Dycom Q4 2020 Results

February 26, 2020

Participants

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President & Chief Executive Officer

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General Counsel

Agenda

- Opening Comments & Q4 2020 Overview
- Industry Update
- Financial & Operational Highlights
- Outlook
- Conclusion
- Q&A

Caution Concerning Forward-Looking Statements

This presentation contains “forward-looking statements”. Other than statements of historical facts, all statements contained in this presentation, including statements regarding the Company’s future financial position, future revenue, prospects, plans and objectives of management, are forward-looking statements. Words such as “outlook,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “should,” “could,” “project,” and similar expressions, as well as statements in future tense, identify forward-looking statements. You should not consider forward-looking statements as a guarantee of future performance or results. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief at that time 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 are discussed in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 4, 2019 and other filings with the SEC. The forward-looking statements in this presentation are expressly qualified in their entirety by this cautionary statement. The Company undertakes no obligation to update these forward-looking statements to reflect new information, or events or circumstances arising after such date.

Non-GAAP Financial Measures

This presentation includes certain “Non-GAAP” financial measures as defined by Regulation G of the SEC. As required by the SEC, an explanation of the Non-GAAP financial measures and a reconciliation of those measures to the most directly comparable GAAP financial measures are provided in the Company’s Form 8-K filed with the SEC on February 26, 2020 and on the Company’s Investor Center website at https://ir.dycomind.com. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, the Company’s reported GAAP results.

Opening Comments

Strong Operating Cash Flows

Operating cash flows of $191.8 million funded net debt reduction of $176.3 million and capital expenditures during Q4 2020

Liquidity of $337.3 million at Q4 2020

Solid Backlog

Total backlog of $7.314 billion at Q4 2020 increased sequentially from $6.349 at Q3 2020

Operating Results

Revenues were strong, but gross margin underperformed compared to the Company's previously announced expectations for Q4 2020

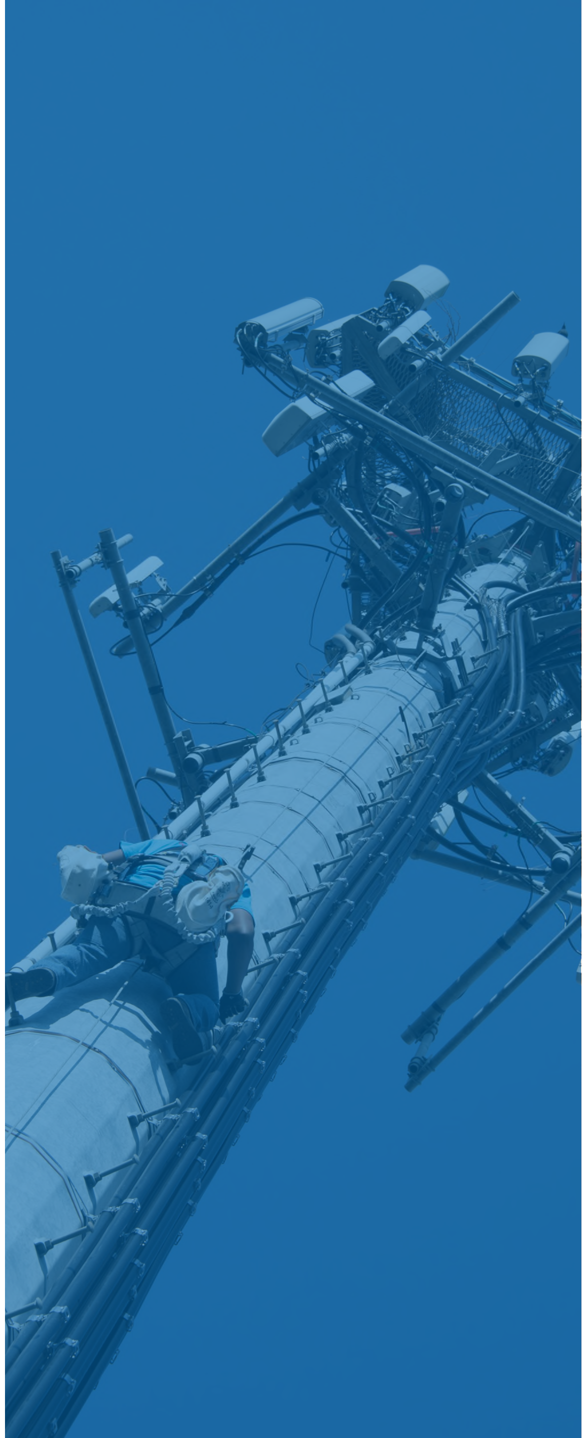
Slow start with a customer whose activity is expected to increase in fiscal 2021

Large customer program experienced increased costs related primarily to particularly difficult soil conditions in two markets that are approaching completion and the rollout of a new system by this customer

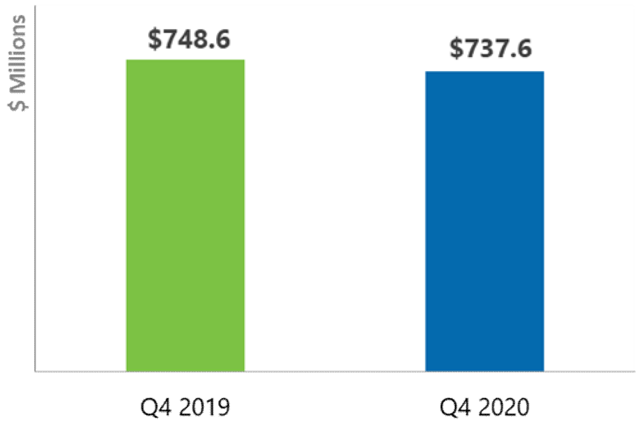
Outlook

Significant majority of the markets under a large customer program will complete their initial phase during 2H FY2021

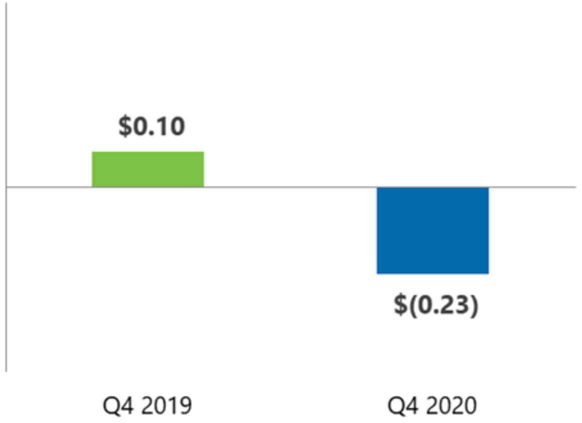
This initial phase will be substantially complete by the end of January 2021 in 90% of the markets Dycom serves



Contract Revenues



Non-GAAP Adjusted Diluted EPS



Q4 2020 Overview

Contract revenues

Organic revenue growth of 1.3%, excluding $20.4 million in prior year storm restoration services during Q4 2019

Increased demand from 3 of the Company's top 5 customers

Operating performance

Non-GAAP Adjusted EBITDA for Q4 2020 of $44.5 million, or 6.0% of contract revenues, compared to $59.8 million, or 8.0% of contract revenues, for Q4 2019

Non-GAAP Adjusted Loss per Common Share of ($0.23) for Q4 2020 compared to $0.10 Non-GAAP Adjusted Diluted Earnings per Common Share for Q4 2019

Liquidity

Ample liquidity of $337.3 million at the end of Q4 2020 consisting of availability under Senior Credit Facility and cash balances

Reduced net debt by $176.3 million during Q4 2020

No outstanding revolver borrowings at the end of Q4 2020

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Industry increasing network bandwidth dramatically

Major industry participants constructing or upgrading significant wireline networks across broad sections of the country generally designed to provision 1 gigabit network speeds directly to consumers or wirelessly using 5G technologies

Wireline deployments are the foundational element of what is expected to be a decades long deployment of fully converged wireless/wireline networks that will enable high bandwidth, low latency 5G applications

Industry effort required to deploy these converged networks continues to meaningfully broaden Dycom’s set of opportunities

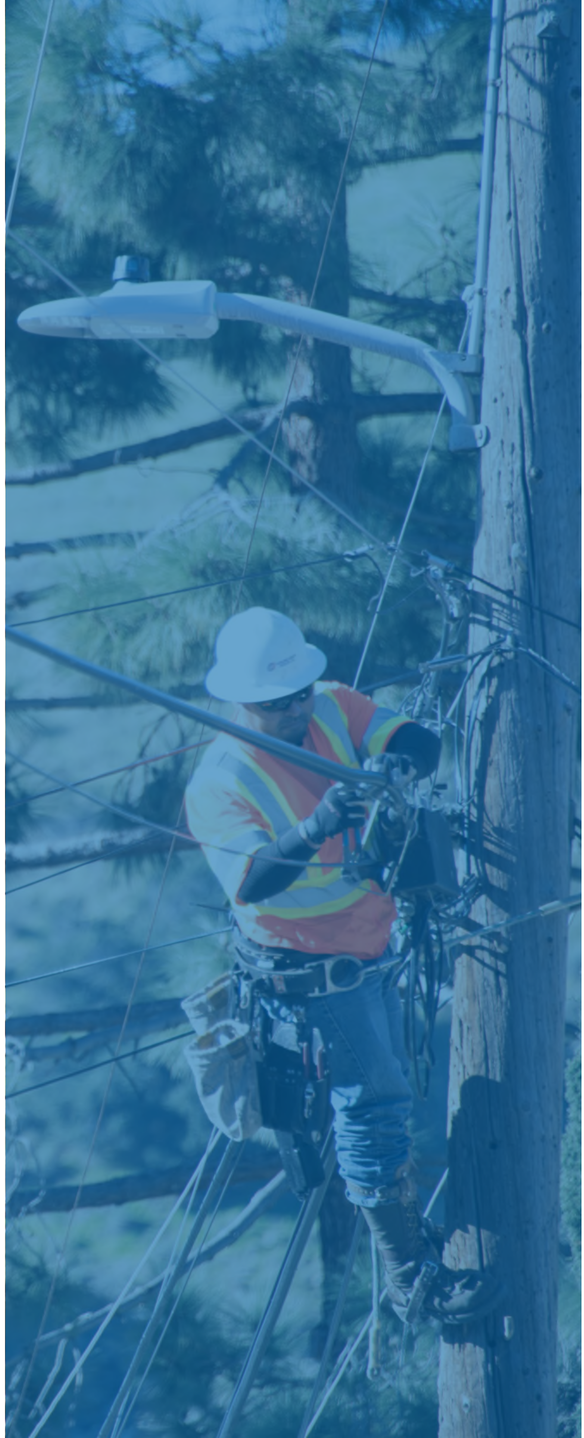
Dycom’s competitively unparalleled scale and financial strength position it well to deliver valuable services to its customers

Currently providing services for 1 gigabit full deployments and converged wireless/wireline multi-use network deployments across the country in dozens of metropolitan areas to several customers

Potential wired network construction opportunities exist outside of traditional customer franchise boundaries

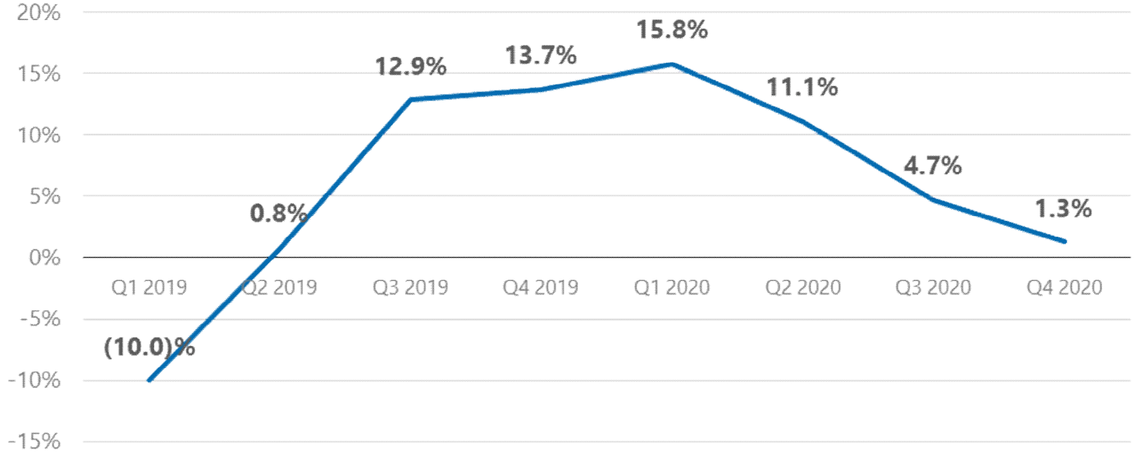
Customers are pursuing multi-year initiatives that are being planned and managed on a market by market basis

Dycom’s ability to provide integrated planning, engineering and design, procurement and construction and maintenance services is of particular value to several industry participants

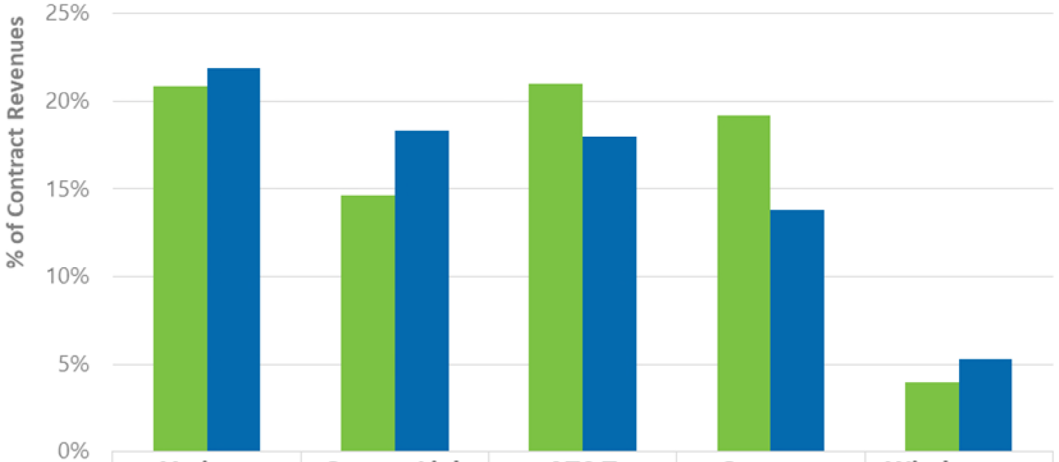


Contract Revenues

Non-GAAP Organic Growth (Decline) %[1]



Top 5 Customers



	Verizon	CenturyLink	AT&T	Comcast	Windstream
Q4 2019	20.9%	14.6%	21.0%	19.2%	3.9%
Q4 2020	21.9%	18.3%	18.0%	13.8%	5.3%

Q4 2020 Organic growth (decline):

1.3%	(1.2)%	10.6%
Total Customers	Top 5 Customers	All Other Customers
3.3%	**31.1%**	**45.9%**
Verizon	CenturyLink	Windstream

Top 5 customers represented 77.2% and 79.7% of contract revenues in Q4 2020 and Q4 2019, respectively

Q4 2020 % of contract revenues from remaining Top 10 customers:

3.2%	1.8%	1.2%	1.0%	0.9%
Charter	Frontier	Dominion Energy	Crown Castle	Edison International

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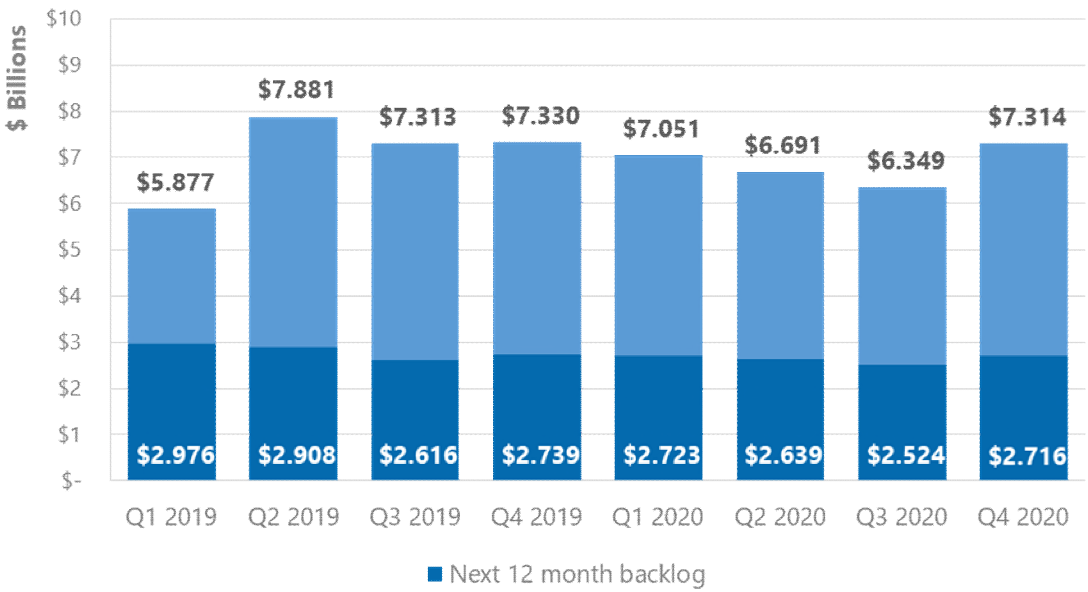
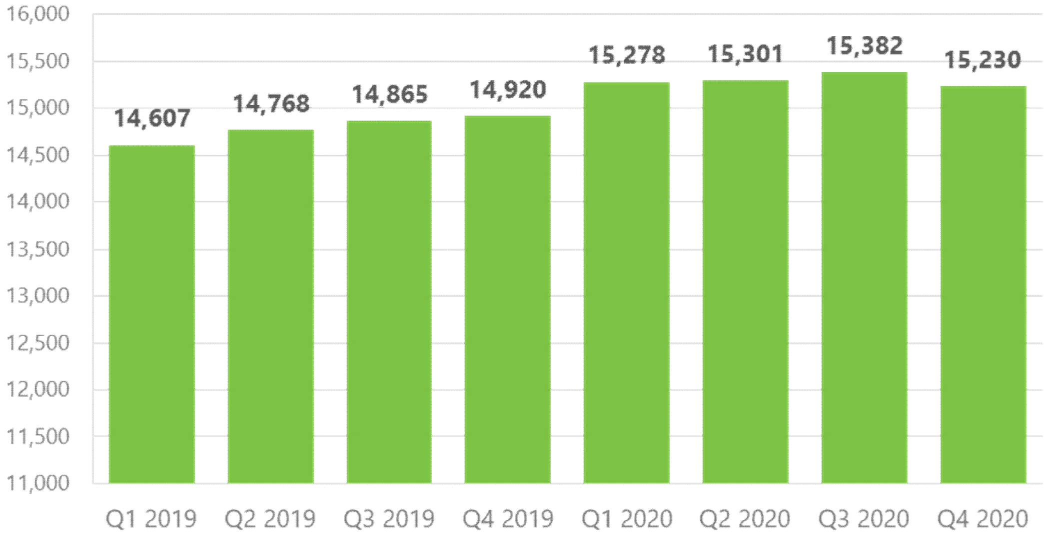
Backlog and Awards

Backlog[2]



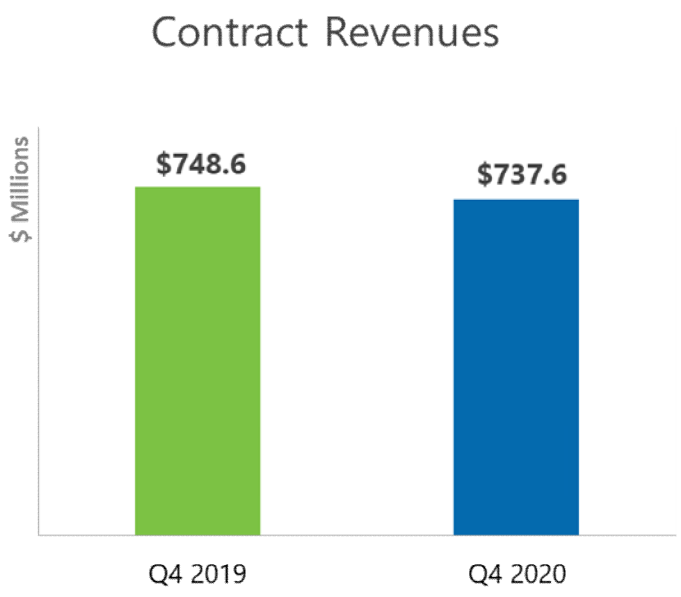
Employee Headcount

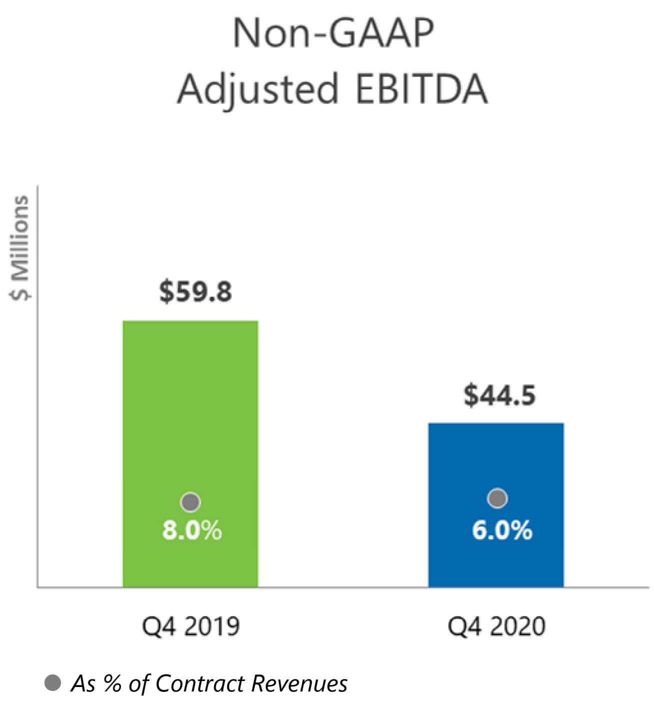


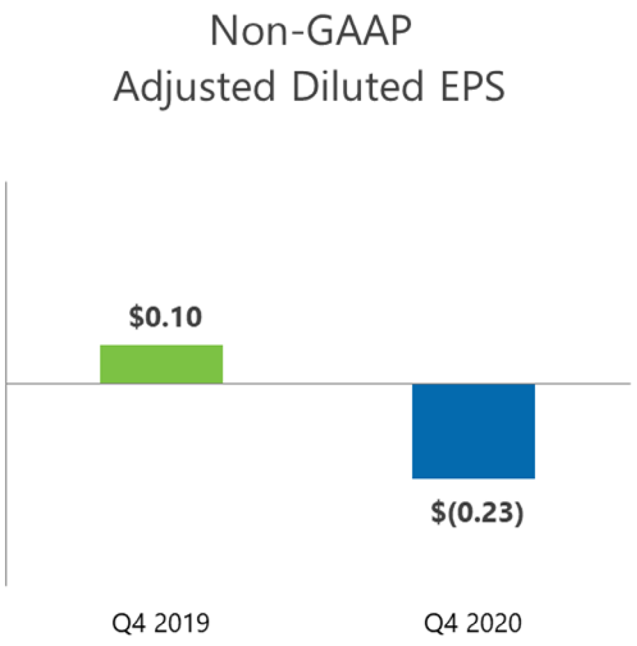
Selected Q4 2020 Awards and Extensions:

Customer	Description	Area	Term
CenturyLink	Construction & Maintenance Services	Utah, Colorado, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, Louisiana, Ohio, Virginia, Tennessee, North Carolina, Florida	3 years
AT&T	Construction Services	Ohio, Tennessee, North Carolina, Georgia	3 years
Verizon	Engineering & Construction Services	Various	3 years
Comcast	Engineering Services	Michigan, Massachusetts, Pennsylvania, Maryland, Delaware, Georgia	1 Year
Various	Locating Services	Oregon, California, Indiana, Ohio, Virginia, New Jersey	3 years

Financial Highlights







Revenues of $737.6 million in Q4 2020 increased organically 1.3% from the comparable prior period after excluding $20.4 million in prior year storm restoration services during Q4 2019

Increased demand from 3 of the Company's top 5 customers

Liquidity Overview

$ Millions	October 26, 2019		January 25, 2020	
Cash and equivalents	**$**	**11.8**	**$**	**54.6**
Senior Credit Facility, matures Oct 2023:[3]				
Revolving Facility	$	103.0	$	-
Term Loan Facilities		450.0		444.4
0.75% Convertible Senior Notes, mature Sept 2021 (the "Notes") Notional Value:		485.0		460.0
Total Notional Amount of Debt	$	1,038.0	$	904.4
Net Debt (Notional Debt less Cash)	$	1,026.2	$	849.8
Total Notional Amount of Debt (see above)	$	1,038.0	$	904.4
Unamortized debt discount and debt fees on 0.75% Convertible Senior Notes		(45.3)		(37.5)
Debt, net of debt discount and fees	$	992.7	$	866.9
Availability on Revolving Facility[4]	**$**	**207.7**	**$**	**287.0**
Liquidity[5]	**$**	**219.6**	**$**	**337.3**

$ Millions	Q4 2019		Q4 2020	
Cash Flow Summary				
Cash provided by operating activities	$	142.8	$	191.8
Capital expenditures, net of disposals	$	(33.8)	$	(15.8)
Borrowings (payments) on Senior Credit Facility	$	-	$	(108.6)
Purchase of 0.75% Convertible Senior Notes, net of discount	$	-	$	(24.3)
Other financing & investing activities, net	$	(3.1)	$	(0.3)
Total Days Sales Outstanding ("DSO")[6]		103		130

Reduced net debt by $176.3 million during Q4 2020

- Repaid $103.0 million of revolving borrowings
- Repaid $5.6 million of term loan borrowings
- Purchased $25.0 million of principal amount of Notes
- Increased cash by $42.7 million

Liquidity of $337.3 million at January 25, 2020

Robust operating cash flows funded net debt reduction during Q4 2020

DSO increase attributable to growth on large customer program

Capital expenditures, net of disposals for fiscal 2021 anticipated at $120 - $130 million

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Outlook for Quarter Ending April 25, 2020 (Q1 2021)

$ Millions (except per share amounts)	Q1 2020	Outlook Q1 2021
Contract revenues	$833.7	$730 - $780
GAAP Diluted Earnings (Loss) per Common Share	$0.45	$(0.20) - $(0.03)
Non-GAAP Adjusted Diluted Earnings (Loss) per Common Share	$0.53	$(0.09) - $0.08
Non-GAAP Adjusted EBITDA % of contract revenues	8.8%	Non-GAAP Adjusted EBITDA % decreases from Q1 2020

	Q1 2020	Outlook Q1 2021
Depreciation	$41.0	$41.1 - $41.9
Amortization	$5.3	$5.2
Non-GAAP Stock-Based Compensation *(Included in General & Administrative Expense)*	$3.5	$1.8 - $2.6
Non-GAAP Adjusted Interest Expense *(Excludes non-cash amortization of debt discount of $4.9 for Q1 2020 & expectation of $4.9 for Q1 2021)*	$7.3	$6.9 - $7.0
Other income, net *(Includes Gain on sales of fixed assets of $6.7 for Q1 2020 and expectation of $3.7 - $4.2 for Q1 2021)*	$5.7	$2.8 - $3.3
Non-GAAP Adjusted Effective Income Tax Rate *(as a % of Non-GAAP Adjusted Income before Taxes)*	27.2%	27.5%
Non-GAAP Adjusted Diluted Shares	31.8 million	31.6 - 31.8 million[7]

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Looking Ahead to the Quarter Ending July 25, 2020 (Q2 2021)

$ Millions (except per share amounts)	Q2 2020	Outlook Q2 2021
Contract revenues	$884.2	Range from low-single digit decrease to low- single digit increase as a % of revenue compared to Q2 2020
Non-GAAP Adjusted EBITDA % of contract revenues	10.2% (excluding amounts described below)	Non-GAAP Adjusted EBITDA % in line

	Q2 2020	Outlook Q2 2021
Depreciation	$41.9	$41.2 - $42.0
Amortization	$5.3	$5.2
Stock-based compensation *(Included in General & Administrative Expense)*	$2.3	$2.0 - $3.2
Non-GAAP Adjusted Interest Expense *(Excludes non-cash amortization of debt discount of $5.0 for Q2 2020 & expectation of $5.0 for Q2 2021)*	$7.9	$7.2 - $7.4
Other income, net *(Includes Gain on sales of fixed assets of $4.8 for Q2 2020 and expectation of $1.3 - $1.8 for Q2 2021)*	$4.0	$0.3 - $0.8
Non-GAAP Adjusted Effective Income Tax Rate *(as a % of Non-GAAP Adjusted Income before Taxes)*	27.3%	27.5%
Non-GAAP Adjusted Diluted Shares	31.8 million	31.8 million

For comparative purposes:

In addition to other adjustments discussed on our website, Non-GAAP Adjusted EBITDA % in Q2 2020 of 10.2% excludes $11.8 million of earnings for a contract modification on a large customer program for services performed in periods prior to Q2 2020 and also excludes the related impact of performance-based compensation

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Firm and strengthening end market opportunities

Fiber deployments enabling new wireless technologies are underway in many regions of the country

Wireless construction activity in support of expanded coverage and capacity continued to grow through the deployment of enhanced macro cells and new small cells

Recently completed or have begun work associated with several thousand 5G small cell sites across 11 states

Telephone companies are deploying FTTH to enable 1 gigabit high speed connections

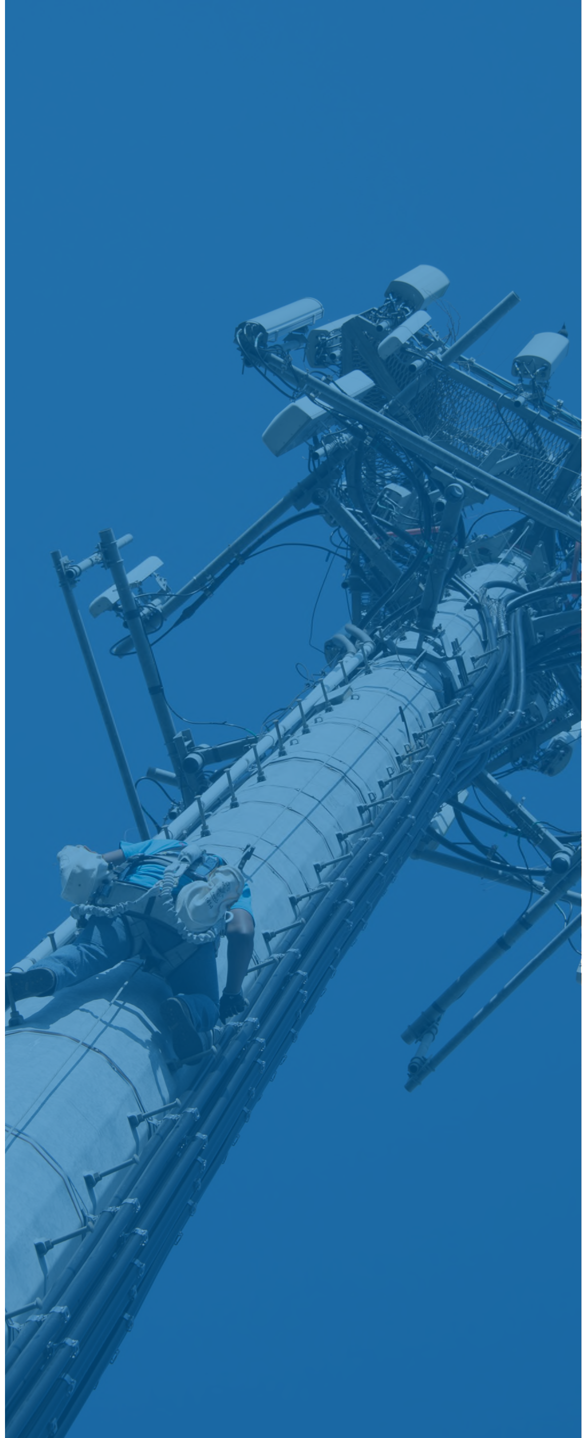
Cable operators are deploying fiber to small and medium businesses and enterprises; Fiber deep deployments to expand capacity are increasing

Dramatically increased speeds to consumers are being provisioned and consumer data usage is growing dramatically

Customers are consolidating supply chains creating opportunities for market share growth and increasing the long-term value of Dycom’s maintenance and operations business

Dycom is increasingly providing integrated planning, engineering and design, procurement and construction and maintenance services for wired and converged wireless/wireline networks

Encouraged that Dycom’s major customers are committed to multi-year capital spending initiatives



Notes

1) Organic growth (decline) % adjusted for revenues from acquired businesses and storm restoration services, when applicable.
2) The Company's backlog represents an estimate of services to be performed pursuant to master service agreements and other contractual agreements over the terms of those contracts. These estimates are based on contract terms and evaluations regarding the timing of the services to be provided. In the case of master service agreements, backlog is estimated based on the work performed in the preceding 12 month period, when available. When estimating backlog for newly initiated master service agreements and other long and short-term contracts, the Company also considers the anticipated scope of the contract and information received from the customer during the procurement process. A significant majority of the Company's backlog comprises services under master service agreements and other long-term contracts. Backlog is not a measure defined by United States generally accepted accounting principles ("GAAP") and should be considered in addition to, but not as a substitute for, GAAP results. Participants in the Company's industry often disclose a calculation of their backlog; however, the Company's methodology for determining backlog may not be comparable to the methodologies used by others. Dycom utilizes the calculation of backlog to assist in measuring aggregate awards under existing contractual relationships with its customers. The Company believes its backlog disclosures will assist investors in better understanding this estimate of the services to be performed pursuant to awards by its customers under existing contractual relationships.
3) The Company had $52.3 million of standby letters of credit outstanding under the Senior Credit Facility at both January 25, 2020 and October 26, 2019.
4) As of January 25, 2020, Availability on Revolving Facility includes $4.3 million representing the incremental amount of eligible cash and equivalents above $50 million as permitted by the Company's Senior Credit Facility. As of October 26, 2019, there was no incremental amount included as Cash and equivalents were less than $50 million.
5) As of January 25, 2020, Liquidity represents the sum of the Availability on Revolving Facility, the $50 million threshold amount of cash and equivalents referred to in footnote five above and other available cash and equivalents. As of October 26, 2019, Liquidity represents the sum of the Availability on Revolving Facility and cash and equivalents.
6) DSO is calculated as the summation of current and non-current accounts receivable (including unbilled receivables), net of allowance for doubtful accounts, plus current contract assets, less contract liabilities (formerly referred to as billings in excess of costs and estimated earnings) divided by average revenue per day during the respective 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.
7) GAAP loss per common share and Non-GAAP Adjusted Loss per Common Share for the quarter ending April 25, 2020 is calculated using 31.6 million shares, which excludes common stock equivalents related to share-based awards as their effect would be anti-dilutive. Non-GAAP Adjusted Diluted Earnings per Common Share for the quarter ending April 25, 2020 is calculated using 31.8 million shares.