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

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 25, 2020

☐ **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	**59-1277135**
(*State or other jurisdiction of incorporation or organization*)	(*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**

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 x 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 x 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 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 31,839,247 shares of common stock with a par value of $0.33 1/3 outstanding at August 26, 2020.

Dycom Industries, Inc.
Table of Contents

PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

PART I - FINANCIAL INFORMATION

Item 1. ***Financial Statements.***

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share amounts)
(Unaudited)

	July 25, 2020	January 25, 2020
ASSETS		
Current assets:		
Cash and equivalents	$ 22,535	$ 54,560
Accounts receivable, net (Note 5)	897,833	817,245
Contract assets	257,893	253,005
Inventories	77,754	98,324
Income tax receivable	780	3,168
Other current assets	49,840	31,991
Total current assets	1,306,635	1,258,293
Property and equipment, net	315,604	376,610
Operating lease right-of-use assets	69,940	69,596
Goodwill	272,485	325,749
Intangible assets, net	129,526	139,945
Other assets	50,497	47,438
Total non-current assets	838,052	959,338
Total assets	$ 2,144,687	$ 2,217,631
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 177,275	$ 119,612
Current portion of debt	22,500	22,500
Contract liabilities	18,829	16,332
Accrued insurance claims	43,702	38,881
Operating lease liabilities	27,171	26,581
Income taxes payable	13,020	344
Other accrued liabilities	108,827	98,775
Total current liabilities	411,324	323,025
Long-term debt	665,533	844,401
Accrued insurance claims - non-current	67,303	56,026
Operating lease liabilities - non-current	43,418	43,606
Deferred tax liabilities, net non-current	59,945	75,527
Other liabilities	23,416	6,442
Total liabilities	1,270,939	1,349,027
COMMITMENTS AND CONTINGENCIES, Note 19		
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: 31,836,930 and 31,583,938 issued and outstanding, respectively	10,612	10,528
Additional paid-in capital	31,093	30,158
Accumulated other comprehensive loss	(1,791)	(1,781)
Retained earnings	833,834	829,699
Total stockholders' equity	873,748	868,604
Total liabilities and stockholders' equity	$ 2,144,687	$ 2,217,631

See notes to the condensed consolidated financial statements.

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

	For the Three Months Ended	
	July 25, 2020	**July 27, 2019**
Contract revenues	$ 823,921	$ 884,221
Costs of earned revenues, excluding depreciation and amortization	657,953	720,382
General and administrative	67,357	65,117
Depreciation and amortization	44,129	47,244
Total	769,439	832,743
Interest expense, net	(7,853)	(12,878)
Gain (loss) on debt extinguishment	(458)	—
Other income, net	3,097	4,006
Income before income taxes	49,268	42,606
Provision for income taxes	12,244	12,710
Net income	$ 37,024	$ 29,896
Earnings per common share:		
Basic earnings per common share	$ 1.17	$ 0.95
Diluted earnings per common share	$ 1.15	$ 0.94
Shares used in computing earnings per common share:		
Basic	31,750,547	31,487,011
Diluted	32,128,098	31,820,296

See notes to the condensed consolidated financial statements.

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

	For the Six Months Ended	
	July 25, 2020	July 27, 2019
Contract revenues	$ 1,638,244	$ 1,717,964
Costs of earned revenues, excluding depreciation and amortization	1,338,159	1,422,150
General and administrative	133,243	123,738
Depreciation and amortization	90,001	93,586
Goodwill impairment charge	53,264	—
Total	1,614,667	1,639,474
Interest expense, net	(20,310)	(25,111)
Gain (loss) on debt extinguishment	12,046	—
Other income, net	4,214	9,705
Income before income taxes	19,527	63,084
Provision for income taxes	14,921	18,909
Net income	$ 4,606	$ 44,175
Earnings per common share:		
Basic earnings per common share	$ 0.15	$ 1.40
Diluted earnings per common share	$ 0.14	$ 1.39
Shares used in computing earnings per common share:		
Basic	31,677,012	31,469,401
Diluted	31,947,346	31,803,368

See notes to the condensed consolidated financial statements.

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

	For the Three Months Ended		For the Six Months Ended	
	July 25, 2020	July 27, 2019	July 25, 2020	July 27, 2019
Net income	$ 37,024	$ 29,896	$ 4,606	$ 44,175
Foreign currency translation gains (losses), net of tax	21	11	(10)	(3)
Comprehensive income	$ 37,045	$ 29,907	$ 4,596	$ 44,172

See notes to the condensed consolidated financial statements.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share amounts)
(Unaudited)

	For the Three Months Ended										
	Common Stock			Additional Paid-in Capital		Accumulated Other Comprehensive Loss		Retained Earnings		Total Equity	
	Shares	Amount									
Balances as of April 25, 2020	31,632,661	$	10,544	$	28,352	$	(1,812)	$	796,810	$	833,894
Stock options exercised	197,102		65		3,300		—		—		3,365
Stock-based compensation	1,920		1		4,372		—		—		4,373
Issuance of restricted stock, net of tax withholdings	5,247		2		(5)		—		—		(3)
Equity component of the settlement of 0.75% convertible senior notes due 2021, net of taxes	—		—		(5,004)		—		—		(5,004)
Purchase of warrants	—		—		(6,777)		—		—		(6,777)
Settlement of convertible note hedges related to extinguishment of convertible debt	—		—		6,855		—		—		6,855
Other comprehensive loss	—		—		—		21		—		21
Net income	—		—		—		—		37,024		37,024
Balances as of July 25, 2020	31,836,930	$	10,612	$	31,093	$	(1,791)	$	833,834	$	873,748

	For the Three Months Ended										
	Common Stock			Additional Paid-in Capital		Accumulated Other Comprehensive Loss		Retained Earnings		Total Equity	
	Shares	Amount									
Balances as of April 27, 2019	31,478,851	$	10,493	$	25,217	$	(1,296)	$	786,763	$	821,177
Stock options exercised	7,020		2		74		—		—		76
Stock-based compensation	1,709		1		2,276		—		—		2,277
Issuance of restricted stock, net of tax withholdings	2,343		—		(4)		—		—		(4)
Other comprehensive loss	—		—		—		11		—		11
Net income	—		—		—		—		29,896		29,896
Balances as of July 27, 2019	31,489,923	$	10,496	$	27,563	$	(1,285)	$	816,659	$	853,433

See notes to the condensed consolidated financial statements.

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY
(Dollars in thousands, except share amounts)
(Unaudited)

	For the Six Months Ended					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive 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	212,527	71	3,537	—	—	3,608
Stock-based compensation	3,348	1	6,693	—	—	6,694
Issuance of restricted stock, net of tax withholdings	37,117	12	(341)	—	—	(329)
Equity component of the settlement of 0.75% convertible senior notes due 2021, net of taxes	—	—	(8,975)	—	—	(8,975)
Purchase of warrants	—	—	(7,176)	—	—	(7,176)
Settlement of convertible note hedges related to extinguishment of convertible debt	—	—	7,197	—	—	7,197
Other comprehensive loss	—	—	—	(10)	—	(10)
Net income	—	—	—	—	4,606	4,606
Balances as of July 25, 2020	31,836,930	$ 10,612	$ 31,093	$ (1,791)	$ 833,834	$ 873,748

	For the Six Months Ended					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares	Amount				
Balances as of January 26, 2019	31,430,031	$ 10,477	$ 22,489	$ (1,282)	$ 772,484	$ 804,168
Stock options exercised	16,870	5	177	—	—	182
Stock-based compensation	3,237	2	5,754	—	—	5,756
Issuance of restricted stock, net of tax withholdings	39,785	12	(857)	—	—	(845)
Other comprehensive loss	—	—	—	(3)	—	(3)
Net income	—	—	—	—	44,175	44,175
Balances as of July 27, 2019	31,489,923	$ 10,496	$ 27,563	$ (1,285)	$ 816,659	$ 853,433

See notes to the condensed consolidated financial statements.

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

	For the Six Months Ended	
	July 25, 2020	**July 27, 2019**
Cash flows from operating activities:		
Net income	$ 4,606	$ 44,175
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	90,001	93,586
Non-cash lease expense	15,743	14,804
Deferred income tax (benefit) provision	(15,893)	11,605
Stock-based compensation	6,694	5,756
Amortization of debt discount	6,089	9,947
Provision for bad debt (recovery), net	236	(10,514)
Gain on sale of fixed assets	(5,206)	(11,544)
Gain on debt extinguishment	(12,046)	—
Amortization of debt issuance costs and other	1,630	1,986
Goodwill impairment charge	53,264	—
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(81,295)	(171,486)
Contract assets, net	(2,392)	(143,558)
Other current assets and inventories	2,417	(15,378)
Other assets	3,718	37,036
Income taxes receivable/payable	15,064	3,876
Accounts payable	64,547	21,645
Accrued liabilities, insurance claims, operating lease liabilities, and other liabilities	20,305	(1,674)
Net cash provided by (used in) operating activities	167,482	(109,738)
Cash flows from investing activities:		
Capital expenditures	(26,724)	(83,944)
Proceeds from sale of assets	5,958	12,780
Other investing activities	—	306
Net cash used in investing activities	(20,766)	(70,858)
Cash flows from financing activities:		
Proceeds from borrowings on senior credit agreement, including term loans	683,000	146,000
Principal payments on senior credit agreement, including term loans	(494,250)	(81,000)
Extinguishment of convertible senior notes	(401,736)	—
Redemption discount on convertible senior notes, net of costs	30,761	—
Settlement of convertible note hedges related to extinguished convertible debt	7,197	—
Purchase of warrants	(7,176)	—
Exercise of stock options	3,608	182
Restricted stock tax withholdings	(329)	(845)
Net cash provided by (used in) financing activities	(178,925)	64,337
Net decrease in cash and equivalents and restricted cash	(32,209)	(116,259)
Cash, cash equivalents and restricted cash at beginning of period	59,869	134,151
Cash, cash equivalents and restricted cash at end of period	$ 27,660	$ 17,892

Supplemental disclosure of other cash flow activities and non-cash investing and financing activities:				
Cash paid for interest	$	13,846	$	13,318
Cash paid for taxes, net	$	17,150	$	4,361
Purchases of capital assets included in accounts payable or other accrued liabilities at period end	$	1,296	$	5,288

See notes to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Dycom Industries, Inc. (“Dycom” or the “Company”) 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.

The Company uses a 52/53 week fiscal year ending on the last Saturday in January. Fiscal 2020 consisted of 52 weeks of operations and fiscal year ending January 30, 2021 consists of 53 weeks of operation.

The accompanying unaudited condensed 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”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements and should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in this report and the Company’s audited financial statements included in the Company’s Annual Report on Form 10-K for fiscal 2020, filed with the SEC on March 2, 2020. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods presented have been included. This includes all normal and recurring adjustments and elimination of intercompany accounts and transactions. Operating results for the interim period are not necessarily indicative of the results expected for any subsequent interim or annual period.

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), the results of which 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.

The economy of the United States has been severely impacted by the nation’s response to the COVID-19 pandemic. Measures taken include travel restrictions, social distancing requirements, quarantines, and shelter in place orders. As a result, businesses have 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. As the situation continues to evolve, we are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it impacts our customers, subcontractors, suppliers, vendors and employees, in addition to how the COVID-19 pandemic impacts our ability to provide services to our customers. The full extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will be determined by factors which are uncertain, unpredictable and outside of our control, including the duration of the pandemic, any worsening of the pandemic, the containment and mitigation actions taken by federal, state and local governments, and the resulting impact on the demand for our services from our customers. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact our business.

2. Significant Accounting Policies and Estimates

There have been no material changes to the Company’s significant accounting policies and critical accounting estimates described in the Company’s Annual Report on Form 10-K for fiscal 2020.

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 condensed consolidated financial statements and accompanying notes. 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.

3. Accounting Standards

Recently issued accounting pronouncements are disclosed in the Company's Annual Report on Form 10-K for fiscal 2020. As of the date of this Quarterly Report on Form 10-Q, there have been no changes in the expected dates of adoption or estimated effects on the Company's condensed consolidated financial statements of recently issued accounting pronouncements from those disclosed in the Company's Annual Report on Form 10-K for fiscal 2020. Further, there have been no additional accounting standards issued as of the date of this Quarterly Report on Form 10-Q that are applicable to the consolidated financial statements of the Company. Accounting standards adopted during the six months ended July 25, 2020 are disclosed in this Quarterly Report on Form 10-Q.

Recently Adopted Accounting Standards

Financial Instruments. In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASU 2016-13") as modified by subsequently issued ASUs 2018-19, 2019-04, 2019-05, 2019-11, and 2020-02. This ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which could result in earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for financial instruments at the time the financial asset is originated or acquired. The financial instruments include accounts receivable and contract assets. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized. The new standard also applies to receivables arising from revenue transactions such as contract assets and accounts receivables. On January 26, 2020, the first day of fiscal 2021, we adopted ASU 2016-13. The standard was adopted utilizing a modified retrospective approach and the adoption did not have a material impact on our condensed consolidated financial statements as credit losses are not expected to be significant based on historical trends and the financial condition of our customers.

Goodwill. In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment testing. An entity will no longer determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. On January 26, 2020, the first day of fiscal 2021, we adopted ASU 2017-04 and there was no effect on the Company's condensed consolidated financial statements as a result of adoption. See Note 9, *Goodwill and Intangible Assets*, for disclosure of events during the six months ended July 25, 2020.

Intangibles. In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* ("ASU 2018-15"). This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We adopted the provisions of this ASU in the first quarter of fiscal 2021 on a prospective basis. Adoption of the new standard did not have a material impact on our condensed consolidated financial statements.

Accounting Standards Not Yet Adopted

All other new accounting pronouncements that have been issued but are not yet effective are currently being evaluated and at this time are not expected to have a material impact on our financial position or results of operations.

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):

	For the Three Months Ended		For the Six Months Ended	
	July 25, 2020	**July 27, 2019**	**July 25, 2020**	**July 27, 2019**
Net income available to common stockholders (numerator)	$ 37,024	$ 29,896	$ 4,606	$ 44,175
Weighted-average number of common shares (denominator)	31,750,547	31,487,011	31,677,012	31,469,401
Basic earnings per common share	$ 1.17	$ 0.95	$ 0.15	$ 1.40
Weighted-average number of common shares	31,750,547	31,487,011	31,677,012	31,469,401
Potential shares of common stock arising from stock options, and unvested restricted share units	377,551	333,285	270,334	333,967
Potential shares of common stock issuable on conversion of 0.75% convertible senior notes due 2021 [1]	—	—	—	—
Total shares-diluted (denominator)	32,128,098	31,820,296	31,947,346	31,803,368
Diluted earnings per common share	$ 1.15	$ 0.94	$ 0.14	$ 1.39
Anti-dilutive weighted shares excluded from the calculation of earnings per common share:				
Stock-based awards	367,191	276,284	371,068	296,230
0.75% convertible senior notes due 2021[1] [2]	1,586,404	5,005,734	2,873,465	5,005,734
Warrants[1] [2]	1,586,404	5,005,734	2,873,465	5,005,734
Total	3,539,999	10,287,752	6,117,998	10,307,698

[1] Under the treasury stock method, our 0.75% convertible senior notes (“Notes”) will have a dilutive impact on earnings per common share if our average stock price for the period exceeds the $96.89 per share conversion price. Our average stock price did not exceed the per share conversion price during the first and second quarters of fiscal 2021; therefore, there was no dilutive impact on earnings per common share for the three and six months ended July 25, 2020. The warrants associated with our Notes will have 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.

[2] In connection with the purchase of $401.7 million of the convertible senior notes (“Notes”) during the six months ended July 25, 2020, and $25.0 million in fiscal 2020, we unwound convertible note hedge transactions and warrants proportionately to the number of Notes, resulting in a decrease in the number of excluded weighted shares.

In connection with the offering of the 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 notes and offsetting any potential cash payments in excess of the principal amount of the notes. Prior to conversion, the convertible note hedge is not included for purposes of the calculation of earnings per common share as its effect would be anti-dilutive. Upon conversion, the convertible note hedge is expected to offset the dilutive effect of the convertible senior notes when the average stock price for the period is above $96.89 per share. See Note 13, *Debt*, for additional information related to our convertible senior notes, warrant transactions, and hedge transactions.

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.

Accounts Receivable

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

	July 25, 2020	January 25, 2020
Trade accounts receivable	$ 378,461	$ 355,805
Unbilled accounts receivable	508,123	453,353
Retainage	12,854	12,669
Total	899,438	821,827
Less: allowance for doubtful accounts	(1,605)	(4,582)
Accounts receivable, net	$ 897,833	$ 817,245

We maintain an allowance for doubtful accounts for estimated losses on uncollected balances. Approximately $16.8 million of the allowance for doubtful accounts as of January 26, 2019 was classified as non-current. The allowance for doubtful accounts changed as follows (dollars in thousands):

	For the Three Months Ended		For the Six Months Ended	
	July 25, 2020	July 27, 2019	July 25, 2020	July 27, 2019
Allowance for doubtful accounts at beginning of period	$ 5,166	$ 1,372	$ 4,582	$ 17,702
Cumulative effect from implementation of ASU 2016-13	—	—	471	—
Provision for bad debt (recovery)	119	(202)	236	(10,514)
Amounts recovered (charged) against the allowance	(3,680)	(246)	(3,684)	(6,264)
Allowance for doubtful accounts at end of period	$ 1,605	$ 924	$ 1,605	$ 924

Contract Assets and Contract Liabilities

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

	July 25, 2020	January 25, 2020
Contract assets	$ 257,893	$ 253,005
Contract liabilities	18,829	16,332
Contract assets, net	$ 239,064	$ 236,673

Net contract assets were $239.1 million and $236.7 million as of July 25, 2020 and January 25, 2020, respectively. The increase primarily resulted from services performed under contracts consisting of multiple tasks which will be billed as the tasks are completed. During the three and six months ended July 25, 2020, we performed services and recognized $3.3 million and $11.8 million, respectively, of contract revenues related to its contract liabilities that existed at January 25, 2020. 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 July 25, 2020 or January 25, 2020 were as follows (dollars in millions):

	July 25, 2020		January 25, 2020	
	Amount	% of Total	Amount	% of Total
Verizon Communications Inc.	$ 462.3	40.7%	$ 440.2	41.8%
CenturyLink, Inc.	$ 204.1	18.0%	$ 175.8	16.7%
Comcast Corporation	$ 142.7	12.6%	$ 114.0	10.8%

We believe that none of the customers above were experiencing financial difficulties that would materially impact the collectability of the Company's total accounts receivable and contract assets, net, as of July 25, 2020 or January 25, 2020. On April 14, 2020, Frontier Communications 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, to implement a prearranged debt restructuring plan. As of July 25, 2020, the Company had outstanding receivables and contract assets in aggregate of approximately $23.1 million with Frontier Communications. The Company has been identified as a critical vendor and expects to continue to provide service to Frontier Communications pursuant to existing contractual obligations and be paid in full for pre-petition and post-petition receivables and contract assets.

6. Other Current Assets and Other Assets

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

	July 25, 2020	January 25, 2020
Prepaid expenses	$ 25,235	$ 12,769
Deposits and other current assets	23,092	17,447
Restricted cash	1,372	1,556
Receivables on equipment sales	141	219
Other current assets	$ 49,840	$ 31,991

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

	July 25, 2020	January 25, 2020
Long-term contract assets	$ 19,910	$ 22,653
Deferred financing costs	6,153	7,133
Restricted cash	3,753	3,753
Insurance recoveries/receivables for accrued insurance claims	12,634	4,864
Other non-current deposits and assets	8,047	9,035
Other assets	$ 50,497	$ 47,438

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, Cash Equivalents and Restricted Cash

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

	July 25, 2020	January 25, 2020
Cash and cash equivalents	$ 22,535	$ 54,560
Restricted cash included in:		
Other current assets	1,372	1,556
Other assets	3,753	3,753
Cash, cash equivalents and restricted cash	$ 27,660	$ 59,869

8. Property and Equipment

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

	Estimated Useful Lives (Years)	July 25, 2020	January 25, 2020
Land	—	$ 4,024	$ 4,024
Buildings	10-35	12,988	12,934
Leasehold improvements	1-10	16,886	17,151
Vehicles	1-5	618,574	626,307
Computer hardware and software	1-7	154,269	149,600
Office furniture and equipment	1-10	13,534	13,557
Equipment and machinery	1-10	311,734	312,244
Total		1,132,009	1,135,817
Less: accumulated depreciation		(816,405)	(759,207)
Property and equipment, net		$ 315,604	$ 376,610

Depreciation expense was $39.0 million and $41.9 million for the three months ended July 25, 2020 and July 27, 2019, respectively, and $79.6 million and $82.9 million for the six months ended July 25, 2020 and July 27, 2019, respectively.

9. Goodwill and Intangible Assets

Goodwill

Goodwill consisted of the following balances as of July 25, 2020 and January 25, 2020. There was no change in the carrying amount of goodwill during the three months ended July 25, 2020, during the six months ended July 25, 2020 there was a change of $53.3 million, as the result of a goodwill impairment charge (dollars in thousands):

	July 25, 2020	January 25, 2020
Goodwill, gross	$ 521,516	$ 521,516
Accumulated impairment losses	(249,031)	(195,767)
Total	$ 272,485	$ 325,749

The Company's goodwill resides in multiple reporting units and primarily consists of expected synergies, together with the expansion of the Company's geographic presence and strengthening of its customer base from acquisitions. Goodwill and other indefinite-lived intangible assets are assessed annually for impairment, 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. The Company's 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 the Company's reporting units. The cyclical nature of the Company’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. As a result of the Company’s fiscal 2020 period assessment, the Company determined that the fair values of each of the reporting units and the indefinite-lived intangible asset were in excess of their carrying values and no impairment had occurred. 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.

During the six months ended July 25, 2020, the economy of the United States was severely impacted by the nation’s response to a pandemic caused by a novel strain of coronavirus (“COVID-19”). Measures taken include travel restrictions, social distancing requirements, quarantines, and shelter in place orders. As a result, businesses have 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”) have 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 are expected to result in a prolonged downturn in customer demand for installation services from Broadband. This is 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; (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 had $10.1 million of remaining goodwill as of July 25, 2020. The goodwill impairment charge did not affect the Company’s compliance with its financial covenants and conditions under its revolving credit agreement.

The Company determined that there were no events or changes in circumstances for the other reporting units or indefinite lived intangible asset during the six months ended July 25, 2020 that would indicate a potential reduction in their fair value below their carrying amounts. As of July 25, 2020, 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.

Intangible Assets

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

	July 25, 2020				January 25, 2020		
	Weighted Average Remaining Useful Lives (Years)	**Gross Carrying Amount**	**Accumulated Amortization**	**Intangible Assets, Net**	**Gross Carrying Amount**	**Accumulated Amortization**	**Intangible Assets, Net**
Customer relationships	9.8	$ 312,017	$ 188,601	$ 123,416	$ 312,017	$ 178,411	$ 133,606
Trade names, finite	7.9	10,350	8,941	1,409	10,350	8,732	1,618
Trade name, indefinite	—	4,700	—	4,700	4,700	—	4,700
Non-compete agreements	0.1	200	199	1	200	179	21
		$ 327,267	$ 197,741	$ 129,526	$ 327,267	$ 187,322	$ 139,945

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 $5.2 million and $5.3 million for the three months ended July 25, 2020 and July 27, 2019, respectively, and $10.4 million and $10.7 million for the six months ended July 25, 2020 and July 27, 2019, respectively.

As of July 25, 2020, 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.

10. 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. With regard to workers' compensation losses occurring in the 12 month policy period ended in January 2020, we retained the risk of loss up to $1.0 million on a per occurrence basis. This retention amount is unchanged for the 12 month policy period ending in January 2021. 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. With regard to automobile liability and general liability losses the retention amount is unchanged for the first $5.0 million of insurance coverage ("primary liability insurance") for the 12 month policy period ending in January 2021. Aggregate stop-loss coverage for primary insurance claims, including workers' compensation claims, is $85.8 million for the 12 month policy period ending January 2021.

With regard to automobile liability and general liability losses between $5.0 million and $10.0 million, aggregate stop-loss coverage is $11.5 million for the 12 month period ending January 2021. Losses greater than $10.0 million are covered by insurance.

We are party to a stop-loss agreement for losses under our employee group health plan. For calendar year 2020, we retain 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. Amounts for total accrued insurance claims and insurance recoveries/receivables are as follows (dollars in thousands):

	July 25, 2020	January 25, 2020
Accrued insurance claims - current	$ 43,702	$ 38,881
Accrued insurance claims - non-current	67,303	56,026
Accrued insurance claims	$ 111,005	$ 94,907
Insurance recoveries/receivables:		
Current (included in Other current assets)	$ —	$ —
Non-current (included in Other assets)	12,634	4,864
Insurance recoveries/receivables	$ 12,634	$ 4,864

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 the six months ended July 25, 2020, total insurance recoveries/receivables increased approximately $7.8 million primarily due to additional claims that exceeded our loss retention. Accrued insurance claims 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 10 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 condensed consolidated statements of operations for the three and six months ended July 25, 2020 and July 27, 2019 (dollars in thousands):

	For the Three Months Ended July 25, 2020	For the Three Months Ended July 27, 2019	For the Six Months Ended July 25, 2020	For the Six Months Ended July 27, 2019
Lease cost under long-term operating leases	$ 8,763	$ 8,292	$ 17,615	$ 16,712
Lease cost under short-term operating leases	7,153	8,608	15,984	16,994
Variable lease cost under short-term and long-term operating leases[1]	1,066	1,131	2,160	2,272
Total lease cost	$ 16,982	$ 18,031	$ 35,759	$ 35,978

[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 $70.6 million as of July 25, 2020 and $70.2 million as of January 25, 2020. Supplemental balance sheet information related to these liabilities is as follows:

	July 25, 2020	January 25, 2020
Weighted average remaining lease term	3.4 years	3.3 years
Weighted average discount rate	5.0 %	5.2 %

Supplemental cash flow information related to our long-term operating lease liabilities as of July 25, 2020 and July 27, 2019 is as follows (dollars in thousands):

	For the Three Months Ended July 25, 2020	For the Three Months Ended July 27, 2019	For the Six Months Ended July 25, 2020	For the Six Months Ended July 27, 2019
Cash paid for amounts included in the measurement of lease liabilities	$ 8,508	$ 8,022	$ 16,472	$ 15,473
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 6,516	$ 7,777	$ 17,756	$ 13,291

As of July 25, 2020, 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
Remainder of 2021	$ 15,947
2022	26,485
2023	16,724
2024	9,735
2025	6,111
Thereafter	4,032
Total lease payments	79,034
Less: imputed interest	(8,445)
Total	$ 70,589

As of July 25, 2020, the Company had additional operating leases that have not yet commenced of $0.1 million. These leases will commence during the third quarter of fiscal 2021.

As of January 25, 2020, the future minimum obligation by fiscal year for our operating leases with original noncancelable terms in excess of one year was as follows (dollars in thousands):

Fiscal Year	Amount
2021	$ 30,138
2022	22,274
2023	13,236
2024	7,916
2025	4,607
Thereafter	1,495
Total lease payments	79,666
Less: imputed interest	(9,479)
Total	$ 70,187

12. Other Accrued Liabilities

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

	July 25, 2020	January 25, 2020
Accrued payroll and related taxes	$ 30,661	$ 27,959
Accrued employee benefit and incentive plan costs	22,974	23,340
Accrued construction costs	25,282	27,690
Other current liabilities	29,910	19,786
Other accrued liabilities	$ 108,827	$ 98,775

13. Debt

Our outstanding indebtedness consisted of the following (dollars in thousands):

	July 25, 2020	January 25, 2020
Credit Agreement - Revolving facility (matures October 2023)	$ 200,000	$ —
Credit Agreement - Term loan facility (matures October 2023)	433,125	444,375
0.75% convertible senior notes, net (mature September 2021)	54,908	422,526
	688,033	866,901
Less: current portion	(22,500)	(22,500)
Long-term debt	$ 665,533	$ 844,401

Senior Credit Agreement

On October 19, 2018, the Company and certain of its subsidiaries amended and restated its existing credit agreement, dated as of December 3, 2012, as amended on April 24, 2015 and as subsequently amended and supplemented, with the various lenders party thereto (the "Credit Agreement"). The maturity date of our credit agreement was extended to October 19, 2023 and, among other things, the maximum revolver commitment was increased to $750.0 million from $450.0 million and the term loan facility was increased to $450.0 million. Our credit agreement includes a $200.0 million sublimit for the issuance of letters of credit.

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 in the form of term loans, up to the greater of (i) $350.0 million and (ii) an 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 $50.0 million to our trailing twelve-month consolidated earnings before interest, taxes, depreciation, and amortization, as defined by the credit agreement ("EBITDA"). Borrowings under the credit agreement are guaranteed by substantially all of our subsidiaries and secured by the equity interests of the substantial majority of our subsidiaries.

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 $50.0 million to our trailing twelve-month consolidated EBITDA, as defined by the 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
Borrowings - Base Rate Loans	0.25% - 1.00% plus administrative agent's base rate[1]
Unused Revolver Commitment	0.20% - 0.40%
Standby Letters of Credit	1.25% - 2.00%
Commercial Letters of Credit	0.625% - 1.00%

[1] The administrative agent's 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%.

Standby letters of credit of approximately $52.2 million and 52.3 million, issued as part of our insurance program, were outstanding under the credit agreement as of July 25, 2020 and January 25, 2020, respectively.

The weighted average interest rates and fees for balances under our credit agreement as of July 25, 2020 and January 25, 2020 were as follows:

	Weighted Average Rate End of Period	
	July 25, 2020	January 25, 2020
Borrowings - Term loan facilities	1.92%	3.67%
Borrowings - Revolving facility[1]	1.93%	—%
Standby Letters of Credit	1.75%	2.00%
Unused Revolver Commitment	0.35%	0.40%

[1] There were no outstanding borrowings under the revolving facility as of January 25, 2020.

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 agreement also contains a financial covenant that requires us to maintain a consolidated interest coverage ratio, which is the ratio of our trailing twelve-month consolidated EBITDA to our consolidated interest expense, each as defined by the credit agreement, of not less than 3.00 to 1.00, as measured at the end of each fiscal quarter. In addition, our credit agreement contained a minimum liquidity covenant that would have become effective beginning 91 days before the maturity date of our 0.75% convertible senior notes due September 2021 (the "Notes") if the outstanding principal amount of the Notes was greater than $250.0 million. This covenant terminated on June 5, 2020 when the outstanding principal amount of the Notes was reduced to $58.3 million. At July 25, 2020 and January 25, 2020, we were in compliance with the financial covenants of our credit agreement and had borrowing availability under the revolving facility of $451.5 million and $287.0 million, respectively, as determined by the most restrictive covenant.

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 Notes, governed by the terms of an indenture between the Company and a bank trustee, are unsecured obligations and do 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 Notes bear interest at a rate of 0.75% per year, payable in cash semiannually in March and September, and will mature on September 15, 2021, unless earlier purchased by the Company or converted. In the event we fail to perform certain obligations under the indenture, the Notes will accrue additional interest. Certain events are considered "events of default" under the Notes, which may result in the acceleration of the maturity of the Notes, as described in the indenture. During the fourth quarter of fiscal 2020, we purchased, through open-market transactions, $25.0 million aggregate principal amount of the 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. During the six months ended July 25, 2020, 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 notes were purchased through privately-negotiated transactions and a tender offer. After the write-off of associated debt issuance costs, the net loss on extinguishment was $0.5 million for the three months ended July 25, 2020, and a net gain on extinguishment of $12.0 million for the six months ended July 25, 2020.

Each $1,000 of principal of the Notes is 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 have 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 are 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. On or after June 15, 2021 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or a portion of their Notes at any time regardless of the foregoing circumstances. Upon conversion, the Notes will be 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. The Company intends to settle the principal amount of the Notes with cash.

During the three months ended July 25, 2020, the closing price of the Company's common stock did not meet or exceed 130% of the applicable conversion price of the Notes for at least 20 of the last 30 consecutive trading dates of the quarter. Additionally, no other conditions allowing holders of the Notes to convert have been met as of July 25, 2020. As a result, the Notes were not convertible during the three months ended July 25, 2020 and are classified as long-term debt.

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 is amortized to interest expense using the Comparable Yield (5.5% with respect to the Notes) using the effective interest rate method over the term of the Notes. During the three months ended July 25, 2020 and July 27, 2019, we incurred $1.7 million and $5.0 million, respectively, of interest expense for the non-cash amortization of the debt discount. During the six months ended July 25, 2020 and July 27, 2019 we incurred $6.1 million and $9.9 million, respectively, of interest expense for the non-cash amortization of the debt discount. The liability component of the Notes consisted of the following (dollars in thousands):

	July 25, 2020	January 25, 2020
Liability component		
Principal amount of 0.75% convertible senior notes due September 2021	$ 58,264	$ 460,000
Less: Debt discount	(3,018)	(33,744)
Less: Debt issuance costs	(338)	(3,730)
Net carrying amount of Notes	$ 54,908	$ 422,526

The equity component of the Notes was recognized at issuance and represents the difference between the principal amount of the Notes and the fair value of the liability component of the Notes at issuance. The equity component approximated $112.6 million at the time of issuance and its fair value is not remeasured as long as it continues to meet the conditions for equity classification.

The following table summarizes the fair value of the Notes, net of the debt discount and debt issuance costs. The fair value of the Notes is based on the closing trading price per $100 of the Notes as of the last day of trading for the respective periods (Level 2), which was $97.25 and $97.25 as of July 25, 2020 and January 25, 2020, respectively (dollars in thousands):

	July 25, 2020	January 25, 2020
Fair value of principal amount of Notes	$ 56,662	$ 447,350
Less: Debt discount and debt issuance costs	(3,356)	(37,474)
Fair value of Notes	$ 53,306	$ 409,876

Convertible Note Hedge and Warrant Transactions

In connection with the offering of the 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 Notes and offsetting any potential cash payments in excess of the principal amount of the Notes. In the event that shares or cash are deliverable to holders of the Notes upon conversion at limits defined in the indenture governing the Notes, counterparties to the convertible note hedge will be required to deliver to us shares of our common stock or pay cash to us in a similar amount as the value that we deliver to the holders of the 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 be 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 $25.0 million and $401.7 million, respectively, of the Notes, the number of shares that could be deliverable to us upon conversion was reduced to up to 0.601 million of our shares.

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 the six months ended July 25, 2020 in connection with the purchase of $25.0 million and $401.7 million, respectively, of the Notes, the remaining warrant transactions provide for up to 0.601 million shares. The warrants will not have a dilutive effect on our earnings per share unless our quarterly average share price exceeds the warrant strike price of $130.43 per share. In this event, we expect to settle the warrant transactions on a net share basis whereby we will issue shares of our common stock.

Upon settlement of the conversion premium of the Notes, convertible note hedge, and warrants, the resulting dilutive impact of these transactions, if any, would be the number of shares necessary to settle the value of the warrant transactions above $130.43 per share. The net amounts incurred in connection with the convertible note hedge and warrant transactions were recorded as a reduction to additional paid-in capital on the consolidated balance sheets during fiscal 2016 and are not expected to be remeasured in subsequent reporting periods.

14. Income Taxes

Our interim income tax provisions are based on the effective income tax rate expected to be applicable for the full fiscal year, adjusted for specific items that are required to be recognized in the period in which they occur. Deferred tax assets and liabilities are based on the enacted tax rate that will apply in future periods when such assets and liabilities are expected to be settled or realized.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act, among other things, includes tax provisions relating to refundable payroll tax credits, the deferral of employer's social security payments, and modifications to net operating loss ("NOL") carryback provisions. During the six months ended July 25, 2020, we recognized an income tax benefit of $2.6 million from a tax loss carryback under the CARES Act. The Company will continue to evaluate the impact of the CARES Act on its financial position, results of operations and cash flows.

Our effective income tax rate was 24.9% and 29.8% for the three months ended July 25, 2020 and July 27, 2019, respectively, and 76.4% and 30.0% for the six months ended July 25, 2020 and July 27, 2019, respectively. The effective tax rate differs from the statutory rate each period primarily due to the difference in income tax rates from state to state where work was performed, changes in unrecognized tax benefits, variances in non-deductible and non-taxable items, tax credits recognized, and the impact of the vesting and exercise of share-based awards during the periods. Additionally, during the six months ended July 25, 2020, our effective tax rate was impacted by the $53.3 million goodwill impairment charge which was mostly non-deductible for income tax purposes, and the benefit from the $2.6 million tax loss carryback under the CARES Act.

15. Other Income, Net

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

	For the Three Months Ended		For the Six Months Ended	
	July 25, 2020	**July 27, 2019**	**July 25, 2020**	**July 27, 2019**
Gain on sale of fixed assets	$ 3,418	$ 4,806	$ 5,206	$ 11,544
Discount fee expense	(483)	(1,262)	(1,274)	(2,561)
Miscellaneous income, net	162	462	282	722
Other income, net	$ 3,097	$ 4,006	$ 4,214	$ 9,705

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 reflected as discount fee expense in the table above and is included as an expense component in other income, net, in the condensed consolidated statements of operations.

16. Capital Stock

Repurchases of Common Stock. On August 24, 2020 the Company announced that its Board of Directors had authorized a new $100 million program to repurchase shares of the Company's outstanding common stock. See Note 20, Subsequent Events, for information regarding a new authorization by the Company's Board of Directors in August 2020.

17. Stock-Based Awards

We have certain stock-based compensation plans under which we grant stock-based awards, including common stock, 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.

Compensation expense for stock-based awards is based on fair value at the measurement date. 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. Stock-based compensation expense is included in general and administrative expenses in the condensed consolidated statements of operations and the amount of expense ultimately recognized depends on the quantity of awards that actually vest. Accordingly, stock-based compensation expense may vary from period to period.

The performance criteria for the Company's performance-based equity awards utilize the Company's operating earnings (adjusted for certain amounts) as a percentage of contract revenues for the applicable four-quarter period (a "Performance Year") and its Performance Year operating cash flow level (adjusted for certain amounts). Additionally, certain awards include three-year performance measures that, if met, result in supplemental shares awarded. For Performance RSUs, the Company evaluates compensation expense quarterly and recognizes expense for performance-based awards only if it determines it is probable that performance criteria for the awards will be met.

Stock-based compensation expense and the related tax benefit recognized during the three and six months ended July 25, 2020 and July 27, 2019 were as follows (dollars in thousands):

	For the Three Months Ended		For the Six Months Ended	
	July 25, 2020	**July 27, 2019**	**July 25, 2020**	**July 27, 2019**
Stock-based compensation	$ 4,373	$ 2,277	$ 6,694	$ 5,756
Income tax effect of stock-based compensation	$ 1,089	$ 561	$ 1,663	$ 1,429

In addition, during the three months ended July 25, 2020 and July 27, 2019, the Company realized net excess tax benefits of approximately $0.7 million and a nominal amount, respectively, related to the vesting and exercise of share-based awards. During the six months ended July 25, 2020 and July 27, 2019, the Company realized approximately $0.2 million of net excess tax benefits and $0.6 million of net tax deficiencies, respectively.

As of July 25, 2020, 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 $2.2 million, $18.5 million, and $5.8 million, respectively. This expense will be recognized over a weighted-average number of years of 2.6, 2.9, and 1.2, respectively, based on the average remaining service periods for the awards. As of July 25, 2020, we may recognize an additional $14.1 million in compensation expense in future periods if the maximum number of Performance RSUs is earned based on certain performance measures being met.

Stock Options

The following table summarizes stock option award activity during the six months ended July 25, 2020:

	Stock Options	
	Shares	Weighted Average Exercise Price
Outstanding as of January 25, 2020	577,309	$ 36.85
Granted	63,304	$ 25.15
Options exercised	(212,527)	$ 16.98
Canceled	—	$ —
Outstanding as of July 25, 2020	428,086	$ 44.99
Exercisable options as of July 25, 2020	302,230	$ 43.85

RSUs and Performance RSUs

The following table summarizes RSU and Performance RSU award activity during the six months ended July 25, 2020:

	Restricted Stock			
	RSUs		Performance RSUs	
	Share Units	Weighted Average Grant Date Fair Value	Share Units	Weighted Average Grant Date Fair Value
Outstanding as of January 25, 2020	174,917	$ 65.05	639,738	$ 62.60
Granted	536,653	$ 25.71	65,538	$ 25.15
Share units vested	(45,193)	$ 63.49	(12,315)	$ 64.27
Forfeited or canceled	(12,646)	$ 48.19	(222,946)	$ 64.15
Outstanding as of July 25, 2020	653,731	$ 33.19	470,015	$ 56.59

The total number of granted Performance RSUs presented above consists of 32,769 target shares and 32,769 supplemental shares. The total number of Performance RSUs outstanding as of July 25, 2020 consists of 315,212 target shares and 154,803 supplemental shares. With respect to the Company’s Performance Year ended January 25, 2020, the Company canceled 143,954 target shares and 65,354 supplemental shares during the six months ended July 25, 2020. With respect to the Company’s Performance Year ended July 25, 2020, approximately 23,141 target shares and 11,336 supplemental shares will be canceled during the three months ending October 24, 2020 as a result of the performance period criteria being partially met.

18. 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 77.5% and 79.4% of total contract revenues during the six months ended July 25, 2020 and July 27, 2019, respectively. Customers whose contract revenues exceeded 10% of total contract revenues during the three and six months ended July 25, 2020 or July 27, 2019, as well as total contract revenues from all other customers combined, were as follows (dollars in millions):

	For the Three Months Ended				For the Six Months Ended			
	July 25, 2020		July 27, 2019		July 25, 2020		July 27, 2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Verizon Communications Inc.	$ 163.0	19.8%	$ 205.0	23.2%	$ 339.1	20.7%	$ 384.8	22.4%
CenturyLink, Inc.	158.4	19.2	138.7	15.7	307.1	18.7	248.5	14.5
AT&T Inc.	134.6	16.3	183.3	20.7	288.6	17.6	392.5	22.8
Comcast Corporation	131.4	15.9	133.2	15.1	249.3	15.2	270.3	15.7
Total other customers combined	236.5	28.7	224.0	25.3	454.1	27.7	421.9	24.6
Total contract revenues	$ 823.9	100.0%	$ 884.2	100.0%	$ 1,638.2	100.0%	$ 1,718.0	100.0%

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 the three and six months ended July 25, 2020 and July 27, 2019 were as follows (dollars in millions):

	For the Three Months Ended				For the Six Months Ended			
	July 25, 2020		July 27, 2019		July 25, 2020		July 27, 2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Telecommunications	$ 746.7	90.6%	$ 804.4	91.0%	$ 1,472.7	89.9%	$ 1,565.8	91.1%
Underground facility locating	58.9	7.2	53.8	6.1	112.3	6.9	102	5.9
Electrical and gas utilities and other	18.3	2.2	26.0	2.9	53.2	3.2	50.2	3.0
Total contract revenues	$ 823.9	100.0%	$ 884.2	100.0%	$ 1,638.2	100.0%	$ 1,718.0	100.0%

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.

19. Commitments and Contingencies

On October 25, 2018 and October 30, 2018, the Company, its Chief Executive Officer and its Chief Financial Officer were named as defendants in two substantively identical lawsuits alleging violations of the federal securities fraud laws. The lawsuits, which purport to be brought on behalf of a class of all purchasers of the Company’s securities between November 20, 2017 and August 10, 2018, were filed in the United States District Court for the Southern District of Florida (the “Court”). The cases were consolidated by the Court on January 11, 2019. The lawsuit alleges that the defendants made materially false and misleading statements or failed to disclose material facts regarding the Company’s financial condition and business operations, including those related to the Company’s dependency on, and uncertainties related to, the permitting necessary for its large projects. The Parties have entered into an agreement to settle the consolidated lawsuit, subject to Court approval of the settlement. The settlement does not include any admission by the Company or any of its officers of the allegations made in the lawsuit. The full settlement amount has been funded by the Company’s insurance carriers and is expected to be distributed following final approval by the Court.

On December 17, 2018 and May 8, 2020, shareholder derivative actions were filed in United States District Court for the Southern District of Florida against the Company, as nominal defendant, and the members of its Board of Directors (and, in the second action, the Company’s Chief Financial Officer), alleging that the defendants breached fiduciary duties owed to the Company and violated the securities laws by causing the Company to issue false and misleading statements. The statements alleged to be false and misleading are the same statements that are alleged to be false and misleading in the securities lawsuit described above. The Company believes the allegations in the lawsuits are without merit and expects them to be vigorously defended. On February 28, 2019, the Court stayed the first lawsuit pending a further Order from the Court. On June 12, 2020, the Court lifted the stay and consolidated the two lawsuits. The plaintiffs have not yet filed a consolidated complaint. Based on the early stage of these matters, it is not possible to estimate the amount or range of possible loss that may result from an adverse judgment or a settlement of this matter.

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, we submitted a formal request to the Plan seeking review of the Plan’s withdrawal liability determination. We dispute the claim that it is required to make payment of a withdrawal liability as demanded by the Plan as it believes there is a statutory exemption under the Employee Retirement Income Security Act (“ERISA”) that applies to its activities. The Plan has taken the position that the work at issue does not qualify for the statutory exemption. We have submitted this dispute to arbitration, as required by ERISA, with a hearing expected early calendar year 2021. There can be no assurance that we will be successful in asserting the statutory exemption as a defense in the arbitration proceeding. As required by ERISA, in November 2016, the subsidiary began making payments of a withdrawal liability to the Plan in the amount of approximately $0.1 million per month. If we prevail in disputing the withdrawal liability, all such payments are expected to be refunded.

From time to time, the Company is party to 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 the Company may be entitled, have a material effect on our financial position, results of operations, or cash flow.

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. We have established reserves that we believe to be adequate based on current evaluations and experience with these types of claims. For these claims, the effect on our financial statements is generally limited to the amount needed to satisfy insurance deductibles or retentions.

The economy of the United States has been severely impacted by the nation’s response to the COVID-19 pandemic. Measures taken include travel restrictions, social distancing requirements, quarantines, and shelter in place orders. As a result, businesses have 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. As the situation continues to evolve, we are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it impacts our customers, subcontractors, suppliers, vendors and employees, in addition to how the COVID-19 pandemic impacts our ability to provide services to our customers. The full extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will be determined by factors which are uncertain, unpredictable and outside of our control, including the duration of the pandemic, any worsening of the pandemic, the containment and mitigation actions taken by federal, state and local governments, and the resulting impact on the demand for our services from our customers.

The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact our business.

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 July 25, 2020 and January 25, 2020, we had $180.6 million and $156.1 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 July 25, 2020 and January 25, 2020, we had $23.4 million and $23.4 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 of July 25, 2020 and January 25, 2020, the Company had $52.2 million and $52.3 million, respectively, of outstanding standby letters of credit issued under the Credit Agreement.

20. Subsequent Event

On August 24, 2020 the Company announced that its Board of Directors had authorized a new $100 million program to repurchase shares of the Company’s outstanding common stock through February 2022 in open market or private transactions. As of August 27, 2020, the full $100 million of the new repurchase authorization was available for repurchase.

Cautionary Note Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. These statements are intended to qualify for the “safe harbor” from liability established by the Private Securities Litigation Reform Act of 1995. These statements may relate to future events, financial performance, strategies, expectations, and the competitive environment. 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, identify forward-looking statements.

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 or suggested by the forward-looking statements. Important factors, assumptions, uncertainties, and risks that could cause such differences include the global pandemic of COVID-19, caused by a novel strain of the coronavirus, and its impact and consequences, our ability to effectively execute our business and capital plans, business and economic conditions and trends in the telecommunications industry affecting our customers, customer capital budgets and spending priorities, the adequacy of our insurance and other reserves and allowances for doubtful accounts, whether the carrying value of our assets may be impaired, the future impact of any acquisitions or dispositions, adjustments and cancellations of our projects, the related impact to our backlog from project cancellations, weather conditions, the anticipated outcome of other contingent events, including litigation, liquidity and other financial needs, the availability of financing, our ability to generate sufficient cash to service our indebtedness, restrictions imposed by our credit agreement, and the other risks and uncertainties discussed within Part II, Item 1A, *Risk Factors*, of this Quarterly Report on Form 10-Q, as well as Item 1, *Business*, Item 1A, *Risk Factors,* and Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, of our Annual Report on Form 10-K for fiscal 2020, filed with the U.S. Securities and Exchange Commission (“SEC”) on March 2, 2020 and our other periodic filings with the SEC. Our forward-looking statements are expressly qualified in their entirety by this cautionary statement and are only made as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update any forward-looking statements to reflect new information or events or circumstances arising after such date.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for fiscal 2020. Our Annual Report on Form 10-K for fiscal 2020 was filed with the SEC on March 2, 2020, and is available on the SEC's website at *www.sec.gov* and on our website at *www.dycomind.com*.

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 is driven by the everyday use of mobile data devices, as well as other applications that require high speed connections. 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 1 gigabit network speeds to individual consumers and businesses, either directly or wirelessly using 5G technologies. The industry effort required to deploy high capacity fiber networks continues to meaningfully broaden our set of opportunities. Access to high-capacity telecommunications has become increasingly crucial to society in the time of the COVID-19 pandemic, especially in rural America where dramatically increased rural network investment will be required to support work from home, telemedicine, distance learning and other newly essential applications.

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. Telephone companies are deploying fiber-to-the-home to enable 1 gigabit high-speed connections. Cable operators are deploying fiber to small and medium businesses and enterprises. A portion of these deployments are in anticipation of the customer sales process. Fiber-deep deployments to expand capacity as well as new build opportunities are underway. Dramatically increased speeds to consumers are being provisioned and consumer data usage is growing, particularly upstream. 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 recent coronavirus disease 2019 ("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.

Our operations expose us to risks associated with pandemics, epidemics or other public health emergencies, such as COVID-19. In March 2020, the World Health Organization categorized COVID-19 as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The economy of the United States has been severely impacted by the nation's response to COVID-19. Measures taken include travel restrictions, social distancing requirements, quarantines, and shelter in place orders. As a result, businesses have 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. As the situation continues to evolve, we are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it impacts our customers, subcontractors, suppliers, vendors and employees, in addition to how the COVID-19 pandemic impacts our ability to provide services to our customers. We believe the continuing impact of the COVID-19 pandemic on our operating results, cash flows and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of our control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact our business.

In addition, the ability of our employees and our suppliers' and customers' employees to work may be significantly impacted by individuals contracting or being exposed to COVID-19, or as a result of the control measures noted above, which may significantly hamper our production. Our customers may be directly impacted by business curtailments or weak market conditions and may not be willing to continue investments in the infrastructure that we build. Furthermore, the progression of and response to the COVID-19 pandemic has begun to cause delays, and increases the risk of further delays, in construction activities and equipment deliveries related to our capital projects, including potential delays in obtaining permits from government agencies. For further discussion of this matter, refer "Item 1A. Risk Factors" in Part II of this report.

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 during each of the six months ended July 25, 2020 and July 27, 2019 accounting for approximately 77.5% and 79.4%, respectively, of our total contract revenues.

The following reflects the percentage of total contract revenues from customers who contributed at least 2.5% to our total contract revenues during the three and six months ended July 25, 2020 or July 27, 2019:

	For the Three Months Ended		For the Six Months Ended	
	July 25, 2020	**July 27, 2019**	**July 25, 2020**	**July 27, 2019**
Verizon Communications Inc.	19.8%	23.2%	20.7 %	22.4 %
CenturyLink, Inc.	19.2%	15.7%	18.7 %	14.5 %
AT&T Inc.	16.3%	20.7%	17.6 %	22.8 %
Comcast Corporation	15.9%	15.1%	15.2 %	15.7 %
Windstream Corporation	5.3%	3.9%	5.2 %	4.0 %
Charter Communications, Inc.	2.4%	2.6%	2.5 %	2.6 %

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, we occasionally 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.

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

	For the Three Months Ended		For the Six Months Ended	
	July 25, 2020	**July 27, 2019**	**July 25, 2020**	**July 27, 2019**
Multi-year master service agreements	72.2 %	63.0 %	71.1 %	62.5 %
Other long-term contracts	18.6	25.5	19.5	26.5
Total long-term contracts	90.8 %	88.5 %	90.6 %	89.0 %

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based on our condensed 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 condensed 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. There have been no material changes to our significant accounting policies and critical accounting estimates described in our Annual Report on Form 10-K for fiscal 2020.

Goodwill and Intangible Assets. Goodwill and other indefinite-lived intangible assets are assessed annually for impairment, 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 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.

The Company's goodwill resides in multiple reporting units and primarily consists of expected synergies, together with the expansion of the Company's geographic presence and strengthening of its customer base from acquisitions. Goodwill and other indefinite-lived intangible assets are assessed annually for impairment, 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. The Company's 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 the Company's reporting units. The cyclical nature of the Company'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. As a result of the Company's fiscal 2020 period assessment, the Company determined that the fair values of each of the reporting units and the indefinite-lived intangible asset were in excess of their carrying values and no impairment had occurred. 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.

During the six months ended July 25, 2020, the economy of the United States was severely impacted by the nation's response to a pandemic caused by a novel strain of coronavirus ("COVID-19"). Measures taken include travel restrictions, social distancing requirements, quarantines, and shelter in place orders. As a result, businesses have 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") have 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 are expected to result in a prolonged downturn in customer demand for installation services from Broadband. This is 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; (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 had $10.1 million of remaining goodwill as of July 25, 2020. The goodwill impairment charge did not affect the Company's compliance with its financial covenants and conditions under its revolving credit agreement.

Management determined that significant changes were not likely in the factors considered to estimate the fair value of Broadband, and analyzed the impact of such changes were they to occur. Specifically, if the discount rate applied in the fiscal 2021 interim impairment analysis had been 100 basis points higher than estimated for the Broadband reporting unit, and all other assumptions were held constant, the impairment would have increased by approximately $4.0 million compared to the impairment charge incurred. Additionally, if there was a 25% decrease in the fair value of the Broadband reporting unit due to a decline in its discounted cash flows resulting from lower operating performance, the impairment would have increased by approximately $10.1 million compared to the impairment charge incurred.

The Company determined that there were no events or changes in circumstances for the other reporting units or indefinite lived intangible asset during the six months ended July 25, 2020 that would indicate a potential reduction in their fair value below their carrying amounts. As of July 25, 2020, 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.

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 our condensed consolidated financial statements and the accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q and *Critical Accounting Policies and Estimates* within Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, as well as Note 2, *Significant Accounting Policies and Estimates*, in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for fiscal 2020.

Accounting Period. The Company uses a 52/53 week fiscal year ending on the last Saturday in January. Fiscal 2020 consisted of 52 weeks of operations and fiscal year ending January 30, 2021 consists of 53 weeks of operation.

Contract Revenues. We perform the 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. 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 these tasks are completed as a measurement of progress in the satisfaction of the corresponding performance obligation, and represented approximately 15% and approximately 20% of contract revenues during the six months ended July 25, 2020 and July 27, 2019, respectively.

For certain contracts, representing less than 5% of contract revenues during each of the six months ended July 25, 2020 and July 27, 2019, we use the cost-to-cost measure of progress. These contracts are generally projects that are completed over a period of less than twelve months. 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.

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 independent 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.

Goodwill impairment charge. Goodwill and other indefinite-lived intangible assets are assessed annually for impairment, 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.

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 life.

Interest Expense, Net. Interest expense, net, consists of interest incurred on outstanding variable rate and fixed rate debt and certain other obligations. Interest expense also includes the non-cash amortization of our convertible senior notes debt discount and amortization of debt issuance costs. See Note 13, *Debt*, in the notes to the condensed consolidated financial statements for information on the non-cash amortization of the debt discount and debt issuance costs.

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 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. In addition, a disproportionate number of holidays fall within the fiscal quarter ending in January, which decreases the number of available workdays. Because of these factors, we are most likely to experience reduced revenue and profitability 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.

Results of Operations

The following table sets forth our consolidated statements of operations for the periods indicated. Percentages represent the result of dividing each item by contract revenues (totals may not add due to rounding) (dollars in millions):

	For the Three Months Ended				**For the Six Months Ended**			
	July 25, 2020		**July 27, 2019**		**July 25, 2020**		**July 27, 2019**	
Contract revenues	$ 823.9	100.0 %	$ 884.2	100.0 %	$ 1,638.2	100.0 %	$ 1,718.0	100.0 %
Expenses:								
Costs of earned revenues, excluding depreciation and amortization	658.0	79.9	720.4	81.5	1,338.2	81.7	1,422.2	82.8
General and administrative	67.4	8.2	65.1	7.4	133.2	8.1	123.7	7.2
Depreciation and amortization	44.1	5.4	47.2	5.3	90.0	5.5	93.6	5.4
Goodwill impairment charge	—	—	—	—	53.3	3.3	—	—
Total	769.4	93.4	832.7	94.2	1,614.7	98.6	1,639.5	95.4
Interest expense, net	(7.9)	(1.0)	(12.9)	(1.5)	(20.3)	(1.2)	(25.1)	(1.5)
Gain (loss) on debt extinguishment	(0.5)	(0.1)	—	—	12.0	0.7	—	—
Other income, net	3.1	0.4	4.0	0.5	4.2	0.3	9.7	0.6
Income before income taxes	49.3	6.0	42.6	4.8	19.5	1.2	63.1	3.7
Provision for income taxes	12.2	1.5	12.7	1.4	14.9	0.9	18.9	1.1
Net Income	$ 37.0	4.5 %	$ 29.9	3.4 %	$ 4.6	0.3 %	$ 44.2	2.6 %

Contract Revenues. Contract revenues were $823.9 million during the three months ended July 25, 2020 compared to $884.2 million during the three months ended July 27, 2019. There were no acquired revenues or significant revenues from storm restoration services in the current or prior year quarter.

Contract revenues decreased by $60.3 million during the three months ended July 25, 2020 compared to the three months ended July 27, 2019. Contract revenues decreased by approximately $48.7 million for a large telecommunications customer improving its network and by approximately $41.9 million for a large telecommunications customer, primarily related to services for fiber deployments. In addition, contract revenues decreased by $1.9 million from a leading cable multiple system operator for construction and maintenance services. Contract revenues increased by approximately $19.6 million for a large telecommunications customer primarily for increases in services performed under existing contracts. Additionally, contract revenues increased by approximately $8.7 million for services performed for a telecommunications customer in connection with rural services. All other customers had net increases in contract revenues of $3.9 million on a combined basis during the three months ended July 25, 2020 compared to the three months ended July 27, 2019.

The percentage of our contract revenues by customer type from telecommunications, underground facility locating, and electric and gas utilities and other customers, was 90.6%, 7.2%, and 2.2%, respectively, for the three months ended July 25, 2020 compared to 91.0%, 6.1%, and 2.9%, respectively, for the three months ended July 27, 2019.

Contract revenues were $1.638 billion during the six months ended July 25, 2020 compared to $1.718 billion during the six months ended July 27, 2019. There were no significant contract revenues from storm restoration services during the six months ended July 25, 2020 and $4.7 million of contract revenues from storm restoration services during the six months ended July 27, 2019. There were no acquired revenues during either six month period.

Excluding amounts generated from storm restoration services, contract revenues decreased by $75.0 million during the six months ended July 25, 2020 compared to the six months ended July 27, 2019. Contract revenues decreased by approximately $103.9 million for a large telecommunications customer improving its network. In addition, contract revenues decreased by $45.7 million for a large telecommunications customer, primarily related to services for fiber deployments and by $20.9 million from a leading cable multiple system operator for construction and maintenance services. Partially offsetting these decreases, contract revenues increased by $62.8 million for a large telecommunications customer primarily for increases in services performed under existing contracts and by $17.5 million for services performed for a telecommunications customer in connection with rural services. All other customers had net increases in contract revenues of $15.2 million on a combined basis during the six months ended July 25, 2020 compared to the six months ended July 27, 2019.

The percentage of our contract revenues by customer type from telecommunications, underground facility locating, and electric and gas utilities and other customers, was 89.9%, 6.9%, and 3.2%, respectively, for the six months ended July 25, 2020 compared to 91.1%, 5.9%, and 3.0%, respectively, for the six months ended July 27, 2019.

Costs of Earned Revenues. Costs of earned revenues decreased to $658.0 million, or 79.9% of contract revenues, during the three months ended July 25, 2020 compared to $720.4 million, or 81.5% of contract revenues, during the three months ended July 27, 2019. The primary components of the decrease were a $45.4 million aggregate decrease in direct labor and subcontractor costs, a $9.1 million decrease in direct materials cost, and a $7.2 million decrease in equipment maintenance and fuel costs combined. Other direct costs also decreased $0.7 million.

Costs of earned revenues as a percentage of contract revenues decreased 1.6% during the three months ended July 25, 2020 compared to the three months ended July 27, 2019. As a percentage of contract revenues, labor and subcontracted labor costs decreased 1.0% primarily due to higher productivity and the mix of work performed. In addition, fuel costs and equipment maintenance combined decreased 0.6% as a percentage of contract revenues primarily resulting from a decline in fuel prices. Direct materials decreased 0.4%, primarily as a result of our mix of work in which we provide materials for our customers. Other direct costs increased 0.4% as a percentage of contract revenues mainly due to higher insurance cost during the three months ended July 25, 2020.

Costs of earned revenues decreased to $1.338 billion, or 81.7% of contract revenues, during the six months ended July 25, 2020 compared to $1.422 billion, or 82.8% of contract revenues, during the six months ended July 27, 2019. The primary components of the decrease were a $76.5 million aggregate decrease in direct labor and subcontractor costs, and a $9.3 million decrease in fuel costs and equipment maintenance combined. Partially offsetting these decreases, were increases in direct materials cost of $0.4 million and other direct costs of $1.4 million.

Costs of earned revenues as a percentage of contract revenues decreased 1.1% during the six months ended July 25, 2020 compared to the six months ended July 27, 2019. As a percentage of contract revenues, labor and subcontracted labor costs decreased 1.6% primarily due to higher productivity and the mix of work performed. In addition, fuel costs and equipment maintenance combined decreased 0.4% as a percentage of contract revenues primarily resulting from a decline in fuel prices. Partially offsetting these decreases, direct materials increased 0.4%, primarily as a result of our mix of work in which we provide materials for our customers. Other direct costs increased 0.4% as a percentage of contract revenues. We incurred higher insurance cost during the six months ended July 25, 2020.

General and Administrative Expenses. General and administrative expenses increased to $67.4 million, or 8.2% of contract revenues, during the three months ended July 25, 2020 compared to $65.1 million, or 7.4% of contract revenues, during the three months ended July 27, 2019. The increase in total general and administrative expenses during the three months ended
July 25, 2020 primarily resulted from increased performance based compensation costs. These increases were partially offset by lower payroll costs and benefits primarily from reduced headcount.

General and administrative expenses increased to $133.2 million, or 8.1% of contract revenues, during the six months ended July 25, 2020 compared to $123.7 million, or 7.2% of contract revenues, during the six months ended July 27, 2019.
The increase in total general and administrative expenses during the six months ended July 25, 2020 is mainly attributable to $10.5 million recovery of accounts receivable and contract assets recorded in the six months ended July 27, 2019. Other general and administrative expenses decreased $1.0 million during the six months ended July 25, 2020.

Depreciation and Amortization. Depreciation expense was $39.0 million, or 4.7% of contract revenues, during the three months ended July 25, 2020 compared to $41.9 million, or 4.7% of contract revenues, during the three months ended July 27, 2019. The decrease in depreciation expense during the three months ended July 25, 2020 is primarily due to certain assets becoming fully depreciated or sold during fiscal 2021 and reduced capital expenditures. Depreciation expense was $79.6 million, or 4.9% of contract revenues, during the six months ended July 25, 2020 compared to $82.9 million, or 4.8% of contract revenues, during the six months ended July 27, 2019. The decrease in depreciation expense during the six months ended July 25, 2020 is primarily as a result of reduced capital expenditures.

Amortization expense was $5.2 million and $5.3 million during the three months ended July 25, 2020 and July 27, 2019, respectively, and $10.4 million and $10.7 million during the six months ended July 25, 2020 and July 27, 2019.

Interest Expense, Net. Interest expense, net was $7.9 million and $12.9 million during the three months ended July 25, 2020 and July 27, 2019, respectively. Interest expense includes $1.7 million and $5.0 million for the non-cash amortization of the debt discount associated with 0.75% convertible senior notes due September 2021 (the “Notes”) during the three months ended July 25, 2020 and July 27, 2019, respectively. Excluding this amortization, interest expense, net decreased to $6.1 million during the three months ended July 25, 2020 from $7.9 million during the three months ended July 27, 2019 as a result of lower interest rates and lower outstanding balances.

Interest expense, net was $20.3 million and $25.1 million during the six months ended July 25, 2020 and July 27, 2019, respectively. Interest expense includes $6.1 million and $9.9 million for the non-cash amortization of the debt discount associated with the Notes during the six months ended July 25, 2020 and July 27, 2019, respectively. Excluding this amortization, interest expense, net decreased to $14.2 million during the six months ended July 25, 2020 from $15.2 million during the six months ended July 27, 2019 as a result of lower outstanding borrowings.

Gain (loss) on debt extinguishment. During the three months ended July 25, 2020 we purchased $234.7 million aggregate principal amount of Notes for $224.4 million, including interest and fees, resulting in a $0.5 million loss on debt extinguishment based on the net carrying amount of the Notes. During the six months ended July 25, 2020, we purchased $401.7 million aggregate principal amount of Notes for $371.4 million, including interest and fees, resulting in a $12.0 million gain on debt extinguishment based on the net carrying amount of the Notes.

Other Income, Net. Other income, net was $3.1 million and $4.0 million during the three months ended July 25, 2020 and July 27, 2019, respectively, and $4.2 million and $9.7 million during the six months ended July 25, 2020 and July 27, 2019, respectively. The change in other income, net is 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 $3.4 million and $4.8 million during the three months ended July 25, 2020 and July 27, 2019, respectively, and $5.2 million and $11.5 during the six months ended July 25, 2020 and July 27, 2019, respectively. Other income, net also reflects $0.5 million and $1.3 million of expense during the three months ended July 25, 2020 and July 27, 2019 and $1.3 million and $2.6 million during the six months ended July 25, 2020 and July 27, 2019 respectively, associated with the non-recourse sale of accounts receivable under a customer-sponsored vendor payment program.

Income Taxes. The following table presents our income tax provision and effective income tax rate for the three and six months ended July 25, 2020 and July 27, 2019 (dollars in millions):

	For the Three Months Ended		For the Six Months Ended	
	July 25, 2020	July 27, 2019	July 25, 2020	July 27, 2019
Income tax provision	$ 12.2	$ 12.7	$ 14.9	$ 18.9
Effective income tax rate	24.9 %	29.8 %	76.4 %	30.0 %

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act, among other things, includes tax provisions relating to refundable payroll tax credits, the deferral of employer's social security payments, and modifications to net operating loss ("NOL") carryback provisions. During the six months ended July 25, 2020, we recognized an income tax benefit of $2.6 million from a tax loss carryback under the CARES Act. The Company will continue to evaluate the impact of the CARES Act on its financial position, results of operations and cash flows.

Our effective income tax rate was 24.9% and 29.8% for the three months ended July 25, 2020 and July 27, 2019, respectively, and 76.4% and 30.0% for the six months ended July 25, 2020 and July 27, 2019, respectively. The effective tax rate differs from the statutory rate each period primarily due to the difference in income tax rates from state to state where work was performed, changes in unrecognized tax benefits, variances in non-deductible and non-taxable items, tax credits recognized, and the impact of the vesting and exercise of share-based awards during the periods. Additionally, during the six months ended July 25, 2020, our effective tax rate was impacted by the $53.3 million goodwill impairment charge which was mostly non-deductible for income tax purposes, and the benefit from the $2.6 million tax loss carryback under the CARES Act.

Net Income. Net income was $37.0 million for the three months ended July 25, 2020 compared to net income of $29.9 million for the three months ended July 27, 2019. Net income was $4.6 million for the six months ended July 25, 2020 compared to $44.2 million for the six months ended July 27, 2019.

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):

	For the Three Months Ended		For the Six Months Ended	
	July 25, 2020	July 27, 2019	July 25, 2020	July 27, 2019
Net income	$ 37,024	$ 29,896	$ 4,606	$ 44,175
Interest expense, net	7,853	12,878	20,310	25,111
Provision for income taxes	12,244	12,710	14,921	18,909
Depreciation and amortization	44,129	47,244	90,001	93,586
Earnings Before Interest, Taxes, Depreciation & Amortization ("EBITDA")	101,250	102,728	129,838	181,781
Gain on sale of fixed assets	(3,418)	(4,806)	(5,206)	(11,544)
Stock-based compensation expense	4,373	2,277	6,694	5,756
Goodwill impairment charge	—	—	53,264	—
Loss (gain) on debt extinguishment	458	—	(12,046)	—
Charge for warranty costs	—	—	—	8,200
Recovery of previously reserved accounts receivable and contract assets	—	—	—	(10,345)
Non-GAAP Adjusted EBITDA	$ 102,663	$ 100,199	$ 172,544	$ 173,848
Non-GAAP Adjusted EBITDA % of contract revenues	12.5 %	11.3 %	10.5 %	10.1 %

During the quarter ended July 27, 2019, the Company entered into a contract modification that increased revenue produced by a large customer program. As a result, the Company recognized $11.8 million of contract revenues for services performed in prior periods, $0.8 million of related performance-based compensation expense, and $1.0 million of stock-based compensation.

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 $22.5 million as of July 25, 2020 compared to $54.6 million as of January 25, 2020. 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.

In connection with the issuance of the Notes, we entered into privately-negotiated convertible note hedge transactions with certain counterparties. We are subject to counterparty risk with respect to these convertible note hedge transactions. The hedge counterparties are financial institutions, and we are subject to the risk that they might default under the convertible note hedge transactions. To mitigate that risk, we contracted with institutional counterparties who met specific requirements under our risk assessment process. Additionally, the transactions are subject to a netting arrangement, which also reduces credit risk.

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 $917.8 million as of July 25, 2020 compared to $957.8 million as of January 25, 2020.

Capital resources are used primarily to purchase equipment and maintain sufficient levels of working capital to support our contractual commitments to customers. We periodically borrow from 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, repurchase of the Notes, and share repurchases. Consequently, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Sufficiency of Capital Resources. We believe that our capital resources, including existing cash balances and amounts available under our credit agreement (as defined below), are sufficient to meet our financial obligations, and any new challenges and uncertainties associated with the COVID-19 pandemic. These obligations include interest payments required on the Notes and outstanding term loan facilities and revolver borrowings under our credit agreement, working capital requirements, and the normal replacement 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, or to the extent we repurchase our common stock, repay credit agreement borrowings, or repurchase or convert the Notes. In light of the uncertainties around the economic impacts from the COVID-19 pandemic, we are focused on controlling our costs and capital expenditures to preserve our ability to continue to fund our operations. 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 the six months ended July 25, 2020 and July 27, 2019 (dollars in millions):

	For the Six Months Ended	
	July 25, 2020	**July 27, 2019**
Net cash flows:		
Provided by (used in) operating activities	$ 167.5	$ (109.7)
Used in investing activities	$ (20.8)	$ (70.9)
(Used in) provided by financing activities	$ (178.9)	$ 64.3

Cash Provided by (Used in) Operating Activities. 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 and gain and loss on debt extinguishment were the primary non-cash items in cash flows from operating activities during the current and prior periods.

During the six months ended July 25, 2020, net cash generated from operating activities was $167.5 million. Changes in working capital (excluding cash) and changes in other long-term assets and liabilities provided $22.4 million of operating cash flow during the six months ended July 25, 2020. Working capital changes that provided operating cash flow during the six months ended July 25, 2020 included an aggregate increase in accounts payable and accrued liabilities of $84.9 million and a net decrease in income tax receivable of $15.1 million, other assets of $3.7 million, other current assets and inventories of $2.4 million, each primarily as a result of the timing of payments. Working capital that used operating cash flow during the six months ended July 25, 2020 included increases in accounts receivable of $81.3 million and contract assets, net of $2.4 million.

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 126 days of July 25, 2020 compared to 117 as of July 27, 2019. The increase in our DSO was primarily a result of an increase in the amount of work performed under a large customer program. This program consists of multiple tasks which will be billed as the tasks are completed.

See Note 5, *Accounts Receivable, Contract Assets, and Contract Liabilities*, for further information on our customer credit concentration as of July 25, 2020 and January 25, 2020 and Note 18, *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 July 25, 2020 or January 25, 2020.

During the six months ended July 27, 2019, net cash used by operating activities was $109.7 million. Changes in working capital (excluding cash) and changes in other long-term assets and liabilities used $269.5 million of operating cash flow during the six months ended July 27, 2019. Working capital changes that used operating cash flow during the six months ended July 27, 2019 included increases in accounts receivable and contract assets, net and other current assets and inventories of $171.5 million, $143.6 million, and $15.4 respectively. In addition, a net decrease in accrued liabilities used $1.7 million of operating cash flow primarily resulting from amounts paid for annual incentive compensation during April 2019 and payments made related to operating lease liabilities, partially offset by a $10.5 million charge for estimated warranty costs for work performed for a customer in prior periods. Changes that provided operating cash flow during the six months ended July 27, 2019 included a net decrease in other assets of $37.0 million primarily as a result of collections of long-term accounts receivable and a reduction of long-term contract assets. In addition, operating cash flow was provided by an increase in accounts payable of $21.6 million and a net decrease in income tax receivable of $3.9 million during the six months ended July 27, 2019, each primarily as a result of the timing of payments.

Cash Used in Investing Activities. Net cash used in investing activities was $20.8 million during the six months ended July 25, 2020 compared to $70.9 million during the six months ended July 27, 2019. During the six months ended July 25, 2020 and July 27, 2019, capital expenditures were $26.7 million and $83.9 million, respectively. Capital expenditures declined during the six months ended July 25, 2020, as we replaced fewer assets as a result of uncertainties associated with the COVID-19 pandemic. These expenditures were offset in part by proceeds from the sale of assets of $6.0 million and $12.8 million during the six months ended July 25, 2020 and July 27, 2019, respectively.

Cash (Used in) Provided by Financing Activities. Net cash used in financing activities was $178.9 million during the six months ended July 25, 2020. During the six months ended July 25, 2020, borrowings under our credit agreement, net of repayments, were $188.8 million. We also purchased $401.7 million of our convertible senior notes ("Notes") for $371.4 million, including interest and fees, resulting in a $30.8 million redemption discount on convertible debt. In connection with the purchase, we unwound convertible note hedge transactions and warrants proportionally to the number of Notes. We received $7.2 million for the settlement of the convertible note hedges and paid $7.2 million for the warrants. The exercise of stock options provided $3.6 million during the six months ended July 25, 2020. Partially offsetting this, we paid $0.3 million to tax authorities in order to meet the payroll tax withholding obligations on restricted share units that vested during the six months ended July 25, 2020.

Net cash provided by financing activities was $64.3 million during the six months ended July 27, 2019. During the six months ended July 27, 2019, borrowings under our Credit Agreement, net of repayments, were $65.0 million. Additionally, we received $0.2 million from the exercise of stock options during the six months ended July 27, 2019. Offsetting this, we withheld shares and paid $0.8 million to tax authorities in order to meet the payroll tax withholding obligations on restricted share units that vested the six months ended July 27, 2019.

Compliance with Credit Agreement. On October 19, 2018, we amended and restated our existing credit agreement, dated as of December 3, 2012, as amended on April 24, 2015 and as subsequently amended and supplemented, with the various lenders party thereto (the "credit agreement"). The maturity date of the credit agreement was extended to October 19, 2023 and, among other things, the maximum revolver commitment was increased to $750.0 million from $450.0 million and the term loan facility was increased to $450.0 million. The credit agreement includes a $200.0 million sublimit for the issuance of letters of credit.

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 in the form of term loans, up to the greater of (i) $350.0 million and (ii) an 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 $50.0 million to our trailing twelve-month consolidated earnings before interest, taxes, depreciation, and amortization, as defined by the credit agreement ("EBITDA"). Borrowings under the credit agreement are guaranteed by substantially all of our subsidiaries and secured by the equity interests of the substantial majority of our subsidiaries.

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 $50.0 million to our trailing twelve-month 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
Borrowings - Base Rate Loans	0.25% - 1.00% plus administrative agent's base rate[(1)]
Unused Revolver Commitment	0.20% - 0.40%
Standby Letters of Credit	1.25% - 2.00%
Commercial Letters of Credit	0.625% - 1.00%

[(1)] 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%.

Standby letters of credit of approximately $52.2 million and 52.3 million, issued as part of our insurance program, were outstanding under the credit agreement as of July 25, 2020 and January 25, 2020, respectively.

The weighted average interest rates and fees for balances under our credit agreement as of July 25, 2020 and January 25, 2020 were as follows:

	Weighted Average Rate End of Period	
	July 25, 2020	**January 25, 2020**
Borrowings - Term loan facilities	1.92%	3.67%
Borrowings - Revolving facility[(1)]	1.93%	—%
Standby Letters of Credit	1.75%	2.00%
Unused Revolver Commitment	0.35%	0.40%

[(1)] There were no outstanding borrowings under the revolving facility as of January 25, 2020.

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 agreement also contains a financial covenant that requires us to maintain a consolidated interest coverage ratio, which is the ratio of our trailing twelve-month consolidated EBITDA to our consolidated interest expense, each as defined by the credit agreement, of not less than 3.00 to 1.00, as measured at the end of each fiscal quarter. In addition, our credit agreement contained a minimum liquidity covenant that would have become effective beginning 91 days before the maturity date of our 0.75% convertible senior notes due September 2021 (the "Notes") if the outstanding principal amount of the Notes was greater than $250.0 million. This covenant terminated on June 5, 2020 when the outstanding principal amount of the Notes was reduced to $58.3 million. At July 25, 2020 and January 25, 2020,we were in compliance with the financial covenants of our credit agreement and had borrowing availability under the revolving facility of $451.5 million and $287.0 million, respectively, as determined by the most restrictive covenant.

Contractual Obligations. The following table sets forth our outstanding contractual obligations as of July 25, 2020 (dollars in thousands):

	Less than 1 Year	Years 1 – 3	Years 3 – 5	Greater than 5 Years	Total
0.75% convertible senior notes due September 2021	$ —	$ 58,264	$ —	$ —	$ 58,264
Credit agreement – revolving facility	—	—	200,000	—	200,000
Credit agreement – term loan facilities	22,500	73,125	337,500	—	433,125
Fixed interest payments on long-term debt(1)	437	218	—	—	655
Obligations under long-term operating leases(2)	30,335	34,176	11,587	2,936	79,034
Obligations under short-term operating leases(3)	2,374	—	—	—	2,374
Employment agreements	13,856	7,752	1,383	—	22,991
Deferral of tax payments(4)	—	17,356	—	—	17,356
Purchase and other contractual obligations(5)	9,301	—	—	—	9,301
Total	$ 78,803	$ 190,891	$ 550,470	$ 2,936	$ 823,100

(1) Includes interest payments on our $58.3 million principal amount of 0.75% convertible senior notes due 2021 outstanding and excludes interest payments on our variable rate debt. Variable rate debt as of July 25, 2020 consisted of $433.1 million outstanding under our term loan facilities and $200.0 million of revolver borrowings.

(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 July 25, 2020.

(3) Amounts represent lease obligations under short-term operating leases that are not recorded on our consolidated balance sheet as of July 25, 2020.

(4) Amounts represent deferral of payroll tax payments, 50% of which are due by December 31, 2021 and the remainder of which are due by December 31, 2022, as permitted by the CARES Act.

(5) We have committed capital for the expansion of our vehicle fleet in order to accommodate manufacturer lead times. As of July 25, 2020, purchase and other contractual obligations includes approximately $8.4 million for issued orders with delivery dates scheduled to occur over the next 12 months.

We have excluded contractual obligations under the multi-employer defined pension plans that cover certain of our employees, as these obligations are determined based on our future union employee payrolls, which cannot be reliably determined as of July 25, 2020.

Our condensed consolidated balance sheet as of July 25, 2020 includes a long-term liability of approximately $67.3 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 $4.3 million and $4.7 million as of July 25, 2020 and January 25, 2020, 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 July 25, 2020 and January 25, 2020 we had $180.6 million and $156.1 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 $74.5 million as of July 25, 2020. 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 July 25, 2020 and January 25, 2020, we had $23.4 million and $23.4 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 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 $52.2 million and $52.3 million outstanding standby letters of credit issued under our credit agreement as of July 25, 2020 and January 25, 2020, respectively.

Backlog. Our backlog is an estimate of the uncompleted portion of services to be performed under contractual agreements with our customers and totaled $6.441 billion and $7.314 billion at July 25, 2020 and January 25, 2020, respectively. We expect to complete 38.1% of the July 25, 2020 total backlog during the next twelve 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 twelve 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. A significant majority of our backlog comprises services under master service agreements and other long-term contracts.

In many instances, our customers are not contractually committed to procure specific volumes of services under a contract. 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 at the time the estimate of backlog is developed. In addition, contract revenues reflected in our backlog may be realized in different periods from those previously reported 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, scheduling changes, commercial issues such as permitting, engineering revisions, job site conditions, adverse weather, and the potential adverse effects of the COVID-19 pandemic. The amount or timing of our backlog can also be impacted by the merger or acquisition activity of our customers. While we did not experience any material cancellations during the six months ended July 25, 2020 or July 27, 2019, 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.

Backlog is not a measure defined by United States generally accepted accounting principles; however, it is a common measurement used in our industry. Our methodology for determining backlog may not be comparable to the methodologies used by others.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk.*

Interest Rate and Market Price Risk. We are exposed to market risks related to interest rates on our cash and equivalents and interest rates and market price sensitivity on our debt obligations. We monitor the effects of market fluctuations on interest rates and manage interest rate risks by investing in short-term cash equivalents that bear market rates of interest and by maintaining a mix of fixed and variable rate debt obligations.

Our credit agreement permits borrowings at a variable rate of interest. On July 25, 2020, we had variable rate debt outstanding under our credit agreement of $433.1 million under our term loan facilities and $200.0 million of revolver borrowings. Interest related to these borrowings fluctuates based on LIBOR or the base rate of the bank administrative agent of the credit agreement. 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 $3.2 million annually.

In September 2015, we issued $485.0 million principal amount of convertible senior notes (the "Notes"), which bear a fixed rate of interest of 0.75%. During the fourth quarter of fiscal 2020, we purchased, through open-market transactions, $25.0 million aggregate principal amount of the 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. During the six months ended July 25, 2020, 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 notes were purchased through privately-negotiated transactions and a tender offer. After the write-off of associated debt issuance costs, the net loss on extinguishment was $0.5 million for the three months ended July 25, 2020, and a net gain on extinguishment of $12.0 million for the six months ended July 25, 2020.

The fair value of the fixed rate Notes will change with changes in market interest rates. Generally, the fair value of the fixed rate Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the Notes is affected by the price and volatility of our common stock and will generally increase or decrease as the market price of our common stock changes.

The following table summarizes the carrying amount and fair value of the Notes, net of the debt discount and debt issuance costs. The fair value of the Notes is based on the closing trading price per $100 of the Notes as of the last day of trading for the respective periods (Level 2), which was $97.25 and $97.25 as of July 25, 2020 and January 25, 2020, respectively (dollars in thousands):

	July 25, 2020	January 25, 2020
Principal amount of Notes	$ 58,264	$ 460,000
Less: Debt discount and debt issuance costs	(3,356)	(37,474)
Net carrying amount of Notes	$ 54,908	$ 422,526
Fair value of principal amount of Notes	$ 56,662	$ 447,350
Less: Debt discount and debt issuance costs	(3,356)	(37,474)
Fair value of Notes	$ 53,306	$ 409,876

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 Notes of approximately $0.3 million, calculated on a discounted cash flow basis as of July 25, 2020.

In connection with the offering of the 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 Notes and offsetting any potential cash payments in excess of the principal amount of the Notes. In the event that shares or cash are deliverable to holders of the Notes upon conversion at limits defined in the indenture governing the Notes, counterparties to the convertible note hedge will be required to deliver to us shares of our common stock or pay cash to us in a similar amount as the value that we deliver to the holders of the 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 be 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 $25.0 million and $401.7 million, respectively, of the Notes, the number of shares that could be deliverable to us upon conversion was reduced to up to 0.601 million of our shares.

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 the six months ended July 25, 2020 in connection with the purchase of $25.0 million and $401.7 million, respectively, of the Notes, the remaining warrant transactions provide for up to 0.601 million shares. The warrants will not have a dilutive effect on our earnings per share unless our quarterly average share price exceeds the warrant strike price of $130.43 per share. In this event, we expect to settle the warrant transactions on a net share basis whereby we will issue shares of our common stock.

Item 4. *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 July 25, 2020, the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of July 25, 2020, 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 most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings.*

On October 25, 2018 and October 30, 2018, the Company, its Chief Executive Officer and its Chief Financial Officer were named as defendants in two substantively identical lawsuits alleging violations of the federal securities fraud laws. The lawsuits, which purport to be brought on behalf of a class of all purchasers of the Company's securities between November 20, 2017 and August 10, 2018, were filed in the United States District Court for the Southern District of Florida (the "Court"). The cases were consolidated by the Court on January 11, 2019. The lawsuit alleges that the defendants made materially false and misleading statements or failed to disclose material facts regarding the Company's financial condition and business operations, including those related to the Company's dependency on, and uncertainties related to, the permitting necessary for its large projects. The Parties have entered into an agreement to settle the consolidated lawsuit, subject to Court approval of the settlement. The settlement does not include any admission by the Company or any of its officers of the allegations made in the lawsuit. The full settlement amount has been funded by the Company's insurance carriers and is expected to be distributed following final approval by the Court.

On December 17, 2018 and May 8, 2020, shareholder derivative actions were filed in United States District Court for the Southern District of Florida against the Company, as nominal defendant, and the members of its Board of Directors (and, in the second action, the Company's Chief Financial Officer), alleging that the defendants breached fiduciary duties owed to the Company and violated the securities laws by causing the Company to issue false and misleading statements. The statements alleged to be false and misleading are the same statements that are alleged to be false and misleading in the securities lawsuit described above. The Company believes the allegations in the lawsuits are without merit and expects them to be vigorously defended. On February 28, 2019, the Court stayed the first lawsuit pending a further Order from the Court. On June 12, 2020, the Court lifted the stay and consolidated the two lawsuits. The plaintiffs have not yet filed a consolidated complaint. Based on the early stage of these matters, it is not possible to estimate the amount or range of possible loss that may result from an adverse judgment or a settlement of this matter.

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, we submitted a formal request to the Plan seeking review of the Plan's withdrawal liability determination. We dispute the claim that it is required to make payment of a withdrawal liability as demanded by the Plan as it believes there is a statutory exemption under the Employee Retirement Income Security Act ("ERISA") that applies to its activities. The Plan has taken the position that the work at issue does not qualify for the statutory exemption. We have submitted this dispute to arbitration, as required by ERISA, with a hearing expected early calendar year 2021. There can be no assurance that we will be successful in asserting the statutory exemption as a defense in the arbitration proceeding. As required by ERISA, in November 2016, the subsidiary began making payments of a withdrawal liability to the Plan in the amount of approximately $0.1 million per month. If we prevail in disputing the withdrawal liability, all such payments are expected to be refunded.

From time to time, we are party to 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.

Item 1A. *Risk Factors.*

The risk factor presented below updates, and should be considered in addition to, the risk factors previously disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 25, 2020.

The COVID-19 pandemic has adversely affected our operations and is expected to continue to pose risks that could materially disrupt our business and negatively impact our operating results, cash flows and financial condition.

The economy of the United States has been severely impacted by the nation's response to the COVID-19 pandemic. Measures taken include travel restrictions, social distancing requirements, quarantines, and shelter in place orders. As a result, businesses have 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, but changes in the severity of the COVID-19 pandemic at different times in the various cities and regions where we operate could impact our ability to operate in the future.

We believe the impact of the COVID-19 pandemic on our operating results, cash flows and financial condition is uncertain, unpredictable and may be outside of our control. The COVID-19 pandemic is likely to heighten and exacerbate the risks identified in "Item 1A. Risk Factors" in our Annual Report on Form 10-K. In addition to those risks and others that cannot yet be identified, we may experience impacts to our business resulting from any the following:

- The classification of our services as being essential in nature could change at any time in any or all of the state, county or municipal jurisdictions where we provide our services, and any change could materially impact our operations.
- In response to the impact of the COVID-19 pandemic, certain of our customers have modified their protocols to increase the self-installation of customer premise equipment by their subscribers. These modifications and any additional modifications to protocols are expected to result in a downturn in customer demand for our in-home installation services for the duration of the COVID-19 pandemic, and possibly longer.
- Our operations may not, at times, function in a manner that is consistent with evolving, differing and, in some instances, conflicting guidelines and best practices that are intended to reduce the spread of COVID-19, which could expose us to increased risks and costs associated with workplace safety claims.
- As a result of having temporarily shifted many of our administrative personnel to working remotely, there is an increase in the likelihood and the potential severity of information technology security risks and concerns, and an increase in our exposure to risks and costs associated with wage and hour claims.
- After the COVID-19 pandemic has moderated and governmental restrictions have eased, we may continue to experience adverse effects on our operating results, cash flows and/or financial condition arising out of long-term changes to the behavior of our customers and from recessionary economic conditions that may persist.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*.

(a) During the three months ended July 25, 2020, the Company did not sell any equity securities that were not registered under the Securities Act of 1933.

(b) Not applicable.

(c) The following table summarizes the Company's purchase of its common stock during the three months ended July 25, 2020:

Period	Total Number of Shares Purchased	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
April 26, 2020 - May 23, 2020	—	$ —	—	[1]
May 24, 2020 - June 20, 2020	—	$ —	—	[1]
June 21, 2020 - July 25, 2020	—	$ —	—	[1]

[1] On August 29, 2018, 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 February 2020 in open market or private transactions. No repurchases were made under this authorization, and, as of February 2020, the authorization expired.

Item 6. *Exhibits.*

Exhibits furnished pursuant to the requirements of Form 10-Q:

Exhibit Number	
10.1+	Employment Agreement by and between Dycom Industries, Inc. and Steven E. Nielsen, dated as of May 21, 2020.
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 Quarterly Report on Form 10-Q for the quarter ended July 25, 2020 formatted in Inline XBRL: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Comprehensive Income; (iv) the Condensed Consolidated Statements of Stockholders’ Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to Condensed Consolidated Financial Statements.
104 +	The cover page from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended July 25, 2020, formatted in Inline XBRL (included as Exhibit 101)

+	Filed herewith
++	Furnished herewith

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: August 27, 2020	/s/ Steven E. Nielsen
	Name: Steven E. Nielsen
	Title: President and Chief Executive Officer
Date: August 27, 2020	/s/ H. Andrew DeFerrari
	Name: H. Andrew DeFerrari
	Title: Senior Vice President and Chief Financial Officer

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), dated as of May 21, 2020, is by and between Dycom Industries, Inc., a Florida corporation (the "Company"), and Steven E. Nielsen (the "Executive").

WHEREAS, the Company and the Executive previously entered into an employment agreement, dated as of April 26, 2016 (the "Existing Employment Agreement");

WHEREAS, the Existing Employment Agreement will expire in accordance with its terms on May 31, 2020; and

WHEREAS, the Company and the Executive desire to provide for the continued employment of the Executive and to supersede the Existing Employment Agreement with this Agreement effective as of the Effective Date (as defined in Section 2);

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Employment and Duties.

(a) General. Subject to the terms and conditions hereof, the Executive shall continue to serve as President and Chief Executive Officer of the Company, reporting to the Board of Directors (the "Board") of the Company. The Executive shall have such duties and responsibilities commensurate with those typically provided by a President and Chief Executive Officer of a company that is required to file reports with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (a "Public Company"), as may be assigned to the Executive from time to time by the Board. The Executive's principal place of employment shall be the principal offices of the Company currently located in Palm Beach Gardens, Florida, subject to such reasonable travel as the performance of his duties and the business of the Company may require.

(b) Exclusive Services. For so long as the Executive is employed by the Company, the Executive shall devote his full business working time to his duties hereunder, shall faithfully serve the Company, shall in all respects conform to and comply with the lawful and good faith directions and instructions given to him by the Board and shall use his best efforts to promote and serve the interests of the Company. Further, the Executive shall not, directly or indirectly, render material services to any other person or organization without the consent of the Company pursuant to authority granted by the lead independent director of the Board or otherwise engage in activities that would interfere significantly with the faithful performance of his duties hereunder. Notwithstanding the foregoing, the Executive may (i) serve on corporate, civic or charitable boards provided that, on and after the Effective Date hereof, the Executive provides the lead independent director of the Board, in writing, with a list of such boards and receives the consent of the lead independent director of the Board to serve on such boards and

(ii) manage personal investments or engage in charitable activities, provided that such activity does not contravene the first sentence of this Section 1(b).

2. Term.

(a) The Executive's employment under this Agreement shall commence as of May 31, 2020 (the "Effective Date") and shall, subject to earlier termination of the Executive's employment under this Agreement), continue until May 31, 2025 (the "Initial Term"). Unless a Final Non-Renewal Notice (as defined below) is given or the Executive's employment is earlier terminated in accordance with the terms of this Agreement, the period of the Executive's employment shall, as of and following the expiration of the Initial Term, be automatically extended for additional 12 month periods (individually, and collectively, the "Renewal Term"). The period from the Effective Date until the termination of the Executive's employment under this Agreement, including the Initial Term, and, if applicable, the CIC Term (as defined below), any Renewal Term or Post-CIC Renewal Term (as defined below), is referred to as the "Term."

(b) Notwithstanding the foregoing, if a Change in Control (as defined in Section 5 below) occurs prior to the termination of the Executive's employment under this Agreement (including after providing a Final Non-Renewal Notice, which shall be deemed revoked and superseded by reason of the occurrence of the Change in Control), the Term shall end not earlier than the second anniversary of the consummation of the Change in Control unless the Executive experiences a termination of employment under this Agreement (the "CIC Term"). Unless a Final Non-Renewal Notice is given as herein provided or Executive's employment is earlier terminated in accordance with the terms of this Agreement, the period of Executive's employment shall, as of and following the expiration of the CIC Term, be automatically extended for additional 12 month periods (individually, and collectively, the "Post-CIC Renewal Term"). The Company or the Executive may elect to terminate the automatic extension of the Term by giving written notice of such election not less than (i) one-year prior to the end of the Initial Term or any Renewal Term, as applicable or (ii) 90 days prior to the end of the CIC Term or any Post-CIC Renewal Term, as applicable (the "Final Non-Renewal Notice").

3. Compensation and Other Benefits.

Subject to the provisions of this Agreement, the Company shall pay and provide the following compensation and other benefits to the Executive during the Term as compensation for services rendered hereunder:

(a) Base Salary. The Company shall pay to the Executive an annual salary at the rate of $1,050,000 (the "Base Salary"), payable in substantially equal installments at such intervals as may be determined by the Company in accordance with its ordinary payroll practices as established from time to time; provided that the Executive shall receive a reduced annual salary at the rate of $750,000 (the "Reduced Base Salary") in accordance with and until such time provided for in that certain letter agreement regarding salary reduction dated March 27, 2020 (the "Salary Reduction Letter"). For the avoidance of doubt, any references to "Base Salary" in this Agreement (including in Section 3(b) with respect to the Executive's bonus entitlements and in Section 4 relating to post-termination severance and other payments and benefits) shall refer to the highest annual rate of Base Salary approved by the Compensation Committee of the Board for the Executive as of and following the date of this Agreement and shall not refer to the Reduced Base Salary or any other reduced annual salary rate unless specifically agreed to by the Executive. During the Term, the Compensation Committee of the Board shall review the Executive's Base Salary, not less often than annually, and may increase (but not decrease) the Executive's Base Salary in its sole discretion.

(b) Bonus. The Executive shall be entitled to participate in the Company's annual incentive bonus plan in accordance with its terms as may be in effect from time to time and subject to such other terms as the Board may approve. For each fiscal year during the Term, the Executive shall be eligible to receive no less than (i) a target annual bonus opportunity of 105% of his Base Salary and (ii) an annual maximum bonus opportunity of 210% of his Base Salary.

(c) Long-Term Incentive Plan. The Executive shall be entitled to participate in the Company's long-term incentive plan in accordance with its terms that may be in effect from time to time and subject to such other terms as the Board, in its sole discretion, may approve.

(d) Benefit Plans. The Executive shall be entitled to participate in all employee benefit plans or programs of the Company as are available to other senior executives of the Company, in accordance with the terms of the plans, as may be amended from time to time.

(e) Expenses. The Company shall reimburse the Executive for reasonable travel and other business-related expenses incurred by the Executive in the fulfillment of his duties hereunder upon presentation of written documentation thereof, in accordance with the business expense reimbursement policies and procedures of the Company as in effect from time to time. In addition, the Company shall reimburse the Executive for the cost of an annual physical exam by a physician of the Executive's choice upon presentation of written documentation thereof, in accordance with the applicable business expense reimbursement policies and procedures of the Company as in effect from time to time. Payments with respect to reimbursements of expenses shall be made consistent with the Company's reimbursement policies and procedures and in no event later than the last day of the calendar year following the calendar year in which the relevant expense is incurred.

(f) Vacation. The Executive shall be entitled to vacation time consistent with the applicable policies of the Company for other senior executives of the Company as in effect from time to time.

4. Termination of Employment.

Subject to this Section 4, the Company shall have the right to terminate the Executive's employment at any time, with or without Cause (as defined in Section 5 below), and the Executive shall have the right to terminate his employment at any time, with or without Good Reason (as defined in Section 5 below).

(a) Termination due to Death or Disability. The Executive's employment under this Agreement will terminate upon the Executive's death and upon the Executive's Disability (as defined in Section 5 below) may be terminated by the Company upon giving not less than 30 days' written notice to the Executive. In the event of the Executive's death or Disability, the Company shall pay to the Executive (or his estate, as applicable) the Executive's accrued salary through and including the date of termination and any bonus earned, but unpaid, for the year prior to the year in which the Separation from Service (as defined in Section 4(b) below) occurs and any other amounts or benefits required to be paid or provided by law or under any plan, program, policy or practice of the Company ("Other Accrued Compensation and Benefits"), payable within 30 days of the Executive's Separation from Service by reason of death or Disability. In addition, solely in the event the Executive's employment under this Agreement terminates as a result of death or Disability after the Executive or the Company delivers a Final Non-Renewal Notice, the Executive shall be entitled to the following: (i) a pro rata bonus equal to (x) the annual bonus the Executive would have earned for the fiscal year in which the Separation from Service occurs based on performance as determined by the Board, multiplied by (y) a fraction, the numerator of which is the number of days worked during the fiscal year in which the Separation from Service occurs and the denominator of which is 365, payable in a single lump sum upon certification to the Board of performance for such fiscal year; (ii) full acceleration of all outstanding stock options granted by the Company to the Executive pursuant to any of the Company's long-term incentive plans, to the extent not already vested, which shall remain exercisable for the three-year period following the date of termination; (iii) with respect to all outstanding time and performance vesting restricted stock or restricted stock unit awards granted by the Company to the Executive pursuant to any of the Company's long-term incentive plans, (1) in the case of death, full acceleration of such awards with any performance awards vesting at their respective target performance levels; or (2) in the case of Disability, continued vesting in accordance with the terms of such awards, with any performance vesting awards subject to the applicable performance conditions; and (iv) with respect to any other outstanding equity awards, such awards will continue to vest in accordance with their terms, with any performance vesting awards subject to the applicable performance conditions.

(b) Termination for Cause; Resignation without Good Reason. If, prior to the expiration of the Term, the Executive incurs a "Separation from Service" within the meaning of Section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), by reason of the Company's termination of the Executive's employment for Cause or if the Executive resigns from his employment hereunder other than for Good Reason, the Executive shall only be entitled to payment of his Other Accrued Compensation and Benefits, payable in accordance with Company policies and practices and in no event later than 30 days after the Executive's Separation from Service. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment.

(c) Termination without Cause; Resignation for Good Reason Prior to a Change in Control. If, prior to the expiration of the Term, the Executive incurs a Separation from Service by reason of the Company's termination of the Executive's employment without Cause, or if the Executive resigns from his employment for Good Reason prior to a Change in Control the Executive shall receive the Other Accrued Compensation and Benefits and, subject to Section 4(f), shall be entitled to the following:

(i) an amount equal to three times the sum of (1) his Base Salary (at the rate in effect on the date the Executive's employment is terminated) plus (2) the greater of (x) the average amount of the annual bonus paid to him for each of the three fiscal years immediately prior to the fiscal year in which the Separation from Service occurs or (y) target annual bonus for the fiscal year in which the Separation from Service occurs, payable in substantially equal monthly installments over a period of 18 months beginning 60 days following the Executive's Separation from Service and shall be in the amount of one-ninth of the severance amount due to the Executive under this clause (i), and each of the remaining sixteen installments shall be in the amount of one-eighteenth of such severance amount due to the Executive; provided, however, that if a "change in the effective control of a corporation," as such term is defined in Treasury Regulation §1.409A-3(i)(5), occurs with respect to the Company following the Executive's Separation from Service, any unpaid amounts hereunder shall be paid in a single lump sum within five days following the consummation of such change in the effective control; and

(ii) continued participation in the employee benefit plans of the Company (other than equity-based plans, 401(k) plans, bonus plans, or disability plans) applicable to other senior executives for a period of three years following the Executive's Separation from Service or, in the event such participation is not permitted, a cash payment equal to the value of the benefit excluded, payable in three annual installments beginning 60 days following the Executive's Separation from Service; provided, however, that in the event the Executive obtains other employment and is eligible to participate in the welfare benefit plans of his new employer, any benefits provided under the Company's welfare benefit plans shall be secondary to the benefits provided under the welfare benefit plans of the Executive's new employer.

(d) Termination without Cause; Resignation for Good Reason on or Following a Change in Control. If, prior to the expiration of the CIC Term, the Executive incurs a Separation from Service on or following the consummation of a Change in Control by reason of the Company's termination of the Executive's employment without Cause, or if the Executive resigns from his employment for Good Reason, the Executive shall receive the Other Accrued Compensation and Benefits and, subject to Section 4(f), shall be entitled to the following:

(i) an amount equal to three times the sum of (i) his Base Salary (at the rate in effect on the date the Executive's employment is terminated) plus (ii) the greater of (x) the average amount of the annual bonus paid to him for each of the three fiscal years immediately prior to the fiscal year in which the Separation from Service occurs or (y) target annual bonus for the fiscal year in which the Separation from Service occurs, payable in a single lump sum within five days;

(ii) a pro rata bonus equal to (x) the greater of (i) the average amount of the annual bonus paid to the Executive for each of the three fiscal years immediately prior to the fiscal year in which the Separation from Service occurs or (ii) the annual bonus the Executive would have earned for the fiscal year in which the Separation from Service occurs based on performance as determined through the date of the Separation from Service, multiplied by (y) a fraction, the numerator of which is the number of days worked during the fiscal year in which the Separation from Service occurs and the denominator of which is 365 , payable in a single lump sum within five days; provided, however, that if such Separation from Service occurs in the same fiscal year as the Change in Control and the Executive is paid an annual bonus for such year in connection with the Change in Control, the fraction shall be adjusted so that the numerator reflects the number of days worked during the fiscal year following the Change in Control and the denominator reflects the number of days in the fiscal year following the Change in Control;

(iii) continued participation in the employee benefit plans of the Company (other than equity-based plans, 401(k) plans, bonus plans, or disability plans) applicable to other senior executives for a period of three years following the Executive's Separation from Service or, in the event such participation is not permitted, a cash payment equal to the value of the benefit excluded, payable in three annual installments beginning 60 days following the Executive's Separation from Service; provided, however, that in the event the Executive obtains other employment and is eligible to participate in the welfare benefit plans of his new employer, any benefits provided under the Company's welfare benefit plans shall be secondary to the benefits provided under the welfare benefit plans of the Executive's new employer; and

(iv) all outstanding equity-based awards, including but not limited to stock options, restricted stock, and restricted stock unit awards, granted by the Company to the Executive pursuant to any of the Company's long-term incentive plans shall fully and immediately vest to the extent not already vested. In addition, all outstanding performance share, performance share unit, and other equivalent awards granted by the Company to the Executive pursuant to any of the Company's long-term incentive plans shall immediately vest at their respective target performance levels to the extent not already vested.

Notwithstanding anything to the contrary in this Agreement, any termination without Cause that occurs prior to a Change in Control but which the Executive reasonably demonstrates (x) was at the request of a third party, or (y) arose in connection with or in anticipation of a Change in

Control which actually occurs, shall constitute a termination without Cause occurring on such Change in Control for purposes of this Agreement.

(e) Failure to Renew Agreement; Termination Due to Retirement. If the Executive or the Company delivers a Final Non-Renewal Notice, the Executive's employment under this Agreement will terminate due to retirement at the end of the one-year notice period (or on such earlier date as may be mutually agreed by Mr. Nielsen and the Company). Upon a termination of employment due to the Executive's retirement, the Executive shall receive the Other Accrued Compensation and Benefits and, subject to Section 4(f), he shall be entitled to the following:

(i) a pro rata bonus equal to (x) the annual bonus the Executive would have earned for the fiscal year in which the Separation from Service occurs based on performance as determined by the Board, multiplied by (y) a fraction, the numerator of which is the number of days worked during the fiscal year in which the Separation from Service occurs and the denominator of which is 365, payable in a single lump sum upon certification to the Board of performance for such fiscal year; and

(ii) all outstanding equity awards granted to the Executive pursuant to any of the Company's long-term incentive plans, shall be treated as follows: (i) all outstanding stock options shall continue to vest on their terms as if the Executive did not have a Separation from Service and remain exercisable until the original expiration date; (ii) all outstanding time vesting restricted stock or restricted stock unit awards shall continue vesting for the three-year period following the Executive's Separation from Service; and (iii) all outstanding performance vesting restricted stock or restricted stock unit awards shall continue to vest for the two-year period following the Executive's Separation from Service, with the number of shares earned based on actual performance determined by the Board at the end of the original performance period for each such performance vesting restricted stock or restricted stock unit award. Any other outstanding equity awards will continue to vest in accordance with their terms, with any performance vesting awards subject to the applicable performance conditions. Notwithstanding the foregoing, upon the Executive's death following the Executive's Separation from Service, any time vesting awards will vest and any performance vesting awards will vest at their target performance levels.

(iii) continued participation in the Company's health plans for him and his spouse, on the same terms as immediately prior to the Separation from Service until such time that the Executive is eligible for Medicare. If the Company determines (in its sole discretion) at any time following the Executive's Separation from Service that the Executive's participation in the Company's health plans is not or no longer permitted (whether through COBRA or otherwise) or that continued participation has a substantial risk of violating applicable law, then the Company instead shall pay to the Executive, on a monthly basis, a cash payment equal to the cost of the Executive obtaining the same or substantially similar healthcare benefits until such time that both the Executive and his spouse are eligible for Medicare.

(f) Execution and Delivery of Release. The Company shall not be required to make the payments and provide the benefits provided for under Section 4(c), 4(d), or 4(e), unless the Executive executes and delivers to the Company, within 60 days following the Executive's Separation from Service, a general waiver and release of claims in a form substantially similar to the form attached hereto as Exhibit A and the release has become effective and irrevocable in its entirety. The Executive's failure or refusal to sign the release (or his revocation of such release in accordance with applicable laws) shall result in the forfeiture of the payments and benefits under Sections 4(c), 4(d), and 4(e).

(g) Notice of Termination. Any termination of employment by the Company or the Executive shall be communicated by a written "Notice of Termination" to the other party hereto given in accordance with Section 25 of this Agreement, except that the Company may waive the requirement for such Notice of Termination by the Executive. In the event of a resignation by the Executive without Good Reason, the Notice of Termination shall specify the date of termination, which date shall not be less than 30 days after the giving of such notice, unless the Company agrees to waive any notice period by the Executive.

(h) Resignation from Directorships and Officerships. The termination of the Executive's employment for any reason shall constitute the Executive's resignation from (i) any director, officer or employee position the Executive has with the Company and (ii) all fiduciary positions (including as a trustee) the Executive may hold with respect to any employee benefit plans or trusts established by the Company. The Executive agrees that this Agreement shall serve as written notice of resignation in this circumstance.

5. Definitions.

Cause. For purposes of this Agreement, "Cause" shall mean the termination of the Executive's employment because of:

(i) the Executive's indictment for any crime, whether such crime is a felony or misdemeanor, that materially impairs the Executive's ability to function as President and Chief Executive Officer of the Company and such crime involves the purchase or sale of any security, mail or wire fraud, theft, embezzlement, moral turpitude, or Company property; provided, however, that if the Executive is found not guilty of the crime and does not enter a plea of guilty or nolo contendere to such crime or a lesser offense (based on the same operative facts), either before or after the date of the Executive's Separation from Service, such indictment shall not be the basis for a termination for Cause, but will be a termination without Cause as of the date of the Executive's Separation from Service;

(ii) the Executive's repeated willful neglect of his duties; or

(iii) the Executive's willful material misconduct in connection with the performance of his duties (including a willful material breach of Company policies regarding legal compliance, ethics or workplace conduct) or other willful material breach of this Agreement.

provided, however, that no act or omission on the Executive's part shall be considered "willful" if it is done by him in good faith and with a reasonable belief that Executive's conduct was in the best interest of the Company and provided further that no event or condition described in clause (ii) or (iii) shall constitute Cause unless (w) the Company gives the Executive written notice of termination of his employment for Cause and the grounds for such termination within 180 days of the Board first becoming aware of the event giving rise to such Cause, (x) such grounds for termination are not corrected by the Executive within 30 days of his receipt of such notice, (y) if the Executive fails to correct such event or condition, the Company gives the Executive at least 15 days' prior written notice of a special Board meeting called to make a determination that the Executive should be terminated for Cause and the Executive and his legal counsel are given the opportunity to address such meeting prior to a vote of the Board, and (z) a determination that Cause exists is made and approved by 75% of the Board.

(a) Change in Control. For purposes of this Agreement, "Change in Control" shall be deemed to occur upon the occurrence of any of the following events:

(i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 20% of the total outstanding voting stock of the Company, excluding, however, (1) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company; (2) any acquisition by the Company; or (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company;

(ii) the individuals who constitute the Board as of the Effective Date (the "Incumbent Board") cease to constitute a majority of the Board; provided, however, (1) that if the nomination or election of any new director of the Company was approved by a majority of the Incumbent Board, such new director shall be deemed a member of the Incumbent Board and (2) that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or as a result of a solicitation of proxies or consents by or on behalf of any "person" or "group" identified in clause (i) above;

(iii) a reorganization of the Company or the Company consolidates with, or merges with or into another person or entity or conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any person or entity, or any person or entity consolidates with or merges with or into the Company; provided, however, that any such transaction shall not constitute a Change in Control if (1) the shareholders of the Company immediately before such transaction own, directly or indirectly, immediately following such transaction in excess of 50% of the combined voting power of the outstanding voting securities of the corporation or other person or entity resulting from such transaction, (2) no "person" or "group" owns 20% or more of the outstanding voting securities of the corporation or other person or entity resulting from such transaction, and (3) a majority of the Incumbent Board remains; or

(iv) the approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(b) Disability. For purposes of this Agreement, "Disability" shall be defined in the same manner as such term or a similar term is defined in the Company long-term disability plan applicable to the Executive.

(c) Good Reason. For purposes of this Agreement, "Good Reason" shall mean termination of employment by the Executive because of the occurrence of any of the following events:

(i) a failure by the Company to pay compensation or benefits due and payable to the Executive in accordance with the terms of this Agreement;

(ii) a material change in the duties or responsibilities performed by the Executive as Chief Executive Officer of a Public Company;

(iii) a relocation of the Company's principal office by more than 25 miles from Palm Beach Gardens, Florida without the Executive's consent; or

(iv) failure by the Company to obtain agreement by a successor to assume this Agreement in accordance with Section 17(b);

provided, however, that no event or condition described in clause (i) or (ii) shall constitute Good Reason unless (x) the Executive gives the Company written notice of his intention to terminate his employment for Good Reason and the grounds for such termination within 180 days of the Executive first becoming aware of the event giving rise to such Good Reason and (y) such grounds for termination are not corrected by the Company within 30 days of its receipt of such notice.

6. Limitations on Severance Payment and Other Payments or Benefits.

(a) Payments. Notwithstanding any provision of this Agreement, if any portion of the severance payments or any other payment under this Agreement, or under any other agreement with the Executive or plan or arrangement of the Company or its affiliates (in the aggregate, "Total Payments"), would constitute an "excess parachute payment" and would, but for this Section 6, result in the imposition on the Executive of an excise tax under Code Section 4999, then the Total Payments to be made to the Executive shall either be (i) delivered in full, or (ii) delivered in the greatest amount such that no portion of such Total Payment would be subject to the Excise Tax, whichever of the foregoing results in the receipt by the Executive of the greatest benefit on an after-tax basis (taking into account the Executive's actual marginal rate of federal, state and local income taxation and the Excise Tax).

(b) Determinations. Within 30 days following the Executive's termination of employment or notice by one party to the other of its belief that there is a payment or benefit due the Executive that will result in an excess parachute payment, the Company, at the Company's expense, shall select a nationally recognized certified public accounting firm (which may be the Company's independent auditors) ("Accounting Firm") reasonably acceptable to the Executive, to determine (i) the Base Amount (as defined below), (ii) the amount and present value of the Total Payments, (iii) the amount and present value of any excess parachute payments determined without regard to any reduction of Total Payments pursuant to Section 6(a), and (iv) the net after-tax proceeds to the Executive, taking into account the tax imposed under Code Section 4999 if (x) the Total Payments were reduced in accordance with Section 6(a), or (y) the Total Payments were not so reduced. If the Accounting Firm determines that Section 6(a)(ii) above applies, then the Termination Payment hereunder or any other payment or benefit determined by such Accounting Firm to be includable in Total Payments shall be reduced or eliminated so that there will be no excess parachute payment. In such event, payments or benefits included in the Total Payments shall be reduced or eliminated by applying the following principles, in order: (1) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and (2) cash payments shall be reduced prior to non-cash benefits; provided that if the foregoing order of reduction or elimination would violate Code Section 409A, then the reduction shall be made pro rata among the payments or benefits included in the Total Payments (on the basis of the relative present value of the parachute payments).

(c) Definitions and Assumptions. For purposes of this Agreement: (i) the terms "excess parachute payment" and "parachute payments" shall have the meanings assigned to them in Code Section 280G and such "parachute payments" shall be valued as provided therein; (ii) present value shall be calculated in accordance with Code Section 280G(d)(4); (iii) the term "Base Amount" means an amount equal to the Executive's "annualized includible compensation for the base period" as defined in Code Section 280G(d)(1); (iv) for purposes of the determination by the Accounting Firm, the value of any non-cash benefits or any deferred payment or benefit shall be determined in accordance with the principles of Code Sections 280G(d)(3) and (4) and (v) the Executive shall be deemed to pay federal income tax and employment taxes at his actual marginal rate of federal income and employment taxation, and state and local income taxes at his actual marginal rate of taxation in the state or locality of the Executive's domicile (determined in both cases in the calendar year in which the termination of employment or notice described in Section 6(b) above is given, whichever is earlier), net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes. The covenants set forth in Sections 7, 8 and 9 of this Agreement have substantial value to the Company and a portion of any Total Payments made to the Executive are in consideration of such covenants. For purposes of calculating the “excess parachute payment” and the “parachute payments”, the parties intend that an amount equal to not less than the Executive's highest annual base salary during the 12-month period immediately prior to his termination of employment shall be in consideration of the covenants in Sections 7, 8 and 9 below. The Accounting Firm shall consider all relevant factors in appraising the fair value of such covenants and in determining the amount of the Total Payments that shall not be considered to be a “parachute payment” or “excess parachute payment”. The determination of the Accounting Firm shall be addressed to the Company and the Executive and such determination shall be binding upon the Company and the Executive.

(d) Amendment. This Section 6 shall be amended to comply with any amendment or successor provision to Sections 280G or 4999 of the Code.

7. Confidentiality.

(a) Confidential Information.

(i) The Executive agrees that during his employment with the Company for any reason and for a period of five years following his Separation from Service, he will not at any time, except with the prior written consent of the Company or any of its subsidiaries or affiliates (collectively, the “Company Group”) or as required by law, directly or indirectly, reveal to any person, entity or other organization (other than any member of the Company Group or its respective employees, officers, directors, shareholders or agents) or use for the Executive’s own benefit any information deemed to be confidential by any member of the Company Group (“Confidential Information”) relating to the assets, liabilities, employees, goodwill, business or affairs of any member of the Company Group, including, without limitation, any information concerning customers, business plans, marketing data, or other confidential information known to the Executive by reason of the Executive’s employment by, shareholdings in or other association with any member of the Company Group; provided that such Confidential Information does not include any information which (x) is available to the general public or is generally available within the relevant business or industry other than as a result of the Executive’s action or (y) is or becomes available to the Executive after his Separation from Service on a non-confidential basis from a third-party source provided that such third-party source is not bound by a confidentiality agreement or any other obligation of confidentiality. Confidential Information may be in any medium or form, including, without limitation, physical documents, computer files or disks, videotapes, audiotapes, and oral communications.

(ii) In the event that the Executive becomes legally compelled to disclose any Confidential Information, the Executive shall provide the Company with prompt written notice so that the Company may seek a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained, the Executive shall furnish only that portion of such Confidential

Information or take only such action as is legally required by binding order and shall exercise his reasonable efforts to obtain reliable assurance that confidential treatment shall be accorded any such Confidential Information. The Company shall promptly pay (upon receipt of invoices and any other documentation as may be requested by the Company) all reasonable expenses and fees incurred by the Executive, including attorneys' fees, in connection with his compliance with the immediately preceding sentence.

(iii) The Executive understands and acknowledges that the Executive has the right under U.S. federal law to certain protections for cooperating with or reporting legal violations to the Securities and Exchange Commission and/or its Office of the Whistleblower, as well as certain other governmental entities. No provisions in this Agreement are intended to prohibit the Executive from disclosing this Agreement to, or from cooperating with or reporting violations to, the SEC or any other such governmental entity, and the Executive may do so without disclosure to the Company. The Company may not retaliate against the Executive for any of these activities. Further, nothing in this Agreement precludes the Executive from filing a charge of discrimination with the Equal Employment Opportunity Commission or a like charge or complaint with a state or local fair employment practice agency.

(iv) The Executive acknowledges that, pursuant to the Defend Trade Secrets Act of 2016, an individual may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal or (iii) made to his or her attorney or used in a court proceeding in an anti-retaliation lawsuit based on the reporting of a suspected violation of law, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

(b) Exclusive Property. The Executive confirms that all Confidential Information is and shall remain the exclusive property of the Company Group. All business records, papers and documents kept or made by the Executive relating to the business of the Company Group shall be and remain the property of the Company Group. Upon the request and at the expense of the Company Group, the Executive shall promptly make all disclosures, execute all instruments and papers and perform all acts reasonably necessary to vest and confirm in the Company Group, fully and completely, all rights created or contemplated by this Section 7.

8. Noncompetition.

The Executive agrees that during his employment with the Company and for a period commencing on the Executive's Separation from Service and ending on the later of (i) the first anniversary of the Executive's Separation from Service and, to the extent the Executive is entitled to any continued vesting under Section 4(a) or 4(e)(ii) of this Agreement, (ii) the duration of any such continued vesting period but only for so long as the applicable equity award remains unvested (the "Restricted Period"), the Executive shall not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent or otherwise, alone or in association with any other person, firm, corporation or other business organization, carry on a business competitive with the Company in any geographic area in which the Company Group has engaged in business, or is reasonably expected to engage in business during such Restricted Period (including, without limitation, any area in which any customer of the Company Group may be located); provided, however, that nothing herein shall limit the Executive's right to own not more than 1% of any of the debt or equity securities of any business organization.

9. Non-Solicitation.

The Executive agrees that, during his employment and for the Restricted Period, the Executive shall not, directly or indirectly, other than in connection with the proper performance of his duties in his capacity as an executive of the Company, (a) interfere with or attempt to interfere with any relationship between the Company Group and any of its employees, consultants, independent contractors, agents or representatives, (b) employ, hire or otherwise engage, or attempt to employ, hire or otherwise engage, any current or former employee, consultant, independent contractor, agent or representative of the Company Group in a business competitive with the Company Group, (c) solicit the business or accounts of the Company Group or (d) divert or attempt to direct from the Company Group any business or interfere with any relationship between the Company Group and any of its clients, suppliers, customers or other business relations. As used herein, the term "indirectly" shall include, without limitation, the Executive's permitting the use of the Executive's name by any competitor of any member of the Company Group to induce or interfere with any employee or business relationship of any member of the Company Group.

10. Assignment of Developments.

The Executive previously entered into an Employee Invention, Proprietary Information and Copyright Agreement, dated September 19, 2007 ("Assignment of Developments Agreement"). The Executive agrees that the terms of such Assignment of Developments Agreement shall continue in full force and effect.

11. Full Settlement.

Prior to the effective date of a Change in Control, in the event the Company believes that the Executive is in material breach or has materially breached a provision of this Agreement, the Company may withhold any further payment of amounts due and payable under this Agreement, provided that (x) the Company gives the Executive at least 15 days' prior written notice of a special Board meeting called to make a determination that the Executive is in material breach or has materially breached a provision of this Agreement and the Executive and his legal counsel are given the opportunity to address such meeting prior to a vote of the Board and (y) a determination that the Executive is in material breach or has materially breached a provision of this Agreement is made and approved by 75% of the Board. Any such determination by the Board shall not be binding on an arbitrator or other trier of fact as to whether the Executive has breached this Agreement, and shall not limit or otherwise affect the rights or remedies available to the Executive or the Company in the event of a dispute under this Agreement. Except as provided above in this Section 11, the Company's obligation to pay the Executive the amounts required by this Agreement shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense or other right which the Company may have against the Executive or anyone else. All payments and benefits to which the Executive is entitled under this Agreement shall be made and provided without offset, deduction, or mitigation on account of income that the Executive may receive from employment from the Company or otherwise. This Section 11 shall not be interpreted to otherwise limit the remedies available to the Company, whether at law or in equity, in the event the Executive breaches any provision of this Agreement.

12. Certain Remedies.

(a) Injunctive Relief. Without intending to limit the remedies available to the Company Group, the Executive agrees that a breach of any of the covenants contained in Sections 7 through 10 of this Agreement may result in material and irreparable injury to the Company Group for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, any member of the Company Group shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Executive from engaging in activities prohibited by the covenants contained in Sections 7 through 10 of this Agreement or such other relief as may be required specifically to enforce any of the covenants contained in this Agreement. Such injunctive relief in any court shall be available to the Company Group in lieu of, or prior to or pending determination in, any arbitration proceeding.

(b) Extension of Restricted Period. In addition to the remedies the Company may seek and obtain pursuant to this Section 12, the Restricted Period shall be extended by any and all periods during which the Executive shall be found by a court or arbitrator possessing personal jurisdiction over him to have been in violation of the covenants contained in Sections 8 and 9 of this Agreement.

13. Section 409A of the Code.

(a) General. This Agreement is intended to meet the requirements of Section 409A of the Code, and shall be interpreted and construed consistent with that intent.

(b) Deferred Compensation. Notwithstanding any other provision of this Agreement, to the extent that the right to any payment (including the provision of benefits) hereunder provides for the "deferral of compensation" within the meaning of Section 409A(d)(1) of the Code, the payment shall be paid (or provided) in accordance with the following:

(i) If the Executive is a “Specified Employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code on the date of the Executive’s “Separation from Service” within the meaning of Section 409A(a)(2)(A)(i) of the Code, then no such payment shall be made or commence during the period beginning on the date of the Executive’s Separation from Service and ending on the date that is six months following the Executive’s Separation from Service or, if earlier, on the date of the Executive’s death. The amount of any payment that would otherwise be paid to the Executive during this period shall instead be paid to the Executive on the fifteenth day of the first calendar month following the end of the period (“Delayed Payment Date”). If payment of an amount is delayed as a result of this Section 13(b)(i), such amount shall be increased with interest from the date on which such amount would otherwise have been paid to the Executive but for this Section 13(b)(i) to the day prior to the Delayed Payment Date. The rate of interest shall be compounded monthly, at the prime rate as published by Citibank NA for the month in which occurs the date of the Executive’s Separation from Service. Such interest shall be paid on the Delayed Payment Date.

(ii) Payments with respect to reimbursements of expenses shall be made in accordance with Company policy and in no event later than the last day of the calendar year following the calendar year in which the relevant expense is incurred. The amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year.

14. Source of Payments.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets shall be made, to assure payment. The Executive shall have no right, title or interest whatsoever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

15. Arbitration.

Any dispute or controversy arising under or in connection with this Agreement or otherwise in connection with the Executive’s employment by the Company that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Palm Beach County, Florida in accordance with the commercial rules of the American Arbitration Association before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by the Executive, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected by the American Arbitration Association, and judgment upon the award rendered may be entered in any court having jurisdiction thereon.

16. Attorney’s Fees.

The Company shall, from time to time, pay or reimburse the Executive, on an after-tax basis, for all reasonable legal fees and expenses (including court costs) incurred by him as a result of any claim by him (or on his behalf) to enforce the terms of this Agreement or collect any payments or benefits due to the Executive hereunder. Payments with respect to such legal fees and expenses shall be made in advance of any final disposition and within ten business days after the Executive submits documentation of such fees to the Company in accordance with the Company’s business expense reimbursement policies and procedures.

17. Non-assignability; Binding Agreement.

(a) By the Executive. This Agreement and any and all rights, duties, obligations or interests hereunder shall not be assignable or delegable by the Executive.

(b) By the Company. This Agreement and all of the Company’s rights and obligations hereunder shall not be assignable by the Company except as incident to a reorganization, merger or consolidation, or transfer of all or substantially all of the Company’s assets. If the Company shall be merged or consolidated with another entity, the provisions of this Agreement shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner that the Company would be required to perform it if no such succession had taken plan. The provisions of this paragraph shall continue to apply to each subsequent employer of the Executive hereunder in the event of any subsequent merger, consolidation, transfer of assets of such subsequent employer or otherwise.

(c) Binding Effect. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, any successors to or assigns of the Company and the Executive’s heirs and the personal representatives of the Executive’s estate.

18. Withholding.

Any payments made or benefits provided to the Executive under this Agreement shall be reduced by any applicable withholding taxes or other amounts required to be withheld by law or contract.

19. Amendment; Waiver.

This Agreement may not be modified, amended or waived in any manner, except by an instrument in writing signed by both parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

20. Governing Law.

All matters affecting this Agreement, including the validity thereof, are to be subject to, and interpreted and construed in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that State.

21. Survival of Certain Provisions.

The rights and obligations set forth in this Agreement that, by their terms, extend beyond the Term shall survive the Term.

22. Entire Agreement; Supersedes Previous Agreements.

This Agreement, the Assignment of Developments Agreement, the Salary Reduction Letter, and any outstanding equity award agreements entered into prior to the Effective Date contain the entire agreement and understanding of the parties hereto with respect to the matters covered herein including, without limitation, the Existing Employment Agreement, and supersede all prior or contemporaneous negotiations, commitments, agreements and writings with respect to the subject matter hereof (including the Existing Employment Agreement), all such other negotiations, commitments, agreements and writings shall have no further force or effect, and the parties to any such other negotiation, commitment, agreement or writing shall have no further rights or obligations thereunder.

23. Counterparts.

This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

24. Headings.

The headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

25. Notices.

All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:

11780 US Highway 1, Suite 600
Palm Beach Gardens, Florida 33408
Attention: General Counsel
Email: ryan.urness@dycominc.com

With a copy to:

John J. Cannon III
Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
Email: jcannon@shearman.com

To the Executive:

Steven E. Nielsen
c/o Dycom Industries, Inc.
11780 US Highway 1, Suite 600
Palm Beach Gardens, Florida 33408
Email: steve.nielsen@dycominc.com

With a copy to the Executive's counsel:

Harvey Koning, Esq.
Varnum LLP
333 Bridge Street NW
Grand Rapids, Michigan 49504
Email: hkoning@varnumlaw.com

All such notices shall be conclusively deemed to be received and shall be effective (i) if sent by hand delivery, upon receipt or (ii) if sent by electronic mail or facsimile, upon receipt by the sender of confirmation of such transmission; provided, however, that any electronic mail or facsimile will be deemed received and effective only if followed, within 48 hours, by a hard copy sent by certified United States mail.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by its officer pursuant to the authority of its Board, and the Executive has executed this Agreement, as of the day and year first written above.

DYCOM INDUSTRIES, INC.

By: /s/ Ryan F. Urness
Name: Ryan F. Urness
Title: Vice President, General Counsel and Secretary

EXECUTIVE

/s/ Steven E. Nielsen
Name: Steven E. Nielsen

EXHIBIT A

FORM OF WAIVER AND MUTUAL RELEASE

This Waiver and Mutual Release, dated as of _____________, (this "Release") by and between Steven E. Nielsen (the "Executive") and Dycom Industries, Inc., a Florida corporation (the "Company").

WHEREAS, the Executive and the Company are parties to an Employment Agreement, dated May 21, 2020 (the "Employment Agreement"), which provided for the Executive's employment on the terms and conditions specified therein; and

WHEREAS, pursuant to Section 4(f) of the Employment Agreement, the Executive has agreed to execute and deliver a release and wavier of claims of the type and nature set forth herein as a condition to his entitlement to certain payments and benefits upon his termination of employment with the Company effective as of _____________ (the "Effective Date").

NOW, THEREFORE, in consideration of the premises and mutual promises herein contained and for other good and valuable consideration received or to be received in accordance with the terms of the Employment Agreement, the Executive and the Company agree as follows:

1. Return of Property.

On or prior to the Effective Date, the Executive represents and warrants that he will return all property made available to him in connection with his service to the Company, including, without limitation, credit cards, any and all records, manuals, reports, papers and documents kept or made by the Executive in connection with his employment as an officer or employee of the Company and its subsidiaries and affiliates, all computer hardware or software, cellular phones, files, memoranda, correspondence, vendor and customer lists, financial data, keys and security access cards.

2. Executive Release.

i.In consideration of the payments and benefits provided to the Executive under the Employment Agreement and after consultation with counsel, the Executive and each of the Executive's respective heirs, executors, administrators, representatives, agents, successors and assigns (collectively, the "Executive Parties") hereby irrevocably and unconditionally release and forever discharge the Company and its subsidiaries and affiliates and each of their respective officers, employees, directors, shareholders and agents ("Company Parties") from any and all claims, actions, causes of action, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character (collectively, "Claims"), including, without limitation, any Claims under any federal, state, local or foreign law, that the Executive Parties may have, or in the future may possess, arising out of (i) the Executive's employment relationship with and service as an employee, officer or director of the Company, and the termination of such relationship or service, and (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof; provided, however, that the Executive does not release, discharge or waive (i) any rights to payments and benefits provided under the Employment Agreement that are contingent upon the execution by the Executive of this Release, (ii) any right the Executive may have to enforce this Release or the Employment Agreement, (iii) the Executive's eligibility for indemnification in accordance with the Company's certificate of incorporation, bylaws or other corporate governance document, or any applicable insurance policy, with respect to any liability he incurred or might incur as an employee, officer or director of the Company, or (iv) any claims for accrued, vested benefits under any long-term incentive, employee benefit or retirement plan of the Company subject to the terms and conditions of such plan and applicable law including, without limitation, any such claims under the Employee Retirement Income Security Act of 1974.

ii. Whistleblower Rights. The Executive understands and acknowledges that the Executive has the right under U.S. federal law to certain protections for cooperating with or reporting legal violations to the Securities and Exchange Commission and/or its Office of the Whistleblower, as well as certain other governmental entities. No provisions in this Release are intended to prohibit the Executive from disclosing this Release to, or from cooperating with or reporting violations to, the SEC or any other such governmental entity, and the Executive may do so without disclosure to the Company. The Company may not retaliate against Executive for any of these activities. Further, nothing in this Release precludes the Executive from filing a charge of discrimination with the Equal Employment Opportunity Commission or a like charge or complaint with a state or local fair employment practice agency. The Company may not retaliate against Executive for any of these activities, and nothing in this Release would require Executive to waive any monetary award or other payment that Executive might become entitled to from any such governmental entity.

iii. DTSA. The Executive acknowledges that, pursuant to the Defend Trade Secrets Act of 2016, an individual may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal or (iii) made to his or her attorney or used in a court proceeding in an anti-retaliation lawsuit based on the reporting of a suspected violation of law, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

iv. Executive's Specific Release of ADEA Claims. In further consideration of the payments and benefits provided to the Executive under the Employment Agreement, the Executive Parties hereby unconditionally release and forever discharge the Company Parties from any and all Claims that the Executive Parties may have as of the date the Executive signs this Release arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA"). By signing this Release, the Executive hereby acknowledges and confirms the following: (i) the Executive was advised by the Company in connection with his termination to consult with an attorney of his choice prior to signing this Release and to have such attorney explain to the Executive the terms of this Release, including, without limitation, the terms relating to the Executive's release of claims arising under ADEA, and the Executive has in fact consulted with an attorney; (ii) the Executive was given a period of not fewer than 21 days to consider the terms of this Release and to consult with an attorney of his choosing with respect thereto; and (iii) the Executive knowingly and voluntarily accepts the terms of this Release. The Executive also understands that he has seven days following the date on which he signs this Release (the "Revocation Period") within which to revoke the release contained in this paragraph, by providing the Company a written notice of his revocation of the release and waiver contained in this paragraph. No such revocation by the Executive shall be effective unless it is in writing and signed by the Executive and received by the Company prior to the expiration of the Revocation Period.

3. Company Release.

The Company for itself and on behalf of the Company Parties hereby irrevocably and unconditionally release and forever discharge the Executive Parties from any and all Claims, including, without limitation, any Claims under any federal, state, local or foreign law, that the Company Parties may have, or in the future may possess, arising out of (i) the Executive's employment relationship with and service as an employee, officer or director of the Company, and the termination of such relationship or service, and (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof, excepting any Claim which would constitute or result from conduct by the Executive that would constitute a crime under applicable state or federal law; provided, however, notwithstanding the generality of the foregoing, nothing herein shall be deemed to release the Executive Parties from (A) any rights or claims of the Company arising out of or attributable to (i) the Executive's actions or omissions involving or arising from fraud, deceit, theft or intentional or grossly negligent violations of law, rule or statute while employed by the Company and (ii) the Executive's actions or omissions taken or not taken in bad faith with respect to the Company; and (B) the Executive or any other Executive Party's obligations under this Release or the Employment Agreement.

4. No Assignment.

The parties represent and warrant that they have not assigned any of the Claims being released under this Release.

5. Proceedings.

The parties represent and warrant that they have not filed, and they agree not to initiate or cause to be initiated on their behalf, any complaint, charge, claim or proceeding against the other party before any local, state or federal agency, court or other body relating to the Executive's employment or the termination thereof, other than with respect to any claim that is not released hereunder including with respect to the obligations of the Company to the Executive and the Executive to the Company under the Employment Agreement (each, individually, a "Proceeding"), and each party agrees not to participate voluntarily in any

Proceeding. The parties waive any right they may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding.

6. Remedies.

v. Each of the parties understand that by entering into this Release such party will be limiting the availability of certain remedies that such party may have against the other party and also limiting such party's ability to pursue certain claims against the other party.

vi. Each of the parties acknowledge and agree that the remedy at law available to such party for breach of any of the obligations under this Release would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, each of the parties acknowledge, consent and agree that, in addition to any other rights or remedies that such party may have at law or in equity, such party shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, restraining the other party from breaching its obligations under this Release. Such injunctive relief in any court shall be available to the relevant party, in lieu of, or prior to or pending determination in, any arbitration proceeding.

7. Cooperation.

From and after the Effective Date, the Executive shall cooperate in all reasonable respects with the Company and their respective directors, officers, attorneys and experts in connection with the conduct of any action, proceeding, investigation or litigation involving the Company, including any such action, proceeding, investigation or litigation in which the Executive is called to testify.

8. Unfavorable Comments.

vii. Public Comments by the Executive. The Executive agrees to refrain from making, directly or indirectly, now or at any time in the future, whether in writing, orally or electronically: (i) any derogatory comment concerning the Company or any of their current or former directors, officers, employees or shareholders, or (ii) any other comment that could reasonably be expected to be detrimental to the business or financial prospects or reputation of the Company.

viii. Public Comments by the Company. The Company agrees to instruct its directors and employees to refrain from making, directly or indirectly, now or at any time in the future, whether in writing, orally or electronically: (i) any derogatory comment concerning the Executive, or (ii) any other comment that could reasonably be expected to be detrimental to the Executive's business or financial prospects or reputation.

9. Severability Clause.

In the event any provision or part of this Release is found to be invalid or unenforceable, only that particular provision or part so found, and not the entire Release, will be inoperative.

10. Nonadmission.

Nothing contained in this Release will be deemed or construed as an admission of wrongdoing or liability on the part of the Company or the Executive.

11. Governing Law.

All matters affecting this Release, including the validity thereof, are to be governed by, and interpreted and construed in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that State.

12. Arbitration.

Any dispute or controversy arising under or in connection with this Release shall be resolved in accordance with Section 15 of the Employment Agreement.

13. Notices.

All notices or communications hereunder shall be made in accordance with Section 25 of the Employment Agreement:

THE EXECUTIVE ACKNOWLEDGES THAT HE HAS READ THIS RELEASE AND THAT HE FULLY KNOWS, UNDERSTANDS AND APPRECIATES ITS CONTENTS, AND THAT HE HEREBY EXECUTES THE SAME AND MAKES THIS RELEASE AND THE RELEASES PROVIDED FOR HEREIN VOLUNTARILY AND OF HIS OWN FREE WILL.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Release as of the date first set forth above.

DYCOM INDUSTRIES, INC.

By: ________________________________
Name:
Title:

EXECUTIVE

By: ________________________________
Name: Steven E. Nielsen

Exhibit 31.1

DYCOM INDUSTRIES, INC.
CERTIFICATIONS PURSUANT TO
RULES 13A-14(A) OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Steven E. Nielsen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dycom Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 27, 2020

/s/ Steven E. Nielsen

Steven E. Nielsen
President and Chief Executive Officer

DYCOM INDUSTRIES, INC.
CERTIFICATIONS PURSUANT TO
RULES 13A-14(A) OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, H. Andrew DeFerrari, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dycom Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 27, 2020

/s/ H. Andrew DeFerrari

H. Andrew DeFerrari
Senior Vice President and Chief Financial Officer

Exhibit 32.1

DYCOM INDUSTRIES, INC.

**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**

In connection with the Quarterly Report of Dycom Industries, Inc. (the “Company”) on Form 10-Q for the period ending July 25, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies that to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 27, 2020

/s/ Steven E. Nielsen

Steven E. Nielsen
President and Chief Executive Officer

A signed original of this written statement required by Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, has been provided to Dycom Industries, Inc. and will be retained by Dycom Industries, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 even if the document with which it is submitted to the Securities and Exchange Commission is so incorporated by reference.

Exhibit 32.2

DYCOM INDUSTRIES, INC.

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

In connection with the Quarterly Report of Dycom Industries, Inc. (the “Company”) on Form 10-Q for the period ending July 25, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies that to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 27, 2020

/s/ H. Andrew DeFerrari

H. Andrew DeFerrari
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, has been provided to Dycom Industries, Inc. and will be retained by Dycom Industries, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 even if the document with which it is submitted to the Securities and Exchange Commission is so incorporated by reference.