

PART I

Item 1. *Business.*

Dycom Industries, Inc. (“Dycom,” the “Company,” “we,” or “us”) is a leading provider of specialty contracting services to the telecommunications infrastructure and utility industries throughout the United States. Since our incorporation in the State of Florida in 1969, we have expanded our scope and service offerings organically and through acquisitions. Today, Dycom is made up of more than 40 operating companies that serve a diverse customer base across 49 states from hundreds of field offices. Our deep industry knowledge, strong customer relationships, broad geographic presence and skilled workforce provide the scale needed to quickly execute on opportunities to service existing and new customers throughout urban and rural America.

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Business Strategy

Capitalize on Long-Term Growth Drivers. We are well-positioned to benefit from the increased demand for network telecommunications bandwidth that is necessary to ensure reliable video, voice, and data services. Developments in consumer and business applications within the telecommunications industry, including advanced digital and video service offerings, continue to increase demand for greater wireline and wireless network capacity and reliability. Telecommunications network operators are increasingly deploying fiber optic cable technology deeper into their networks and closer to consumers and businesses in order to respond to consumer demand, competitive realities, and public policy support. Additionally, wireless carriers are upgrading their networks and contemplating next generation mobile solutions in response to the significant demand for wireless broadband, driven by the proliferation of smart phones, mobile data devices and other advances in technology. Increasing wireless data traffic and emerging wireless technologies are driving wireline deployments in many regions of the

United States. Furthermore, significant consolidation and merger activity among telecommunications providers could also provide increased demand for our services as networks are integrated.

Selectively Increase Market Share. We believe our reputation for providing high quality services and the ability to provide those services nationally creates opportunities to expand market share. Our operating structure and multiple points of contact within customer organizations positions us favorably to win new opportunities and maintain strong relationships with our customers. We are able to address larger customer opportunities due to our significant financial resources that some of our comparatively more capital-constrained competitors may be unable to take on.

Pursue Disciplined Financial and Operating Strategies. We manage the financial aspects of our business by centralizing certain activities that allow us to leverage our scope and scale and reduce costs. We have centralized functions, such as information technology, legal, risk management, treasury, tax, the approval of capital equipment procurements, and the design and administration of employee benefit plans. In contrast, we decentralize the recording of transactions and the financial reporting necessary for timely operational decisions. This operating structure promotes greater accountability for business outcomes by our local managers. Our local managers are responsible for marketing, field operations, and ongoing customer service, and are empowered to capture new business and execute contracts on a timely and cost-effective basis. Executive management supports the local marketing efforts while also marketing at a national level. This operating structure enables us to benefit from our scale while retaining the organizational agility necessary to compete with smaller, regional and privately owned competitors.

Pursue Selective Acquisitions. We pursue acquisitions that are operationally and financially beneficial for the Company as they provide incremental revenue, geographic diversification, and complement existing operations. We generally target companies for acquisition that have defensible leadership positions in their market niches, the opportunity to generate profitability that meets or exceeds industry averages, proven operating histories, sound management and certain clearly identifiable cost synergies.

Fiscal Year

Our fiscal year ends on the last Saturday in January. As a result, each fiscal year consists of either 52 weeks or 53 weeks of operations (with the additional week of operations occurring in the fourth quarter). Fiscal 2023, fiscal 2022, fiscal 2020, and fiscal 2019 each consisted of 52 weeks of operations. Fiscal 2021 consisted of 53 weeks of operations. Fiscal 2024 will consist of 52 weeks of operations.

Customer Relationships

We have established relationships with many leading telecommunications providers, including telephone companies, cable multiple system operators, wireless carriers, telecommunication equipment and infrastructure providers, as well as electric and gas utilities. Our customer base is highly concentrated, with our top five customers during fiscal 2023, fiscal 2022, and fiscal 2021, accounting for approximately 66.7%, 66.2%, and 74.1%, of our total contract revenues, respectively. During fiscal 2023, we derived approximately 25.2% of our total contract revenues from AT&T Inc., 12.7% from Lumen Technologies Inc., 11.3% from Comcast Corporation, 9.1% from Verizon Communications, Inc., and 8.5% from Frontier Communications Corporation. We believe that a substantial portion of our total contract revenues and operating income will continue to be generated from a concentrated group of customers and that the identity and proportion of our contract revenues arising from our work for our top five customers will fluctuate.

We serve our markets locally through dedicated and experienced personnel. Our sales and marketing efforts are the responsibility of the management teams of our operating companies. These teams possess intimate knowledge of their particular markets, allowing us to be responsive to customer needs. Executive management supports these efforts, both at the local and national levels, focusing on contacts with the appropriate personnel within our customers' organizations.

We perform a significant amount of our services under master service agreements and other contracts that contain customer-specified service requirements. These agreements include discrete pricing for individual tasks. We generally possess multiple agreements with each of our significant customers. To the extent that such agreements specify exclusivity, there are often exceptions, including the ability of the customer to issue work orders valued above a specified dollar amount to other service providers, the performance of work with the customer's own employees, and the use of other service providers when jointly placing facilities with another utility. In most cases, a customer may terminate an agreement for convenience. Historically, multi-year master service agreements have been awarded primarily through a competitive bidding process; however, occasionally we are able to negotiate extensions to these agreements. We provide the remainder of our services pursuant to contracts for specific projects. These contracts may be long-term (with terms greater than one year) or short-term

(with terms less than one year) and often include customary retainage provisions under which the customer may withhold 5% to 10% of the invoiced amounts pending project completion and closeout.

Cyclicality and Seasonality

The cyclical nature of the industry we serve affects demand for our services. The capital expenditure and maintenance budgets of our customers, and the related timing of approvals and seasonal spending patterns, influence our contract revenues and results of operations. Factors affecting our customers and their capital expenditure budgets include, but are not limited to, overall economic conditions, including the cost of capital, the introduction of new technologies, our customers' debt levels and capital structures, our customers' financial performance, and our customers' positioning and strategic plans. Other factors that may affect our customers and their capital expenditure budgets include new regulations or regulatory actions impacting our customers' businesses, merger or acquisition activity involving our customers, and the physical maintenance needs of our customers' infrastructure.

Our contract revenues and results of operations exhibit seasonality and are impacted by adverse weather changes as we perform a significant portion of our work outdoors. Consequently, adverse weather, which is more likely to occur with greater frequency, severity, and duration during the winter, as well as reduced daylight hours, impact our operations during the fiscal quarters ending in January and April. Additionally, extreme weather conditions such as major or extended winter storms, droughts and tornados, and natural disasters, such as floods, hurricanes, tropical storms, whether as a result of climate change or otherwise, could also impact the demand for our services, or impact our ability to perform our services. Also, several holidays fall within the fiscal quarter ending in January, which decreases the number of available workdays in this fiscal quarter. Because of these factors, we are most likely to experience reduced revenue and profitability or losses during the fiscal quarters ending in January and April compared to the fiscal quarters ending in July and October.

Backlog

Our backlog is an estimate of the uncompleted portion of services to be performed under contractual agreements with our customers and totaled \$6.141 billion and \$5.822 billion at January 28, 2023 and January 29, 2022, respectively. We expect to complete 56.3% of the January 28, 2023 total backlog during the next 12 months. Our backlog represents an estimate of services to be performed pursuant to master service agreements and other contractual agreements over their terms. These estimates are based on contract terms and evaluations regarding the timing of the services to be provided. In the case of master service agreements, backlog is estimated based on the work performed in the preceding 12 month period, when applicable. When estimating backlog for newly initiated master service agreements and other long and short-term contracts, we also consider the anticipated scope of the contract and information received from the customer during the procurement process and, where applicable, other ancillary information. The majority of our backlog comprises services under master service agreements and other long-term contracts.

Generally, our customers are not contractually committed to procure specific volumes of services. Contract revenue estimates reflected in our backlog can be subject to change due to a number of factors, including contract cancellations or changes in the amount of work we expect to be performed. In addition, contract revenues reflected in our backlog may be realized in different periods from those previously anticipated due to these factors as well as project accelerations or delays due to various reasons, including, but not limited to, changes in customer spending priorities, project cancellations, regulatory interruptions, scheduling changes, commercial issues, such as permitting, engineering revisions, job site conditions and adverse weather. The amount or timing of our backlog can also be impacted by the merger or acquisition activity of our customers. All of our contracts may be cancelled by our customers, and work previously awarded to us pursuant to these contracts may be cancelled, regardless of whether or not we are in default. Historically, the amount of backlog related to uncompleted projects in which a provision for estimated losses was recorded has not been material.

Backlog is not a measure defined by United States generally accepted accounting principles ("GAAP") and should be considered in addition to, but not as a substitute for information provided in accordance with GAAP. Participants in our industry also disclose a calculation of their backlog; however, our methodology for determining backlog may not be comparable to the methodologies used by others. We utilize our calculation of backlog to assist in measuring aggregate awards under existing contractual relationships with our customers. We believe our backlog disclosures will assist investors in better understanding this estimate of the services to be performed pursuant to awards by our customers under existing contractual relationships.

Competition

The specialty contracting services industry in which we operate is highly fragmented and includes a large number of participants. We compete with several large multinational corporations and numerous regional and privately owned companies. In addition, a portion of our customers directly perform many of the same services that we provide. Relatively few barriers to entry exist in the markets in which we operate. As a result, any organization that has adequate financial resources, access to technical expertise, and the necessary equipment may become a competitor and the degree to which an existing competitor participates in the markets that we operate may increase rapidly. The principal competitive factors for our services include geographic presence, quality of service, worker and general public safety, price, breadth of service offerings, and industry reputation. We believe that we compare favorably to our competitors when evaluated against these factors.

Human Capital Resources

We believe that our employees are our most important resources and are critical to our continued success. We employed approximately 15,410 persons as of January 28, 2023. We focus significant attention on attracting and retaining talented and experienced individuals to manage and support our operations. We offer our employees a broad range of company-paid benefits, and we believe our compensation package and benefits are competitive with others in our industry. We are committed to hiring, developing and supporting a diverse and inclusive workplace.

Each employee, officer and director of the Company must adhere to the highest standards of business ethics when dealing with each other and with customers, suppliers and all other persons as outlined in our Code of Business Conduct and Ethics and our Code of Ethics for Senior Financial Officers (collectively, the “Code of Conduct”). The Code of Conduct requires all employees to conduct all business dealings with honesty and candor and with respect for the law and the highest standard of ethical behavior. Personal integrity, good faith and fair dealing, the respectful treatment of others, and all other attributes of good behavior are essential for our employees, but special responsibility to uphold these values rests on our officers, managers and supervisors as they establish the climate for all other employees. Officers, managers and supervisors are required to create a work environment that encourages employees to discuss concerns without fear of retaliation. Should potential violations of the Code of Conduct or the law occur, employees are encouraged to voice concerns promptly and are reminded that retaliation against anyone who reports a potential violation in good faith will not be tolerated. All employees are required to complete the training on the Code of Conduct and Ethics, and we report material matters related to the Code of Conduct to the Audit Committee of our Board.

The success of our business is fundamentally connected to the safety and well-being of our people. We are committed to instilling safe work habits through proper training and supervision of our employees and expect adherence to safety practices that ensure a safe work environment. Our safety programs require employees to participate both in safety training required by law and training that is specifically relevant to the work they perform. Safety directors review incidents, examine trends, and implement changes in procedures to address safety issues.

Our Board of Directors, through our Compensation Committee and our Corporate Governance Committee, provides oversight on employee matters. The Compensation Committee receives updates on activities, strategies and initiatives related to the compensation and retention of our employees, and our Corporate Governance Committee oversees environmental, social and human capital matters, as well as the development and succession planning of senior management.

Subcontractors and Materials

We contract with subcontractors to perform a significant amount of our work and to manage fluctuations in work volumes and to reduce the amount we expend on fixed assets and working capital. These subcontractors are typically small, privately owned companies that provide their own employees, vehicles, tools and insurance coverage. No individual subcontractor is financially significant to the Company.

For a majority of the contract services we perform, we are provided the majority of the required materials by our customers. Because our customers retain the financial and performance risk associated with materials they provide, we do not include the costs associated with those materials in our contract revenues or costs of earned revenues. Under contracts that require us to supply part or all of the required materials, we typically do not depend upon any one source for those materials.

Risk Management and Insurance

Claims arising in our business generally include workers’ compensation claims, various general liability and damage claims, and claims related to motor vehicle collisions, including personal injury and property damage. For claims within our

insurance program, we retain the risk of loss, up to certain limits, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), workers' compensation, and employee group health. Additionally, within our aggregate coverage limits and above our base layer of third-party insurance coverage, we have retained the risk of loss at certain levels of exposure. We carefully monitor claims and actively participate with our insurers and our third-party claims administrator in determining claims estimates and adjustments. We accrue the estimated costs of claims as liabilities, and include estimates for claims incurred but not reported. Due to fluctuations in our loss experience from year to year, insurance accruals have varied and can affect our operating margins. Our business could be materially and adversely affected if we experience an increase of insurance claims at certain amounts, or in excess of our coverage limits. See Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Note 10, *Accrued Insurance Claims*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

Regulation

We are subject to various federal, state, and local government regulations, including laws and regulations relating to environmental protection, work-place safety, and other business requirements.

Environmental. A significant portion of the work we perform is associated with the underground networks of our customers and we often operate in close proximity to pipelines or underground storage tanks that may contain hazardous substances. We could be subject to potential material liabilities in the event we fail to comply with environmental laws or regulations or if we cause or are responsible for the release of hazardous substances or cause other environmental damages. In addition, failure to comply with environmental laws and regulations could result in significant costs including remediation costs, fines, third-party claims for property damage, loss of use, or personal injury, and, in extreme cases, criminal sanctions.

Workplace Safety. We are subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes that regulate the protection of the health and safety of workers. Our failure to comply with OSHA or other workplace safety requirements could result in significant liabilities, fines, penalties, or other enforcement actions and affect our ability to perform the services that we have been contracted to provide to our customers.

Business. We are subject to a number of state and federal laws and regulations, including those related to utility oversight contractor licensing and the operation of our fleet. If we are not in compliance with these laws and regulations, we may be unable to perform services for our customers and may also be subject to fines, penalties, and the suspension or revocation of our licenses.

Information About Our Executive Officers

The following table sets forth certain information concerning the Company's executive officers as of January 28, 2023, all of whom serve at the pleasure of the Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Office</u>	<u>Executive Officer Since</u>
Steven E. Nielsen	59	Chairman, President and Chief Executive Officer	February 26, 1996
Daniel S. Peyovich	47	Executive Vice President and Chief Operating Officer	January 6, 2021
H. Andrew DeFerrari	54	Senior Vice President and Chief Financial Officer	November 22, 2005
Jason T. Lawson	52	Vice President and Chief Human Resources Officer	October 10, 2022
Ryan F. Urness	50	Vice President, General Counsel and Corporate Secretary	May 21, 2019

There are no arrangements or understandings between any executive officer of the Company and any other person pursuant to which any executive officer was selected as an officer of the Company. There are no family relationships among the Company's executive officers.

Steven E. Nielsen has been the Company's President and Chief Executive Officer since March 1999. Prior to that, Mr. Nielsen was President and Chief Operating Officer of the Company from August 1996 to March 1999, and Vice President from February 1996 to August 1996.

Daniel S. Peyovich has been the Company's Executive Vice President and Chief Operating Officer since May 2021. Prior to that, Mr. Peyovich was the Company's Executive Vice President of Operations. Before joining the Company in January 2021, Mr. Peyovich spent 21 years in various leadership and management roles at Balfour Beatty Construction, including serving as President of its Northwest Division since 2013.

H. Andrew DeFerrari has been the Company's Senior Vice President and Chief Financial Officer since April 2008. Prior to that, Mr. DeFerrari was the Company's Vice President and Chief Accounting Officer since November 2005 and was the Company's Financial Controller from July 2004 through November 2005. Mr. DeFerrari was previously a senior audit manager with Ernst & Young Americas, LLC.

Jason T. Lawson has been the Company's Vice President and Chief Human Resources Officer since October 2022. Prior to joining the Company, Mr. Lawson held various leadership positions in human resources for Installed Building Products (IBP), one of the nation's leading installers of insulation and other building products, where he most recently served as IBP's Vice President of Human Resources.

Ryan F. Urness has been our Vice President and General Counsel since October 2018, and our Corporate Secretary since May 2019. Prior to that, from May 2016 through October 2018, Mr. Urness was General Counsel and Corporate Secretary of USI Building Solutions, a provider of installation and distribution services to commercial and residential construction markets. From 2003 until May 2016, Mr. Urness was General Counsel and Corporate Secretary of Speed Commerce, Inc., a provider of e-commerce technology and fulfillment services.

Item 1A. Risk Factors.

Our business is subject to a variety of risks and uncertainties, including, but not limited to, the risks and uncertainties described below. You should read the following risk factors carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. If any of the risks described below, or elsewhere in this Annual Report on Form 10-K were to occur, our financial condition and results of operations could suffer and the trading price of our common stock could decline. Additionally, if other risks not presently known to us, or that we do not currently believe to be significant, occur or become significant, our financial condition and results of operations could suffer and the trading price of our common stock could decline.

Risks Related to Financial Performance or General Economic Conditions

Economic downturns, uncertain economic conditions, and capital market fluctuations may affect our customers' spending on the services we provide. Macroeconomic conditions, including inflation, slower growth or recessionary conditions, changes to fiscal and monetary policy, availability of credit, and interest rates could materially adversely affect demand for our services and the availability and cost of the materials and equipment we need to deliver our services. During periods of elevated and prolonged economic uncertainty our customers may delay, reduce or eliminate their spending on the services we provide. In addition, volatility in the debt or equity markets may impact our customers' access to capital and result in the reduction or elimination of spending on the services we provide. Our vendors, suppliers and subcontractors may also be adversely affected by these conditions. These conditions, which can develop rapidly, could adversely affect our revenues, results of operations, and liquidity.

We derive a significant portion of our revenues from a small number of customers, and the loss of one or more of these customers could adversely affect our revenues, results of operations, and liquidity. Our customer base is highly concentrated, with our top five customers during fiscal 2023, fiscal 2022, and fiscal 2021 accounting for approximately 66.7%, 66.2%, and 74.1%, of our total contract revenues, respectively. Our industry is highly competitive and the revenue we expect from an existing customer in any market could fail to be realized if competitors who offer comparable services to our customers do so on more favorable terms or have a better relationship with a customer. Additionally, the continued consolidation of the telecommunications industry could result in the loss of a customer if, as a result of a merger or acquisition involving one or more of our customers, the surviving entity chooses to use one of our competitors for the services we currently provide.

The capital and operating expenditure budgets and seasonal spending patterns of our customers affect demand for our services. Generally, our customers have no obligation to assign specific amounts of work to us. Customers decide to engage us to provide services based on, among other things, the amount of capital they have available and their spending priorities. Our customers' capital budgets may change for reasons over which we have no control. These changes may occur quickly and without advance notice. Any fluctuation in the capital or operating expenditure budgets and priorities of our customers could adversely affect our revenues, results of operations, and liquidity.

Pandemics and public health emergencies could materially disrupt our business and negatively impact our operating results, cash flows and financial condition. Pandemics and public health emergencies, such as the COVID-19 pandemic, may impact our operating results, cash flows and financial condition in ways that are uncertain, unpredictable and outside of our control. The extent of the impact of such an event depends on the severity and duration of the public health emergency or pandemic, as well as the nature and duration of federal, state and local laws, orders, rules, emergency temporary standards, regulations and mandates, together with protocols and contractual requirements implemented by our customers, that may be enacted or newly enforced in response. Additionally, our ability to perform our work during such an event may be dependent on the governmental or societal responses to these circumstances in the markets in which we operate. A pandemic or public health emergency is likely to heighten and exacerbate the risks described herein. We experienced many of these risks in connection with the COVID-19 pandemic. Any resurgence of infection rates or the spread of new variants or viruses could trigger a return of many of the risks and circumstances we experienced in connection with the COVID-19 pandemic, which could adversely affect our revenues, results of operations, and liquidity.

Seasonality and adverse weather conditions affect demand for our services. Our contract revenues and results of operations exhibit seasonality and are impacted by adverse weather changes as we perform a significant portion of our work outdoors. Consequently, adverse weather, which is more likely to occur with greater frequency, severity, and duration during the winter, as well as reduced daylight hours, impact our operations during the fiscal quarters ending in January and April. Additionally, extreme weather conditions such as major or extended winter storms, droughts and tornados, and natural disasters, such as floods, hurricanes, tropical storms, whether as a result of climate change or otherwise, could also impact the demand for our services, or impact our ability to perform our services. Also, several holidays fall within the

fiscal quarter ending in January, which decreases the number of available workdays in this fiscal quarter. Because of these factors, we are most likely to experience reduced revenue and profitability or losses during the fiscal quarters ending in January and April compared to the fiscal quarters ending in July and October.

We derive a significant portion of our revenues from multi-year master service agreements and other long-term contracts which our customers may cancel at any time or may reschedule or modify previously assigned work. The majority of our long-term contracts are cancellable by our customers with little or no advance notice and for any, or no, reason. Our customers may also have the right to cancel or remove assigned work without canceling the contract or to reschedule or modify previously assigned work. In addition, these contracts typically include a fixed term that is subject to renewal or rebid on a periodic basis. We may be unsuccessful in securing contracts when their fixed terms expire. Our projected revenues assume that definitive work orders have been, or will be, issued by our customer, and that the work will be completed. The potential loss of work under master service agreements and other long-term contracts, or the rescheduling or modification of previously assigned work by a customer, could adversely affect our results of operations, cash flows, and liquidity, as well as any projections we provide.

Our contracts contain provisions that may require us to pay damages or incur costs if we fail to meet our contractual obligations. If we do not meet our contractual obligations our customers may look to us to pay damages or pursue other remedies, including, in some instances, the payment of liquidated damages. Additionally, if we fail to meet our contractual obligations, or if our customer anticipates that we cannot meet our contractual obligations, our customers may, in certain circumstances, seek reimbursement from us to cover the incremental cost of having a third party complete or remediate our work. Our results of operations could be adversely affected if we are required to pay damages or incur costs as a result of a failure to meet our contractual obligations.

Our backlog is subject to reduction or cancellation, and revenues may be realized in different periods than initially reflected in our backlog. Our backlog includes the estimated uncompleted portion of services to be performed under master services agreements and other contractual agreements with our customers. These estimates are based on, among other things, contract terms and projections regarding the timing of the services to be provided. In the case of master service agreements, backlog is calculated using as an input the amount of work performed in the preceding 12 month period, when applicable. Backlog for newly initiated master service agreements and other long and short-term contracts is estimated using the anticipated scope of the contract and information received from the customer in the procurement process.

Generally, our customers are not contractually committed to procure specific volumes of services. Contract revenue estimates reflected in our backlog can be subject to change due to a number of factors, including contract cancellations or changes in the amount of work we expect to be performed. In addition, contract revenues reflected in our backlog may be realized in different periods from those previously anticipated due to these factors as well as project accelerations or delays due to various reasons, including, but not limited to, changes in customer spending priorities, project cancellations, regulatory interruptions, scheduling changes, commercial issues, such as permitting, engineering revisions, job site conditions and adverse weather. The amount or timing of our backlog can also be impacted by the merger or acquisition activity of our customers. Our estimates of our customers' requirements during a future period may prove to be inaccurate. As a result, our backlog as of any particular date is an uncertain estimate of the amount of, and timing of, future revenues and earnings.

We have a significant amount of accounts receivable and contract assets, which could become uncollectible. We extend credit to our customers because we perform work under contracts prior to being able to bill for that work. Deteriorating conditions in the industries we serve, bankruptcies, or financial difficulties of a customer or within the telecommunications sector generally may impair the financial condition of one or more of our customers and hinder their ability to pay us on a timely basis or at all. In addition, although in some instances we may have the right to file liens for certain projects, we may not be successful in enforcing those liens. The failure or delay in payment by one or more of our customers could reduce our cash flows and adversely affect our liquidity and results of operations.

Our profitability is based on delivering services within the estimated costs established when we price our contracts. A significant portion of our services are provided under contracts that have discrete pricing for individual tasks. Due to the fixed price nature of the tasks, our profitability could decline if our actual cost to complete each task exceeds our original estimates, as pricing under these contracts is determined based on estimated costs established when we enter into the contracts. A variety of factors could negatively impact the actual cost we incur in performing our work, such as changes made by our customers to the scope and extent of the services that we are to provide under a contract, delays resulting from weather and the COVID-19 pandemic, conditions at work sites differing materially from those anticipated at the time we bid on the contract, higher than expected costs of materials and labor, delays in obtaining necessary permits, under

absorbed costs, and lower than anticipated productivity. An increase in costs due to any of these factors, or for other reasons, could adversely affect our results of operations.

Regulatory changes and requirements associated with government funding that is associated with certain capital spending initiatives of our customers may affect their spending on the services we provide. Our customers operate in regulated industries and are subject to laws and regulations that can change frequently. Additionally, where our customers utilize governmental funding sources in connection with the work they contract us to perform, such work may be subject to new or enhanced regulatory requirements and compliance obligations. The application of new or enhanced regulatory requirements or obligations, or changes to the enforcement or interpretation of existing laws or regulations, may delay or constrain our ability to perform our work, increase our costs to perform our work without a corresponding increase in payment from our customers, and could cause our customers to reduce or delay spending on the services we provide, which could adversely affect our revenues, results of operations, and liquidity.

Technological change may affect our customers' spending on the services we provide. We generate a significant majority of our revenues from customers in the telecommunications industry. This industry has been and continues to be impacted by rapid technological change. These changes may affect our customers' spending on the services we provide. Further, technological change in the telecommunications industry not directly related to the services we provide may affect the ability of one or more of our customers to compete effectively, which could result in a reduction or elimination of their use of our services. Any reduction, elimination or delay of spending by one of our customers on the services we provide could adversely affect our revenues, results of operations, and liquidity.

Our business is labor-intensive, and we may be unable to attract, retain and ensure the productivity of qualified employees or to pass increased labor and training costs to our customers. We are highly dependent upon our ability to employ, train, retain, and ensure the productivity of the skilled personnel needed to operate our business. Given the highly specialized work we perform, many of our employees receive training in, and possess, specialized technical skills that are necessary to operate our business and maintain productivity and profitability. We cannot be certain that we will be able to maintain and ensure the productivity of the skilled labor force necessary to operate our business. Our ability to do so depends on a number of factors, such as the general rate of employment, competition for employees possessing the skills we need, the general health and welfare of our employees and the level of compensation required to hire, train and retain qualified employees. In addition, the uncertainty of contract awards and project delays can also present difficulties in appropriately sizing our skilled labor force. Furthermore, due to the fixed price nature of the tasks in our contracts, we may be unable to pass increases in labor and training costs on to our customers. If we are unable to attract or retain qualified employees or incur additional labor and training costs, our results of operations could be adversely affected.

We may be unable to secure subcontractors to fulfill our obligations, or our subcontractors may fail to satisfy their obligations to us, either of which may adversely affect our relationships with our customers or cause us to incur additional costs. We contract with subcontractors to manage fluctuations in work volumes and reduce the amounts that we would otherwise expend on fixed assets and working capital. If we are unable to secure qualified subcontractors who can provide adequate labor resources at a reasonable cost, we may be delayed or unable to complete our work under a contract on a timely basis. In addition, we may have disputes with these subcontractors arising from, among other things, the quality and timeliness of the work they have performed. We may incur additional costs to correct such shortfalls in the work performed by subcontractors. Any of these factors could negatively impact the quality of our service, our ability to perform under certain customer contracts, and our relationships with our customers, which could adversely affect our results of operations.

Changes in fuel prices may increase our costs, and we may not be able to pass along increased fuel costs to our customers. Fuel prices fluctuate based on events outside of our control. Most of our services are provided under contracts that have discrete pricing for individual tasks and do not allow us to adjust our pricing for higher fuel costs during a contract term. In addition, we may be unable to secure prices that reflect rising costs when renewing or bidding contracts. To the extent we enter into hedge transactions in conjunction with our anticipated fuel purchases, declines in fuel prices below the levels established in the hedges we have in place may require us to make payments to our hedge counterparties. As a result, changes in fuel prices may adversely affect our results of operations.

Increases in healthcare costs could adversely affect our financial results. The costs of providing employee medical benefits have steadily increased over a number of years due to, among other things, rising healthcare costs and legislative requirements. Because of the complex nature of healthcare laws, as well as periodic healthcare reform legislation adopted by Congress, state legislatures, and municipalities, we cannot predict with certainty the future effect of these laws on our healthcare costs. Continued increases in healthcare costs or additional costs created by future health care reform laws adopted by Congress, state legislatures, or municipalities could adversely affect our results of operations and financial position.

Fluctuations in our effective tax rate and tax liabilities may cause volatility in our financial results. We determine and provide for income taxes based on the tax laws of each of the jurisdictions in which we operate. Changes in the mix and level of earnings among jurisdictions could materially impact our effective tax rate in any given financial statement period. Our effective tax rate may also be affected by changes in tax laws and regulations at the federal, state, and local level, or by new interpretations of existing tax laws and regulations. We are also subject to audits by various taxing authorities. An adverse outcome from an audit could unfavorably impact our effective tax rate and increase our tax liabilities.

We may incur impairment charges on goodwill or other intangible assets. We assess goodwill and other indefinite-lived intangible assets for impairment annually in order to determine whether their carrying value exceeds their fair value. Reporting units are tested more frequently if an event occurs or circumstances change between annual tests that indicate their fair value may be below their carrying value. If we determine the fair value of the goodwill or other indefinite-lived intangible assets is less than their carrying value as a result of an annual or interim test, an impairment loss is recognized.

Our goodwill resides in multiple reporting units. The profitability of individual reporting units may suffer periodically due to downturns in customer demand, increased costs of providing our services, and the level of overall economic activity. Our customers may reduce capital expenditures and defer or cancel pending projects due to changes in technology, a slowing or uncertain economy, merger or acquisition activity, a decision to allocate resources to other areas of their business, or other reasons. The profitability of reporting units may also suffer if actual costs of providing our services exceed our estimated costs established when we enter into contracts. Additionally, adverse conditions in the economy and future volatility in the equity and credit markets could impact the valuation of our reporting units. The cyclical nature of our business, the high level of competition existing within our industry, and the concentration of our revenues from a small number of customers may also cause results to vary. The factors identified above may affect individual reporting units disproportionately, relative to the Company as a whole. As a result, the performance of one or more of the reporting units could decline, resulting in an impairment of goodwill or intangible assets. In addition, adverse changes to the key valuation assumptions contributing to the fair value of our reporting units could result in an impairment of goodwill or intangible assets. A write-down of goodwill or intangible assets as a result of an impairment could adversely affect our results of operations.

The market price of our common stock has been, and may continue to be, highly volatile. During fiscal 2023, our common stock fluctuated from a low of \$76.79 per share to a high of \$121.11 per share. We may continue to experience significant volatility in the market price of our common stock due to numerous factors, including, but not limited to:

- events impacting us, or our competitors, with respect to significant contracts, acquisitions or dispositions, fluctuations in operating results, or change to capital structure;
- announcements by our customers regarding their capital spending and start-up, deferral or cancellation of projects, or their mergers and acquisitions activities;
- the commercialization of new technologies impacting the services that we provide to our customers;
- regulatory and compliance obligations associated with government funding provided to our customers in connection with the work we perform, other regulatory actions, and changes in tax laws;
- changes in recommendations or earnings estimates by securities analysts; and
- the impact of economic conditions on the credit and stock markets and on our customers' demand for our services.

In addition, other factors, such as market disruptions, industry outlook, general economic conditions, widespread public health epidemics, including the COVID-19 pandemic, and political events, could decrease the market price of our common stock and, as a result, investors could lose some or all of their investments.

Risks Related to the Operation of Our Business

Our operations involve activities that are often inherently dangerous and are performed at times in complex or sensitive environments. If our activities result in, or if it is alleged that our activities have resulted in, damage or destruction to the real or personal property of others, or in injury or death to others, we could be exposed to significant financial losses and reputational harm, as well as civil and criminal liabilities. Our operations involve dangerous activities such as underground drilling and the use of mechanized equipment. These activities and their effects could result in, or be

alleged to have resulted in, damage to the real and personal property of others, and cause personal injury or death to third parties or our employees. In many instances, our activities are performed in close proximity to other utilities which, if damaged, may result in the occurrence of catastrophic events. Additionally, we may perform our activities in environmentally sensitive locations or in locations that may be susceptible to catastrophic events, including wildfires. If our activities cause or contribute to, or are alleged to have caused or contributed to, a catastrophic event, we could be exposed to severe financial losses and reputational harm. We procure insurance coverage to cover many of these risks; however, there can be no assurance that these coverages will continue to be available to us on commercially reasonable terms, or at all, or that they are adequate in scope or amount to address financial losses from these risks. As a result, we could incur significant costs to defend any such allegations, defend and indemnify our customers, repair and replace assets, or to compensate third parties; reputational harm could result in the loss of future revenue-generating opportunities; or we may be subject to civil and, in certain situations, criminal liabilities.

Changes in the cost or availability of materials may adversely affect our revenues and results of operations. For a majority of the contract services we perform, customers provide the necessary materials. Under other contracts, we supply part, or all, of the necessary materials. If we, or our customers, are unable to procure the materials necessary to the contract services we perform, or if those materials are only available at prices that make our work unprofitable, our revenues and results of operations could be adversely affected.

A failure, outage, or cybersecurity breach of our technology systems or those of third-party providers may adversely affect our operations and financial results. We are dependent on technology to operate our business, to engage with our customers and other third parties, and to increase the efficiency and effectiveness of the services we offer our customers. We use both our own information technology systems and the information technology systems and expertise of third-party service providers to manage our operations, process data for our financial reporting, and perform other business processes. We also use information technology systems to record, transmit, store, and protect sensitive data, including the sensitive data of our employees and customers. A cyber-security attack, computer viruses, security breaches, or vandalism on these information technology systems may result in our inability to access and utilize these systems, create or contribute to significant financial losses, and may negatively impact our reputation. The systems of our customers that we utilize to transmit and receive information could also fail or be subject to a cybersecurity attack. Any of these occurrences could disrupt our business or the delivery of services to our customers, result in potential liabilities, the termination of contracts, divert the attention of management from effectively operating our business, cause significant reputational damage, or otherwise have an adverse effect on our financial results. We may also need to expend significant additional resources to protect against cybersecurity threats or to address actual breaches or to redress problems caused by cybersecurity breaches.

We have experienced cybersecurity threats to our information technology infrastructure and attacks attempting to breach our systems and other similar incidents. In 2017, we determined that certain of our computer systems containing Company financial information were subject to unauthorized access. Law enforcement authorities were notified and new security enhancements and protocols were implemented. Although these prior cybersecurity incidents have not had a material impact on our results of operations, financial position, or liquidity, there is no assurance that future threats would not cause harm to our business and our reputation, and adversely affect our results of operations, financial position, and liquidity.

A failure in our information technology systems could negatively impact our business. We rely on information technology systems to record and process transactions, manage our business, and maintain the financial accuracy of our records. Our information technology systems may be adversely impacted by various factors, including power outages, software and hardware failures, connectivity outages, catastrophic events, and human error. Interruptions to our information systems could disrupt our business, delay our financial reporting, and could result in the loss of revenue, and cause us to incur additional expense. We are in the process of implementing an Enterprise Resource Planning (ERP) system to upgrade and standardize our information technology systems. This implementation is expected to occur in phases over the next several years. Any delays or failures to achieve our implementation goals may adversely impact our financial results. In addition, the failure to complete the implementation on a timely basis, or to adequately address the necessary readiness and training needs of our personnel, could lead to business disruption, negatively affect our customer relationships, and restrict our ability to execute our business strategy, which could adversely affect our business.

The loss or long-term incapacitation of one or more of our executive officers or other key employees could adversely affect our business. We depend on the continued and ongoing services of our executive officers and other key employees, including the senior management of our subsidiaries. In many instances, these employees have significant experience and expertise in our industry. These key employees often possess and maintain key relationships with our customers and subcontractors that would be difficult to replace. Competition for senior management personnel is intense and we cannot be certain that any of our executive officers or other key management personnel will remain employed by us or that they will

otherwise be able to provide service to us for any length of time. Additionally, we may not have adequate succession planning in place to ensure that our key employees can be replaced if they are no longer employed by us. We do not carry “key-person” life or disability insurance on any of our employees. The loss or long-term incapacitation of any one of our executive officers or other key employees could negatively affect our customer relationships or the ability to execute our business strategy, which could adversely affect our business.

The preparation of our financial statements requires management to make certain estimates and assumptions that may differ from actual results. In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, a number of estimates and assumptions are made by management that affect the amounts reported in the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements is either dependent on future events or cannot be calculated precisely from available data at the time that these estimates are made and, accordingly, requires the use of management’s judgment. Estimates and assumptions are primarily used in our assessment of the recognition of revenue under the cost-to-cost method of progress, job-specific costs, accrued insurance claims, the allowance for doubtful accounts, accruals for contingencies, stock-based compensation expense for performance-based stock awards, the fair value of reporting units for the goodwill impairment analysis, the assessment of impairment of intangibles and other long-lived assets, the purchase price allocations of businesses acquired, and income taxes. When made, we believe such estimates and assumptions are fair when considered in conjunction with our consolidated financial position and results of operations taken as a whole. However, actual results could differ from those estimates and assumptions, and such differences may be material to our financial statements.

Risks Related to Laws and Regulations

Our failure to comply with occupational health and workplace safety requirements could result in significant liabilities or enforcement actions and adversely impact our ability to perform services for our customers. Our operations are subject to strict laws and regulations governing workplace safety. Our workers frequently operate heavy machinery, work on and in the vicinity of electrical and gas lines, perform their work at heights, and engage in other potentially dangerous activities which could subject them and others to injury or death. If, in the course of our operations, it is determined we have violated safety regulations, our operations may be disrupted and we may be subject to penalties, fines or, in extreme cases, criminal sanctions. In addition, if our safety performance were to deteriorate, customers could decide to cancel our contracts or not award us future business. These factors could adversely affect our results of operations and financial position.

Our failure to comply with worker eligibility and immigration laws could result in significant liabilities and harm our reputation with our customers, as well as cause disruption to our operations. If we fail to comply with these laws our operations may be disrupted, and we may be subject to fines or, in extreme cases, criminal sanctions. In addition, many of our customer contracts specifically require compliance with worker eligibility and immigration laws and in some cases our customers audit compliance with these laws. Further, several of our customers require that we ensure our subcontractors comply with these laws with respect to the workers that perform services for them. A failure to comply with these laws could damage our reputation and may result in the cancellation of our contracts by our customers, or a decision by our customers not to award us future business. These factors could adversely affect our results of operations and financial position.

Our failure to comply with various laws and regulations related to the construction and operation of utilities, contractor licensing and the operation of our fleet of commercial motor vehicles could result in significant liabilities. We are subject to a number of state and federal laws and regulations, including those related to the construction and operation of utilities, contractor licensing and the operation of our fleet of commercial motor vehicles. If we are not in compliance with these laws and regulations, we may be unable to perform services for our customers and may also be subject to fines, penalties, and the suspension or revocation of our licenses. Our failure to comply with these laws and regulations may affect our ability to operate and could require us to incur significant costs that adversely affect our results of operations.

Our failure to comply with environmental laws could result in significant liabilities. A significant portion of the work we perform is associated with the underground networks of our customers and we often operate in close proximity to pipelines, sewer lines, or underground storage tanks that may contain hazardous substances. We could be subject to liabilities in the event that we fail to comply with environmental laws or regulations or if we cause or are responsible for the release of hazardous substances or other environmental damages. These liabilities could result in significant costs including remediation costs, fines, third-party claims for property damage, or personal injury, and, in extreme cases, criminal sanctions. These costs, as well as any direct impact to ongoing operations, could adversely affect our results of operations and cash flows. In addition, new laws and regulations, altered enforcement of existing laws and regulations, the discovery of previously unknown contamination or leaks, or the imposition of new remediation requirements could require

us to incur significant costs or create new or increased liabilities that could adversely affect our results of operations and financial position.

We retain the risk of loss for the occurrence of certain liabilities. We retain the risk of loss, up to certain limits in our insurance program, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), environmental liability, workers' compensation, and employee group health. We are effectively self-insured for the majority of claims because most claims against us fall below the deductibles or retention levels of our insurance policies. Additionally, within our aggregate coverage limits and above our base layer of third-party insurance coverage, we have retained the risk of loss at certain levels of exposure and any claims that reach these retained levels of exposure are self-insured. We estimate and develop our reserve accruals for these claims, including losses incurred but not reported, based on facts, circumstances, and historical evidence. However, the estimate for accrued insurance claims remains subject to uncertainty as our ultimate losses may depend on factors not known at the time such estimates are made. These factors include the estimated development of claims, the payment pattern of claims incurred, changes in the medical condition of claimants, and other factors such as inflation, tort reform or other legislative changes, unfavorable jury decisions, and court interpretations. Should the cost of actual claims exceed what we have anticipated, our recorded reserves may not be sufficient, and we could incur additional charges that could adversely affect our results of operations and financial position. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Accrued Insurance Claims*, and Note 10, *Accrued Insurance Claims*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

We may be subject to litigation, indemnity claims, and other disputes, which could result in significant liabilities and adversely impact our financial results. From time to time, we are subject to lawsuits, arbitration proceedings, and other claims brought or threatened against us by various parties, including our customers. These actions and proceedings may involve claims for, among other things, compensation for personal injury, workers' compensation, wage and hour violations, employment discrimination, harassment, retaliation, and other employment-related damages, breach of contract, property damage, multiemployer pension plan withdrawal liabilities, liquidated damages, consequential damages, punitive damages, statutory damages, and civil penalties, other losses, or injunctive or declaratory relief. In addition, we may also be subject to class action lawsuits, including those alleging violations of the Fair Labor Standards Act, state and municipal wage and hour laws, and misclassification of independent contractors. We also indemnify our customers for claims arising out of or related to the services we provide and our actions or omissions under our contracts. In some instances, we may be allocated risk through our contract terms for the actions or omissions of our customers, subcontractors, or other third parties.

Due to the inherent uncertainties of litigation and other dispute resolution proceedings, we cannot accurately predict the ultimate outcome of these matters. The outcome of litigation, particularly class action lawsuits, is difficult to assess or quantify. Class action lawsuits may seek recovery of very large or indeterminate amounts. Accordingly, the magnitude of the potential loss may remain unknown for substantial periods of time. These proceedings could result in substantial costs and may require us to devote substantial resources to our defense. The ultimate resolution of any litigation or proceeding through settlement, mediation, or a judgment could have a material impact on our reputation and adversely affect our results of operations and financial position. See Item 3, *Legal Proceedings*, and Note 20, *Commitments and Contingencies*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

We may be subject to warranty claims, which could result in significant liabilities and adversely impact our financial results. We typically warrant the services we provide by guaranteeing the work performed against defects in workmanship and materials or where our services are not provided in a manner consistent with applicable requirements. When these claims occur, we may be required to repair or replace our work without receiving any additional compensation and we may be liable to our customers for significant monetary claims. Our performance of warranty services requires us to allocate resources that otherwise might be engaged in the provision of services that generate revenue. In addition, our customers often have the right to repair or replace warranted items using the services of another provider and to charge the cost of the repair or replacement to us. Costs incurred for warranty claims, or reductions to revenue-generating activities arising from the allocation of resources to resolve warranty claims, could adversely affect our results of operations and financial position.

Our subsidiaries may participate in multiemployer pension plans from time to time under which we could incur significant liabilities. Pursuant to collective bargaining agreements, our subsidiaries may participate in various multiemployer pension plans from time to time that provide defined pension benefits to covered employees. Where applicable, we make periodic contributions to these plans to allow them to meet their pension benefit obligations to participants. Assets contributed by an employer to a multiemployer plan are not segregated into a separate account and are not restricted to providing benefits only to employees of that contributing employer. Under the Employee Retirement

Income Security Act (“ERISA”), absent an applicable exemption, a contributing employer to an underfunded multiemployer plan is liable upon withdrawal from the plan for its proportionate share of the plan’s unfunded vested liability. Such underfunding may increase in the event other employers become insolvent or withdraw from the applicable plan or upon the inability or failure of withdrawing employers to pay their withdrawal liability. In addition, if any of the plans in which we participate become significantly underfunded, as defined by the Pension Protection Act of 2006, we may be required to make additional cash contributions in the form of higher contribution rates or surcharges. This could occur because of a shrinking contribution base as a result of insolvency or withdrawal of other companies that currently contribute to these plans, inability or failure of withdrawing companies to pay their withdrawal liability, lower than expected returns on plan assets, or other funding deficiencies. Requirements to pay increased contributions or a withdrawal liability could adversely affect our results of operations, financial position, and cash flows.

During the fourth quarter of fiscal 2016, one of the Company’s subsidiaries ceased operations. This subsidiary contributed to a multiemployer pension plan, the Pension, Hospitalization and Benefit Plan of the Electrical Industry - Pension Trust Fund (the “Plan”). In October 2016, the Plan demanded payment for a claimed withdrawal liability of approximately \$13.0 million. In December 2016, the subsidiary submitted a formal request to the Plan seeking review of the Plan’s withdrawal liability determination. The subsidiary disputes the claim that it is required to make payment of a withdrawal liability as demanded by the Plan as it believes that a statutory exemption under the Employee Retirement Income Security Act (“ERISA”) applies to its activities. The Plan has taken the position that the work at issue does not qualify for that statutory exemption. The subsidiary has submitted this dispute to arbitration, as required by ERISA, and an arbitrator has ruled that the subsidiary does not qualify for the statutory exemption. The subsidiary is appealing the arbitrator’s ruling on various grounds. There can be no assurance that the Company’s subsidiary will be successful in its appeal of the arbitrator’s ruling regarding this statutory exemption. In November 2016, this subsidiary began making payments of a withdrawal liability to the Plan in the amount of approximately \$0.1 million per month, as required by ERISA. If the subsidiary prevails in disputing the withdrawal liability, all such payments are expected to be refunded.

Anti-takeover provisions of Florida law and provisions in our articles of incorporation and by-laws could make it more difficult to effect an acquisition of our Company or a change in our control. We are subject to certain anti-takeover provisions of the Florida Business Corporation Act. These anti-takeover provisions could discourage or prevent a change in control. In addition, certain provisions of our articles of incorporation and by-laws could delay or prevent an acquisition or change in control and the replacement of our incumbent directors and management. For example, our board of directors is divided into three classes. At any annual meeting of our shareholders, our shareholders have the right to elect only approximately one-third of the directors on our board of directors. In addition, our articles of incorporation authorize our board of directors, without further shareholder approval, to issue up to 1,000,000 shares of preferred stock on such terms and with such rights as our board of directors may determine. The issuance of preferred stock could dilute the voting power of the holders of common stock, including by the grant of voting control to others. Our by-laws also restrict the right of shareholders to call a special meeting of shareholders. As a result, our shareholders may be unable to take advantage of opportunities to dispose of their stock in the Company at higher prices that may otherwise be available in connection with takeover attempts or under a merger or other proposal.

We may face challenges in setting and meeting our corporate social responsibility and sustainability goals. We have begun to assess and develop corporate social responsibility and sustainability goals for our company. Our customers, shareholders, and other constituents may not be satisfied with the corporate social responsibility and sustainability goals that we may set. Any targets or goals we do set will be subject to risks and uncertainties, many of which may be outside of our control, and it is possible that we may fail to achieve any goals and targets we do set. These risks and uncertainties include, but are not limited to: our ability to execute our operational strategies and achieve our goals; the availability of new technologies and equipment that operates on these technologies on a cost-effective basis; overlapping and contradictory requirements and scoring and evaluating our goals; the inability to effectively impose requirements on our suppliers and subcontractors; and the actions of competitors and competitive pressures. A failure to set appropriate corporate social responsibility and sustainability goals for our company, or our failure to meet these goals could adversely affect public perception of our business or customer or shareholder support.

Risks Related to Our Ability to Grow Our Business

We may not have access in the future to sufficient capital on favorable terms or at all. We may require additional capital to pursue acquisitions, fund capital expenditures, for working capital needs, or to respond to changing business conditions. Our existing debt agreements include restrictions on our ability to incur additional debt at certain levels. In addition, if we seek to incur more debt, we may be required to agree to additional covenants that further limit our operational and financial flexibility. If we pursue additional debt or equity financings, we cannot be certain that such

funding will be available on terms acceptable to us, or at all. Our inability to access additional capital could adversely affect our liquidity and may limit our growth and ability to execute our business strategy.

Our debt obligations impose restrictions that may limit our operating and financial flexibility, and a failure to comply with these obligations could result in the acceleration of our debt. On April 1, 2021, the Company and certain of its subsidiaries amended its credit agreement, dated as of October 19, 2018, with the various lenders party thereto and Bank of America, N.A., as administrative agent (the “Credit Agreement”) to among other things, decrease the maximum revolver commitment to \$650.0 million from \$750.0 million and decrease the term loan facility to \$350.0 million from \$416.3 million. The Credit Agreement includes a \$200.0 million sublimit for the issuance of letters of credit and a \$50.0 million sublimit for swingline loans. As part of the amendment, the maturity of the Credit Agreement was extended to April 1, 2026. As of January 28, 2023, we had \$332.5 million outstanding under the term loan facility and \$47.5 million of outstanding letters of credit issued under our Credit Agreement. We had no outstanding borrowings under our revolving facility as of January 28, 2023. This Credit Agreement contains covenants that restrict or limit our ability to, among other things: make certain payments, including the payment of dividends, redeem or repurchase our capital stock, incur additional indebtedness and issue preferred stock, make investments or create liens, enter into sale and leaseback transactions, merge or consolidate with another entity, sell certain assets, and enter into transactions with affiliates. Our Credit Agreement also requires us to comply with certain financial covenants, including a consolidated net leverage ratio and a consolidated interest coverage ratio. These covenants in our Credit Agreement may prevent us from engaging in transactions that benefit us and may limit our flexibility in the execution of our business strategy.

Additionally, on April 1, 2021, we issued \$500.0 million aggregate principal amount of 4.50% senior notes due 2029 (the “2029 Notes”). The 2029 Notes are guaranteed on a senior unsecured basis, jointly and severally, by all of our domestic subsidiaries that guarantee the Credit Agreement. The indenture governing the 2029 Notes includes cross-acceleration and cross-default provisions with our Credit Agreement. If our financial results fall below anticipated levels, we may be unable to comply with these covenants and a default under our Credit Agreement could result in the acceleration of our obligations under both our Credit Agreement and the indenture governing the 2029 Notes, which could adversely affect our liquidity and our ability to execute our business strategy.

The specialty contracting services industry in which we operate is highly competitive. We compete with other specialty contractors, including numerous local and regional providers, as well as several large corporations that may have financial, technical, and marketing resources exceeding ours. Relatively few barriers to entry exist in the markets in which we operate. Any organization may become a competitor if it has adequate financial resources and access to technical expertise, the ability to engage subcontractors, and the necessary equipment and materials. Additionally, our competitors may develop expertise, experience, and resources to provide services that are equal or superior to our services in price, quality, or availability, and we may be unable to maintain or enhance our competitive position. Furthermore, our customers generally require competitive bidding of our contracts upon the expiration of their terms. If competitors underbid us to procure business, we could be required to lower the prices we charge in order to retain contracts. Our revenues and results of operations could be adversely affected if our customers shift a significant portion of our work to a competitor, if we are unsuccessful in bidding or retaining projects, or if our ability to win projects requires us to provide our services at reduced margins.

We face competition from the in-house service organizations of our customers. We face competition from the in-house service organizations of our customers whose personnel perform the services that we provide. We can offer no assurance that our existing or prospective customers will continue to outsource specialty contracting services in the future. Our revenues and results of operations could be adversely affected if our existing or prospective customers reduce the specialty contracting services that are outsourced to us.

Our failure to perform sufficient due diligence prior to completing acquisitions could result in significant liabilities. The growth of our business through acquisitions may expose us to risks, including the failure to identify significant issues and risks of an acquired business. A failure to identify or appropriately quantify a liability in our due diligence process could result in the assumption of unanticipated liabilities arising from the prior operations of an acquired business, some of which may not be adequately reserved and may not be covered by indemnification obligations. The assumption of unknown liabilities due to a failure of our due diligence could adversely affect our results of operations and financial position.

Our failure to successfully integrate acquisitions could adversely affect our financial results. As part of our growth strategy, we may acquire companies that we expect to expand, complement, or diversify our business. The success of this strategy depends on our ability to realize the anticipated benefits from the acquired businesses, such as the expansion of our existing operations and the elimination of redundant costs. To realize these benefits, we must successfully integrate the

operations of the acquired businesses with our existing operations. Integrating acquired businesses involves a number of operational challenges and risks, including diversion of management's attention from our existing business; unanticipated issues in integrating information, communications, and other systems and consolidating corporate and administrative infrastructures; failure to manage successfully and coordinate the growth of the combined company; and failure to retain management and other key employees. These factors could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could adversely affect our results of operations and financial position. Additionally, any impairment of goodwill or other intangible assets as a result of our failure to successfully integrate acquisitions could adversely affect our results of operations and financial position.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease our executive offices located in Palm Beach Gardens, Florida. Our subsidiaries operate from administrative offices, district field offices, equipment yards, shop facilities, and temporary storage locations throughout the United States. Those facilities are primarily leased but certain facilities are owned. Our leased properties operate under both non-cancelable and cancelable leases. We believe that our facilities are suitable and adequate for our current operations and, if necessary, additional or replacement facilities would generally be available on commercially reasonable terms.

Item 3. Legal Proceedings.

Refer to Note 20, *Commitments and Contingencies*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information for Our Common Stock

Our common stock is traded on the New York Stock Exchange (“NYSE”) under the symbol “DY.”

Holder

As of February 28, 2023, there were approximately 552 holders of record of our \$0.33 1/3 par value per share common stock.

Dividend Policy

We have not paid cash dividends since 1982. Our Board of Directors occasionally evaluates the payment of a dividend based on our financial condition, profitability, cash flow, capital requirements, and the outlook of our business. We currently intend to retain any earnings for use in the business and other capital allocation strategies which may include investment in acquisitions and share repurchases. Consequently, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item is hereby incorporated by reference from the section entitled “Equity Compensation Plan Information” found in our definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

Issuer Purchases of Equity Securities

The following table summarizes the Company's purchases of its common stock during the three months ended January 28, 2023:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 30, 2022 - November 26, 2022	—	\$ —	—	(2)
November 27, 2022 - December 24, 2022	—	\$ —	—	(2)
December 25, 2022 - January 28, 2023	210,000	\$ 96.19	—	(2)

⁽¹⁾ All shares repurchased have been subsequently canceled.

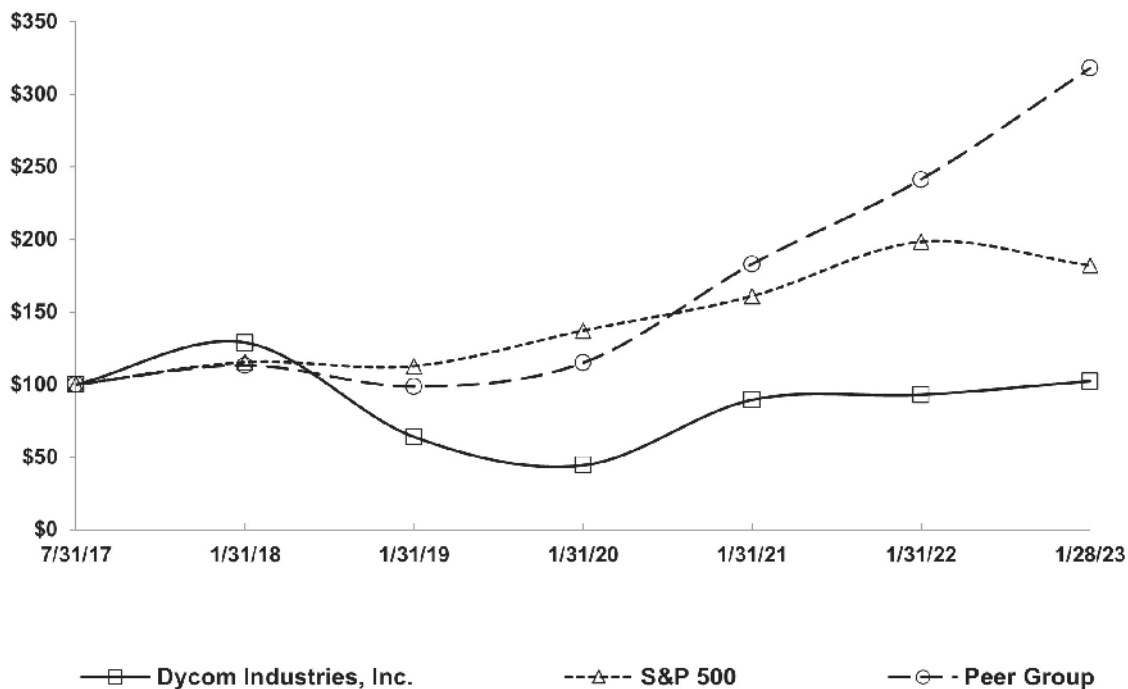
⁽²⁾ On March 2, 2022 the Company announced that its Board of Directors authorized a new \$150.0 million program to repurchase shares of the Company's outstanding common stock through August 2023 in open market or private transactions. During fiscal 2023 we repurchased 514,030 shares of common stock, at an average price of \$94.80, for \$48.7 million. As of January 28, 2023, \$101.3 million remained available for repurchases.

Performance Graph

The performance graph below compares the cumulative total return for our common stock with the cumulative total return (including reinvestment of dividends) of the Standard & Poor's (S&P) 500 Composite Stock Index and that of a selected peer group for fiscal 2017 through fiscal 2023. The selected peer group consists of MasTec, Inc., Quanta Services, Inc., MYR Group, Inc., and Primoris Services Corporation. The graph assumes an investment of \$100 in our common stock and in each of the respective indices noted on July 31, 2017. The comparisons in the graph are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of the possible future performance of our common stock.

COMPARISON OF 66 MONTH CUMULATIVE TOTAL RETURN*

Among Dycom Industries, Inc., the S&P 500 Index,
and a Peer Group



*\$100 invested on 7/31/17 in stock or index, including reinvestment of dividends.
Fiscal year ending January 28.

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Item 6. Selected Financial Data.

Our fiscal year ends on the last Saturday in January. As a result, each fiscal year consists of either 52 weeks or 53 weeks of operations (with the additional week of operations occurring in the fourth quarter). Fiscal 2023, fiscal 2022, fiscal 2020, and fiscal 2019 each consisted of 52 weeks of operations. Fiscal 2021 consisted of 53 weeks of operations. Fiscal 2024 will consist of 52 weeks of operations. The following selected financial data is derived from the audited consolidated financial statements for the applicable fiscal year.

The selected financial data below should be read in conjunction with our consolidated financial statements and accompanying notes, and with Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in this Annual Report on Form 10-K. The results of operations of businesses acquired are included in the following selected financial data from their dates of acquisition (dollars in thousands, except per share amounts):

	Fiscal Year Ended				
	January 28, 2023	January 29, 2022 ⁽¹⁾	January 30, 2021 ⁽²⁾	January 25, 2020 ⁽³⁾	January 26, 2019 ⁽³⁾
Operating Data:					
Revenues	\$ 3,808,462	\$ 3,130,519	\$ 3,199,165	\$ 3,339,682	\$ 3,127,700
Net income	\$ 142,213	\$ 48,574	\$ 34,337	\$ 57,215	\$ 62,907
Earnings Per Common Share:					
Basic	\$ 4.81	\$ 1.60	\$ 1.08	\$ 1.82	\$ 2.01
Diluted	\$ 4.74	\$ 1.57	\$ 1.07	\$ 1.80	\$ 1.97
Balance Sheet Data (at end of period):					
Total assets ⁽⁴⁾	\$ 2,313,254	\$ 2,118,224	\$ 1,944,165	\$ 2,217,631	\$ 2,097,503
Long-term liabilities ⁽⁴⁾	\$ 974,948	\$ 977,884	\$ 684,367	\$ 1,026,002	\$ 1,008,344
Stockholders' equity ⁽⁵⁾	\$ 868,755	\$ 758,544	\$ 811,308	\$ 868,604	\$ 804,168

⁽¹⁾ During fiscal 2022, we issued \$500 million aggregate principal amount of 4.50% senior notes due 2029 (the "2029 Notes"). The 2029 Notes are guaranteed on a senior unsecured basis, jointly and severally, by all of our domestic subsidiaries that guarantee the Credit Agreement. In addition, we amended our existing credit agreement to extend its maturity date to April 1, 2026 and, among other things, decrease the maximum revolver commitment to \$650.0 million from \$750.0 million and decrease the term loan facility to \$350.0 million from \$416.3 million. The outstanding balance of \$58.3 million under the 2021 Convertible Notes was repaid in full on September 15, 2021.

⁽²⁾ During the first quarter of fiscal 2021, we recognized a goodwill impairment charge of \$53.3 million as the result of an interim impairment analysis.

⁽³⁾ On February 25, 2019, Windstream filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. As of January 26, 2019, we had outstanding receivables and contract assets in aggregate of approximately \$45.0 million. Against this amount, we recorded a non-cash charge of \$17.2 million reflecting our evaluation of recoverability of these receivables and contract assets as of January 26, 2019. During the first quarter of fiscal 2020, we recovered \$10.3 million of these previously reserved accounts receivable and contract assets. Windstream emerged from bankruptcy in September 2020.

⁽⁴⁾ Balance sheet data presented for fiscal 2020 reflects the adoption of Accounting Standards Update 2016-02, *Leases (Topic 842)* ("ASU 2016-02") which resulted in the recognition of operating lease right-of-use assets and corresponding lease liabilities. Balance sheet data presented for fiscal 2020, fiscal 2019, and the 2018 transition period reflects the adoption of Accounting Standards Update 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"), under which deferred tax liabilities are presented net of deferred tax assets. No prior periods have been retrospectively adjusted for the adoption of ASU 2015-17.

⁽⁵⁾ We did not repurchase any of our common stock during fiscal 2020 or fiscal 2019. The following table summarizes our share repurchases during fiscal 2023, 2022, and 2021:

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Shares	514,030	1,231,638	1,324,381
Amount paid (dollars in millions)	\$ 48.7	\$ 106.1	\$ 100.0
Average price per share	\$ 94.80	\$ 86.17	\$ 75.51

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the accompanying notes, as well as Part I, Item 1. *Business*, and Part I, Item 1A. *Risk Factors*, of this Annual Report on Form 10-K.

Introduction

We are a leading provider of specialty contracting services throughout the United States. These services include program management; planning; engineering and design; aerial, underground, and wireless construction; maintenance; and fulfillment services for telecommunications providers. Additionally, we provide underground facility locating services for various utilities, including telecommunications providers, and other construction and maintenance services for electric and gas utilities. We supply the labor, tools, and equipment necessary to provide these services to our customers.

Significant demand for broadband services is driven by applications that require high speed connections as well as the everyday use of mobile data devices. To respond to this demand and other advances in technology, major industry participants are constructing or upgrading significant wireline networks across broad sections of the country. These wireline networks are generally designed to provision gigabit network speeds to individual consumers and businesses, either directly or wirelessly using 5G technologies. Industry participants have stated their belief that a single high capacity fiber network can most cost effectively deliver services to both consumers and businesses, enabling multiple revenue streams from a single investment. We believe this view is increasing the appetite for fiber deployments and that the industry effort to deploy high capacity fiber networks continues to meaningfully broaden the set of opportunities for our industry. Increasing access to high-capacity telecommunications continues to be crucial to society, especially in rural America. The Infrastructure Investment and Jobs Act (“Infrastructure Act”) includes over \$40 billion for the construction of rural communications networks in unserved and underserved areas across the country. This represents an unprecedented level of support. In addition, substantially all states have commenced programs that will provide funding for telecommunications networks even prior to the initiation of funding under the Infrastructure Act.

We are providing program management, planning, engineering and design, aerial, underground, and wireless construction and fulfillment services for gigabit deployments. These services are being provided across the country in numerous geographic areas to multiple customers. These deployments include networks consisting entirely of wired network elements and converged wireless/wireline multi-use networks. Fiber network deployment opportunities are increasing in rural America as new industry participants respond to emerging societal initiatives. We continue to provide integrated planning, engineering and design, procurement and construction and maintenance services to several industry participants.

Macro-economic conditions, including those impacting the cost of capital, may influence the execution of some industry plans. In addition, the market for labor remains tight in many regions around the country. Automotive and equipment supply chains remain challenged, particularly for the large truck chassis required for specialty equipment. Prices for capital equipment continue to increase. It remains to be seen how long these conditions may persist. We expect demand to continue to fluctuate amongst customers but are encouraged that several have newly initiated or reiterated their commitment to programs of significant size and duration. Within this context, we remain confident that our scale and financial strength position us well to deliver valuable service to our customers.

We have extended our geographic reach and expanded our program management and network planning services. In fact, over the last several years we believe we have meaningfully increased the long-term value of our maintenance and operations business, a trend which we believe will parallel our deployment of gigabit wireline direct and wireless/wireline converged networks as those deployments dramatically increase the amount of outside plant network that must be extended and maintained.

Telephone companies are deploying fiber-to-the-home to enable gigabit high-speed connections. Increasingly, rural electric utilities are doing the same. Dramatically increased speeds for consumers are being provisioned and consumer data usage is growing, particularly upstream. Wireless construction activity in support of newly available spectrum bands continues this year. Federal and state support for rural deployments of communications networks is dramatically increasing in scale and duration. Cable operators are increasing fiber deployments in rural America. Capacity expansion projects are underway. Customers are consolidating supply chains creating opportunities for market share growth and increasing the long-term value of our maintenance and operations business.

The cyclical nature of the industry we serve affects demand for our services. The capital expenditure and maintenance budgets of our customers, and the related timing of approvals and seasonal spending patterns, influence our contract revenues and results of operations. Factors affecting our customers and their capital expenditure budgets include, but are not limited to, overall economic conditions, the introduction of new technologies, our customers' debt levels and capital structures, our customers' financial performance, our customers' positioning and strategic plans, and any potential effects from the COVID-19 pandemic. Other factors that may affect our customers and their capital expenditure budgets include new regulations or regulatory actions impacting our customers' businesses, merger or acquisition activity involving our customers, and the physical maintenance needs of our customers' infrastructure.

Customer Relationships and Contractual Arrangements

We have established relationships with many leading telecommunications providers, including telephone companies, cable multiple system operators, wireless carriers, telecommunications equipment and infrastructure providers, as well as electric and gas utilities. Our customer base is highly concentrated, with our top five customers accounting for approximately 66.7%, 66.2%, and 74.1% of our total contract revenues during fiscal 2023, fiscal 2022, and fiscal 2021, respectively.

The following reflects the percentage of total contract revenues from customers who contributed at least 2.5% to our total contract revenues during fiscal 2023, fiscal 2022, or fiscal 2021:

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
AT&T Inc.	25.2%	23.5%	16.7%
Lumen Technologies Inc.	12.7%	11.9%	16.9%
Comcast Corporation	11.3%	15.1%	16.7%
Verizon Communications Inc.	9.1%	11.3%	18.8%
Frontier Communications Corporation	8.5%	4.4%	2.0%
Windstream Corporation	2.3%	3.5%	5.0%
Charter Communications, Inc.	1.8%	2.2%	2.5%

In addition, another customer contributed 3.7%, 3.7% and 1.6% to our total contract revenues during fiscal 2023, fiscal 2022, and fiscal 2021, respectively.

We perform a majority of our services under master service agreements and other contracts that contain customer-specified service requirements. These agreements include discrete pricing for individual tasks. We generally possess multiple agreements with each of our significant customers. To the extent that such agreements specify exclusivity, there are often exceptions, including the ability of the customer to issue work orders valued above a specified dollar amount to other service providers, the performance of work with the customer's own employees, and the use of other service providers when jointly placing facilities with another utility. In many cases, a customer may terminate an agreement for convenience. Historically, multi-year master service agreements have been awarded primarily through a competitive bidding process; however, occasionally we are able to negotiate extensions to these agreements. We provide the remainder of our services pursuant to contracts for specific projects. These contracts may be long-term (with terms greater than one year) or short-term (with terms less than one year) and at times include retainage provisions under which the customer may withhold 5% to 10% of the invoiced amounts pending project completion and closeout.

The following table summarizes our contract revenues from multi-year master service agreements and other long-term contracts, as a percentage of contract revenues:

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Multi-year master service agreements	79.5 %	76.9 %	71.7 %
Other long-term contracts	10.5 %	13.5 %	18.3 %
Total long-term contracts	<u>90.0 %</u>	<u>90.4 %</u>	<u>90.0 %</u>

Acquisitions

As part of our growth strategy, we may acquire companies that expand, complement, or diversify our business. We regularly review opportunities and periodically engage in discussions regarding possible acquisitions. Our ability to sustain our growth and maintain our competitive position may be affected by our ability to identify, acquire, and successfully integrate companies. The results of these businesses acquired are included in our consolidated financial statements from their respective dates of acquisition. During the fourth quarter of fiscal 2023, we acquired the assets of a telecommunications construction company for \$0.4 million.

Understanding Our Results of Operations

The following information is presented so that the reader may better understand certain factors impacting our results of operations, and should be read in conjunction with *Critical Accounting Policies and Estimates* below, as well as Note 2, *Significant Accounting Policies & Estimates*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

Contract Revenues. We perform a majority of our services under master service agreements and other contracts that contain customer-specified service requirements. These agreements include discrete pricing for individual tasks including, for example, the placement of underground or aerial fiber, directional boring, and fiber splicing, each based on a specific unit of measure. Contract revenue is recognized over time as services are performed and customers simultaneously receive and consume the benefits we provide. Output measures, such as units delivered, are utilized to assess progress against specific contractual performance obligations for the majority of our services. For certain contracts, we use the cost-to-cost measure of progress as more fully described within *Critical Accounting Policies and Estimates* below.

Costs of Earned Revenues. Costs of earned revenues includes all direct costs of providing services under our contracts, including costs for direct labor provided by employees, services by subcontractors, operation of capital equipment (excluding depreciation), direct materials, costs of insuring our risks, and other direct costs. Under our insurance program, we retain the risk of loss, up to certain limits, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), workers' compensation, and employee group health.

General and Administrative Expenses. General and administrative expenses primarily consist of employee compensation and related expenses, including performance-based compensation and stock-based compensation, legal, consulting and professional fees, information technology and development costs, provision for or recoveries of bad debt expense, acquisition and integration costs of businesses acquired, and other costs not directly related to the provision of our services under customer contracts. Our provision for bad debt expense is determined by evaluating specific accounts receivable and contract asset balances based on historical collection trends, the age of outstanding receivables, and the creditworthiness of our customers. We incur information technology and development costs primarily to support and enhance our operating efficiency. Our executive management team and the senior management of our subsidiaries perform substantially all of our sales and marketing functions as part of their management responsibilities.

Depreciation and Amortization. Our property and equipment primarily consist of vehicles, equipment and machinery, and computer hardware and software. We depreciate property and equipment on a straight-line basis over the estimated useful lives of the assets. In addition, we have intangible assets, including customer relationships, trade names, and non-compete intangibles, which we amortize over their estimated useful lives. We recognize amortization of customer relationship intangibles on an accelerated basis as a function of the expected economic benefit and amortization of other finite-lived intangibles on a straight-line basis over their estimated useful lives.

Interest Expense, Net. Interest expense, net, consists of interest incurred on outstanding variable rate and fixed rate debt and certain other obligations and the amortization of debt issuance costs. In fiscal 2021 and fiscal 2022, interest expense also included the non cash amortization of our convertible senior notes debt discount. See Note 13, *Debt*, in the notes to the

consolidated financial statements in this Annual Report on Form 10-K for information on debt issuance costs and the non-cash amortization of the debt discount.

Loss on Debt Extinguishment. Loss on debt extinguishment for fiscal 2022 of \$0.1 million includes the write-off of deferred debt issuance costs on the 2021 Convertible Notes.

Other Income, Net. Other income, net, primarily consists of gains or losses from sales of fixed assets. Other income, net also includes discount fee expense associated with the collection of accounts receivable under a customer-sponsored vendor payment program.

Seasonality and Fluctuations in Operating Results. Our contract revenues and results of operations exhibit seasonality and are impacted by adverse weather changes as we perform a significant portion of our work outdoors. Consequently, adverse weather, which is more likely to occur with greater frequency, severity, and duration during the winter, as well as reduced daylight hours, impact our operations during the fiscal quarters ending in January and April. Additionally, extreme weather conditions such as major or extended winter storms, droughts and tornados, and natural disasters, such as floods, hurricanes, tropical storms, whether as a result of climate change or otherwise, could also impact the demand for our services, or impact our ability to perform our services. Also, several holidays fall within the fiscal quarter ending in January, which decreases the number of available workdays in this fiscal quarter. Because of these factors, we are most likely to experience reduced revenue and profitability or losses during the fiscal quarters ending in January and April compared to the fiscal quarters ending in July and October.

We may also experience variations in our profitability driven by a number of factors. These factors include variations and fluctuations in contract revenues, job specific costs, insurance claims, the allowance for doubtful accounts, accruals for contingencies, stock-based compensation expense for performance-based stock awards, the fair value of reporting units for the goodwill impairment analysis, the valuation of intangibles and other long-lived assets, gains or losses on the sale of fixed assets from the timing and levels of capital assets sold, the employer portion of payroll taxes as a result of reaching statutory limits, and our effective tax rate.

Accordingly, operating results for any fiscal period are not necessarily indicative of results we may achieve for any subsequent fiscal period.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In conformity with GAAP, the preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. These estimates and assumptions require the use of judgment as to the likelihood of various future outcomes and, as a result, actual results could differ materially from these estimates.

Below, we have identified those accounting policies that are critical to the accounting of our business operations and the understanding of our results of operations. These accounting policies require making significant judgments and estimates that are used in the preparation of our consolidated financial statements. The impact of these policies affects our reported and expected financial results. We have discussed the development, selection and application of our critical accounting policies with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the disclosure relating to our critical accounting policies herein.

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed below, are also important to understanding our consolidated financial statements. The notes to the consolidated financial statements in this Annual Report on Form 10-K contain additional information related to our accounting policies and should be read in conjunction with this discussion.

Revenue Recognition. We perform a significant amount of our services under master service agreements and other contracts that contain customer-specified service requirements. These agreements include discrete pricing for individual tasks including, for example, the placement of underground or aerial fiber, directional boring, and fiber splicing, each based on a specific unit of measure. A contractual agreement exists when each party involved approves and commits to the agreement, the rights of the parties and payment terms are identified, the agreement has commercial substance, and collectability of consideration is probable. Our services are performed for the sole benefit of our customers, whereby the assets being created or maintained are controlled by the customer and the services we perform do not have alternative benefits for us. Contract revenue

is recognized over time as services are performed and customers simultaneously receive and consume the benefits we provide. Output measures such as units delivered are utilized to assess progress against specific contractual performance obligations for the majority of our services. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the services to be provided. For us, the output method using units delivered best represents the measure of progress against the performance obligations incorporated within the contractual agreements. This method captures the amount of units delivered pursuant to contracts and is used only when our performance does not produce significant amounts of work in process prior to complete satisfaction of the performance obligation. For a portion of contract items, units to be completed consist of multiple tasks. For these items, the transaction price is allocated to each task based on relative standalone measurements, such as selling prices for similar tasks, or in the alternative, the cost to perform the tasks. Contract revenue is recognized as the tasks are completed as a measurement of progress in the satisfaction of the corresponding performance obligation.

For certain contracts, representing less than 5% of contract revenues during fiscal 2023, fiscal 2022, and fiscal 2021, we use the cost-to-cost measure of progress. These contracts are generally projects that are completed over a period of less than 12 months and for which payment is received in a lump sum at the end of the project. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs. Contract costs include direct labor, direct materials, and subcontractor costs, as well as an allocation of indirect costs. Contract revenues are recorded as costs are incurred. We accrue the entire amount of a contract loss, if any, at the time the loss is determined to be probable and can be reasonably estimated.

There were no material amounts of unapproved change orders or claims recognized during fiscal 2023, fiscal 2022, and fiscal 2021.

Accounts Receivable, net. We grant credit to our customers, generally without collateral, under normal payment terms (typically 30 to 90 days after invoicing). Generally, invoicing occurs within 45 days after the related services are performed. Accounts receivable represents an unconditional right to consideration arising from our performance under contracts with customers. Accounts receivable include billed accounts receivable, unbilled accounts receivable, and retainage. The carrying value of such receivables, net of the allowance for doubtful accounts, represents their estimated realizable value. Unbilled accounts receivable represent amounts we have an unconditional right to receive payment for that will be billed at a later date due to administrative requirements in the billing processes specified by our customers. Certain of our contracts contain retainage provisions whereby a portion of the revenue earned is withheld from payment as a form of security until contractual provisions are satisfied. The collectability of retainage is included in our overall assessment of the collectability of accounts receivable. We expect to collect the outstanding balance of current accounts receivable, net (including trade accounts receivable, unbilled accounts receivable, and retainage) within the next 12 months. We estimate our allowance for doubtful accounts by evaluating specific accounts receivable balances based on historical collection trends, the age of outstanding receivables, and the credit worthiness of our customers.

We participate in a customer-sponsored vendor payment program for one of our customers. All eligible accounts receivable from this customer are included in the program and payment is received pursuant to a non-recourse sale to a bank partner of the customer. This program effectively reduces the time to collect these receivables as compared to that customer's standard payment terms. We incur a discount fee to the bank on the payments received that is reflected as an expense component in other income, net, in the consolidated statements of operations.

Contract assets. Contract assets include unbilled amounts typically resulting from arrangements whereby complete satisfaction of a performance obligation and the right to payment are conditioned on completing additional tasks or services.

Contract liabilities. Contract liabilities consist of amounts invoiced to customers in excess of revenue recognized. Our contract assets and liabilities are reported in a net position on a contract by contract basis at the end of each reporting period. As of January 28, 2023 and January 29, 2022, the contract liabilities balance is classified as current based on the timing of when we expect to complete the tasks required for the recognition of revenue.

Leases. Our leases are accounted for as operating leases, with lease expense recognized on a straight-line basis over the lease term. The lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. For leases with initial terms greater than 12 months, we record operating lease right-of-use assets and corresponding operating lease liabilities. Operating lease right-of-use assets represent our right to use the underlying asset for the lease term and operating lease liabilities represent our obligation to make the related lease payments. These assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the

commencement date in determining the present value of lease payments. Leases with an initial term of 12 months or less are not recorded on our consolidated balance sheet.

Goodwill and Intangible Assets. Goodwill and other indefinite-lived intangible assets are assessed for impairment annually, or more frequently, if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. We perform our annual impairment review of goodwill at the reporting unit level. Each of our operating segments with goodwill represents a reporting unit for the purpose of assessing impairment. If we determine the fair value of the reporting unit's goodwill or other indefinite-lived intangible assets is less than their carrying value as a result of an annual or interim test, an impairment loss is recognized and reflected in operating income or loss in the consolidated statements of operations during the period incurred.

We review finite-lived intangible assets for impairment whenever an event occurs or circumstances change that indicate that the carrying amount of such assets may not be fully recoverable. Recoverability is determined based on an estimate of undiscounted future cash flows resulting from the use of an asset and its eventual disposition. Should an asset not be recoverable, an impairment loss is measured by comparing the fair value of the asset to its carrying value. If we determine the fair value of an asset is less than the carrying value, an impairment loss is recognized in operating income or loss in the consolidated statements of operations during the period incurred.

We use judgment in assessing whether goodwill and intangible assets are impaired. Estimates of fair value are based on our projection of revenues, operating costs, and cash flows taking into consideration historical and anticipated future results, general economic and market conditions, as well as the impact of planned business or operational strategies. We determine the fair value of our reporting units using an equal weighting of fair values derived from the income approach and market approach valuation methodologies. The income approach uses the discounted cash flow method and the market approach uses the guideline company method. Changes in our judgments and projections could result in significantly different estimates of fair value, potentially resulting in impairments of goodwill and other intangible assets. The inputs used for fair value measurements of the reporting units and other related indefinite-lived intangible assets are the lowest level (Level 3) inputs.

The Company's goodwill arising from acquisitions resides in multiple reporting units and primarily relates to the value of expected synergies, anticipated expansion of its geographic presence, and the strengthening of the customer base. Goodwill and other indefinite-lived intangible assets are assessed for impairment annually, or more frequently if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. The profitability of individual reporting units may suffer periodically due to downturns in customer demand, reduced revenues from the termination of contracts or the termination or delay of services under a contract or the loss of a customer, increased costs of providing services, and the level of overall economic activity. The individual reporting unit's customers may also reduce capital expenditures and defer or cancel pending projects due to changes in technology, a slowing or uncertain economy, merger or acquisition activity, a decision to allocate resources to other areas of their business, or other reasons. The profitability of reporting units may also suffer if actual costs of providing services exceed the costs anticipated when the reporting unit enters into contracts. Additionally, adverse economic conditions and future volatility in the equity and credit markets could impact the valuation of the Company's reporting units. The cyclical nature of the reporting unit's business, the high level of competition existing within its industry, and the concentration of its revenues from a limited number of customers may also cause results to vary. These factors may affect individual reporting units disproportionately, relative to the Company as a whole. As a result, the performance of one or more of the reporting units could decline, resulting in an impairment of goodwill or intangible assets.

The Company performs its annual goodwill assessment as of the first day of the fourth fiscal quarter of each fiscal year. Goodwill and indefinite lived intangible assets are required to be tested for impairment between annual tests if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value.

We performed our annual impairment assessment for fiscal 2023, fiscal 2022, and fiscal 2021, and concluded that no impairment of goodwill or the indefinite-lived intangible asset was indicated at any reporting unit for any of the periods other than the first quarter of fiscal 2021 as described below. In each of these periods, qualitative assessments were performed on reporting units that comprise a significant portion of our consolidated goodwill balance. For the Company's indefinite-lived intangible asset we performed a quantitative analysis for fiscal 2023 and a qualitative assessment for fiscal 2022 and 2021. A qualitative assessment includes evaluating all identified events and circumstances that could affect the significant inputs used to determine the fair value of a reporting unit or indefinite-lived intangible asset for the purpose of determining whether it is more likely than not that these assets are impaired. We consider various factors while performing qualitative assessments, including macroeconomic conditions, industry and market conditions, financial performance of the reporting units, changes in market capitalization, and any other specific reporting unit considerations. These qualitative assessments indicated that it was more likely than not that the fair value exceeded carrying value for those reporting units. For the remaining reporting units, we performed the quantitative analysis described in ASC Topic 350 in each of these periods. When performing the quantitative

analysis, we determine the fair value of our reporting units using an equal weighting of fair values derived from the income approach and market approach valuation methodologies. Under the income approach, the key valuation assumptions used in determining the fair value estimates of our reporting units for each annual test were: (a) expected cash flow for a period of seven years based on our best estimate of revenue growth rates and projected operating margins; (b) terminal value based upon terminal growth rates; and (c) a discount rate based on the Company's best estimate of the weighted average cost of capital adjusted for certain risks for the reporting units.

The table below outlines certain assumptions used in our annual quantitative impairment analyses for fiscal 2023, fiscal 2022, and fiscal 2021;

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Terminal Growth Rate	2% - 3%	2% - 3%	3.0%
Discount Rate	11.5%	10.5%	10.0%

The discount rate reflects risks inherent within each reporting unit operating individually. These risks are greater than the risks inherent in the Company as a whole. Determination of discount rates included consideration of market inputs such as the risk-free rate, equity risk premium, industry premium, and cost of debt, among other assumptions. The increase in the discount rate for fiscal 2023 from fiscal 2022 was largely driven by increases in prevailing interest rates as observed in financial markets as of each valuation date. The increase in the discount rate for fiscal 2022 from fiscal 2021 was mainly a result of a heavier weighting of the cost of equity versus debt in fiscal 2022 as a result of market trends for capital structure. We believe the assumptions used in the impairment analysis each year are reflective of the risks inherent in the business models of our reporting units and our industry. Under the market approach, the guideline company method develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key valuation assumptions used in determining the fair value estimates of our reporting units rely on: (a) the selection of similar companies and (b) the selection of valuation multiples as they apply to the reporting unit characteristics.

We determined that the fair values of each of the reporting units and the indefinite-lived intangible asset were in excess of their carrying values in the fiscal 2023 assessment. Management determined that significant changes were not likely in the factors considered to estimate fair value, and analyzed the impact of such changes were they to occur. Specifically, if the discount rate applied in the fiscal 2023 impairment analysis had been 100 basis points higher than estimated for each of the reporting units, and all other assumptions were held constant, the conclusion of the assessment would remain unchanged and there would be no impairment of goodwill. Additionally, if there was a 25% decrease in the fair value of any of the reporting units due to a decline in their discounted cash flows resulting from lower operating performance, the conclusion of the assessment would remain unchanged for all reporting units except for one. For this reporting unit with goodwill of \$5.7 million, the excess of fair value above its carrying value was approximately 7% of the fair value. Recent operating performance, along with assumptions for specific customer and industry opportunities, were considered in the key assumptions used during the fiscal 2023 impairment analysis. Management has determined the goodwill of the Company may have an increased likelihood of impairment if a prolonged downturn in customer demand were to occur, or if the reporting units was not able to execute against customer opportunities, and the long-term outlook for their cash flows were adversely impacted. Furthermore, changes in the long-term outlook may result in a change to other valuation assumptions. Factors monitored by management which could result in a change to the reporting units' estimates include the outcome of customer requests for proposals and subsequent awards, strategies of competitors, labor market conditions and levels of overall economic activity.

The Company determined that there were no events or changes in circumstances for the other reporting units or indefinite lived intangible assets during fiscal 2023 that would indicate a potential reduction in their fair value below their carrying amounts. As of January 28, 2023, the Company continues to believe the remaining goodwill and the indefinite-lived intangible asset are recoverable for all of its reporting units. However, if adverse events were to occur or circumstances were to change indicating that the carrying amount of such assets may not be fully recoverable, the assets would be reviewed for impairment and could be impaired. There can be no assurances that goodwill or the indefinite-lived intangible asset may not be impaired in future periods.

During fiscal 2021 and 2022, the economy of the United States was severely impacted by the nation's response to the COVID-19 pandemic. Measures taken included travel restrictions, social distancing requirements, quarantines, and shelter in place orders. As a result, businesses had been closed and certain business activities curtailed or modified. During the COVID-19 pandemic, our services have generally been considered essential in nature and have not been materially interrupted. However, certain customers of one of the Company's reporting units ("Broadband") had decided to restrict our technicians from

entering third party premises. Furthermore, customers have modified their protocols to increase the self-installation of customer premise equipment by their subscribers.

Broadband generates a substantial portion of its revenue and operating results from installation services inside third party premises. The events following the onset of COVID-19 were expected to result in a prolonged downturn in customer demand for installation services from Broadband. This was expected to have a direct, adverse impact on its revenue, operating results and cash flows. These indicators represented a triggering event that warranted impairment testing of Broadband during the three months ended April 25, 2020.

The Broadband reporting unit includes the operations of Broadband Installation Services, Prince Telecom and certain other operations and generated revenue of less than 4% of the consolidated contract revenue of Dycom in fiscal 2020. The Broadband reporting unit did not incur losses in fiscal 2020.

The fiscal 2021 interim impairment analysis for Broadband utilized the same valuation techniques used in the Company's annual fiscal 2020 impairment analysis. The key assumptions used to determine the fair value of the Company's reporting units during this interim impairment analysis were: (a) expected cash flow for a period of seven years based on our best estimate of revenue growth rates and projected operating margins; (b) terminal value based upon terminal growth rates; and (c) a discount rate based on the Company's best estimate of the weighted average cost of capital adjusted for risks associated with Broadband. Recent operating performance, along with key assumptions for specific customer and industry opportunities, were used during the fiscal 2021 interim impairment analysis. The terminal growth rate used in the fiscal 2021 interim assessment was 1.5% as compared to 3.0% in the fiscal 2020 assessment reflecting lower long-term demand levels. The discount rate used in the fiscal 2021 interim assessment was 12% compared to 10% in the fiscal 2020 assessment reflecting increased risk associated with the outlook of Broadband.

The combination of lower expected operating results and cash flows from the reduction in revenue, as well as changes in valuation assumptions in the fiscal 2021 interim analysis resulted in a substantial decline in the fair value of the Broadband reporting unit. In accordance with ASU 2017-04, the Company compared the estimated fair value of Broadband to its carrying amount. As a result, the Company recognized an impairment charge of \$53.3 million which is the amount by which the carrying amount exceeded the reporting unit's fair value. After the impairment charge, Broadband has \$10.1 million of remaining goodwill. The goodwill impairment charge did not affect the Company's compliance with its financial covenants and conditions under its revolving credit agreement.

Accrued Insurance Claims. For claims within our insurance program, we retain the risk of loss, up to certain annual stop-loss limits, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), workers' compensation, and employee group health. Losses for claims beyond our retained risk of loss are covered by insurance up to our coverage limits.

For workers' compensation losses during fiscal 2023, 2022, and 2021, we retained the risk of loss up to \$1.0 million on a per occurrence basis. This retention amount is applicable to all of the states in which we operate, except with respect to workers' compensation insurance in two states in which we participate in state-sponsored insurance funds.

For automobile liability and general liability losses during fiscal 2023, 2022, and 2021, we retained the risk of loss up to \$1.0 million on a per-occurrence basis for the first \$5.0 million of insurance coverage. We also retained the risk of loss for automobile and general liability for the next \$5.0 million on a per-occurrence basis with aggregate stop loss limits of \$11.5 million within this layer of retention over the period from fiscal 2021 to fiscal 2023. During fiscal 2023 we retained \$5.0 million risk of loss on a per occurrence basis for losses between \$10.0 million and \$15.0 million, if any. Additionally, during fiscal 2023 and 2022 we retained \$10.0 million risk of loss on a per occurrence basis for losses between \$30.0 million and \$40.0 million, if any.

We are party to a stop-loss agreement for losses under our employee group health plan. For the calendar year 2020, we retained the risk of loss on an annual basis, up to the first \$450,000 of claims per participant, as well as an annual aggregate amount for all participants of \$475,000. For the calendar years 2021, 2022, and 2023, we retain the risk of loss on an annual basis, up to the first \$600,000 of claims per participant.

We have established reserves that we believe to be adequate based on current evaluations and our experience with these types of claims. A liability for unpaid claims and the associated claim expenses, including incurred but not reported losses, is determined with the assistance of an actuary and reflected in the consolidated financial statements as accrued insurance claims. The effect on our financial statements is generally limited to the amount needed to satisfy our insurance deductibles or retentions. Amounts for total accrued insurance claims and insurance recoveries/receivables are as follows (dollars in millions):

	January 28, 2023	January 29, 2022
Accrued insurance claims - current	\$ 41,043	\$ 36,805
Accrued insurance claims - non-current	49,347	48,238
Accrued insurance claims	<u>\$ 90,390</u>	<u>\$ 85,043</u>
Insurance recoveries/receivables:		
Current (included in Other current assets)	\$ —	\$ 756
Non-current (included in Other assets)	4,957	3,687
Insurance recoveries/receivables	<u>\$ 4,957</u>	<u>\$ 4,443</u>

The liability for total accrued insurance claims included incurred but not reported losses of approximately \$48.0 million as of January 28, 2023 and January 29, 2022.

We estimate the liability for claims based on facts, circumstances, and historical experience. Recorded loss reserves are settled over time and are not discounted. Factors affecting the determination of the expected cost for existing and incurred but not reported claims include, but are not limited to, the magnitude and quantity of future claims, the payment pattern of claims which have been incurred, changes in the medical condition of claimants, and other factors such as inflation, tort reform or other legislative changes, unfavorable jury decisions, and court interpretations.

Income Taxes. We account for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Measurement of our tax position is based on the applicable statutes, federal and state case law, and our interpretations of tax regulations. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income during the period that includes the enactment date. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all relevant factors, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent financial operations. In the event we determine that we would be able to realize deferred income tax assets in excess of their net recorded amount, we would adjust the valuation allowance, which would reduce the provision for income taxes.

We recognize tax benefits in the amount that we deem more likely than not will be realized upon ultimate settlement of any tax uncertainty. Tax positions that fail to qualify for recognition are recognized during the period in which the more-likely-than-not standard has been reached, when the tax positions are resolved with the respective taxing authority, or when the statute of limitations for tax examination has expired. We recognize applicable interest related to tax amounts in interest expense and penalties within general and administrative expenses.

Fluctuations in our effective income tax rate were attributable to the difference in income tax rates from state to state where work was performed, non-deductible and non-taxable items, tax credits recognized, the tax effects of the vesting and exercise of share-based awards, impacts of tax filings for prior years, and changes in unrecognized tax benefits.

Stock-Based Compensation. We have stock-based compensation plans under which we grant stock-based awards, including stock options, time-based restricted share units (“RSUs”), and performance-based restricted share units (“Performance RSUs”) to attract, retain, and reward talented employees, officers, and directors, and to align stockholder and employee interests. The resulting compensation expense is recognized on a straight-line basis over the vesting period, net of actual forfeitures, and is included in general and administrative expenses in the consolidated statements of operations. This expense fluctuates over time as a function of the duration of vesting periods of the stock-based awards and the Company’s performance, as measured by criteria set forth in performance-based awards.

Compensation expense for stock-based awards is based on fair value at the measurement date. The fair value of RSUs and Performance RSUs is estimated on the date of grant and is equal to the closing market price per share of our common stock on that date. RSUs generally vest ratably over a four-year period. Performance RSUs vest ratably over a three-year period, if certain performance measures are achieved. Each RSU and Performance RSU is settled in one share of our common stock upon vesting. The fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model. This valuation is affected by the Company’s stock price as well as other inputs, including the expected common stock price volatility

over the expected life of the options, the expected term of the stock option, risk-free interest rates, and expected dividends, if any. Our outstanding stock options generally vest ratably over a four-year period and are generally exercisable over a period of up to ten years.

For Performance RSUs, we evaluate compensation expense quarterly and recognize expense only if we determine it is probable that the performance measures for the awards will be met. The performance measures for target awards are based on our operating earnings (adjusted for certain amounts) as a percentage of contract revenues and our operating cash flow level (adjusted for certain amounts) for the applicable four-quarter performance period. Additionally, certain awards include three-year performance measures that are more difficult to achieve than those required to earn target awards and, if met, result in supplemental shares awarded. The performance measures for supplemental awards are based on three-year cumulative operating earnings (adjusted for certain amounts) as a percentage of contract revenues and three-year cumulative operating cash flow level (adjusted for certain amounts). If we determine it is no longer probable that we will achieve certain performance measures for the awards, we reverse the stock-based compensation expense that we had previously recognized associated with the portion of Performance RSUs that are no longer expected to vest. The amount of the expense ultimately recognized depends on the number of awards that actually vest. Accordingly, stock-based compensation expense may vary from period to period. For additional information on our stock-based compensation plans, stock options, RSUs, and Performance RSUs, see Note 18, *Stock-Based Awards*, in the notes to the consolidated financial statements in this Annual Report on Form 10-K.

Contingencies and Litigation. In the ordinary course of our business, we are involved in certain legal proceedings and other claims, including claims for indemnification by our customers. In determining whether a loss should be accrued, we evaluate, among other factors, the probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. If only a range of probable loss can be determined, we accrue for our best estimate within the range for the contingency. In those cases where none of the estimates within the range is better than another, we accrue for the amount representing the low end of the range. As additional information becomes available, we reassess the potential liability related to our pending litigation and other contingencies and revise our estimates as applicable. Revisions of our estimates of the potential liability could materially impact our results of operations. Additionally, if the final outcome of such litigation and contingencies differs adversely from that currently expected, it would result in a charge to operating results when determined.

Business Combinations. We account for business combinations under the acquisition method of accounting. The purchase price of each business acquired is allocated to the tangible and intangible assets acquired and the liabilities assumed based on information regarding their respective fair values on the date of acquisition. Any excess of the purchase price over the fair value of the separately identifiable assets acquired and liabilities assumed is allocated to goodwill. We determine the fair values used in purchase price allocations for intangible assets based on historical data, estimated discounted future cash flows, expected royalty rates for trademarks and trade names, as well as other information. The valuation of assets acquired and liabilities assumed requires a number of judgments and is subject to revision as additional information about the fair value of assets and liabilities becomes available. Additional information, which existed as of the acquisition date but unknown to us at that time, may become known during the remainder of the measurement period. This measurement period may not exceed 12 months from the acquisition date. The Company will recognize any adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined. Additionally, in the same period in which adjustments are recognized, the Company will record the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of any change to the provisional amounts, calculated as if the accounting adjustment had been completed at the acquisition date. Acquisition costs are expensed as incurred. The results of operations of businesses acquired are included in the consolidated financial statements from their dates of acquisition.

Results of Operations

The following table sets forth our consolidated statements of operations for the periods indicated and the amounts as a percentage of contract revenues (totals may not add due to rounding) (dollars in millions):

	Fiscal Year Ended			
	January 28, 2023		January 29, 2022	
Contract revenues	\$ 3,808.5	100.0 %	\$ 3,130.5	100.0 %
Expenses:				
Costs of earned revenues, excluding depreciation and amortization	3,160.3	83.0	2,633.9	84.1
General and administrative	293.5	7.7	262.4	8.4
Depreciation and amortization	144.2	3.8	152.7	4.9
Total	3,597.9	94.5	3,049.0	97.4
Interest expense, net	(40.6)	(1.1)	(33.2)	(1.1)
Loss on debt extinguishment	—	—	(0.1)	—
Other income, net	10.2	0.3	4.4	0.1
Income before income taxes	180.1	4.7	52.8	1.7
Provision for income taxes	37.9	1.0	4.2	0.1
Net income	<u>\$ 142.2</u>	<u>3.7 %</u>	<u>\$ 48.6</u>	<u>1.6 %</u>

Contract Revenues. Contract revenues were \$3.808 billion during fiscal 2023 compared to \$3.131 billion during fiscal 2022. Fiscal 2023 and fiscal 2022 had 52 weeks of operations.

Excluding \$3.9 million of contract revenues from storm restoration services in fiscal 2022, contract revenues increased by \$681.8 million during fiscal 2023 compared to fiscal 2022. Contract revenues increased by \$223.0 million for a large telecommunications customer for fiber deployments and for improvements to its network, and by \$185.4 million and \$110.8 million, respectively, for two telecommunications customers primarily for fiber deployments. Partially offsetting these increases, contract revenues decreased by \$42.8 million for a leading cable multiple system operator from installation, maintenance and construction services, \$21.4 million for services performed for a telecommunications customer in connection with rural services, and by \$5.3 million for a large telecommunications customer primarily related to fiber deployments. All other customers had net increases in contract revenues of \$232.1 million on a combined basis during fiscal 2023 compared to fiscal 2022.

The percentage of our contract revenues by customer type from telecommunications, underground facility locating, and electric and gas utilities and other customers, was 89.7%, 7.2%, and 3.1%, respectively, for fiscal 2023 compared to 88.7%, 8.2%, and 3.1%, respectively, for fiscal 2022.

Costs of Earned Revenues. Costs of earned revenues increased to \$3.160 billion, or 83.0% of contract revenues, during fiscal 2023 compared to \$2.634 billion, or 84.1% of contract revenues, during fiscal 2022. The primary component of the increase was a \$402.5 million aggregate increase in direct labor and subcontractor costs. The increase was further due to a \$42.3 million increase in other direct costs, \$41.8 million increase in equipment maintenance and fuel costs combined, and a \$39.8 million increase in direct materials.

Costs of earned revenues as a percentage of contract revenues decreased 1.2% during fiscal 2023 compared to fiscal 2022. As a percentage of contract revenues, labor and subcontracted labor costs decreased 1.1% primarily due to the mix of work performed. Equipment maintenance and fuel costs combined increased 0.3% as a percentage of contract revenues primarily resulting from an increase in fuel prices. Direct materials decreased 0.2% primarily as a result of our mix of work in which we provide materials for our customers and other direct costs decreased 0.1% as a percentage of contract revenues during fiscal 2023.

General and Administrative Expenses. General and administrative expenses increased to \$293.5 million, or 7.7% of contract revenues, during fiscal 2023 compared to \$262.4 million, or 8.4% of contract revenues, during fiscal 2022. The increase in total general and administrative expenses primarily resulted from increased administrative, payroll and other costs, including performance based compensation and stock-based compensation.

Depreciation and Amortization. Depreciation expense was \$128.8 million, or 3.4% of contract revenues, during fiscal 2023, compared to \$135.2 million, or 4.3% of contract revenues, during fiscal 2022. The decrease in depreciation expense during fiscal 2023 was primarily due certain assets becoming fully depreciated or sold and the timing of capital expenditures. Amortization expense was \$15.3 million and \$17.5 million during fiscal 2023 and fiscal 2022, respectively.

Interest Expense, Net. Interest expense, net was \$40.6 million and \$33.2 million during fiscal 2023 and fiscal 2022, respectively. Interest expense included \$1.7 million during fiscal 2022 for the non-cash amortization of the debt discount associated with the 0.75% convertible senior notes due September 2021 (the “2021 Convertible Notes”). Excluding this amortization, interest expense, net increased to \$40.6 million during fiscal 2023 from \$31.5 million during fiscal 2022 as a result of higher interest rates on funded debt balances and higher outstanding borrowings during the current period.

Other Income, Net. Other income, net was \$10.2 million and \$4.4 million during fiscal 2023 and fiscal 2022, respectively. The change in other income, net was primarily a function of the number of assets sold and prices obtained for those assets during each respective period. Gain on sale of fixed assets was \$16.8 million and \$4.2 million during fiscal 2023 and fiscal 2022, respectively. Other income, net also includes expense associated with the non-recourse sale of accounts receivable under a customer-sponsored vendor payment program.

Loss on Debt Extinguishment. Loss on debt extinguishment for fiscal 2022 of \$0.1 million includes the write-off of deferred debt issuance costs on the 2021 Convertible Notes.

Income Taxes. The following table presents our income tax provision and effective income tax rate for fiscal 2023 and fiscal 2022 (dollars in millions):

	Fiscal Year Ended	
	January 28, 2023	January 29, 2022
Income tax provision	\$ 37.9	\$ 4.2
Effective income tax rate	21.0 %	8.0 %

Our effective income tax rate differs from the statutory rate primarily due to the difference in income tax rates from state to state where work was performed, non-deductible and non-taxable items, tax credits recognized, the tax effects of the vesting and exercise of share-based awards, impacts of tax filings for prior years, and changes in unrecognized tax benefits.

Net Income. Net income was \$142.2 million for fiscal 2023 compared to \$48.6 million for fiscal 2022.

Non-GAAP Adjusted EBITDA. Adjusted EBITDA is a Non-GAAP measure, as defined by Regulation G of the SEC. We define Adjusted EBITDA as net income before interest, taxes, depreciation and amortization, gain on sale of fixed assets, stock-based compensation expense, and certain non-recurring items. Management believes Adjusted EBITDA is a helpful measure for comparing the Company’s operating performance with prior periods as well as with the performance of other companies with different capital structures or tax rates. The following table provides a reconciliation of net income to Non-GAAP Adjusted EBITDA (dollars in thousands):

	Fiscal Year Ended	
	January 28, 2023	January 29, 2022
Net income	\$ 142,213	\$ 48,574
Interest expense, net	40,618	33,166
Provision for income taxes	37,909	4,202
Depreciation and amortization	144,181	152,652
Earnings Before Interest, Taxes, Depreciation & Amortization (“EBITDA”)	364,921	238,594
Gain on sale of fixed assets	(16,759)	(4,203)
Stock-based compensation expense	17,927	9,866
Loss on debt extinguishment	—	62
Non-GAAP Adjusted EBITDA	\$ 366,089	\$ 244,319
Non-GAAP Adjusted EBITDA % of contract revenues	9.6 %	7.8 %

A discussion of our financial results for fiscal 2022 compared to our financial for fiscal 2021 can be found in the “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations” section in our Annual Report on Form 10-K for the fiscal year ended January 29, 2022, filed on March 4, 2022.

Liquidity and Capital Resources

We are subject to concentrations of credit risk relating primarily to our cash and equivalents, accounts receivable, and contract assets. Cash and equivalents primarily include balances on deposit with banks and totaled \$224.2 million as of January 28, 2023, compared to \$310.8 million as of January 29, 2022. We maintain our cash and equivalents at financial institutions we believe to be of high credit quality. For all periods presented, we have not experienced any loss or lack of access to cash in our operating accounts.

Sources of Cash. Our sources of cash are operating activities, long-term debt, equity offerings, bank borrowings, proceeds from the sale of idle and surplus equipment and real property, and stock option proceeds. Cash flow from operations is primarily influenced by demand for our services and operating margins, but can also be influenced by working capital needs associated with the services that we provide. In particular, working capital needs may increase when we have growth in operations and where project costs, primarily associated with labor, subcontractors, equipment, and materials, are required to be paid before the related customer balances owed to us are invoiced and collected. Our working capital (total current assets less total current liabilities, excluding the current portion of debt) was \$1,040.6 million as of January 28, 2023 compared to \$991.8 million as of January 29, 2022.

Capital resources are used primarily to purchase equipment and maintain sufficient levels of working capital to support our contractual commitments to customers. We periodically draw upon and repay our revolving credit facility depending on our cash requirements. We currently intend to retain any earnings for use in the business and other capital allocation strategies which may include investment in acquisitions and share repurchases. Consequently, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Our level of capital expenditures can vary depending on the customer demand for our services, the replacement cycle we select for our equipment, and overall growth. We intend to fund these expenditures primarily from operating cash flows, availability under our credit agreement, and cash on hand. We expect capital expenditures, net of disposals, to range from \$220.0 million to \$230.0 million during fiscal 2024 to support growth opportunities and the replacement of certain fleet assets.

Sufficiency of Capital Resources. We believe that our capital resources, including existing cash balances and amounts available under our credit agreement, are sufficient to meet our financial obligations. These obligations include payments on our debt, working capital requirements, and the purchase of equipment at our expected level of operations for at least the next 12 months. Our capital requirements may increase to the extent we seek to grow by acquisitions that involve consideration other than our stock, experience difficulty or delays in collecting amounts owed to us by our customers, increase our working capital in connection with new or existing customer programs, or we repurchase our common stock, or repay credit agreement borrowings. Changes in financial markets or other components of the economy could adversely impact our ability to access the capital markets, in which case we would expect to rely on a combination of available cash and our credit agreement to provide short-term funding. Management regularly monitors the financial markets and assesses general economic conditions for possible impact on our financial position. We believe our cash investment policies are prudent and expect that any volatility in the capital markets would not have a material impact on our cash investments.

Net Cash Flows. The following table presents our net cash flows for fiscal 2023 and fiscal 2022 (dollars in millions):

	Fiscal Year Ended	
	January 28, 2023	January 29, 2022
Net cash flows:		
Provided by operating activities	\$ 164.8	\$ 308.7
Used in investing activities	\$ (183.9)	\$ (151.7)
(Used in) provided by financing activities	\$ (67.4)	\$ 142.0

Cash Provided by Operating Activities. During fiscal 2023, net cash provided by operating activities was \$164.8 million. Changes in working capital (excluding cash) and changes in other long-term assets and liabilities used \$164.8 million of operating cash flow during fiscal 2023. Working capital changes that used operating cash flow during fiscal 2023 included an

increase in accounts receivable of \$173.7 million, other current assets and inventories of \$41.3 million, contract assets, net of \$18.4 million, and a decrease in accrued liabilities of \$10.0 million. Changes that provided operating cash flow during fiscal 2023 included an increase in accounts payable of \$49.4 million and a decrease in other assets of \$5.7 million. In addition, an increase in income tax payable and a decrease in income tax receivable provided \$23.5 million in operating cash flow during fiscal 2023.

The primary non-cash items in cash flows from operating activities during the current and prior periods are depreciation and amortization, non-cash lease expense, stock-based compensation, amortization of debt discount and debt issuance costs, deferred income taxes, gain on sale of fixed assets, goodwill impairment charge in fiscal 2021, gain and loss on debt extinguishment and provision for bad debt.

Days sales outstanding (“DSO”) is calculated based on the ending balance of total current and non-current accounts receivable (including unbilled accounts receivable), net of the allowance for doubtful accounts, and current contract assets, net of contract liabilities, divided by the average daily revenue for the most recently completed quarter. Long-term contract assets are excluded from the calculation of DSO, as these amounts represent payments made to customers pursuant to long-term agreements and are recognized as a reduction of contract revenues over the period for which the related services are provided to the customers. Including these balances in DSO is not meaningful to the average time to collect accounts receivable and current contract asset balances. Our DSO was 108 days as of both January 28, 2023 and January 29, 2022.

See Note 5, *Accounts Receivable, Contract Assets, and Contract Liabilities*, for further information on our customer credit concentration as of January 28, 2023 and January 29, 2022 and Note 19, *Customer Concentration and Revenue Information*, for further information on our significant customers. We believe that none of our significant customers were experiencing financial difficulties that would materially impact the collectability of our total accounts receivable and contract assets, net as of January 28, 2023 or January 29, 2022.

During fiscal 2022, net cash provided by operating activities was \$308.7 million. Changes in working capital (excluding cash) and changes in other long-term assets and liabilities provided \$54.4 million of operating cash flow during fiscal 2022. Working capital changes that provided operating cash flow during fiscal 2022 included a decrease in contract assets, net of \$177.0 million and other assets of \$2.2 million. Changes that used operating cash flow during fiscal 2022 included a decrease in accrued liabilities of \$49.7 million and accounts payable of \$4.9 million. In addition, an increase in accounts receivable of \$40.7 million, other current assets and inventories of \$12.3 million and net increase in income tax receivable of \$17.2 million, each primarily as a result of the timing of payments, used operating cash flow during fiscal 2022.

Cash Used in Investing Activities. Net cash used in investing activities was \$183.9 million during fiscal 2023. Capital expenditures of \$201.0 million were for the replacement of certain fleet assets and new work opportunities. Additionally, we acquired the assets of a telecommunications contraction company for \$0.4 million. Proceeds from sale of assets were \$17.4 million.

Net cash used in investing activities was \$151.7 million during fiscal 2022. During fiscal 2022, capital expenditures of \$157.0 million, primarily as a result of spending for new work opportunities and the replacement of certain fleet assets, were offset in part by proceeds from the sale of assets of \$5.4 million.

Cash (Used in) Provided by Financing Activities. Net cash used in financing activities was \$67.4 million during fiscal 2023. The primary source of cash used in financing activities during fiscal 2023 was the repurchase of 514,030 shares of our common stock in open market transactions, at an average price of \$94.80 per share, for \$48.7 million and principal payments on term loans of \$17.5 million. The exercise of stock options provided \$4.6 million during fiscal 2023 and we paid \$5.8 million to tax authorities in order to meet the payroll tax withholding obligations on restricted share units that vested during the period.

Net cash provided by financing activities was \$142.0 million during fiscal 2022. The primary source of cash provided by financing activities during fiscal 2022 was the “2029 Notes” issued in a private placement in April 2021. This was primarily offset by a \$58.3 million payment on long-term debt related to the repayment in full of our 2021 Convertible Notes during fiscal 2022 and an additional \$0.7 million to unwind warrants associated with the remaining portion of the 2021 Convertible Notes that was repaid. In addition, we used \$105.0 million of the proceeds from the 2029 Notes offering to repay outstanding borrowings under the revolving portion of our credit agreement and approximately \$71.9 million to repay term loan borrowings under our credit agreement. We paid approximately \$11.6 million in issuance costs and third party fees and expenses related to our financing transactions. We repurchased 1,231,638 shares of our common stock in open market transaction, at an average price of \$86.17 per share, for \$106.1 million. The exercise of stock options provided \$2.3 million during fiscal 2022 and we

paid \$6.6 million to tax authorities in order to meet the payroll tax withholding obligations on restricted share units that vested during the period.

Compliance with Credit Agreement. We are party to a credit agreement, dated as of October 19, 2018, as amended, with the various lenders party thereto and Bank of America, N.A., as administrative agent (the “Credit Agreement”) to among other things, decrease the maximum revolver commitment to \$650.0 million from \$750.0 million and decrease the term loan facility to \$350.0 million from \$416.3 million. The Credit Agreement includes a \$200.0 million sublimit for the issuance of letters of credit and a \$50.0 million sublimit for swingline loans. As part of the amendment, the maturity of the Credit Agreement was extended to April 1, 2026.

Subject to certain conditions, the Credit Agreement provides us with the ability to enter into one or more incremental facilities either by increasing the revolving commitments under the Credit Agreement and/or by establishing one or more additional term loans, up to the sum of (i) \$350.0 million and (ii) an aggregate amount such that, after giving effect to such incremental facilities on a pro forma basis (assuming that the amount of the incremental commitments are fully drawn and funded), the consolidated senior secured net leverage ratio does not exceed 2.25 to 1.00. The consolidated senior secured net leverage ratio is the ratio of our consolidated senior secured indebtedness reduced by unrestricted cash and equivalents in excess of \$25.0 million to our trailing four-quarter consolidated earnings before interest, taxes, depreciation, and amortization (“EBITDA”), as defined by the Credit Agreement. Borrowings under the Credit Agreement are guaranteed by substantially all of our domestic subsidiaries and secured by 100% the equity interests of our direct and indirect domestic subsidiaries and 65% of the voting equity interests and 100% of the non-voting interests of our first-tier foreign subsidiaries (subject to customary exceptions).

Under our Credit Agreement, borrowings bear interest at the rates described below based upon our consolidated net leverage ratio, which is the ratio of our consolidated total funded debt reduced by unrestricted cash and equivalents in excess of \$25.0 million to our trailing four-quarter consolidated EBITDA, as defined by our Credit Agreement. In addition, we incur certain fees for unused balances and letters of credit at the rates described below, also based upon our consolidated net leverage ratio.

Borrowings - Eurodollar Rate Loans	1.25% - 2.00% plus LIBOR ⁽¹⁾
Borrowings - Base Rate Loans	0.25% - 1.00% plus Base rate ⁽²⁾
Unused Revolver Commitment	0.20% - 0.40%
Standby Letters of Credit	1.25% - 2.00%
Commercial Letters of Credit	0.625% - 1.00%

⁽¹⁾To address the transition in financial markets away from LIBOR, the Credit Agreement includes provisions related to the replacement of LIBOR with a LIBOR successor rate (as defined in the Credit Agreement), which may be a rate based on the Secured Overnight Financing Rate published by the Federal Reserve Bank of New York.

⁽²⁾Base rate is described in the Credit Agreement as the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the administrative agent’s prime rate, and (iii) the Eurodollar rate plus 1.00% and if such rate is less than zero, such rate shall be deemed zero.

Standby letters of credit of approximately \$47.5 million and \$46.3 million, issued as part of our insurance program, were outstanding under our Credit Agreement as January 28, 2023 and January 29, 2022, respectively.

The weighted average interest rates and fees for balances under our Credit Agreement as of January 28, 2023 and January 29, 2022 were as follows:

	Weighted Average Rate End of Period	
	January 28, 2023	January 29, 2022
Borrowings - Term loan facility	6.21%	1.86%
Borrowings - Revolving facility ⁽¹⁾	—%	—%
Standby Letters of Credit	1.75%	1.75%
Unused Revolver Commitment	0.35%	0.35%

⁽¹⁾ There were no outstanding borrowings under our revolving facility as of January 28, 2023.

Our Credit Agreement contains a financial covenant that requires us to maintain a consolidated net leverage ratio of not greater than 3.50 to 1.00, as measured at the end of each fiscal quarter, and provides for certain increases to this ratio in connection with permitted acquisitions. The consolidated net leverage ratio is the ratio of our consolidated indebtedness reduced by unrestricted cash and cash equivalents in excess of \$25.0 million to our trailing four-quarter consolidated earnings before interest, taxes, depreciation, and amortization as defined by our Credit Agreement. The agreement also contains a financial covenant that requires us to maintain a consolidated interest coverage ratio, which is the ratio of our trailing four-quarter consolidated EBITDA to our consolidated interest expense, each as defined by our Credit Agreement, of not less than 3.00 to 1.00, as measured at the end of each fiscal quarter. At January 28, 2023 and January 29, 2022, we were in compliance with the financial covenants of our Credit Agreement and had borrowing availability under our revolving facility of \$602.5 million and \$326.3 million, respectively, as determined by the most restrictive covenant. For calculation purposes, applicable cash on hand is netted against the funded debt amount as permitted in the Credit Agreement.

The indenture governing the 2029 Notes contains certain covenants that limit, among other things, our ability and the ability of certain of our subsidiaries to (i) incur additional debt and issue certain preferred stock, (ii) pay certain dividends on, repurchase, or make distributions in respect of, our and our subsidiaries' capital stock or make other payments restricted by the indenture, (iii) enter into agreements that place limitations on distributions made from certain of our subsidiaries, (iv) guarantee certain debt, (v) make certain investments, (vi) sell or exchange certain assets, (vii) enter into transactions with affiliates, (viii) create certain liens, and (ix) consolidate, merge or transfer all or substantially all of our or our Subsidiaries' assets. These covenants are subject to a number of exceptions, limitations and qualifications as set forth in the indenture governing the 2029 Notes.

Contractual Obligations. The following table sets forth our outstanding contractual obligations as of January 28, 2023 (dollars in thousands):

	Due in Fiscal 2024	Due Thereafter	Total
2029 Notes	\$ —	\$ 500,000	\$ 500,000
Credit agreement – term loan facility	17,500	315,000	332,500
Fixed interest payments on long-term debt ⁽¹⁾	22,500	123,750	146,250
Obligations under long-term operating leases ⁽²⁾	30,501	44,046	74,547
Obligations under short-term operating leases ⁽³⁾	922	—	922
Employment agreements	27,232	4,857	32,089
Purchase and other contractual obligations ⁽⁴⁾	103,253	22,840	126,093
Total	<u>\$ 201,908</u>	<u>\$ 1,010,493</u>	<u>\$ 1,212,401</u>

⁽¹⁾ Includes interest payments on our \$500.0 million principal amount of 2029 Notes outstanding, and excludes interest payments on our variable rate debt. Variable rate debt as of January 28, 2023 consisted of \$332.5 million outstanding under our term loan facility.

⁽²⁾ Amounts represent undiscounted lease obligations under long-term operating leases and exclude long-term operating leases that have not yet commenced of \$0.1 million as of January 28, 2023.

⁽³⁾ Amounts represent lease obligations under short-term operating leases that are not recorded on our consolidated balance sheet as of January 28, 2023.

⁽⁴⁾ We have committed capital for the expansion of our vehicle fleet in order to accommodate manufacturer lead times. As of January 28, 2023, purchase and other contractual obligations includes approximately \$86.7 million for issued orders with delivery dates scheduled to occur over the next 12 months.

Our consolidated balance sheet as of January 28, 2023 includes a long-term liability of approximately \$49.3 million for accrued insurance claims. This liability has been excluded from the table above as the timing of payments is uncertain.

The liability for unrecognized tax benefits for uncertain tax positions was approximately \$15.8 million and \$11.9 million, as of January 28, 2023 and January 29, 2022, respectively, and is included in other liabilities in the consolidated balance sheets. This amount has been excluded from the contractual obligations table because we are unable to reasonably estimate the timing of the resolution of the underlying tax positions with the relevant tax authorities.

Performance and Payment Bonds and Guarantees. We have obligations under performance and other surety contract bonds related to certain of our customer contracts. Performance bonds generally provide a customer with the right to obtain payment and/or performance from the issuer of the bond if we fail to perform our contractual obligations. As of January 28, 2023 and January 29, 2022 we had \$299.8 million and \$296.4 million of outstanding performance and other surety contract bonds, respectively. The estimated cost to complete projects secured by our outstanding performance and other surety contract bonds was approximately \$109.4 million as of January 28, 2023. In addition to performance and other surety contract bonds, as part of our insurance program we also provide surety bonds that collateralize our obligations to our insurance carriers. As of January 28, 2023 and January 29, 2022, we had \$20.4 million and \$20.3 million, respectively, of outstanding surety bonds related to our insurance obligations. Additionally, we have periodically guaranteed certain obligations of our subsidiaries, including obligations in connection with obtaining state contractor licenses and leasing real property and equipment.

Letters of Credit. We have standby letters of credit issued under our Credit Agreement as part of our insurance program. These letters of credit collateralize obligations to our insurance carriers in connection with the settlement of potential claims. In connection with these collateral obligations, we had \$47.5 million and \$46.3 million outstanding standby letters of credit issued under our Credit Agreement as of January 28, 2023 and January 29, 2022, respectively.

Backlog. Backlog is not a measure defined by United States generally accepted accounting principles (“GAAP”) and should be considered in addition to, but not as a substitute for, GAAP results. Participants in our industry often disclose a calculation of their backlog; however, our methodology for determining backlog may not be comparable to the methodologies used by others. We utilize our calculation of backlog to assist in measuring aggregate awards under existing contractual relationships with our customers. We believe our backlog disclosures will assist investors in better understanding this estimate of the services to be performed pursuant to awards by our customers under existing contractual relationships.

Our backlog is an estimate of the uncompleted portion of services to be performed under contractual agreements with our customers and totaled \$6.141 billion and \$5.822 billion at January 28, 2023 and January 29, 2022, respectively. We expect to complete 56.3% of the January 28, 2023 total backlog during the next 12 months. Our backlog represents an estimate of services to be performed pursuant to master service agreements and other contractual agreements over the terms of those contracts. These estimates are based on contract terms and evaluations regarding the timing of the services to be provided. In the case of master service agreements, backlog is estimated based on the work performed in the preceding 12 month period, when available. When estimating backlog for newly initiated master service agreements and other long and short-term contracts, we also consider the anticipated scope of the contract and information received from the customer during the procurement process and, where applicable, other ancillary information. A significant majority of our backlog comprises services under master service agreements and other long-term contracts.

Generally, our customers are not contractually committed to procure specific volumes of services. Contract revenue estimates reflected in our backlog can be subject to change due to a number of factors, including contract cancellations or changes in the amount of work we expect to be performed. In addition, contract revenues reflected in our backlog may be realized in different periods from those previously anticipated due to these factors as well as project accelerations or delays due to various reasons, including, but not limited to, changes in customer spending priorities, project cancellations, regulatory interruptions, scheduling changes, commercial issues, such as permitting, engineering revisions, job site conditions and adverse weather. The amount or timing of our backlog can also be impacted by the merger or acquisition activity of our customers. Many of our contracts may be cancelled by our customers, or work previously awarded to us pursuant to these contracts may be cancelled, regardless of whether or not we are in default. The amount of backlog related to uncompleted projects in which a provision for estimated losses was recorded is not material.

Legal Proceedings

Refer to Note 20, *Commitments and Contingencies*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

Recently Issued Accounting Pronouncements

Refer to Note 3, *Accounting Standards*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for a discussion of recent accounting standards and pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our primary exposure to market risk relates to unfavorable changes in interest rates on our fixed-rate and variable-rate debt. Fluctuations in interest rates impact the fair value of our fixed-rate debt and interest expense on our variable-rate debt. At January 28, 2023, 60% of our debt, on a gross basis, incurred interest at a fixed-rate and the remaining 40% of the debt incurred interest at a variable-rate.

On April 1, 2021, we issued \$500.0 million aggregate principal amount of 4.50% senior notes due 2029 (the “2029 Notes”). The 2029 Notes are guaranteed on a senior unsecured basis, jointly and severally, by all of our domestic subsidiaries that guarantee the Credit Agreement. The fair value of the fixed rate 2029 Notes will change with changes in market interest rates. Generally, the fair value of the fixed rate 2029 Notes will increase as interest rates fall and decrease as interest rates rise. The following table summarizes the carrying amount and fair value of the 2029 Notes, net of debt issuance costs. The fair value of the 2029 Notes is based on the closing trading price per \$100 of the 2029 Notes as of the last day of trading (Level 2), which was \$90.25 and \$97.50 as of January 28, 2023 and January 29, 2022, respectively (dollars in thousands):

	January 28, 2023	January 29, 2022
Principal amount of 2029 Notes	\$ 500,000	\$ 500,000
Less: Debt issuance costs	(5,736)	(6,687)
Net carrying amount of 2029 Notes	<u>\$ 494,264</u>	<u>\$ 493,313</u>
	January 28, 2023	January 29, 2022
Fair value of principal amount of 2029 Notes	\$ 451,250	\$ 487,500
Less: Debt issuance costs	(5,736)	(6,687)
Fair value of 2029 Notes	<u>\$ 445,514</u>	<u>\$ 480,813</u>

A hypothetical 50 basis point change in the market interest rates in effect would result in an increase or decrease in the fair value of the 2029 Notes of approximately \$13.0 million, calculated on a discounted cash flow basis as of January 28, 2023.

Our Credit Agreement provides borrowings at a variable rate of interest. On January 28, 2023, we had variable rate debt outstanding of \$332.5 million under our term loan facility. Interest related to these borrowings fluctuates based on LIBOR or the administrative agent’s base rate. The administrative agent's base rate is described in the Credit Agreement as the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the administrative agent's prime rate, and (iii) the Eurodollar rate plus 1.00% and, if such rate is less than zero, such rate shall be deemed zero. At the current level of borrowings, for every 50 basis point change in the interest rate, interest expense associated with such borrowings would correspondingly change by approximately \$1.7 million annually.

Item 8. *Financial Statements and Supplementary Data.*

Index to Consolidated Financial Statements

	Page
Consolidated Balance Sheets	43
Consolidated Statements of Operations	44
Consolidated Statements of Comprehensive Income	45
Consolidated Statements of Stockholders' Equity	46
Consolidated Statements of Cash Flows	47
Notes to the Consolidated Financial Statements	49
Report of Independent Registered Public Accounting Firm (PCAOB ID 238)	76

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	<u>January 28, 2023</u>	<u>January 29, 2022</u>
ASSETS		
Current assets:		
Cash and equivalents	\$ 224,186	\$ 310,757
Accounts receivable, net (Note 5)	1,067,013	895,898
Contract assets	43,932	24,539
Inventories	114,972	81,291
Income tax receivable	3,929	12,729
Other current assets	38,648	30,876
Total current assets	<u>1,492,680</u>	<u>1,356,090</u>
Property and equipment, net	367,852	294,798
Operating lease right-of-use assets	67,240	61,101
Goodwill	272,545	272,485
Intangible assets, net	86,566	101,832
Other assets	26,371	31,918
Total assets	<u>\$ 2,313,254</u>	<u>\$ 2,118,224</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 207,739	\$ 155,896
Current portion of debt	17,500	17,500
Contract liabilities	19,512	18,512
Accrued insurance claims	41,043	36,805
Operating lease liabilities	27,527	24,641
Income taxes payable	14,896	233
Other accrued liabilities	141,334	128,209
Total current liabilities	<u>469,551</u>	<u>381,796</u>
Long-term debt	807,367	823,251
Accrued insurance claims - non-current	49,347	48,238
Operating lease liabilities - non-current	39,628	36,519
Deferred tax liabilities, net - non-current	60,205	55,674
Other liabilities	18,401	14,202
Total liabilities	<u>1,444,499</u>	<u>1,359,680</u>
COMMITMENTS AND CONTINGENCIES (Note 20)		
Stockholders' equity:		
Preferred stock, par value \$1.00 per share: 1,000,000 shares authorized: no shares issued and outstanding	—	—
Common stock, par value \$0.33 1/3 per share: 150,000,000 shares authorized: 29,350,021 and 29,612,867 issued and outstanding, respectively	9,783	9,871
Additional paid-in capital	5,654	2,028
Accumulated other comprehensive loss	(1,771)	(1,769)
Retained earnings	855,089	748,414
Total stockholders' equity	<u>868,755</u>	<u>758,544</u>
Total liabilities and stockholders' equity	<u>\$ 2,313,254</u>	<u>\$ 2,118,224</u>

See notes to the consolidated financial statements.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share amounts)

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Contract revenues	\$ 3,808,462	\$ 3,130,519	\$ 3,199,165
Costs of earned revenues, excluding depreciation and amortization	3,160,264	2,633,877	2,641,989
General and administrative	293,478	262,432	259,770
Depreciation and amortization	144,181	152,652	175,897
Goodwill impairment charge	—	—	53,264
Total	<u>3,597,923</u>	<u>3,048,961</u>	<u>3,130,920</u>
Interest expense, net	(40,618)	(33,166)	(29,671)
(Loss) gain on debt extinguishment	—	(62)	12,046
Other income, net	10,201	4,446	8,597
Income before income taxes	<u>180,122</u>	<u>52,776</u>	<u>59,217</u>
Provision for income taxes	<u>37,909</u>	<u>4,202</u>	<u>24,880</u>
Net income	<u>\$ 142,213</u>	<u>\$ 48,574</u>	<u>\$ 34,337</u>
Earnings per common share:			
Basic earnings per common share	<u>\$ 4.81</u>	<u>\$ 1.60</u>	<u>\$ 1.08</u>
Diluted earnings per common share	<u>\$ 4.74</u>	<u>\$ 1.57</u>	<u>\$ 1.07</u>
Shares used in computing earnings per common share:			
Basic	<u>29,549,990</u>	<u>30,337,544</u>	<u>31,665,183</u>
Diluted	<u>29,996,591</u>	<u>30,844,211</u>	<u>32,090,578</u>

See notes to the consolidated financial statements.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Net Income	\$ 142,213	\$ 48,574	\$ 34,337
Foreign currency translation (losses) gains, net of tax	(2)	—	12
Comprehensive income	<u>\$ 142,211</u>	<u>\$ 48,574</u>	<u>\$ 34,349</u>

See notes to the consolidated financial statements.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
	Shares	Amount				
Balances as of January 25, 2020	31,583,938	\$ 10,528	\$ 30,158	\$ (1,781)	\$ 829,699	\$ 868,604
Cumulative effect from implementation of ASU 2016-13	—	—	—	—	(471)	(471)
Stock options exercised	295,650	98	5,640	—	—	5,738
Stock-based compensation	4,962	1	12,770	—	—	12,771
Issuance of restricted stock, net of tax withholdings	54,998	19	(747)	—	—	(728)
Equity component of the settlement of 0.75% convertible senior notes due 2021, net of taxes	—	—	(8,976)	—	—	(8,976)
Purchase of warrants	—	—	(7,176)	—	—	(7,176)
Settlement of convertible note hedges related to extinguishment of convertible debt	—	—	7,197	—	—	7,197
Repurchase of common stock	(1,324,381)	(441)	(36,582)	—	(62,977)	(100,000)
Other comprehensive income	—	—	—	12	—	12
Net income	—	—	—	—	34,337	34,337
Balances as of January 30, 2021	30,615,167	10,205	2,284	(1,769)	800,588	811,308
Stock options exercised	42,580	14	2,247	—	—	2,261
Stock-based compensation	2,197	1	9,865	—	—	9,866
Issuance of restricted stock, net of tax withholdings	184,561	62	(2,767)	—	(3,934)	(6,639)
Purchase of warrants	—	—	(693)	—	—	(693)
Repurchase of common stock	(1,231,638)	(411)	(8,909)	—	(96,814)	(106,133)
Net income	—	—	—	—	48,574	48,574
Balances as of January 29, 2022	29,612,867	9,871	2,028	(1,769)	748,414	758,544
Stock options exercised	119,430	40	4,517	—	—	4,557
Stock-based compensation	1,824	1	17,926	—	—	17,927
Issuance of restricted stock, net of tax withholdings	129,930	43	(3,449)	—	(2,346)	(5,752)
Repurchase of common stock	(514,030)	(172)	(15,368)	—	(33,192)	(48,732)
Other comprehensive (loss)	—	—	—	(2)	—	(2)
Net income	—	—	—	—	142,213	142,213
Balances as of January 28, 2023	<u>29,350,021</u>	<u>\$ 9,783</u>	<u>\$ 5,654</u>	<u>\$ (1,771)</u>	<u>\$ 855,089</u>	<u>\$ 868,755</u>

See notes to the consolidated financial statements.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Cash flows from operating activities:			
Net income	\$ 142,213	\$ 48,574	\$ 34,337
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	144,181	152,652	175,897
Non-cash lease expense	32,069	31,838	31,828
Deferred income tax provision (benefit)	4,532	8,024	(28,185)
Stock-based compensation	17,927	9,866	12,771
Provision for bad debt, net	2,600	2,911	406
Gain on sale of fixed assets	(16,759)	(4,203)	(10,026)
Loss (gain) on debt extinguishment	—	62	(12,046)
Amortization of debt discount	—	1,665	7,441
Amortization of debt issuance costs and other	2,835	2,825	2,797
Goodwill impairment charge	—	—	53,264
Change in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(173,714)	(40,687)	(41,755)
Contract assets, net	(18,394)	176,982	53,664
Other current assets and inventories	(41,270)	(12,255)	27,316
Other assets	5,666	2,220	9,178
Income taxes receivable/payable	23,463	(17,177)	7,505
Accounts payable	49,396	(4,905)	43,747
Accrued liabilities, insurance claims, operating lease liabilities, and other liabilities	(9,956)	(49,737)	13,638
Net cash provided by operating activities	<u>164,789</u>	<u>308,655</u>	<u>381,777</u>
Cash flows from investing activities:			
Capital expenditures	(200,955)	(157,042)	(58,047)
Proceeds from sale of assets	17,372	5,363	13,419
Cash paid for acquisitions, net of cash acquired	(350)	—	—
Net cash used in investing activities	<u>(183,933)</u>	<u>(151,679)</u>	<u>(44,628)</u>
Cash flows from financing activities:			
Proceeds from 2029 Notes	—	500,000	—
Proceeds from borrowings on senior credit agreement, including term loans	—	95,000	1,056,000
Principal payments on senior credit agreement, including term loans	(17,500)	(271,875)	(973,500)
Debt issuance costs	—	(11,646)	—
Repurchase of common stock	(48,732)	(106,133)	(100,000)
Extinguishment of 2021 Convertible Notes	—	(58,264)	(401,736)
Redemption discount on convertible debt, net of costs	—	—	30,761
Settlement of convertible note hedges related to extinguished convertible debt	—	—	7,197
Purchase of warrants	—	(693)	(7,176)
Exercise of stock options	4,557	2,261	5,738
Restricted stock tax withholdings	(5,752)	(6,639)	(728)

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)
(Dollars in thousands)

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Net cash (used in) provided by financing activities	(67,427)	142,011	(383,444)
Net (decrease) increase in cash, cash equivalents and restricted cash	(86,571)	298,987	(46,295)
Cash, cash equivalents and restricted cash at beginning of period (Note 7)	312,561	13,574	59,869
Cash, cash equivalents and restricted cash at end of period (Note 7)	\$ 225,990	\$ 312,561	\$ 13,574
Supplemental disclosure of other cash flow activities and non-cash investing and financing activities:			
Cash paid for interest	\$ 37,928	\$ 22,076	\$ 20,653
Cash paid for taxes, net	\$ 6,915	\$ 8,601	\$ 45,332
Purchases of capital assets included in accounts payable or other accrued liabilities at period end	\$ 8,256	\$ 6,666	\$ 6,556

See notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Dycom Industries, Inc. (“Dycom,” the “Company,” “we,” “our,” or “us”) is a leading provider of specialty contracting services throughout the United States. These services include program management; planning; engineering and design; aerial, underground, and wireless construction; maintenance; and fulfillment services for telecommunications providers. Additionally, Dycom provides underground facility locating services for various utilities, including telecommunications providers, and other construction and maintenance services for electric and gas utilities. Dycom supplies the labor, tools, and equipment necessary to provide these services to its customers.

Accounting Period. Our fiscal year ends on the last Saturday in January. As a result, each fiscal year consists of either 52 weeks or 53 weeks of operations (with the additional week of operations occurring in the fourth quarter). Fiscal 2023 and fiscal 2022 each consisted of 52 weeks of operations. Fiscal 2021 consisted of 53 weeks of operations.

The accompanying consolidated financial statements of the Company and its subsidiaries, all of which are wholly-owned, have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments considered necessary for a fair presentation of such statements have been included. This includes all normal and recurring adjustments and elimination of intercompany accounts and transactions.

Segment Information. The Company operates in one reportable segment. Its services are provided by its operating segments on a decentralized basis. Each operating segment consists of a subsidiary (or in certain instances, the combination of two or more subsidiaries), whose results are regularly reviewed by the Company’s Chief Executive Officer, the chief operating decision maker. All of the Company’s operating segments have been aggregated into one reportable segment based on their similar economic characteristics, nature of services and production processes, type of customers, and service distribution methods.

2. Significant Accounting Policies and Estimates

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. These key estimates include: the recognition of revenue under the cost-to-cost method of progress, accrued insurance claims, the allowance for doubtful accounts, accruals for contingencies, stock-based compensation expense for performance-based stock awards, the fair value of reporting units for the goodwill impairment analysis, the assessment of impairment of intangibles and other long lived assets, the purchase price allocations of businesses acquired, and income taxes. These estimates are based on our historical experience and management’s understanding of current facts and circumstances. At the time they are made, we believe that such estimates are fair when considered in conjunction with the Company’s consolidated financial position and results of operations taken as a whole. However, actual results could differ materially from those estimates.

Revenue Recognition. We perform a significant amount of our services under master service agreements and other contracts that contain customer-specified service requirements. These agreements include discrete pricing for individual tasks including, for example, the placement of underground or aerial fiber, directional boring, and fiber splicing, each based on a specific unit of measure. A contractual agreement exists when each party involved approves and commits to the agreement, the rights of the parties and payment terms are identified, the agreement has commercial substance, and collectability of consideration is probable. Our services are performed for the sole benefit of our customers, whereby the assets being created or maintained are controlled by the customer and the services we perform do not have alternative benefits for us. Contract revenue is recognized over time as services are performed and customers simultaneously receive and consume the benefits we provide. Output measures such as units delivered are utilized to assess progress against specific contractual performance obligations for the majority of our services. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the services to be provided. For us, the output method using units delivered best represents the measure of progress against the performance obligations incorporated within the contractual agreements. This method captures the amount of units delivered pursuant to contracts and is used only when our performance does not produce significant amounts of work in process prior to complete satisfaction of the performance obligation. For a portion of contract items, units to be completed consist of multiple tasks. For these items, the transaction price is allocated to each task based on relative standalone measurements, such as selling prices for similar tasks, or in the alternative, the cost to perform the tasks. Contract revenue is

recognized as the tasks are completed as a measurement of progress in the satisfaction of the corresponding performance obligation.

For certain contracts, representing less than 5% of contract revenues during fiscal 2023, fiscal 2022, and fiscal 2021, we use the cost-to-cost measure of progress. These contracts are generally projects that are completed over a period of less than 12 months and for which payment is received in a lump sum at the end of the project. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs. Contract costs include direct labor, direct materials, and subcontractor costs, as well as an allocation of indirect costs. Contract revenues are recorded as costs are incurred. We accrue the entire amount of a contract loss, if any, at the time the loss is determined to be probable and can be reasonably estimated.

There were no material amounts of unapproved change orders or claims recognized during fiscal 2023, fiscal 2022, and fiscal 2021.

Accounts Receivable, net. We grant credit to our customers, generally without collateral, under normal payment terms (typically 30 to 90 days after invoicing). Generally, invoicing occurs within 45 days after the related services are performed. Accounts receivable represents an unconditional right to consideration arising from our performance under contracts with customers. Accounts receivable include billed accounts receivable, unbilled accounts receivable, and retainage. The carrying value of such receivables, net of the allowance for doubtful accounts, represents their estimated realizable value. Unbilled accounts receivable represent amounts we have an unconditional right to receive payment for that will be billed at a later date due to administrative requirements in the billing processes specified by our customers. Certain of our contracts contain retainage provisions whereby a portion of the revenue earned is withheld from payment as a form of security until contractual provisions are satisfied. The collectability of retainage is included in our overall assessment of the collectability of accounts receivable. We expect to collect the outstanding balance of current accounts receivable, net (including trade accounts receivable, unbilled accounts receivable, and retainage) within the next 12 months. We estimate our allowance for doubtful accounts by evaluating specific accounts receivable balances based on historical collection trends, the age of outstanding receivables, and the credit worthiness of our customers.

We participate in a customer-sponsored vendor payment program for one of our customers. All eligible accounts receivable from this customer are included in the program and payment is received pursuant to a non-recourse sale to a bank partner of the customer. This program effectively reduces the time to collect these receivables as compared to that customer's standard payment terms. We incur a discount fee to the bank on the payments received that is reflected as an expense component in other income, net, in the consolidated statements of operations.

Contract Assets. Contract assets include unbilled amounts typically resulting from arrangements whereby complete satisfaction of a performance obligation and the right to payment are conditioned on completing additional tasks or services.

Contract Liabilities. Contract liabilities consist of amounts invoiced to customers in excess of revenue recognized. Our contract assets and liabilities are reported in a net position on a contract by contract basis at the end of each reporting period. As of January 28, 2023 and January 29, 2022, the contract liabilities balance is classified as current based on the timing of when we expect to complete the tasks required for the recognition of revenue.

Cash and Equivalents. Cash and equivalents primarily include balances on deposit in banks. We maintain our cash and equivalents at financial institutions we believe to be of high credit quality. To date, we have not experienced any loss or lack of access to cash in our operating accounts.

Inventories. Inventories consist of materials and supplies used in the ordinary course of business and are carried at the lower of cost (using the first-in, first-out method) or net realizable value. Inventories also include certain job specific materials that are valued using the specific identification method. For contracts where we are required to supply part or all of the materials on behalf of a customer, the loss of a customer or declines in contract volumes could result in an impairment of the value of materials purchased.

Property and Equipment. Property and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives (see Note 8, *Property and Equipment*, for the range of useful lives). Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the asset or the remaining lease term. Maintenance and repairs are expensed as incurred and major improvements are capitalized. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in other income. Capitalized software consists primarily of costs to purchase and develop internal-use software and is amortized over its

useful life as a component of depreciation expense. Property and equipment includes internally developed capitalized computer software at net book value of \$12.8 million and \$17.0 million as of January 28, 2023 and January 29, 2022, respectively.

Leases. Our leases are accounted for as operating leases, with lease expense recognized on a straight-line basis over the lease term. The lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. For leases with initial terms greater than 12 months, we record operating lease right-of-use assets and corresponding operating lease liabilities. Operating lease right-of-use assets represent our right to use the underlying asset for the lease term and operating lease liabilities represent our obligation to make the related lease payments. These assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Leases with an initial term of 12 months or less are not recorded on our consolidated balance sheet.

Goodwill and Intangible Assets. Goodwill and other indefinite-lived intangible assets are assessed annually for impairment as of the first day of the fourth fiscal quarter of each year, or more frequently if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. We perform our annual impairment review of goodwill at the reporting unit level. Each of our operating segments with goodwill represents a reporting unit for the purpose of assessing impairment. If we determine the fair value of the reporting unit's goodwill or other indefinite-lived intangible assets is less than their carrying value as a result of an annual or interim test, an impairment loss is recognized and reflected in operating income or loss in the consolidated statements of operations during the period incurred.

We review finite-lived intangible assets for impairment whenever an event occurs or circumstances change that indicate that the carrying amount of such assets may not be fully recoverable. Recoverability is determined based on an estimate of undiscounted future cash flows resulting from the use of an asset and its eventual disposition. If an asset is not recoverable, an impairment loss is measured by comparing the fair value of the asset to its carrying value. If we determine the fair value of an asset is less than the carrying value, an impairment loss is recognized in operating income or loss in the consolidated statements of operations during the period incurred.

We use judgment in assessing whether goodwill and intangible assets are impaired. Estimates of fair value are based on our projection of revenues, operating costs, and cash flows taking into consideration historical and anticipated future results, general economic and market conditions, as well as the impact of planned business or operational strategies. We determine the fair value of our reporting units using a weighing of fair values derived in equal proportions from the income approach and market approach valuation methodologies. The income approach uses the discounted cash flow method and the market approach uses the guideline company method. Changes in our judgments and projections could result in significantly different estimates of fair value, potentially resulting in impairments of goodwill and other intangible assets. The inputs used for fair value measurements of the reporting units and other related indefinite-lived intangible assets are the lowest level (Level 3) inputs. See Note 9, *Goodwill and Intangible Assets*, for additional information regarding our annual assessment of goodwill and other indefinite-lived intangible assets.

Long-Lived Tangible Assets. We review long-lived tangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of an asset group and its eventual disposition. Measurement of an impairment loss is based on the fair value of the asset compared to its carrying value. Long-lived tangible assets to be disposed of are reported at the lower of their carrying amount or fair value less costs to sell.

Accrued Insurance Claims. For claims within our insurance program, we retain the risk of loss, up to certain limits, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), workers' compensation, and employee group health. Additionally, within our aggregate coverage limits and above our base layer of third-party insurance coverage, we have retained the risk of loss at certain levels of exposure. We have established reserves that we believe to be adequate based on current evaluations and our experience with these types of claims. A liability for unpaid claims and the associated claim expenses, including incurred but not reported losses, is determined with the assistance of an actuary and reflected in the consolidated financial statements as accrued insurance claims. The effect on our financial statements is generally limited to the amount needed to satisfy our insurance deductibles or retentions.

We estimate the liability for claims based on facts, circumstances, and historical experience. Even though they will not be paid until sometime in the future, recorded loss reserves are not discounted. Factors affecting the determination of the expected cost for existing and incurred but not reported claims include, but are not limited to, the magnitude and quantity of future claims, the payment pattern of claims which have been incurred, changes in the medical condition of claimants, and other factors such as inflation, tort reform or other legislative changes, unfavorable jury decisions and court interpretations.

Income Taxes. We account for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Measurement of our tax position is based on the applicable statutes, federal and state case law, and our interpretations of tax regulations. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income during the period that includes the enactment date. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all relevant factors, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event we determine that we would be able to realize deferred income tax assets in excess of their net recorded amount, we would adjust the valuation allowance, which would reduce the provision for income taxes.

We recognize tax benefits in the amount that we deem, more likely than not, will be realized upon ultimate settlement of any tax uncertainty. Tax positions that fail to qualify for recognition are recognized during the period in which the more-likely-than-not standard has been reached, when the tax positions are resolved with the respective taxing authority or when the statute of limitations for tax examination has expired. We recognize applicable interest related to tax amounts in interest expense and penalties within general and administrative expenses.

We believe our provision for income taxes is adequate; however, any assessment would affect our results of operations and cash flows. With few exceptions, we are no longer subject to U.S. federal, state and local, or Canadian income tax examinations for fiscal years ended 2015 and prior.

Per Share Data. Basic earnings per common share is computed based on the weighted average number of common shares outstanding during the period, excluding unvested restricted share units. Diluted earnings per common share includes the weighted average number of common shares outstanding during the period and dilutive potential common shares arising from our stock-based awards (including unvested restricted share units), convertible senior notes, and warrants if their inclusion is dilutive under the treasury stock method. Common stock equivalents related to stock-based awards, convertible senior notes, and warrants are excluded from diluted earnings per common share calculations if their effect would be anti-dilutive.

Stock-Based Compensation. We have stock-based compensation plans under which we grant stock-based awards, including stock options, time-based restricted share units (“RSUs”), and performance-based restricted share units (“Performance RSUs”) to attract, retain, and reward talented employees, officers, and directors, and to align stockholder and employee interests. The resulting compensation expense is recognized on a straight-line basis over the vesting period, net of actual forfeitures, and is included in general and administrative expenses in the consolidated statements of operations. This expense fluctuates over time as a result of the vesting periods of the stock-based awards and, for our Performance RSUs, the expected achievement of performance measures.

Compensation expense for stock-based awards is based on fair value at the measurement date. The fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model. This valuation is affected by our stock price as well as other inputs, including the expected common stock price volatility over the expected life of the options, the expected term of the stock option, risk-free interest rates, and expected dividends, if any. Stock options vest ratably over a four-year period and are exercisable over a period of up to ten years. The fair value of RSUs and Performance RSUs is estimated on the date of grant and is equal to the closing market price per share of our common stock on that date. RSUs generally vest ratably over a four-year period. Performance RSUs vest ratably over a three-year period, if certain performance measures are achieved. Each RSU and Performance RSU is settled in one share of the Company’s common stock upon vesting.

For Performance RSUs, we evaluate compensation expense quarterly and recognize expense only if we determine it is probable that the performance measures for the awards will be met. The performance measures for target awards are based on our operating earnings (adjusted for certain amounts) as a percentage of contract revenues and our operating cash flow level (adjusted for certain amounts) for the applicable four-quarter performance period. Additionally, certain awards include three-year performance measures that are more difficult to achieve than those required to earn target awards and, if met, result in supplemental shares awarded. The performance measures for supplemental awards are based on three-year cumulative operating earnings (adjusted for certain amounts) as a percentage of contract revenues and three-year cumulative operating cash flow level (adjusted for certain amounts). In a period we determine it is no longer probable that we will achieve certain performance measures for the awards, we reverse the stock-based compensation expense that we had previously recognized and associated with the portion of Performance RSUs that are no longer expected to vest. The amount of the expense ultimately recognized depends on the number of awards that actually vest. Accordingly, stock-based compensation expense may vary from period to period. For additional information on our stock-based compensation plans, stock options, RSUs, and Performance RSUs, see Note 18, *Stock-Based Awards*.

Contingencies and Litigation. In the ordinary course of our business, we are involved in certain legal proceedings and other claims, including claims for indemnification by our customers. In determining whether a loss should be accrued, we evaluate, among other factors, the probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. If only a range of probable loss can be determined, we accrue for our best estimate within the range for the contingency. In those cases where none of the estimates within the range is better than another, we accrue for the amount representing the low end of the range. As additional information becomes available, we reassess the potential liability related to our pending litigation and other contingencies and revise our estimates as applicable. Revisions of our estimates of the potential liability could materially impact our results of operations. Additionally, if the final outcome of such litigation and contingencies differs adversely from that currently expected, it would result in a charge to operating results when determined.

Business Combinations. We account for business combinations under the acquisition method of accounting. The purchase price of each business acquired is allocated to the tangible and intangible assets acquired and the liabilities assumed based on information regarding their respective fair values on the date of acquisition. Any excess of the purchase price over the fair value of the separately identifiable assets acquired and the liabilities assumed is allocated to goodwill. Management determines the fair values used in purchase price allocations for intangible assets based on historical data, estimated discounted future cash flows, expected royalty rates for trademarks and trade names, as well as certain other information. The valuation of assets acquired and liabilities assumed requires a number of judgments and is subject to revision as additional information about the fair value of assets and liabilities becomes available. Additional information, which existed as of the acquisition date but unknown to us at that time, may become known during the remainder of the measurement period. This measurement period may not exceed 12 months from the acquisition date. We will recognize any adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined. Additionally, in the same period in which adjustments are recognized, we will record the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of any change to the provisional amounts, calculated as if the accounting adjustment had been completed at the acquisition date. Acquisition costs are expensed as incurred. The results of operations of businesses acquired are included in the consolidated financial statements from their dates of acquisition.

Fair Value of Financial Instruments. Our financial instruments primarily consist of cash and equivalents, restricted cash, accounts receivable, income taxes receivable and payable, accounts payable, certain accrued expenses, and long-term debt. The carrying amounts of these items approximate fair value due to their short maturity, except for the fair value of our long-term debt, which is based on observable market-based inputs (Level 2). See Note 13, *Debt*, for further information regarding the fair value of such financial instruments. Our cash and equivalents are based on quoted market prices in active markets for identical assets (Level 1) as of January 28, 2023 and January 29, 2022. During fiscal 2023, fiscal 2022, and fiscal 2021 we had no material nonrecurring fair value measurements of assets or liabilities subsequent to their initial recognition.

Taxes Collected from Customers. ASC Topic 606, *Taxes Collected from Customers and Remitted to Governmental Authorities*, addresses the income statement presentation of any taxes collected from customers and remitted to a government authority and provides that the presentation of taxes on either a gross basis or a net basis is an accounting policy decision that should be disclosed. Our policy is to present contract revenues net of sales taxes.

3. Accounting Standards

Recently Adopted Accounting Standards

None.

Accounting Standards Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. ASU 2020-04 provides temporary optional expedients and exceptions to the guidance in U.S. GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. This ASU was effective for adoption at any time between March 12, 2020 and December 31, 2022. In December 2022, the FASB issued ASU 2022-06, “Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. ASU 2022-06 defers the sunset date included within Topic 848 from December 31, 2022, to December 31, 2024. We have determined that the adoption of this ASU would not have a material effect on our financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The amendments in this ASU require acquiring entities to apply Topic 606 to recognize and measure contract assets and liabilities in a business combination. This update is intended to improve comparability after the business combination by providing consistent recognition and measurement of acquired revenue contracts and revenue contracts with customers not acquired in a business combination. ASU 2021-08 is effective for annual periods beginning after December 15, 2022 and interim periods within those annual periods, with early adoption permitted. The amendments in this ASU should be applied prospectively. We will adopt the provisions of this ASU in the first quarter of fiscal 2024 and do not expect the adoption to have a material effect on our consolidated financial statements.

4. Computation of Earnings per Common Share

The following table sets forth the computation of basic and diluted earnings per common share (dollars in thousands, except per share amounts):

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Net income available to common stockholders (numerator)	\$ 142,213	\$ 48,574	\$ 34,337
Weighted-average number of common shares (denominator)	29,549,990	30,337,544	31,665,183
Basic earnings per common share	\$ 4.81	\$ 1.60	\$ 1.08
Weighted-average number of common shares	29,549,990	30,337,544	31,665,183
Potential shares of common stock arising from stock options, and unvested restricted share units	446,601	506,667	425,395
Total shares-diluted (denominator)	29,996,591	30,844,211	32,090,578
Diluted earnings per common share	\$ 4.74	\$ 1.57	\$ 1.07
Anti-dilutive weighted shares excluded from the calculation of earnings per common share:			
Stock-based awards	98,530	91,816	233,988
0.75% convertible senior notes due 2021 ⁽¹⁾⁽²⁾	—	375,013	1,715,972
Warrants ⁽¹⁾⁽²⁾	—	538,124	1,715,972
Total	98,530	1,004,953	3,665,932

⁽¹⁾ The Company used the treasury stock method for calculating any potential dilutive impact on earnings per common share if our average stock price for the period exceeded the \$96.89 per share conversion price. There was no dilutive impact on earnings per common share during any of the periods presented as our average stock price did not exceed the per share conversion price and the 2021 Convertible Notes (as defined in Note 13) matured on September 15, 2021. The warrants associated with our 2021 Convertible Notes would have had a dilutive impact on earnings per common share if our average stock price for the period exceeds the \$130.43 per share warrant strike price. As our average stock price did not exceed the strike price for the warrants for any of the periods presented, the underlying common shares were anti-dilutive as reflected in the table above. The warrants were scheduled to expire on a series of dates concluding on May 9, 2022. During the fourth quarter of fiscal 2022, we purchased the remaining warrants for \$0.7 million and there are no additional warrants outstanding.

⁽²⁾ In connection with the offering of the 2021 Convertible Notes, we entered into convertible note hedge transactions with counterparties for the purpose of reducing the potential dilution to common stockholders from the conversion of the 2021 Convertible Notes and offsetting any potential cash payments in excess of the principal amount of the 2021 Convertible Notes. Prior to conversion, the convertible note hedge was not included for purposes of the calculation of earnings per common share as its effect would be anti-dilutive. Upon any conversion, the convertible note hedge was expected to offset the dilutive effect of the 2021 Convertible Notes when the average stock price for the period was above \$96.89 per share. The 2021 Convertible Notes matured on September 15, 2021. The convertible note hedge transactions expired on September 13, 2021. See Note 13, *Debt*, for additional information related to our 2021 Convertible Notes, warrant transactions, and hedge transactions.

In connection with the purchase of \$401.7 million of the 2021 Convertible Notes in fiscal 2021 and \$25.0 million in fiscal 2020, we unwound convertible note hedge transactions and warrants proportionately to the number of 2021 Convertible Notes, resulting in a decrease in the number of excluded weighted shares.

5. Accounts Receivable, Contract Assets, and Contract Liabilities

The following provides further details on the balance sheet accounts of accounts receivable, net; contract assets; and contract liabilities. See Note 2, *Significant Accounting Policies and Estimates*, for further information on our policies related to these balance sheet accounts, as well as our revenue recognition policies.

Accounts Receivable

Accounts receivable, net classified as current, consisted of the following (dollars in thousands):

	January 28, 2023	January 29, 2022
Trade accounts receivable	\$ 367,842	\$ 330,811
Unbilled accounts receivable	670,066	545,493
Retainage	32,351	20,318
Total	1,070,259	896,622
Less: allowance for doubtful accounts	(3,246)	(724)
Accounts receivable, net	<u>\$ 1,067,013</u>	<u>\$ 895,898</u>

We maintain an allowance for doubtful accounts for estimated losses on uncollected balances. The allowance for doubtful accounts changed as follows (dollars in thousands):

	January 28, 2023	January 29, 2022
Allowance for doubtful accounts at beginning of period	\$ 724	\$ 1,676
Provision for bad debt	2,600	2,911
Amounts charged against the allowance	(78)	(3,863)
Allowance for doubtful accounts at end of period	<u>\$ 3,246</u>	<u>\$ 724</u>

Contract Assets and Contract Liabilities

Net contract assets consisted of the following (dollars in thousands):

	January 28, 2023	January 29, 2022
Contract assets	\$ 43,932	\$ 24,539
Contract liabilities	19,512	18,512
Contract assets, net	<u>\$ 24,420</u>	<u>\$ 6,027</u>

The increase in contract assets, net, in fiscal 2023 from fiscal 2022 primarily resulted from reduced services performed and increased billings under contracts consisting of multiple tasks. There were no other significant changes in contract assets during the period. During fiscal 2023, we performed services and recognized \$15.9 million of contract revenues related to contract liabilities that existed at January 29, 2022. See Note 6, *Other Current Assets and Other Assets*, for information on our long-term contract assets.

Customer Credit Concentration

Customers whose combined amounts of accounts receivable and contract assets, net exceeded 10% of total combined accounts receivable and contract assets, net as of January 28, 2023 or January 29, 2022 were as follows (dollars in millions):

	January 28, 2023		January 29, 2022	
	Amount	% of Total	Amount	% of Total
Lumen Technologies	\$ 189.3	17.4 %	\$ 166.0	18.4 %
AT&T Inc.	\$ 136.2	12.5 %	\$ 106.0	11.7 %
Comcast Corporation	\$ 125.2	11.5 %	\$ 113.5	12.6 %
Verizon Communications Inc.	\$ 102.7	9.4 %	\$ 144.3	16.0 %

We believe that none of the customers above were experiencing financial difficulties that would materially impact the collectability of our total accounts receivable and contract assets, net, as of January 28, 2023 or January 29, 2022.

6. Other Current Assets and Other Assets

Other current assets consisted of the following (dollars in thousands):

	January 28, 2023	January 29, 2022
Prepaid expenses	\$ 17,357	\$ 14,640
Deposits and other current assets	19,919	14,083
Insurance recoveries/receivables for accrued insurance claims	—	756
Restricted cash	1,372	1,372
Receivables on equipment sales		25
Other current assets	<u>\$ 38,648</u>	<u>\$ 30,876</u>

Other assets consisted of the following (dollars in thousands):

	January 28, 2023	January 29, 2022
Long-term contract assets	\$ 8,333	\$ 14,056
Deferred financing costs	3,685	4,834
Restricted cash	432	432
Insurance recoveries/receivables for accrued insurance claims	4,957	3,687
Other non-current deposits and assets	8,964	8,909
Other assets	<u>\$ 26,371</u>	<u>\$ 31,918</u>

Long-term contract assets represent payments made to customers pursuant to long-term agreements and are recognized as a reduction of contract revenues over the period for which the related services are provided to the customers.

See Note 10, *Accrued Insurance Claims*, for information on our Insurance recoveries/receivables.

7. Cash and Equivalents and Restricted Cash

Amounts of cash, cash equivalents and restricted cash reported in the consolidated statement of cash flows consisted of the following (dollars in thousands):

	January 28, 2023	January 29, 2022
Cash and equivalents	\$ 224,186	\$ 310,757
Restricted cash included in:		
Other current assets	1,372	1,372
Other assets (long-term)	432	432
Cash, cash equivalents and restricted cash	<u>\$ 225,990</u>	<u>\$ 312,561</u>

8. Property and Equipment

Property and equipment consisted of the following (dollars in thousands):

	Estimated Useful Lives (Years)	January 28, 2023	January 29, 2022
Land	—	\$ 8,419	\$ 4,127
Buildings	10-35	10,466	10,649
Leasehold improvements	1-10	17,623	17,706
Vehicles	1-5	815,266	714,515
Computer hardware and software	1-7	165,582	153,072
Office furniture and equipment	1-10	12,215	12,939
Equipment and machinery	1-10	359,021	329,145
Total		1,388,592	1,242,153
Less: accumulated depreciation		(1,020,740)	(947,355)
Property and equipment, net		<u>\$ 367,852</u>	<u>\$ 294,798</u>

Depreciation expense and repairs and maintenance expense were as follows (dollars in thousands):

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Depreciation expense	\$ 128,840	\$ 135,163	\$ 155,274
Repairs and maintenance expense	\$ 62,724	\$ 51,150	\$ 47,586

9. Goodwill and Intangible Assets

Goodwill

There were no changes in the carrying amount of goodwill during fiscal 2022. Changes in the carrying amount of goodwill during fiscal 2023 were as follows (dollars in thousands):

	Goodwill	Accumulated Impairment Losses	Total
Balance as of January 29, 2022	\$ 521,516	\$ (249,031)	\$ 272,485
Goodwill from fiscal 2023 acquisition	60	—	60
Balance as of January 28, 2023	<u>\$ 521,576</u>	<u>\$ (249,031)</u>	<u>\$ 272,545</u>

The Company's goodwill resides in multiple reporting units and primarily consists of expected synergies, together with the expansion of our geographic presence and strengthening of our customer base from acquisitions. Goodwill and other indefinite-lived intangible assets are assessed annually for impairment as of the first day of the fourth fiscal quarter of each year, or more frequently if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. The profitability of individual reporting units may suffer periodically due to downturns in customer demand, increased costs of providing services, and the level of overall economic activity. Our customers may reduce capital expenditures and defer or cancel pending projects due to changes in technology, a slowing or uncertain economy, merger or acquisition activity, a decision to allocate resources to other areas of their business, or other reasons. The profitability of reporting units may also suffer if actual costs of providing services exceed the costs anticipated when the Company enters into contracts. Additionally, adverse conditions in the economy and future volatility in the equity and credit markets could impact the valuation of our reporting units. The cyclical nature of our business, the high level of competition existing within our industry, and the concentration of our revenues from a limited number of customers may also cause results to vary. These factors may affect individual reporting units disproportionately, relative to the Company as a whole. As a result, the performance of one or more of the reporting units could decline, resulting in an impairment of goodwill or intangible assets.

We evaluate current operating results, including any losses, in the assessment of goodwill and other intangible assets. The estimates and assumptions used in assessing the fair value of the reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Changes in judgments and estimates could result in significantly different estimates of the fair value of the reporting units and could result in impairments of goodwill or intangible assets of the reporting units. In addition, adverse changes to the key valuation assumptions contributing to the fair value of our reporting units could result in an impairment of goodwill or intangible assets.

The Company performs its annual goodwill assessment as of the first day of the fourth fiscal quarter of each fiscal year. Goodwill and indefinite lived intangible assets are required to be tested for impairment between annual tests if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value.

We performed our annual impairment assessment for fiscal 2023, fiscal 2022, and fiscal 2021, and concluded that no impairment of goodwill or the indefinite-lived intangible asset was indicated at any reporting unit for any of the periods other than the first quarter of fiscal 2021 as described below. In each of these periods, qualitative assessments were performed on reporting units that comprise a significant portion of our consolidated goodwill balance. For the Company's indefinite-lived intangible asset we performed a quantitative analysis for fiscal 2023 and a qualitative assessment for fiscal 2022 and 2021. A qualitative assessment includes evaluating all identified events and circumstances that could affect the significant inputs used to determine the fair value of a reporting unit or indefinite-lived intangible asset for the purpose of determining whether it is more likely than not that these assets are impaired. We consider various factors while performing qualitative assessments, including macroeconomic conditions, industry and market conditions, financial performance of the reporting units, changes in market capitalization, and any other specific reporting unit considerations. These qualitative assessments indicated that it was more likely than not that the fair value exceeded carrying value for those reporting units. For the remaining reporting units, we performed the quantitative analysis described in ASC Topic 350 in each of these periods. When performing the quantitative analysis, we determine the fair value of our reporting units using an equal weighting of fair values derived from the income approach and market approach valuation methodologies. Under the income approach, the key valuation assumptions used in determining the fair value estimates of our reporting units for each annual test were: (a) expected cash flow for a period of seven years based on our best estimate of revenue growth rates and projected operating margins; (b) terminal value based upon terminal growth rates; and (c) a discount rate based on the Company's best estimate of the weighted average cost of capital adjusted for certain risks for the reporting units.

The table below outlines certain assumptions used in our annual quantitative impairment analyses for fiscal 2023, fiscal 2022, and fiscal 2021:

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Terminal Growth Rate	2% - 3%	2% - 3%	3.0%
Discount Rate	11.5%	10.5%	10.0%

The discount rate reflects risks inherent within each reporting unit operating individually. These risks are greater than the risks inherent in the Company as a whole. Determination of discount rates included consideration of market inputs such as the risk-free rate, equity risk premium, industry premium, and cost of debt, among other assumptions. The increase in the discount rate for fiscal 2023 from fiscal 2022 was largely driven by increases in prevailing interest rates as observed in financial markets as of each valuation date. The increase in the discount rate for fiscal 2022 from fiscal 2021 was mainly a result of a heavier

weighting of the cost of equity versus debt in fiscal 2022 as a result of market trends for capital structure. We believe the assumptions used in the impairment analysis each year are reflective of the risks inherent in the business models of our reporting units and our industry. Under the market approach, the guideline company method develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key valuation assumptions used in determining the fair value estimates of our reporting units rely on: (a) the selection of similar companies and (b) the selection of valuation multiples as they apply to the reporting unit characteristics.

We determined that the fair values of each of the reporting units and the indefinite-lived intangible asset were in excess of their carrying values in the fiscal 2023 assessment. Management determined that significant changes were not likely in the factors considered to estimate fair value, and analyzed the impact of such changes were they to occur. Specifically, if the discount rate applied in the fiscal 2023 impairment analysis had been 100 basis points higher than estimated for each of the reporting units, and all other assumptions were held constant, the conclusion of the assessment would remain unchanged and there would be no impairment of goodwill. Additionally, if there was a 25% decrease in the fair value of any of the reporting units due to a decline in their discounted cash flows resulting from lower operating performance, the conclusion of the assessment would remain unchanged for all reporting units except for one. For this reporting unit with goodwill of \$5.7 million, the excess of fair value above its carrying value was approximately 7% of the fair value. Recent operating performance, along with assumptions for specific customer and industry opportunities, were considered in the key assumptions used during the fiscal 2023 impairment analysis. Management has determined the goodwill of the Company may have an increased likelihood of impairment if a prolonged downturn in customer demand were to occur, or if the reporting units was not able to execute against customer opportunities, and the long-term outlook for their cash flows were adversely impacted. Furthermore, changes in the long-term outlook may result in a change to other valuation assumptions. Factors monitored by management which could result in a change to the reporting units' estimates include the outcome of customer requests for proposals and subsequent awards, strategies of competitors, labor market conditions and levels of overall economic activity.

The Company determined that there were no events or changes in circumstances for the other reporting units or indefinite lived intangible assets during fiscal 2023 that would indicate a potential reduction in their fair value below their carrying amounts. As of January 28, 2023, the Company continues to believe the remaining goodwill and the indefinite-lived intangible asset are recoverable for all of its reporting units. However, if adverse events were to occur or circumstances were to change indicating that the carrying amount of such assets may not be fully recoverable, the assets would be reviewed for impairment and could be impaired. There can be no assurances that goodwill or the indefinite-lived intangible asset may not be impaired in future periods.

During fiscal 2021 and 2022, the economy of the United States was severely impacted by the nation's response to the COVID-19 pandemic. Measures taken included travel restrictions, social distancing requirements, quarantines, and shelter in place orders. As a result, businesses had been closed and certain business activities curtailed or modified. During the COVID-19 pandemic, our services have generally been considered essential in nature and have not been materially interrupted. However, certain customers of one of the Company's reporting units ("Broadband") had decided to restrict our technicians from entering third party premises. Furthermore, customers have modified their protocols to increase the self-installation of customer premise equipment by their subscribers.

Broadband generates a substantial portion of its revenue and operating results from installation services inside third party premises. The events following the onset of COVID-19 were expected to result in a prolonged downturn in customer demand for installation services from Broadband. This was expected to have a direct, adverse impact on its revenue, operating results and cash flows. These indicators represented a triggering event that warranted impairment testing of Broadband during the three months ended April 25, 2020.

The Broadband reporting unit includes the operations of Broadband Installation Services, Prince Telecom and certain other operations and generated revenue of less than 4% of the consolidated contract revenue of Dycom in fiscal 2020. The Broadband reporting unit did not incur losses in fiscal 2020.

The fiscal 2021 interim impairment analysis for Broadband utilized the same valuation techniques used in the Company's annual fiscal 2020 impairment analysis. The key assumptions used to determine the fair value of the Company's reporting units during this interim impairment analysis were: (a) expected cash flow for a period of seven years based on our best estimate of revenue growth rates and projected operating margins; (b) terminal value based upon terminal growth rates; and (c) a discount rate based on the Company's best estimate of the weighted average cost of capital adjusted for risks associated with Broadband. Recent operating performance, along with key assumptions for specific customer and industry opportunities, were used during the fiscal 2021 interim impairment analysis. The terminal growth rate used in the fiscal 2021 interim assessment was 1.5% as compared to 3.0% in the fiscal 2020 assessment reflecting lower long-term demand levels. The discount rate used in the fiscal

2021 interim assessment was 12% compared to 10% in the fiscal 2020 assessment reflecting increased risk associated with the outlook of Broadband.

The combination of lower expected operating results and cash flows from the reduction in revenue, as well as changes in valuation assumptions in the fiscal 2021 interim analysis resulted in a substantial decline in the fair value of the Broadband reporting unit. In accordance with ASU 2017-04, the Company compared the estimated fair value of Broadband to its carrying amount. As a result, the Company recognized an impairment charge of \$53.3 million which is the amount by which the carrying amount exceeded the reporting unit's fair value. After the impairment charge, Broadband has \$10.1 million of remaining goodwill. The goodwill impairment charge did not affect the Company's compliance with its financial covenants and conditions under its revolving credit agreement.

Intangible Assets

Our intangible assets consisted of the following (dollars in thousands):

	January 28, 2023				January 29, 2022		
	Weighted Average Remaining Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Customer relationships	7.5	\$ 312,017	\$ 231,028	\$ 80,989	\$ 312,017	\$ 215,806	\$ 96,211
Trade names, finite	7.5	9,250	8,448	802	9,250	8,329	921
Trade name, indefinite	—	4,700	—	4,700	4,700	—	4,700
Non-compete agreement	4.8	75	—	75	—	—	—
		<u>\$ 326,042</u>	<u>\$ 239,476</u>	<u>\$ 86,566</u>	<u>\$ 325,967</u>	<u>\$ 224,135</u>	<u>\$ 101,832</u>

Amortization of our customer relationship intangibles is recognized on an accelerated basis as a function of the expected economic benefit. Amortization of our other finite-lived intangibles is recognized on a straight-line basis over the estimated useful life. Amortization expense for finite-lived intangible assets was \$15.3 million, \$17.5 million, and \$20.6 million for fiscal 2023, fiscal 2022, and fiscal 2021, respectively.

As of January 28, 2023, total amortization expense for existing finite-lived intangible assets for the next five fiscal years and thereafter is as follows (dollars in thousands):

	Amount
2024	\$ 13,911
2025	13,732
2026	13,424
2027	11,288
2028	9,536
Thereafter	19,975
Total	<u>\$ 81,866</u>

As of January 28, 2023, we believe that the carrying amounts of our intangible assets are recoverable. However, if adverse events were to occur or circumstances were to change indicating that the carrying amount of such assets may not be fully recoverable, the assets would be reviewed for impairment and the assets could be impaired.

10. Accrued Insurance Claims

For claims within our insurance program, we retain the risk of loss, up to certain annual stop-loss limits, for matters related to automobile liability, general liability (including damages associated with underground facility locating services), workers' compensation, and employee group health. Losses for claims beyond our retained risk of loss are covered by insurance up to our coverage limits.

For workers' compensation losses during fiscal 2023, 2022, and 2021, we retained the risk of loss up to \$1.0 million on a per occurrence basis. This retention amount is applicable to all of the states in which we operate, except with respect to workers' compensation insurance in two states in which we participate in state-sponsored insurance funds.

For automobile liability and general liability losses during fiscal 2023, 2022, and 2021, we retained the risk of loss up to \$1.0 million on a per-occurrence basis for the first \$5.0 million of insurance coverage. We also retained the risk of loss for automobile and general liability for the next \$5.0 million on a per-occurrence basis with aggregate stop loss limits of \$11.5 million within this layer of retention over the period from fiscal 2021 to fiscal 2023. During fiscal 2023 we retained \$5.0 million risk of loss on a per occurrence basis for losses between \$10.0 million and \$15.0 million, if any. Additionally, during fiscal 2023 and 2022 we retained \$10.0 million risk of loss on a per occurrence basis for losses between \$30.0 million and \$40.0 million, if any.

We are party to a stop-loss agreement for losses under our employee group health plan. For the calendar year 2020, we retained the risk of loss on an annual basis, up to the first \$450,000 of claims per participant, as well as an annual aggregate amount for all participants of \$475,000. For the calendar years 2021, 2022, and 2023, we retain the risk of loss on an annual basis, up to the first \$600,000 of claims per participant.

Amounts for total accrued insurance claims and insurance recoveries/receivables are as follows (dollars in thousands):

	January 28, 2023	January 29, 2022
Accrued insurance claims - current	\$ 41,043	\$ 36,805
Accrued insurance claims - non-current	49,347	48,238
Accrued insurance claims	<u>\$ 90,390</u>	<u>\$ 85,043</u>
Insurance recoveries/receivables:		
Current (included in Other current assets)	\$ —	\$ 756
Non-current (included in Other assets)	4,957	3,687
Insurance recoveries/receivables	<u>\$ 4,957</u>	<u>\$ 4,443</u>

The liability for total accrued insurance claims included incurred but not reported losses of approximately \$48.0 million as of January 28, 2023 and January 29, 2022, respectively.

Insurance recoveries/receivables represent the amount of accrued insurance claims that are covered by insurance as the amounts exceed the Company's loss retention. During fiscal 2023, total insurance recoveries/receivables increased approximately \$0.5 million primarily due to the settlement of claims that exceeded our loss retention. Accrued insurance claim increased by a corresponding amount.

11. Leases

We lease the majority of our office facilities as well as certain equipment, all of which are accounted for as operating leases. These leases have remaining terms ranging from less than 1 year to approximately 9 years. Some leases include options to extend the lease for up to 5 years and others include options to terminate.

The following table summarizes the components of lease cost recognized in the consolidated statement of operations for fiscal 2023 and fiscal 2022 (dollars in thousands):

	Fiscal Year Ended	
	January 28, 2023	January 29, 2022
Lease cost under long-term operating leases	\$ 34,464	\$ 34,520
Lease cost under short-term operating leases	25,073	24,218
Variable lease cost under short-term and long-term operating leases ⁽¹⁾	5,567	3,405
Total lease cost	<u>\$ 65,104</u>	<u>\$ 62,143</u>

⁽¹⁾ Variable lease cost primarily includes insurance, maintenance, and other operating expenses related to our leased office facilities.

Our operating lease liabilities related to long-term operating leases were \$67.2 million and \$61.2 million as of January 28, 2023 and January 29, 2022, respectively. Supplemental balance sheet information related to these liabilities is as follows:

	January 28, 2023	January 29, 2022
Weighted average remaining lease term	2.9 years	3.1 years
Weighted average discount rate	3.9 %	3.8 %

Supplemental cash flow information related to our long-term operating lease liabilities as of January 28, 2023 and January 29, 2022 is as follows (dollars in thousands):

	Fiscal Year Ended	
	January 28, 2023	January 29, 2022
Cash paid for amounts included in the measurement of lease liabilities	\$ 33,693	\$ 33,514
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 38,325	\$ 29,725

As of January 28, 2023, maturities of our lease liabilities under our long-term operating leases for the next five fiscal years and thereafter are as follows (dollars in thousands):

Fiscal Year	Amount
2024	\$ 30,501
2025	22,626
2026	12,689
2027	5,976
2028	2,044
Thereafter	712
Total lease payments	74,548
Less: imputed interest	(7,393)
Total	<u>\$ 67,155</u>

As of January 28, 2023, the Company had additional operating leases with total leases costs of \$0.1 million that have not yet commenced. These leases will commence in fiscal 2024.

12. Other Accrued Liabilities

Other accrued liabilities consisted of the following (dollars in thousands):

	January 28, 2023	January 29, 2022
Accrued payroll and related taxes	\$ 32,448	\$ 47,303
Accrued employee benefit and incentive plan costs	44,487	26,942
Accrued construction costs	37,735	28,254
Other current liabilities	26,664	25,710
Other accrued liabilities	<u>\$ 141,334</u>	<u>\$ 128,209</u>

13. Debt

The following table summarizes the net carrying value of our outstanding indebtedness (dollars in thousands):

	January 28, 2023	January 29, 2022
Credit Agreement - Revolving facility (matures April 2026)	\$ —	\$ —
Credit Agreement - Term loan facility (matures April 2026)	330,603	347,438
4.50% senior notes, net (mature April 2029)	494,264	493,313
	<u>824,867</u>	<u>840,751</u>
Less: current portion	(17,500)	(17,500)
Long-term debt	<u>\$ 807,367</u>	<u>\$ 823,251</u>

Credit Agreement

On April 1, 2021, the Company and certain of its subsidiaries amended its credit agreement, dated as of October 19, 2018, with the various lenders party thereto and Bank of America, N.A., as administrative agent (the "Credit Agreement") to among other things, decrease the maximum revolver commitment to \$650.0 million from \$750.0 million and decrease the term loan facility to \$350.0 million from \$416.3 million. The Credit Agreement includes a \$200.0 million sublimit for the issuance of letters of credit and a \$50.0 million sublimit for swingline loans. As part of the amendment, the maturity of the Credit Agreement was extended to April 1, 2026.

The following table summarizes the net carrying value of the term loan (dollars in thousands):

	January 28, 2023	January 29, 2022
Principal amount of term loan	\$ 332,500	\$ 350,000
Less: Debt issuance costs	(1,897)	(2,562)
Net carrying amount of term loan	<u>\$ 330,603</u>	<u>\$ 347,438</u>

Subject to certain conditions, the Credit Agreement provides us with the ability to enter into one or more incremental facilities either by increasing the revolving commitments under the Credit Agreement and/or by establishing one or more additional term loans, up to the sum of (i) \$350.0 million and (ii) an aggregate amount such that, after giving effect to such incremental facilities on a pro forma basis (assuming that the amount of the incremental commitments are fully drawn and funded), the consolidated senior secured net leverage ratio does not exceed 2.25 to 1.00. The consolidated senior secured net leverage ratio is the ratio of our consolidated senior secured indebtedness reduced by unrestricted cash and equivalents in excess of \$25.0 million to our trailing four-quarter consolidated earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as defined by the Credit Agreement. Borrowings under the Credit Agreement are guaranteed by substantially all of our domestic subsidiaries and secured by 100% the equity interests of our direct and indirect domestic subsidiaries and 65% of the voting equity interests and 100% of the non-voting interests of our first-tier foreign subsidiaries (subject to customary exceptions).

Under our Credit Agreement, borrowings bear interest at the rates described below based upon our consolidated net leverage ratio, which is the ratio of our consolidated total funded debt reduced by unrestricted cash and equivalents in excess of \$25.0 million to our trailing four-quarter consolidated EBITDA, as defined by our Credit Agreement. In addition, we incur

certain fees for unused balances and letters of credit at the rates described below, also based upon our consolidated net leverage ratio.

Borrowings - Eurodollar Rate Loans	1.25%- 2.00% plus LIBOR ⁽¹⁾
Borrowings - Base Rate Loans	0.25% - 1.00% plus Base rate ⁽²⁾
Unused Revolver Commitment	0.20% - 0.40%
Standby Letters of Credit	1.25% - 2.00%
Commercial Letters of Credit	0.625% -1.00%

⁽¹⁾ To address the transition in financial markets away from LIBOR, the Credit Agreement includes provisions related to the replacement of LIBOR with a LIBOR Successor Rate (as defined in the Credit Agreement), which may be a rate based on the Secured Overnight Financing Rate published by the Federal Reserve Bank of New York.

⁽²⁾ Base rate is described in our Credit Agreement as the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the administrative agent's prime rate, and (iii) the Eurodollar rate plus 1.00% and, if such rate is less than zero, such rate shall be deemed zero.

Standby letters of credit of approximately \$47.5 million and \$46.3 million, issued as part of our insurance program, were outstanding under our Credit Agreement as of January 28, 2023 and January 29, 2022, respectively.

The weighted average interest rates and fees for balances under our Credit Agreement as of January 28, 2023 and January 29, 2022 were as follows:

	Weighted Average Rate End of Period	
	January 28, 2023	January 29, 2022
Borrowings - Term loan facility	6.21%	1.86%
Borrowings - Revolving facility ⁽¹⁾	—%	—%
Standby Letters of Credit	1.75%	1.75%
Unused Revolver Commitment	0.35%	0.35%

⁽¹⁾ There were no outstanding borrowings under our revolving facility as of January 28, 2023.

Our Credit Agreement contains a financial covenant that requires us to maintain a consolidated net leverage ratio of not greater than 3.50 to 1.00, as measured at the end of each fiscal quarter, and provides for certain increases to this ratio in connection with permitted acquisitions. The consolidated net leverage ratio is the ratio of our consolidated indebtedness reduced by unrestricted cash and cash equivalents in excess of \$25.0 million to our trailing four-quarter consolidated earnings before interest, taxes, depreciation, and amortization as defined by our Credit Agreement. The agreement also contains a financial covenant that requires us to maintain a consolidated interest coverage ratio, which is the ratio of our trailing four-quarter consolidated EBITDA to our consolidated interest expense, each as defined by our Credit Agreement, of not less than 3.00 to 1.00, as measured at the end of each fiscal quarter. At January 28, 2023 and January 29, 2022, we were in compliance with the financial covenants of our Credit Agreement and had borrowing availability under our revolving facility of \$602.5 million and \$326.3 million, respectively, as determined by the most restrictive covenant. For calculation purposes, applicable cash on hand is netted against the funded debt amount as permitted in the Credit Agreement.

4.50% Senior Notes due 2029

On April 1, 2021, we issued \$500.0 million aggregate principal amount of 4.50% senior notes due 2029 (the “2029 Notes”). The 2029 Notes are guaranteed on a senior unsecured basis, jointly and severally, by all of our domestic subsidiaries that guarantee the Credit Agreement.

The indenture governing the 2029 Notes contains certain covenants that limit, among other things, our ability and the ability of certain of our subsidiaries to (i) incur additional debt and issue certain preferred stock, (ii) pay certain dividends on, repurchase, or make distributions in respect of, our and our subsidiaries’ capital stock or make other payments restricted by the indenture, (iii) enter into agreements that place limitations on distributions made from certain of our subsidiaries, (iv) guarantee certain debt, (v) make certain investments, (vi) sell or exchange certain assets, (vii) enter into transactions with affiliates, (viii) create certain liens, and (ix) consolidate, merge or transfer all or substantially all of our or our Subsidiaries’ assets. These covenants are subject to a number of exceptions, limitations and qualifications as set forth in the indenture governing the 2029 Notes.

The following table summarizes the net carrying value of the 2029 Notes (dollars in thousands):

	January 28, 2023	January 29, 2022
Principal amount of 2029 Notes	\$ 500,000	\$ 500,000
Less: Debt issuance costs	(5,736)	(6,687)
Net carrying amount of 2029 Notes	<u>\$ 494,264</u>	<u>\$ 493,313</u>

The following table summarizes the fair value of the 2029 Notes, net of debt issuance costs. The fair value of the 2029 Notes is based on the closing trading price per \$100 of the 2029 Notes as of the last day of trading (Level 2), which was \$90.25 and \$97.50 as of January 28, 2023 and January 29, 2022, respectively (dollars in thousands):

	January 28, 2023	January 29, 2022
Fair value of principal amount of 2029 Notes	\$ 451,250	\$ 487,500
Less: Debt issuance costs	(5,736)	(6,687)
Fair value of 2029 Notes	<u>\$ 445,514</u>	<u>\$ 480,813</u>

0.75% Convertible Senior Notes Due 2021

On September 15, 2015, we issued 0.75% convertible senior notes due September 2021 in a private placement in the principal amount of \$485.0 million (the “2021 Convertible Notes”). The 2021 Convertible Notes, governed by the terms of an indenture between the Company and a bank trustee, were unsecured obligations and did not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness, or the issuance or repurchase of securities by the Company. The 2021 Convertible Notes bore interest at a rate of 0.75% per year, payable in cash semiannually in March and September, and matured on September 15, 2021.

Each \$1,000 of principal of the Notes was convertible into 10.3211 shares of the Company’s common stock, which is equivalent to an initial conversion price of approximately \$96.89 per share. The conversion rate is subject to adjustment in certain circumstances, including in connection with specified fundamental changes (as defined in the indenture). In addition, holders of the Notes had the right to require the Company to repurchase all or a portion of their notes on the occurrence of a fundamental change at a price of 100% of their principal amount plus accrued and unpaid interest.

Prior to June 15, 2021, the Notes were convertible by the Note holder under the following circumstances: (1) during any fiscal quarter commencing after October 24, 2015 (and only during such fiscal quarter) if the last reported sale price of the Company’s common stock for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days period ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on such trading day (\$125.96 assuming an applicable conversion price of \$96.89); (2) during the five consecutive business day period after any five consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 principal amount of Notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the Company’s common stock and the applicable conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. None of the conditions were met during the term of the 2021 Convertible Notes. On or after June 15, 2021 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders could have converted all or a portion of their 2021 Convertible Notes at any time

regardless of the foregoing circumstances. Upon conversion, the 2021 Convertible Notes would have been settled, at the Company's election, in cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock. There was no conversion made of the 2021 Convertible Notes.

During the fourth quarter of fiscal 2020, we purchased, through open-market transactions, \$25.0 million aggregate principal amount of the 2021 Convertible Notes for \$24.3 million, leaving the principal amount of \$460.0 million outstanding. After the write-off of associated debt issuance costs, the net loss on extinguishment was \$0.1 million for fiscal 2020. In fiscal 2021, we purchased \$401.7 million aggregate principal amount of the Notes for \$371.4 million, including interest and fees, leaving the principal amount of \$58.3 million outstanding. These 2021 Convertible Notes were purchased through a privately-negotiated transactions and a tender offer. After the write-off of associated debt issuance costs, the net gain on extinguishment was \$12.0 million for fiscal 2021. On the maturity date of September 15, 2021, the outstanding balance of \$58.3 million under the 2021 Convertible Notes was repaid in full.

Convertible debt instruments that may be settled in cash upon conversion are required to be accounted for as separate liability and equity components. As of the date of issuance, the carrying amount of the liability component is calculated by measuring the fair value of a similar instrument that does not have an associated convertible feature using an indicative market interest rate ("Comparable Yield"). The difference between the principal amount of the notes and the carrying amount represents a debt discount. The debt discount was amortized to interest expense using the Comparable Yield (5.5% with respect to the 2021 Convertible Notes) using the effective interest rate method over the term of the 2021 Convertible Notes. We incurred \$1.7 million, and \$7.4 million of interest expense during fiscal 2022 and fiscal 2021, respectively, for the non-cash amortization of the debt discount.

The equity component of the 2021 Convertible Notes was recognized at issuance and represents the difference between the principal amount of the 2021 Convertible Notes and the fair value of the liability component of the 2021 Convertible Notes at issuance. The equity component approximated \$112.6 million at the time of issuance and its fair value was not remeasured as long as the conditions for equity classification were met.

Convertible Note Hedge and Warrant Transactions

In connection with the offering of the 2021 Convertible Notes, we entered into convertible note hedge transactions with counterparties for the purpose of reducing the potential dilution to common stockholders from the conversion of the 2021 Convertible Notes and offsetting any potential cash payments in excess of the principal amount of the 2021 Convertible Notes. In the event that shares or cash were deliverable to holders of the 2021 Convertible Notes upon conversion at limits defined in the indenture governing the 2021 Convertible Notes, counterparties to the convertible note hedge were required to deliver to us shares of our common stock or pay cash to us in a similar amount as the value that we delivered to the holders of the 2021 Convertible Notes based on a conversion price of \$96.89 per share. At inception of the convertible note hedge transactions, up to 5.006 million of our shares could have been deliverable to us upon conversion. After the Company settled a portion of the note hedge transactions during fiscal 2020 and fiscal 2021 in connection with the purchase of \$25 million and \$401.7 million, respectively, of the 2021 Convertible Notes, the number of shares that could have been deliverable to us upon conversion was reduced to up to 0.601 million of our shares. The convertible note hedge transactions expired in September 2021.

We also entered into separately negotiated warrant transactions with the same counterparties as the convertible note hedge transactions whereby we sold warrants to purchase, subject to certain anti-dilution adjustments, up to 5.006 million shares of our common stock at a price of \$130.43 per share. After the Company purchased a portion of the warrants during fiscal 2020 and fiscal 2021 in connection with the purchase of \$25 million and \$401.7 million, respectively, of the 2021 Convertible Notes, the remaining warrant transactions provide for to up to 0.601 million shares. The warrants were scheduled to expire on a series of dates concluding on May 9, 2022. During the fourth quarter of fiscal 2022, we unwound the remaining warrants for \$0.7 million and, as a result, there are no additional warrants outstanding.

14. Income Taxes

The components of the provision (benefit) for income taxes were as follows (dollars in thousands):

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Current:			
Federal	\$ 24,917	\$ (3,323)	\$ 42,794
Foreign	—	(4)	(2)
State	8,460	(495)	10,273
	<u>33,377</u>	<u>(3,822)</u>	<u>53,065</u>
Deferred:			
Federal	6,094	7,506	(24,380)
Foreign	—	—	—
State	(1,562)	518	(3,805)
	<u>4,532</u>	<u>8,024</u>	<u>(28,185)</u>
Provision for income taxes	<u>\$ 37,909</u>	<u>\$ 4,202</u>	<u>\$ 24,880</u>

Our effective income tax rate differs from the statutory rate primarily due to the difference in income tax rates from state to state where work was performed, non-deductible and non-taxable items, tax credits recognized, the tax effects of the vesting and exercise of share-based awards, impacts of tax filings for prior years, and changes in unrecognized tax benefits. During fiscal 2021 our effective tax rate was impacted by a \$53.3 million goodwill impairment charge which was mostly non-deductible for income tax purposes.

During the first quarter of fiscal 2023, we were notified by the Internal Revenue Service that our federal income tax return for fiscal 2016 was selected for examination due to the net operating loss carryback claim filed in fiscal 2021. In addition, fiscal year 2020 was selected for examination in the second quarter of fiscal 2022. We were notified in the fourth quarter of this fiscal year that we have been selected for an income tax audit in Canada for fiscal years 2017 through 2020. We believe our provision for income taxes is adequate; however, any assessment may affect our results of operations and cash flows.

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Statutory rate applied to pre-tax income	\$ 37,826	\$ 11,083	\$ 12,436
State taxes, net of federal tax benefit	5,325	1,422	4,344
Change in accruals for uncertain tax positions	3,833	4,493	1,189
Compensation limitation	3,959	1,468	2,632
Tax filings for prior periods	(2,505)	(4,609)	—
Tax credits	(5,056)	(3,756)	(3,145)
Federal benefit of vesting and exercise of share-based awards	(3,515)	(2,425)	(436)
Deferred tax remeasurements	371	(1,355)	—
Effect of rates other than statutory	(203)	71	(4)
Non-deductible and non-taxable items, net	215	70	808
Change in valuation allowance	(376)	(12)	1
Non-deductible goodwill impairment	—	—	10,411
Tax Reform and related effects	—	—	(2,631)
Other items, net	(1,965)	(2,248)	(725)
Provision for income taxes	<u>\$ 37,909</u>	<u>\$ 4,202</u>	<u>\$ 24,880</u>

Deferred Income Taxes

The deferred tax provision represents the change in the deferred tax assets and the liabilities representing the tax consequences of changes in the amount of temporary differences and changes in tax rates during the year. The significant components of deferred tax assets and liabilities consisted of the following (dollars in thousands):

	<u>January 28, 2023</u>	<u>January 29, 2022</u>
Deferred tax assets:		
Insurance and other reserves	\$ 22,866	\$ 19,407
Capitalized research expenditures (IRC Section 174)	19,498	—
Leases	17,096	15,718
Stock-based compensation	3,577	2,303
Allowance for doubtful accounts and reserves	2,984	1,356
Net operating loss carryforwards	591	9,183
CARES Act tax deferral	—	4,791
Other	5,080	6,233
Total deferred tax assets	<u>71,692</u>	<u>58,991</u>
Valuation allowance	(634)	(1,131)
Deferred tax assets, net of valuation allowance	<u>\$ 71,058</u>	<u>\$ 57,860</u>
Deferred tax liabilities:		
Property and equipment	\$ 77,024	\$ 63,310
Goodwill and intangibles	36,132	33,221
Leases	17,178	15,822
Other	929	1,181
Deferred tax liabilities	<u>\$ 131,263</u>	<u>\$ 113,534</u>
Net deferred tax liabilities	<u>\$ 60,205</u>	<u>\$ 55,674</u>

The 2017 Tax Cuts and Jobs Act ("TCJA") amended Internal Revenue Code Section 174 to require taxpayers to capitalize certain research and experimental (R&E) expenditures. This regulatory change is effective for amounts paid or incurred in tax years beginning after December 31, 2021. A new deferred tax asset has been established in relation to this law change and the capitalized Section 174 costs must be amortized over five years.

The valuation allowance above reduces the deferred tax asset balances to the amount that we have determined is more likely than not to be realized. The valuation allowance primarily relates to immaterial foreign net operating loss carryforwards and immaterial state net operating loss carryforwards, which generally begin to expire in fiscal 2024.

Uncertain Tax Positions

As of January 28, 2023 and January 29, 2022, we had total unrecognized tax benefits of \$15.8 million and \$11.9 million, respectively, resulting from uncertain tax positions. Our effective tax rate will be reduced by \$14.7 million during future periods if it is determined these unrecognized tax benefits are realizable. We had approximately \$2.6 million and \$2.3 million accrued for the payment of interest and penalties as of January 28, 2023 and January 29, 2022, respectively. Interest expense related to unrecognized tax benefits for the Company was not material during fiscal 2023, fiscal 2022, and fiscal 2021.

A summary of unrecognized tax benefits is as follows (dollars in thousands):

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Balance at beginning of year	\$ 11,929	\$ 5,940	\$ 4,742
Additions based on tax positions related to the fiscal year	2,042	1,377	1,075
Additions based on tax positions related to prior years	2,957	4,612	530
Reductions related to the expiration of statutes of limitation	(1,157)	—	(407)
Balance at end of year	<u>\$ 15,771</u>	<u>\$ 11,929</u>	<u>\$ 5,940</u>

15. Other Income, Net

The components of other income, net, were as follows (dollars in thousands):

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Gain on sale of fixed assets	\$ 16,759	\$ 4,203	\$ 10,026
Miscellaneous income (expense), net	(6,558)	243	(1,429)
Other income, net	<u>\$ 10,201</u>	<u>\$ 4,446</u>	<u>\$ 8,597</u>

We participate in a vendor payment program sponsored by one of our customers. Eligible accounts receivable from this customer are included in the program and payment is received pursuant to a non-recourse sale to a bank partner. This program effectively reduces the time to collect these receivables as compared to that customer's standard payment terms. We incur a discount fee to the bank on the payments received that is included as an expense component in miscellaneous income (expense), net in the table above.

16. Employee Benefit Plans

We sponsor a defined contribution plan that provides retirement benefits to eligible employees who elect to participate (the "Dycom Plan"). Under the plan, participating employees may defer up to 75% of their base pre-tax eligible compensation up to the IRS limits. We contributed 30% of the first 5% of base eligible compensation that a participant contributes to the plan and may make discretionary matching contributions from time to time. Effective January 1, 2023, we increased our contribution to 50% of the first 6% of base eligible compensation. Our contributions were \$5.3 million, \$4.4 million, and \$4.0 million related to fiscal 2023, fiscal 2022, and fiscal 2021, respectively.

Certain of the Company's subsidiaries contribute amounts to multiemployer defined benefit pension plans under the terms of collective bargaining agreements ("CBA") that cover employees represented by unions. Contributions are generally based on fixed amounts per hour per employee for employees covered by the plan. Participating in a multiemployer plan entails risks different from single-employer plans in the following aspects:

- assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers;
- if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be allocated to the remaining participating employers; and
- if the Company stops participating in the multiemployer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan. This payment is referred to as a withdrawal liability.

The information available to us about the multiemployer plans in which we participate is generally dated due to the nature of the reporting cycle of multiemployer plans and legal requirements under the Employee Retirement Income Security Act ("ERISA") as amended by the Multiemployer Pension Plan Amendments Act. Based upon the most recently available annual

reports, our contribution to each of the plans was less than 5% of each plan’s total contributions. All plans are presented in the aggregate in the following table (dollars in thousands):

Fund	Company Contributions			Expiration Date of CBA
	Fiscal Year Ended 2023	Fiscal Year Ended 2022	Fiscal Year Ended 2021	
All Plans	\$ 63	\$ 83	\$ 280	Various

During the fourth quarter of fiscal 2016, one of the Company’s subsidiaries ceased operations. This subsidiary contributed to a multiemployer pension plan, the Pension, Hospitalization and Benefit Plan of the Electrical Industry - Pension Trust Fund (the “Plan”). In October 2016, the Plan demanded payment for a claimed withdrawal liability of approximately \$13.0 million. In December 2016, the subsidiary submitted a formal request to the Plan seeking review of the Plan’s withdrawal liability determination. The subsidiary disputes the claim that it is required to make payment of a withdrawal liability as demanded by the Plan as it believes that a statutory exemption under the Employee Retirement Income Security Act (“ERISA”) applies to its activities. The Plan has taken the position that the work at issue does not qualify for that statutory exemption. The subsidiary has submitted this dispute to arbitration, as required by ERISA. There can be no assurance that the Company’s subsidiary will be successful in asserting the statutory exemption as a defense in the arbitration proceeding. As required by ERISA, in November 2016, this subsidiary began making payments of a withdrawal liability to the Plan in the amount of approximately \$0.1 million per month. If the subsidiary prevails in disputing the withdrawal liability, all such payments are expected to be refunded. Given the early stage of this action, it is not possible to estimate a range of loss that could result from either an adverse judgment or a settlement of this matter.

17. Capital Stock

Repurchases of Common Stock. The company made the following repurchases during fiscal 2023, fiscal 2022, and fiscal 2021 (all shares repurchased have been canceled).

Period	Number of Shares Repurchased	Total Consideration (In thousands)	Average Price Per Share
Fiscal 2023	514,030	\$ 48,732	\$ 94.80
Fiscal 2022	1,231,638	\$ 106,133	\$ 86.17
Fiscal 2021	1,324,381	\$ 100,000	\$ 75.51

On March 2, 2022 the Company announced that its Board of Directors authorized a new \$150.0 million program to repurchase shares of the Company’s outstanding common stock through August 2023 in open market or private transactions. During fiscal 2023 we repurchased 514,030 shares of common stock, at an average price of \$94.80, for \$48.7 million. As of January 28, 2023, \$101.3 million remained available for repurchases.

On March 3, 2021 the Company announced that its Board of Directors had authorized a \$150.0 million program to repurchase shares of the Company’s outstanding common stock through August 2022 in open market or private transactions. During fiscal 2022, we repurchased 1,231,638 shares of our common stock, at an average price of \$86.17, for \$106.1 million.

On August 24, 2020 the Company announced that its Board of Directors had authorized a \$100.0 million program to repurchase shares of the Company’s outstanding common stock through February 2022 in open market or private transactions. During the fourth quarter of fiscal 2021, we repurchased 1,324,381 shares of our common stock, at an average price of \$75.51, for \$100.0 million.

Restricted Stock Tax Withholdings. During fiscal 2023, fiscal 2022, and fiscal 2021, we withheld 59,018 shares, 78,264 shares, and 19,081 shares, respectively, totaling \$5.8 million, \$6.6 million, and \$0.7 million, respectively, to meet payroll tax withholding obligations arising from the vesting of restricted share units. All shares withheld have been canceled. Shares of common stock withheld for tax withholdings do not reduce our total share repurchase authority.

Upon cancellation of shares repurchased or withheld for tax withholdings, the excess over par value is recorded as a reduction of additional paid-in capital until the balance is reduced to zero, with any additional excess recorded as a reduction of retained earnings. During fiscal 2023, \$33.2 million was charged to retained earnings related to shares canceled during the fiscal year.

18. Stock-Based Awards

We have outstanding stock-based awards under our 2003 Long-Term Incentive Plan, 2007 Non-Employee Directors Equity Plan, 2012 Long-Term Incentive Plan, and 2017 Non-Employee Directors Equity Plan (collectively, the “Plans”). No further awards will be granted under the 2003 Long-Term Incentive Plan or 2007 Non-Employee Directors Equity Plan. As of January 28, 2023, the total number of shares available for grant under the Plans was 1,214,005.

Stock-based compensation expense and the related tax benefit recognized during fiscal 2023, fiscal 2022, and fiscal 2021 were as follows (dollars in thousands):

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Stock-based compensation	\$ 17,927	\$ 9,866	\$ 12,771
Income tax effect of stock-based compensation	\$ 4,433	\$ 2,435	\$ 3,141

In addition, we realized approximately \$4.2 million, \$2.9 million, and \$0.5 million of net excess tax benefits during fiscal 2023, fiscal 2022, and fiscal 2021, respectively.

As of January 28, 2023, we had unrecognized compensation expense related to stock options, RSUs, and target Performance RSUs (based on the Company’s expected achievement of performance measures) of \$2.7 million, \$16.2 million, and \$15.0 million, respectively. This expense will be recognized over a weighted-average number of years of 2.6, 2.4, and 1.4, respectively, based on the average remaining service periods for the awards. As of January 28, 2023, we may recognize an additional \$11.1 million in compensation expense in future periods if the maximum number of Performance RSUs is earned based on certain performance measures being met.

The following table summarizes the valuation of stock options and restricted share units granted during fiscal 2023, fiscal 2022, and fiscal 2021, and the significant valuation assumptions:

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Weighted average fair value of RSUs granted	\$ 96.81	\$ 82.25	\$ 27.75
Weighted average fair value of Performance RSUs granted	\$ 97.49	\$ 84.73	\$ 25.15
Weighted average fair value of stock options granted	\$ 61.18	\$ 52.33	\$ 14.63
Stock option assumptions:			
Risk-free interest rate	2.4 %	1.6 %	0.7 %
Expected life (in years)	8.9	9.3	9.4
Expected volatility	54.2 %	53.4 %	51.3 %
Expected dividends	—	—	—

Stock Options

The following table summarizes stock option award activity during fiscal 2023:

	Stock Options			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding as of January 29, 2022	332,121	\$ 52.39		
Granted	33,015	\$ 97.49		
Options exercised	(119,430)	\$ 38.16		
Canceled	—	\$ —		
Outstanding as of January 28, 2023	<u>245,706</u>	\$ 65.36	6.4	\$ 7,111
Exercisable options as of January 28, 2023	<u>148,916</u>	\$ 65.12	5.3	\$ 4,374

The total amount of exercisable options as of January 28, 2023 presented above reflects the approximate amount of options expected to vest. The aggregate intrinsic values presented above represent the total pre-tax intrinsic values (the difference between the Company's closing stock price of \$92.73 on the last trading day of fiscal 2023 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on the last trading day of fiscal 2023. The amount of aggregate intrinsic value will change based on the price of the Company's common stock. The total intrinsic value of stock options exercised was \$8.5 million, \$1.9 million, and \$8.1 million for fiscal 2023, fiscal 2022, and fiscal 2021, respectively. We received cash from the exercise of stock options of \$4.6 million, \$2.3 million, and \$5.7 million during fiscal 2023, fiscal 2022, and fiscal 2021, respectively.

RSUs and Performance RSUs

The following table summarizes RSU and Performance RSU award activity during fiscal 2023:

	Restricted Stock			
	RSUs		Performance RSUs	
	Share Units	Weighted Average Grant Price	Share Units	Weighted Average Grant Price
Outstanding as of January 29, 2022	524,255	\$ 38.49	455,800	\$ 68.88
Granted	123,428	\$ 96.81	202,212	\$ 97.49
Share units vested	(190,545)	\$ 40.60	(6,483)	\$ 25.15
Forfeited or canceled	(17,235)	\$ 43.80	(265,856)	\$ 60.60
Outstanding as of January 28, 2023	<u>439,903</u>	\$ 54.17	<u>385,673</u>	\$ 90.32

The total number of granted Performance RSUs presented above consists of 137,605 target shares and 64,607 supplemental shares. During fiscal 2023, we canceled 164,066 target shares and 85,576 supplemental shares of Performance RSUs, as a result of performance criteria for attaining those shares being partially met for the applicable performance periods. Approximately 2,504 target shares and 57,199 supplemental shares outstanding as of January 28, 2023 will be canceled during the three months ending April 30, 2023 as a result of the fiscal 2023 performance period criteria being partially met. The total amount of Performance RSUs outstanding as of January 28, 2023 consists of 259,319 target shares and 126,354 supplemental shares.

The total fair value of restricted share units vested during fiscal 2023, fiscal 2022, and fiscal 2021 was \$18.4 million, \$22.4 million, and \$3.1 million, respectively.

19. Customer Concentration and Revenue Information

Geographic Location

We provide services throughout the United States.

Significant Customers

Our customer base is highly concentrated, with our top five customers accounting for approximately 66.7%, 66.2%, and 74.1%, of our total contract revenues during fiscal 2023, fiscal 2022, and fiscal 2021, respectively. Customers whose contract revenues exceeded 10% of total contract revenues during fiscal 2023, fiscal 2022, and fiscal 2021, as well as total contract revenues from all other customers combined, were as follows:

	Fiscal Year Ended					
	January 28, 2023		January 29, 2022		January 30, 2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
AT&T Inc.	\$ 958.0	25.2 %	\$ 735.2	23.5 %	\$ 533.7	16.7 %
Lumen Technologies	483.5	12.7 %	373.0	11.9 %	542.0	16.9 %
Comcast Corporation	430.6	11.3 %	473.8	15.1 %	533.9	16.7 %
Verizon Communications Inc.	347.3	9.1 %	352.6	11.3 %	601.6	18.8 %
Total other customers combined	1,589.1	41.7 %	1,195.9	38.2 %	988.0	30.9 %
Total contract revenues	<u>\$ 3,808.5</u>	<u>100.0%</u>	<u>\$ 3,130.5</u>	<u>100.0%</u>	<u>\$ 3,199.2</u>	<u>100.0%</u>

See Note 5, *Accounts Receivable, Contract Assets, and Contract Liabilities*, for information on our customer credit concentration and collectability of trade accounts receivable and contract assets.

Customer Type

Total contract revenues by customer type during fiscal 2023, fiscal 2022, and fiscal 2021, were as follows (dollars in millions):

	Fiscal Year Ended					
	January 28, 2023		January 29, 2022		January 30, 2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Telecommunications	\$3,415.8	89.7%	\$2,777.6	88.7%	\$2,851.6	89.1%
Underground facility locating	274.9	7.2%	255.4	8.2%	229.6	7.2%
Electrical and gas utilities and other	117.8	3.1%	97.5	3.1%	118.0	3.7%
Total contract revenues	<u>\$3,808.5</u>	<u>100.0%</u>	<u>\$3,130.5</u>	<u>100.0%</u>	<u>\$3,199.2</u>	<u>100.0%</u>

Remaining Performance Obligations

Master service agreements and other contractual agreements with customers contain customer-specified service requirements, such as discrete pricing for individual tasks. In most cases, our customers are not contractually committed to procure specific volumes of services under these agreements.

Services are generally performed pursuant to these agreements in accordance with individual work orders. An individual work order generally is completed within one year. As a result, our remaining performance obligations under the work orders not yet completed is not meaningful in relation to our overall revenue at any given point in time. We apply the practical expedient in Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, and do not disclose information about remaining performance obligations that have original expected durations of one year or less.

20. Commitments and Contingencies

On August 10, 2021, one of the Company's subsidiaries was named in a putative class action lawsuit alleging claims on behalf of its non-exempt employees in California. The lawsuit alleges that the company failed to pay minimum and overtime wages, did not provide required meal and rest breaks, did not timely pay wages during employment and at the time of termination, provided noncompliant wage statements, failed to reimburse necessary business expenses, failed to keep requisite payroll records, and engaged in unfair business practices. On September 14, 2021, the same plaintiff bringing the putative class action filed a separate representative action under California's Private Attorneys General Action ("PAGA") seeking civil penalties relating to the same claims described above. Both lawsuits are in the very early stages. The Company's subsidiary has entered into a preliminary settlement with plaintiffs in connection with this, which is subject to the parties entering into a definitive settlement agreement, which will also require court approval. This settlement does not include any admission by the Company's subsidiary of the allegations made in the lawsuit. Due to the early stage of this litigation at the time that the terms of this settlement were reached, it is not possible to estimate a range of loss that could occur if this settlement is not consummated.

During the fourth quarter of fiscal 2016, one of the Company's subsidiaries ceased operations. This subsidiary contributed to a multiemployer pension plan, the Pension, Hospitalization and Benefit Plan of the Electrical Industry - Pension Trust Fund (the "Plan"). In October 2016, the Plan demanded payment for a claimed withdrawal liability of approximately \$13.0 million. In December 2016, the subsidiary submitted a formal request to the Plan seeking review of the Plan's withdrawal liability determination. The subsidiary disputes the claim that it is required to make payment of a withdrawal liability as demanded by the Plan as it believes that a statutory exemption under the Employee Retirement Income Security Act ("ERISA") applies to its activities. The Plan has taken the position that the work at issue does not qualify for that statutory exemption. The subsidiary has submitted this dispute to arbitration, as required by ERISA, and an arbitrator has ruled that the subsidiary does not qualify for the statutory exemption. The subsidiary is appealing the arbitrator's ruling on various grounds. There can be no assurance that the Company's subsidiary will be successful in its appeal of the arbitrator's ruling regarding this statutory exemption. In November 2016, this subsidiary began making payments of a withdrawal liability to the Plan in the amount of approximately \$0.1 million per month, as required by ERISA. If the subsidiary prevails in disputing the withdrawal liability, all such payments are expected to be refunded. Given the early stage of this action, it is not possible to estimate a range of loss that could result from either an adverse judgment or a settlement of this matter.

From time to time, we are party to other various claims and legal proceedings arising in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, it is the opinion of management, based on information available at this time, that the ultimate resolution of any such claims or legal proceedings will not, after considering applicable insurance coverage or other indemnities to which we may be entitled, have a material effect on our financial position, results of operations, or cash flow.

Commitments

Performance and Payment Bonds and Guarantees. We have obligations under performance and other surety contract bonds related to certain of our customer contracts. Performance bonds generally provide a customer with the right to obtain payment and/or performance from the issuer of the bond if we fail to perform our contractual obligations. As of January 28, 2023 and January 29, 2022, we had \$299.8 million and \$296.4 million, respectively, of outstanding performance and other surety contract bonds. In addition to performance and other surety contract bonds, as part of our insurance program, we also provide surety bonds that collateralize our obligations to our insurance carriers. As of January 28, 2023 and January 29, 2022, we had \$20.4 million and \$20.3 million, respectively, of outstanding surety bonds related to our insurance obligations. Additionally, the Company periodically guarantees certain obligations of its subsidiaries, including obligations in connection with obtaining state contractor licenses and leasing real property and equipment.

Letters of Credit. We have issued standby letters of credit under our credit agreement that collateralize our obligations to our insurance carriers. As January 28, 2023 and January 29, 2022, we had \$47.5 million and \$46.3 million of outstanding standby letters of credit issued under our credit agreement, respectively.

21. Quarterly Financial Data (Unaudited)

In the opinion of management, the following unaudited quarterly financial data from fiscal 2023 and fiscal 2022 reflect all adjustments (consisting of normal recurring accruals), which are necessary to present a fair presentation of amounts shown for such periods. Our fiscal year consists of either 52 weeks or 53 weeks of operations with the additional week of operations occurring in the fourth quarter. Fiscal 2023 and fiscal 2022 consisted of 52 weeks of operations. The sum of the quarterly results may not equal the reported annual amounts due to rounding (dollars in thousands, except per share amounts).

	Quarter Ended			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2023				
Contract revenues	\$ 876,300	\$ 972,273	\$ 1,042,423	\$ 917,466
Costs of earned revenues, excluding depreciation and amortization	\$ 745,730	\$ 797,980	\$ 850,897	\$ 765,658
Gross profit	\$ 130,570	\$ 174,293	\$ 191,526	\$ 151,808
Net income	\$ 19,536	\$ 43,856	\$ 54,012	\$ 24,809
Earnings per common share - Basic	\$ 0.66	\$ 1.48	\$ 1.83	\$ 0.84
Earnings per common share - Diluted	\$ 0.65	\$ 1.46	\$ 1.80	\$ 0.83
	Quarter Ended			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2022				
Contract revenues	\$ 727,497	\$ 787,568	\$ 853,973	\$ 761,481
Costs of earned revenues, excluding depreciation and amortization	\$ 620,011	\$ 651,367	\$ 705,865	\$ 656,634
Gross profit	\$ 107,486	\$ 136,201	\$ 148,108	\$ 104,847
Net income	\$ 898	\$ 18,165	\$ 28,717	\$ 794
Earnings per common share - Basic	\$ 0.03	\$ 0.60	\$ 0.95	\$ 0.03
Earnings per common share - Diluted	\$ 0.03	\$ 0.59	\$ 0.94	\$ 0.03

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Dycom Industries, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Dycom Industries, Inc. and its subsidiaries (the “Company”) as of January 28, 2023 and as of January 29, 2022, and the related consolidated statements of operations, comprehensive income, stockholders’ equity and cash flows for each of the three years in the period ended January 28, 2023, January 29, 2022, and January 30, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of January 28, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 28, 2023 and January 29, 2022, and the results of its operations and its cash flows for each of the three years in the period ended January 28, 2023, January 29, 2022, and January 30, 2021, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 28, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessment - Reporting Units Subject to Quantitative Analysis

As described in Notes 2 and 9 to the consolidated financial statements, the Company's consolidated goodwill balance was \$272.5 million as of January 28, 2023. Management conducts an impairment test as of the first day of the fourth fiscal quarter of each year for each reporting unit, or more frequently if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. In the annual impairment test, management performs a qualitative assessment, and if it is not more likely than not that the fair value exceeds the carrying value of the reporting unit, a quantitative assessment is performed. In the year ended January 28, 2023, qualitative assessments were performed on reporting units that comprise a significant portion of the Company's consolidated goodwill balance, and quantitative assessments were performed on the remaining reporting units. If management determines the fair value of a reporting unit's goodwill is less than its carrying value, an impairment loss is recognized. When performing the quantitative analysis, the fair value is determined using an equal weighting of fair values derived from the income approach and market approach valuation methodologies. The income approach uses the discounted cash flow method and the market approach uses the guideline company method. Under the income approach, the key valuation assumptions were (a) expected cash flow for a period of seven years based on the Company's best estimate of revenue growth rates and projected operating margins, (b) terminal value based upon terminal growth rates, and (c) a discount rate based on the Company's best estimate of the weighted average cost of capital adjusted for certain risks for the reporting units. Under the market approach, the guideline company method develops valuation multiples by comparing the Company's reporting units to similar publicly traded companies. Key market approach valuation assumptions were (a) the selection of similar companies and (b) the selection of valuation multiples as they apply to the reporting unit characteristics.

The principal consideration for our determination that performing procedures relating to the goodwill impairment assessment for reporting units subject to quantitative analysis is a critical audit matter is the significant judgment by management when developing the fair value measurement of each of the reporting units within the quantitative analysis. This in turn led to a high degree of auditor judgment, subjectivity and audit effort in performing our audit procedures and in evaluating audit evidence relating to management's cash flow projections and significant assumptions related to the revenue growth rates and projected operating margins used in the discounted cash flow method, terminal growth rate, discount rate, and the selection of similar companies and valuation multiples used in the guideline company method. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting units subject to quantitative analysis. These procedures also included, among others, testing management's process for developing the fair value estimates; evaluating the appropriateness of the income and market approaches and the related discounted cash flow and guideline company methods; testing the completeness, accuracy and relevance of the underlying data used in the discounted cash flow and guideline company methods, and evaluating the significant assumptions used by management, including the revenue growth rates, projected operating margins, terminal growth rate and discount rate used in the discounted cash flow method, and the selection of similar companies and valuation multiples used in the guideline company method. Evaluating management's assumptions related to the revenue growth rates and projected operating margins involved evaluating whether the assumptions used were reasonable considering the current and past performance of the reporting units and considering whether they were consistent with evidence obtained in other areas of the audit, including the evaluation of contractual agreements with customers and industry trends. Professionals with specialized skill and knowledge were used to assist in evaluating the valuation methodologies, the discount rate and terminal growth rate assumptions used in the discounted cash flow method, and the selection of similar companies and valuation multiples used in the guideline company method.

/s/ PricewaterhouseCoopers LLP
Hallandale Beach, Florida
March 3, 2023

We have served as the Company's auditor since 2014.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There have been no changes in or disagreements with accountants on accounting and financial disclosures within the meaning of Item 304 of Regulation S-K.

Item 9A. Controls and Procedures.**Disclosure Controls and Procedures**

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of January 28, 2023, the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of January 28, 2023, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms, and (2) accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Company's fourth quarter of fiscal 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of Dycom Industries, Inc. and subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute assurance, with respect to reporting financial information. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of January 28, 2023.

The effectiveness of the Company's internal control over financial reporting as of January 28, 2023 has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm. Their report, which is set forth in Part II, Item 8, *Financial Statements*, of this Annual Report on Form 10-K, expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of January 28, 2023.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not Applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

Information concerning directors and nominees of the Registrant and other information as required by this item are hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A. The information set forth under the caption "*Information About Our Executive Officers*" in Part I, Item 1 of this Annual Report on Form 10-K is incorporated herein by reference.

Code of Ethics

The Company has adopted a Code of Ethics for Senior Financial Officers, which is a code of ethics as that term is defined in Item 406(b) of Regulation S-K and which applies to its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, and other persons performing similar functions. The Code of Ethics for Senior Financial Officers is available on the Company's website at www.dycomind.com. If the Company makes any substantive amendments to, or a waiver from, provisions of the Code of Ethics for Senior Financial Officers, it will disclose the nature of such amendment, or waiver, on its website or in a report on Form 8-K. Information on the Company's website is not deemed to be incorporated by reference into this Annual Report on Form 10-K.

Item 11. *Executive Compensation.*

The information required by Item 11 regarding executive compensation is included under the headings "*Compensation Discussion and Analysis*," "*Compensation Committee Report*," and "*Compensation Committee Interlocks and Insider Participation*" in the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Information concerning the ownership of certain of the Registrant's beneficial owners and management and related stockholder matters is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A.

Item 13. *Certain Relationships, Related Transactions and Director Independence.*

Information concerning relationships and related transactions is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A.

Item 14. *Principal Accounting Fees and Services.*

Information concerning principal accounting fees and services is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as a part of this report:

1. *Consolidated financial statements*: the consolidated financial statements and the Report of Independent Registered Certified Public Accounting Firm are included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.
2. *Financial statement schedules*: All schedules have been omitted because they are inapplicable, not required, or the information is included in the above referenced consolidated financial statements or the notes thereto.
3. *Exhibits furnished pursuant to the requirements of Form 10-K*:

Exhibit Number

- | | |
|--------|--|
| 3(i) | Restated Articles of Incorporation of Dycom Industries, Inc. (incorporated by reference to Dycom Industries, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on June 11, 2002). |
| 3(ii) | Amended and Restated By-laws of Dycom Industries, Inc., as amended on September 28, 2016 (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on September 30, 2016). |
| 4.1 | Indenture, dated as of April 1, 2021, among Dycom Industries, Inc., the subsidiary guarantors and U.S. Bank National Association, as Trustee (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on April 2, 2021). |
| 4.2 | Description of Common Stock Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Dycom Industries, Inc.'s Annual Report on Form 10-K filed with the SEC on March 2, 2020). |
| 10.1* | 2003 Long Term Incentive Plan, amended and restated effective as of September 19, 2011 (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on September 23, 2011). |
| 10.2* | Form of Non-Qualified Stock Option Agreement under the 2003 Long-Term Incentive Plan, as amended and restated (incorporated by reference to Dycom Industries, Inc.'s Annual Report on Form 10-K filed with the SEC on September 4, 2012). |
| 10.3* | Form of Incentive Stock Option Agreement under the 2003 Long-Term Incentive Plan, as amended and restated (incorporated by reference to Dycom Industries, Inc.'s Annual Report on Form 10-K filed with the SEC on September 4, 2012). |
| 10.4* | 2012 Long-Term Incentive Plan, amended and restated effective as of November 21, 2017 (incorporated by reference to Dycom Industries, Inc.'s Definitive Proxy Statement filed with the SEC on October 12, 2017). |
| 10.5* | Amendment to the Dycom Industries, Inc. 2012 Long-Term Incentive Plan, as Amended and Restated as of November 21, 2017 (incorporated by reference to Appendix A of the Dycom Industries, Inc.'s Definitive Proxy Statement, filed with the SEC on April 11, 2019). |
| 10.6* | Amendment to the Dycom Industries, Inc. 2012 Long-Term Incentive Plan, as Amended and Restated as of May 26, 2022 (incorporated by reference to Appendix A of the Dycom Industries, Inc.'s Definitive Proxy Statement, filed with the SEC on April 11, 2019). |
| 10.7* | Form of Non-Qualified Stock Option Agreement under the 2012 Long-Term Incentive Plan (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on December 20, 2012). |
| 10.8* | Form of Incentive Stock Option Agreement under the 2012 Long-Term Incentive Plan (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on December 20, 2012). |
| 10.9* | Form of Restricted Stock Unit Agreement under the 2012 Long-Term Incentive Plan (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on December 20, 2012). |
| 10.10* | Form of Performance Share Unit Agreement under the 2012 Long-Term Incentive Plan (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on December 20, 2012). |
| 10.11* | 2007 Non-Employee Directors Equity Plan, amended and restated effective as of September 19, 2011 (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on September 23, 2011). |
| 10.12* | Form of Non-Employee Director Non-Qualified Stock Option Agreement, under the 2007 Non-Employee Directors Equity Plan, as amended and restated (incorporated by reference to Dycom Industries, Inc.'s Annual Report on Form 10-K filed with the SEC on September 4, 2012). |
| 10.13* | Form of Non-Employee Director Restricted Stock Unit Agreement, under the 2007 Non-Employee Directors Equity Plan, as amended and restated (incorporated by reference to Dycom Industries, Inc.'s Annual Report on Form 10-K filed with the SEC on September 4, 2012). |

- 10.14* 2017 Non-Employee Directors Equity Plan (incorporated by reference to Dycom Industries, Inc.'s Definitive Proxy Statement filed with the SEC on October 12, 2017).
- 10.15* Form of Non-Employee Director Restricted Stock Unit Agreement under the 2017 Non-Employee Directors Equity Plan (incorporated by reference to Dycom Industries, Inc.'s Transition Report on Form 10-K filed with the SEC on March 2, 2018).
- 10.16* Employment Agreement for Steven E. Nielsen dated as of May 21, 2020 (incorporated by reference to Dycom Industries, Inc.'s Form 8-K filed with the SEC on May 21, 2020).
- 10.17* Employment Agreement for Timothy R. Estes dated as of October 25, 2017 (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on October 27, 2017).
- 10.18* Employment Agreement for Daniel S. Peyovich dated as of January 6, 2021 (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on January 6, 2021).
- 10.19* Employment Agreement for H. Andrew DeFerrari dated as of July 23, 2015 (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on July 24, 2015).
- 10.20* Employment Agreement for Jason T. Lawson dated as of October 10, 2022. (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on October 11, 2022).
- 10.21* Employment Agreement for Ryan F. Urness dated as of October 31, 2018 (incorporated by reference to Dycom Industries, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on August 29, 2019).
- 10.22* 2009 Annual Incentive Plan (incorporated by reference to Dycom Industries, Inc.'s Definitive Proxy Statement filed with the SEC on October 17, 2013).
- 10.23* Form of Indemnification Agreement for directors and executive officers of Dycom Industries, Inc. (incorporated by reference to Dycom Industries, Inc.'s Annual Report on Form 10-K filed with the SEC on September 3, 2009).
- 10.24 Credit Agreement, dated as of December 3, 2012, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Managers, Wells Fargo Bank, National Association, as Syndication Agent, and SunTrust Bank, PNC Bank, National Association and Branch Banking and Trust Company, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on December 5, 2012).
- 10.25 First Amendment to Credit Agreement, dated as of April 24, 2015, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, Bank of America Merrill Lynch and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Managers, Wells Fargo Bank, National Association, as Syndication Agent, and SunTrust Bank, PNC Bank, National Association and Branch Banking and Trust Company, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on April 27, 2015).
- 10.26 Second Amendment to Credit Agreement, dated as of September 9, 2015, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on September 10, 2015).
- 10.27 Third Amendment to Credit Agreement and Additional Term Loan Agreement, dated as of May 20, 2016, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on May 24, 2016).
- 10.28 Fourth Amendment to Credit Agreement, dated as of June 17, 2016, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on June 22, 2016).
- 10.29 Lender Joinder Agreement, dated as of January 26, 2017, to the Credit Agreement dated as of December 3, 2012, by and among MUFG Union Bank N.A., as the New Lender, Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on March 3, 2017).
- 10.30 Amended and Restated Credit Agreement, dated as of October 19, 2018, among Dycom Industries, Inc. as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, and other parties named therein (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on October 22, 2018).

- 10.30(a) First Amendment to Amended and Restated Credit Agreement and First Amendment to Amended and Restated Pledge Agreement, dated as of April 1, 2021, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom identified therein, certain lenders named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, and other parties named therein (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on April 2, 2021).
- 21.1 + Principal subsidiaries of Dycom Industries, Inc.
- 23.1 + Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
- 31.1 + Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 + Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 ++ Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 ++ Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 + The following materials from the Registrant's Annual Report on Form 10-K for the fiscal year ended January 28, 2023 formatted in Inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements.
- 104 + Cover Page Interactive Data File (embedded within the Inline XBRL document)
- + Filed herewith
- ++ Furnished herewith
- * Indicates a management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DYCOM INDUSTRIES, INC.
Registrant

Date: March 3, 2023

/s/ Steven E. Nielsen

Name: Steven E. Nielsen
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ Steven E. Nielsen</u> Steven E. Nielsen	President, Chief Executive Officer and Director (Principal Executive Officer)	March 3, 2023
<u>/s/ H. Andrew DeFerrari</u> H. Andrew DeFerrari	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 3, 2023
<u>/s/ Sharon R. Villaverde</u> Sharon R. Villaverde	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 3, 2023
<u>/s/ Dwight B. Duke</u> Dwight B. Duke	Director	March 3, 2023
<u>/s/ Jennifer M. Fritzsche</u> Jennifer M. Fritzsche	Director	March 3, 2023
<u>/s/ Eitan Gertel</u> Eitan Gertel	Director	March 3, 2023
<u>/s/ Peter T. Pruitt, Jr.</u> Peter T. Pruitt, Jr.	Director	March 3, 2023
<u>/s/ Stephen C. Robinson</u> Stephen C. Robinson	Director	March 3, 2023
<u>/s/ Carmen M. Sabater</u> Carmen M. Sabater	Director	March 3, 2023
<u>/s/ Richard K. Sykes</u> Richard K. Sykes	Director	March 3, 2023
<u>/s/ Laurie J. Thomsen</u> Laurie J. Thomsen	Director	March 3, 2023

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
TO COMPARABLE GAAP FINANCIAL MEASURES

(Dollars in thousands)

Unaudited

The shareholder letter included at the beginning of this Annual Report includes the financial measures of Non-GAAP Organic Contract Revenues, Non-GAAP Adjusted EBITDA and Non-GAAP Adjusted Diluted Earnings per Share which are Non-GAAP financial measures as defined in Regulation G of the Securities and Exchange Act of 1934. The Company believes that certain Non-GAAP financial measures provide information that is useful to investors because it allows for a more direct comparison of the Company's performance for the period reported with the Company's performance in prior periods. The Company cautions that Non-GAAP financial measures should be considered in addition to, but not as a substitute for, the Company's reported GAAP results. The below tables present reconciliations of Non-GAAP financial measures to the most directly comparable GAAP measures.

CONTRACT REVENUES, NON-GAAP ORGANIC CONTRACT REVENUES, AND GROWTH %'S

Unaudited

(Dollars in millions)

Fiscal Year Ended	Contract Revenues - GAAP	Revenues from storm restoration services	Non-GAAP - Organic Revenues	Growth %	
				GAAP - Organic %	Non-GAAP - Organic %
January 28, 2023 (FY2023)	\$ 3,808.5	\$ —	\$ 3,808.5	21.7%	21.8%
January 29, 2022 (FY2022)	\$ 3,130.5	\$ (3.9)	\$ 3,126.7		
Quarter Ended					
January 28, 2023 (Q4 2023)	\$ 917.5	\$ —	\$ 917.5	20.5%	20.5%
January 29, 2022 (Q4 2022)	\$ 761.5	\$ —	\$ 761.5		
October 29, 2022 (Q3 2023)	\$ 1,042.4	\$ —	\$ 1,042.4	22.1%	22.1%
October 30, 2021 (Q3 2022)	\$ 854.0	\$ —	\$ 854.0		
July 30, 2022 (Q2 2023)	\$ 972.3	\$ —	\$ 972.3	23.5%	23.5%
July 31, 2021 (Q2 2022)	\$ 787.6	\$ —	\$ 787.6		
April 30, 2022 (Q1 2023)	\$ 876.3	\$ —	\$ 876.3	20.5%	21.1%
May 1, 2021 (Q1 2022)	\$ 727.5	\$ (3.9)	\$ 723.6		

Amounts in table above may not add due to rounding.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
TO COMPARABLE GAAP FINANCIAL MEASURES (CONTINUED)

(Dollars in thousands)

Unaudited

NET INCOME AND NON-GAAP ADJUSTED EBITDA

	Fiscal Year Ended January 28, 2023	Fiscal Year Ended January 29, 2022
Reconciliation of net income to Non-GAAP Adjusted EBITDA:		
Net income	\$ 142,213	\$ 48,574
Interest expense, net	40,618	33,166
Provision for income taxes	37,909	4,202
Depreciation and amortization expense	144,181	152,652
Earnings Before Interest, Taxes, Depreciation & Amortization (“EBITDA”)	364,921	238,594
Gain on sale of fixed assets	(16,759)	(4,203)
Stock-based compensation expense	17,927	9,866
Loss on debt extinguishment ⁽¹⁾	—	62
Non-GAAP Adjusted EBITDA	<u>\$ 366,089</u>	<u>\$ 244,319</u>
<i>Non-GAAP Adjusted EBITDA % of contract revenues</i>	<i>9.6%</i>	<i>7.8%</i>

Amounts in table above may not add due to rounding.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
TO COMPARABLE GAAP FINANCIAL MEASURES (CONTINUED)

(Dollars in thousands, except per share amounts)

Unaudited

**NET INCOME, NON-GAAP ADJUSTED NET INCOME, DILUTED EARNINGS PER COMMON SHARE, AND
NON-GAAP ADJUSTED DILUTED EARNINGS PER COMMON SHARE**

	Fiscal Year Ended January 28, 2023	Fiscal Year Ended January 29, 2022
Reconciliation of net income to Non-GAAP Adjusted Net Income:		
Net income	\$ 142,213	\$ 48,574
Pre-Tax Adjustments:		
Non-cash amortization of debt discount on 2021 Convertible Notes	—	1,665
Loss on debt extinguishment ⁽¹⁾	—	62
Tax Adjustments:		
Tax impact for the vesting and exercise of share-based awards ⁽²⁾	—	(2,886)
Tax impact of pre-tax adjustments	—	(466)
Total adjustments, net of tax	—	(1,625)
Non-GAAP Adjusted Net Income	\$ 142,213	\$ 46,949
Reconciliation of diluted earnings per common share to Non-GAAP Adjusted Diluted Earnings per Common Share:		
GAAP diluted earnings per common share	\$ 4.74	\$ 1.57
Total adjustments, net of tax	—	(0.05)
Non-GAAP Adjusted Diluted Earnings per Common Share	\$ 4.74	\$ 1.52
Shares used in computing Non-GAAP Adjusted Diluted Earnings per Common Share	29,996,591	30,844,211

Amounts in table above may not add due to rounding.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
TO COMPARABLE GAAP FINANCIAL MEASURES (CONTINUED)

Explanation of Non-GAAP Financial Measures

Management defines the Non-GAAP financial measures used as follows:

- *Non-GAAP Organic Contract Revenues* - contract revenues from businesses that are included for the entire period in both the current and prior year periods, excluding contract revenues from storm restoration services. Non-GAAP Organic Contract Revenue change percentage is calculated as the change in Non-GAAP Organic Contract Revenues from the comparable prior year period divided by the comparable prior year period Non-GAAP Organic Contract Revenues. Management believes Non-GAAP Organic Contract Revenues is a helpful measure for comparing the Company's revenue performance with prior periods.
- *Non-GAAP Adjusted EBITDA* - net income before interest, taxes, depreciation and amortization, gain on sale of fixed assets, stock-based compensation expense, and certain non-recurring items. Management believes Non-GAAP Adjusted EBITDA is a helpful measure for comparing the Company's operating performance with prior periods as well as with the performance of other companies with different capital structures or tax rates.
- *Non-GAAP Adjusted Net Income* - GAAP net income before the non-cash amortization of the debt discount and the related tax impact, certain tax impacts resulting from vesting and exercise of share-based awards, and certain non-recurring items. Management believes Non-GAAP Adjusted Net Income is a helpful measure for comparing the Company's operating performance with prior periods.
- *Non-GAAP Adjusted Diluted Earnings per Common Share* - Non-GAAP Adjusted Net Income divided by weighted average diluted shares outstanding.

Management excludes or adjusts each of the items identified below from *Non-GAAP Adjusted Net Income and Non-GAAP Adjusted Diluted Earnings per Common Share*:

- *Non-cash amortization of debt discount on 2021 Convertible Notes* - The Company's 2021 Convertible Notes were allocated between debt and equity components. The difference between the principal amount and the carrying amount of the liability component of the 2021 Convertible Notes represents a debt discount. The debt discount is amortized over the term of the 2021 Convertible Notes but does not result in periodic cash interest payments. The Company excludes the non-cash amortization of the debt discount from its Non-GAAP financial measures because it believes it is useful to analyze the component of interest expense for the 2021 Convertible Notes that will be paid in cash. The 2021 Convertible Notes were repaid in full during fiscal 2022. The exclusion of the non-cash amortization from the Company's Non-GAAP financial measures provides management with a consistent measure for assessing financial results.
- *Loss on debt extinguishment* - During the fiscal year ended January 29, 2022, the Company recognized a loss on debt extinguishment of \$0.1 million in connection with the amendment and restatement of its credit agreement. Management believes excluding the loss on debt extinguishment from the Company's Non-GAAP financial measures assists investors' overall understanding of the Company's current financial performance and provides management with a consistent measure for assessing the current and historical financial results.
- *Tax impact of the vesting and exercise of share-based awards* - In fiscal 2022, the Company excluded certain tax impacts resulting from the vesting and exercise of share-based awards. For comparability to other companies in the industry, the Company no longer excludes these tax impacts from its Non-GAAP measures beginning with the results for fiscal 2023.
- *Tax impact of pre-tax adjustments* - The tax impact of pre-tax adjustments reflects the Company's estimated tax impact of specific adjustments and the effective tax rate used for financial planning for the applicable period.

Notes

⁽¹⁾During the fiscal year ended January 29, 2022, the Company recognized a loss on debt extinguishment of \$0.1 million in connection with the amendment and restatement of its credit agreement maturing in April 2026.

⁽²⁾In fiscal 2022, the Company excluded certain tax impacts from the vesting and exercise of share-based awards when calculating Non-GAAP Adjusted Net Income. For comparability to other companies in the industry, the Company no longer excludes these tax impacts from its Non-GAAP measures beginning with the results for fiscal 2023. As there are no Non-GAAP adjustments for fiscal 2023, Non-GAAP Adjusted Net Income equals GAAP net income.

CORPORATE DIRECTORY

EXECUTIVE OFFICERS:

Steven E. Nielsen

Chairman, President and Chief Executive Officer

Daniel S. Peyovich

Executive Vice President and Chief Operating Officer

H. Andrew DeFerrari

Senior Vice President and Chief Financial Officer

Jason T. Lawson

Vice President and Chief Human Resources Officer

Ryan F. Urness

Vice President, General Counsel and Secretary

DIRECTORS:

Dwight B. Duke 2, 3

Jennifer M. Fritzsche 1, 2, 3

Eitan Gertel 1, 2, 5

Peter T. Pruitt, Jr. 1, 5

Stephen C. Robinson 1, 5

Carmen M. Sabater 2, 3

Richard K. Sykes 2, 3, 4

Steven E. Nielsen 4

Laurie J. Thomsen 1, 3, 5

COMMITTEES:

1 Audit Committee

2 Compensation Committee

3 Corporate Governance Committee

4 Executive Committee

5 Finance Committee

REGISTRAR AND TRANSFER AGENT:

American Stock Transfer & Trust Company

New York, New York

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP

Hallandale Beach, Florida

ANNUAL MEETING:

The 2023 Annual Shareholders Meeting will be held via a virtual meeting portal at 11:00 a.m. on Thursday, May 25, 2023. The virtual meeting can be accessed via the following link: www.virtualshareholdermeeting.com/DY2023

COMMON STOCK:

The common stock of Dycom Industries, Inc. is traded on the New York Stock Exchange under the trading symbol "DY".

SHAREHOLDER INFORMATION:

Copies of this report to Shareholders, the Annual Report to the Securities and Exchange Commission ("SEC") on Form 10-K, and other published reports may be obtained, without charge, by sending a written request to:

Secretary
Dycom Industries, Inc.
11780 U.S. Highway 1
Suite 600
Palm Beach Gardens, Florida 33408

Telephone: (561) 627-7171
Web Site: www.dycomind.com
E-mail: info@dycomind.com

Documents that Dycom has filed electronically with the SEC can be accessed on the SEC's website at www.sec.gov.

Dycom has filed the certifications of the Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 of its 2023 Annual Report on Form 10-K filed with the SEC.



Contact Us

Dycom Industries, Inc.

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Palm Beach Gardens, FL 33408

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561.627.7171

