



# Quarter 1 | Fiscal 2023 Results

May 25, 2022



# Participants and Agenda



Steven E. Nielsen	President and Chief Executive Officer
H. Andrew DeFerrari	Chief Financial Officer
Ryan F. Urness	General Counsel

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- Q1 2023 Overview
- Industry Update
- Financial & Operational Highlights
- Outlook
- Closing Remarks
- Q&A

# Important Information



## Caution Concerning Forward-Looking Statements

This presentation contains forward-looking statements as contemplated by the 1995 Private Securities Litigation Reform Act. These statements include those related to the outlook for the quarter ending July 30, 2022 found within this presentation. These statements are subject to change. Forward-looking statements are based on management's current expectations, estimates and projections. These statements are subject to risks and uncertainties that may cause actual results for completed periods and periods in the future to differ materially from the results projected or implied in any forward-looking statements contained in this presentation. The most significant of these risks and uncertainties are described in the Company's Form 10-K, Form 10-Q, and Form 8-K reports (including all amendments to those reports) and include the duration and severity of a pandemic caused by COVID-19, our ability to comply with various COVID-19 legal and contractual requirements and the impacts that those requirements may have on our workforce and our ability to perform our work, vaccination rates in the areas where we operate, any worsening of the pandemic caused by increasing infection rates triggered by new variants, future economic conditions and trends including the potential impacts of an inflationary economic environment, customer capital budgets and spending priorities, the availability and cost of materials, equipment and labor necessary to perform our work, the adequacy of the Company's insurance and other reserves and allowances for doubtful accounts, whether the carrying value of the Company's assets may be impaired, the future impact of any acquisitions or dispositions, adjustments and cancellations of the Company's projects, the related impact to the Company's backlog from project cancellations, weather conditions, the anticipated outcome of other contingent events, including litigation, liquidity and other financial needs, the availability of financing, the Company's ability to generate sufficient cash to service its indebtedness, restrictions imposed by the Company's credit agreement, and the other risks and uncertainties detailed from time to time in the Company's filings with the Securities and Exchange Commission. The Company does not undertake any obligation to update forward-looking statements.

## 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 May 25, 2022 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.

# Q1 2023 Overview



## Contract Revenues

- Contract revenues of \$876.3 million increased 21.1% organically after excluding \$3.9 million of contract revenues from storm restoration services in the year ago period

## Operating Performance

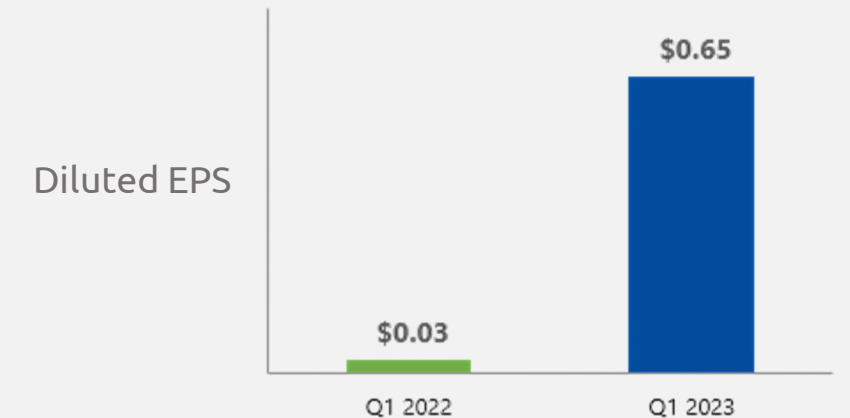
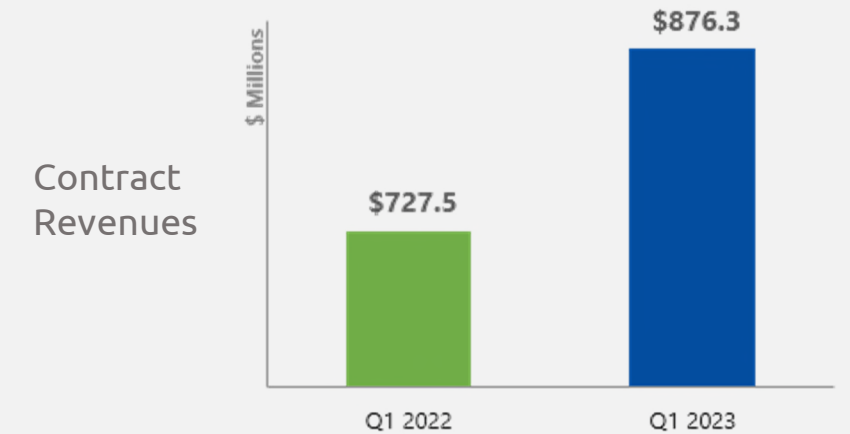
- Non-GAAP Adjusted EBITDA of \$63.7 million, or 7.3% of contract revenues, compared to \$44.1 million, or 6.1% of contract revenues, in the year ago period
- Diluted earnings per common share of \$0.65, compared to \$0.03 in the year ago period
- Diluted earnings per common share included incremental tax benefits of \$0.14 per common share in Q1 2023, compared to incremental tax benefits of \$0.09 per common share in the year ago period

## Liquidity

- Solid liquidity of \$309.5 million
- Total DSOs of 105 days improved 3 days sequentially

## Share Repurchases

- Repurchased 200,000 common shares for \$18.5 million



# Industry Update

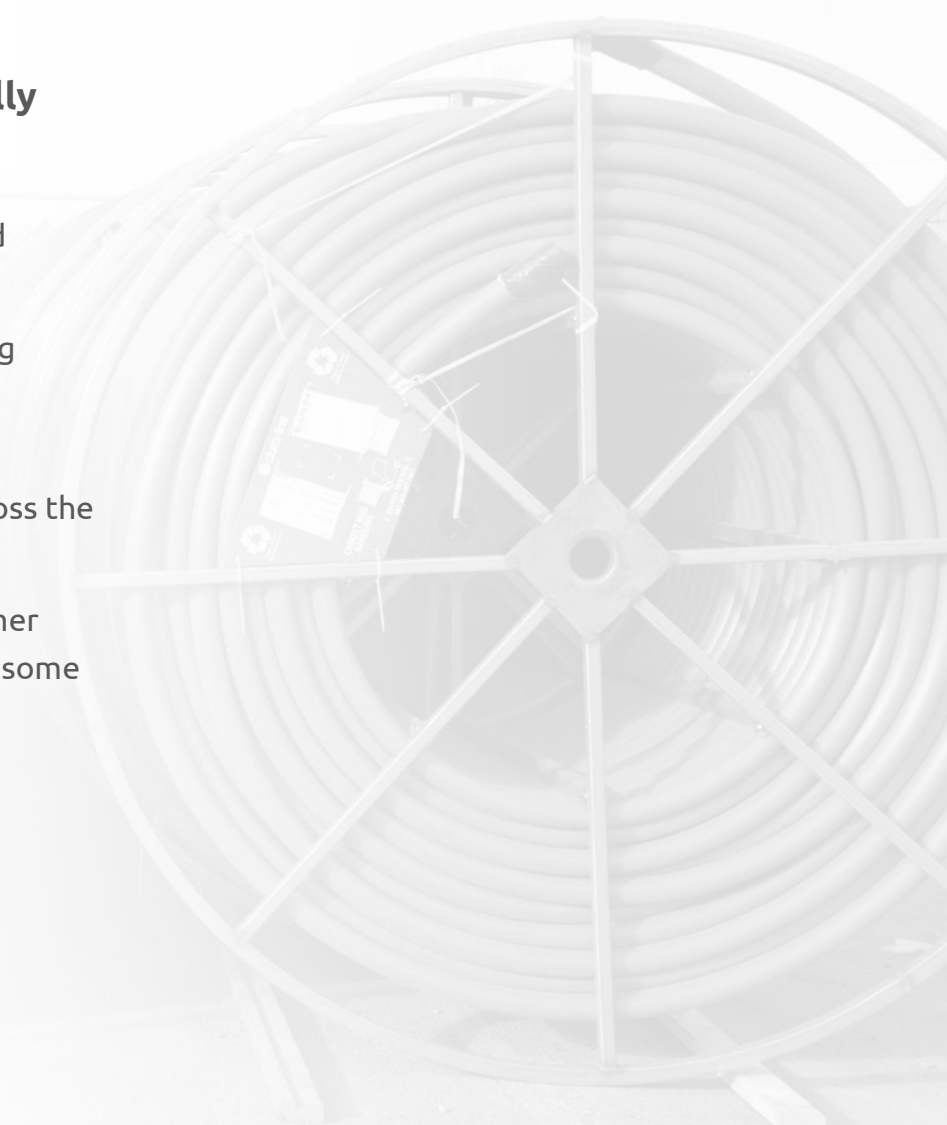


## **The industry effort to deploy high-capacity fiber networks continues to meaningfully broaden the set of opportunities for our industry**

- Major industry participants are constructing or upgrading significant wireline networks across broad sections of the country
- High-capacity fiber networks are increasingly viewed as the most cost effective technology, enabling multiple revenue streams from a single investment
- Fiber network deployment opportunities are increasing in rural America; federal and state support programs for the construction of communications networks in unserved and underserved areas across the country are unprecedented

Macroeconomic effects and supply constraints may influence the near-term execution of some customer plans; industry participants increasingly understand industry-wide cost pressures and are beginning in some instances to address those impacts

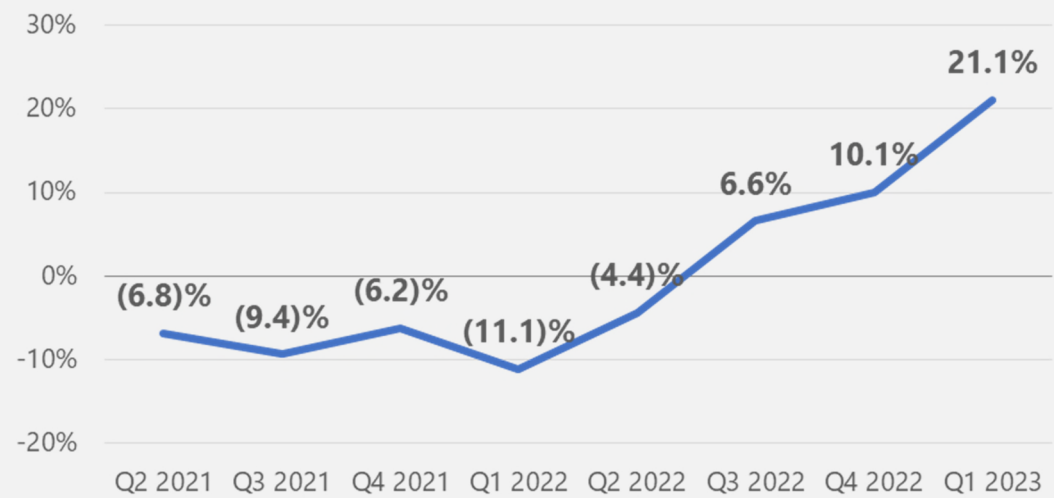
**Our scale and financial strength position us well to take advantage of these opportunities to deliver valuable services to our customers, including integrated planning, engineering and design, procurement and construction and maintenance services**



# Contract Revenues



Non-GAAP Organic Growth (Decline) %<sup>1</sup>



Q1 2023 Organic Growth:

**21.1%**

Total Customers

**19.8%**

Top 5 Customers<sup>2</sup>

**23.9%**

All Other Customers<sup>3</sup>

**52.7%**

AT&T

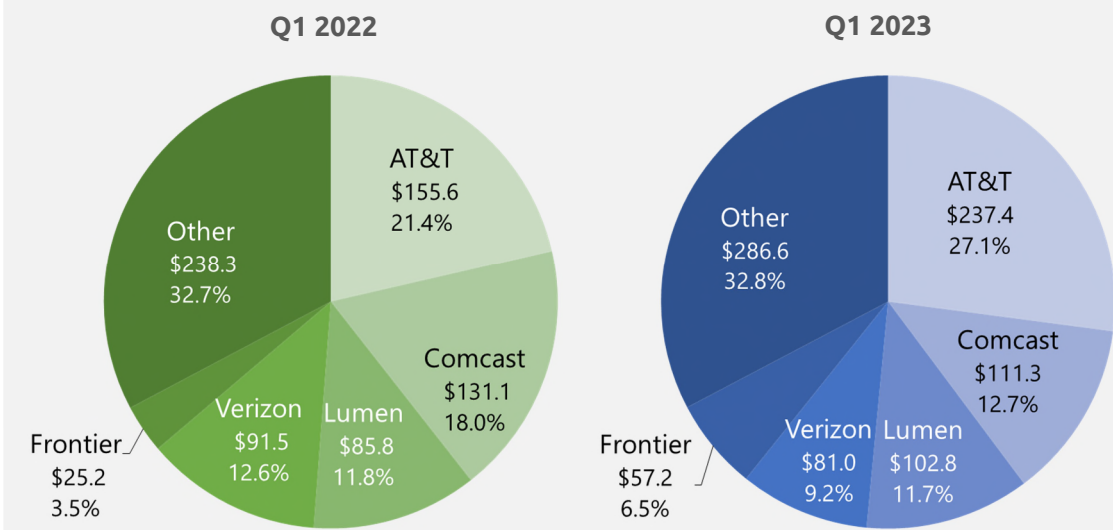
**20.3%**

Lumen

**127.1%**

Frontier

Top 5 Customers - % of Total Contract Revenues



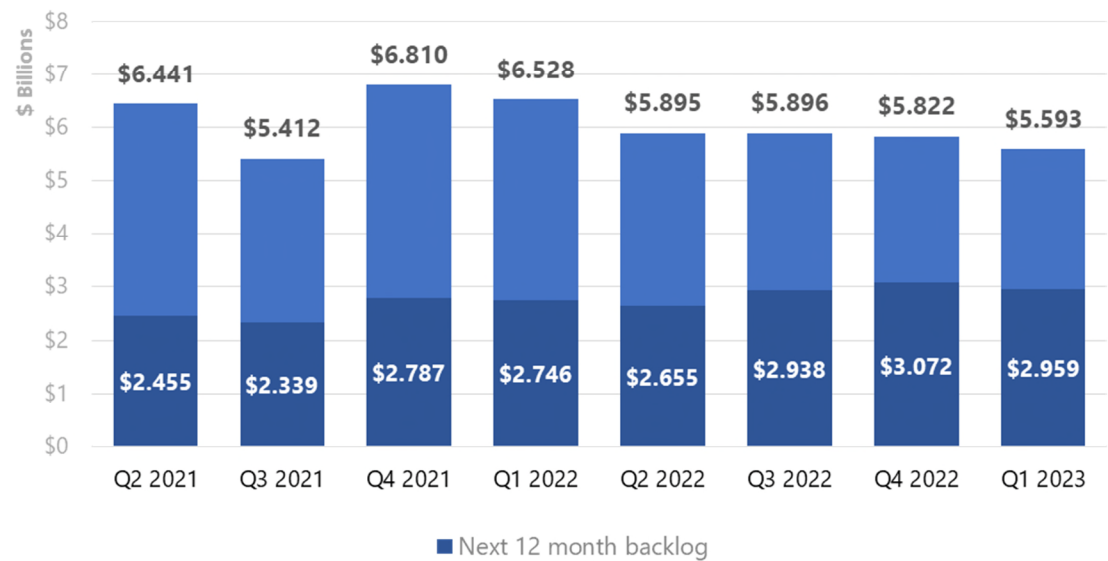
Top 5 customers represented **67.3%** and **68.2%** of contract revenues in Q1 2023 and Q1 2022, respectively<sup>2</sup>

Fiber construction revenue from electric utilities increased organically **47.0%** year-over-year and was \$69.6 million, or 7.9% of contract revenues, in Q1 2023

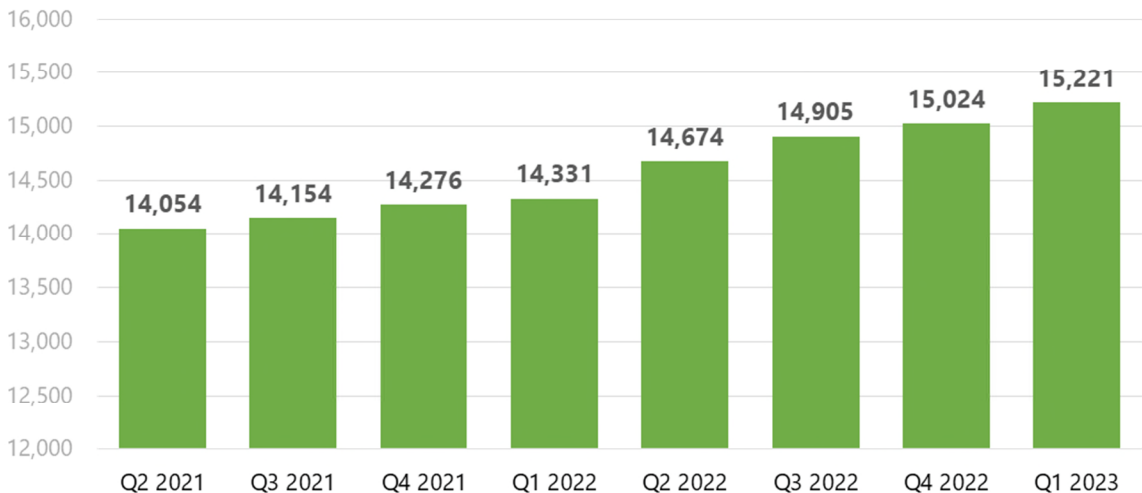
# Backlog, Awards and Employees



Backlog<sup>4</sup>



Employee Headcount



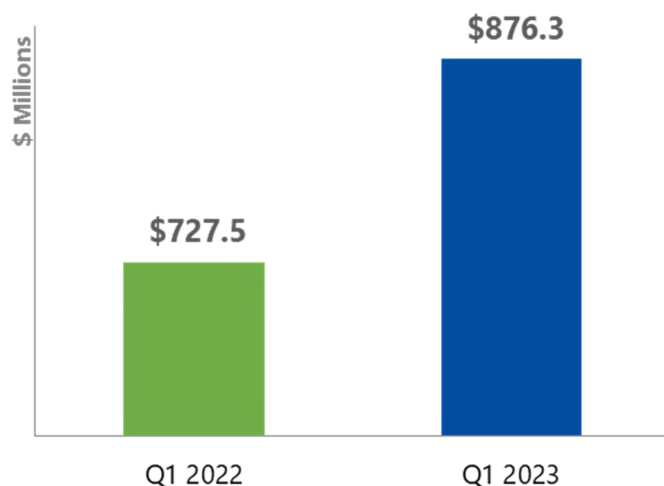
**Selected Q1 2023 Awards and Extensions:**

Customer	Description of Services	Area	Term
AT&T	Placement Services	NC, SC, GA, FL	3 years
Frontier	Fiber Construction	IL, MI	1-2 years
Brightspeed	Fiber Construction	NC	1 year
Verizon	Engineering	MA, RI	3 years
	Maintenance & Restoration	FL	3 years
Various	Rural Fiber Construction	AR, WI, IN, KY, TN	1 year

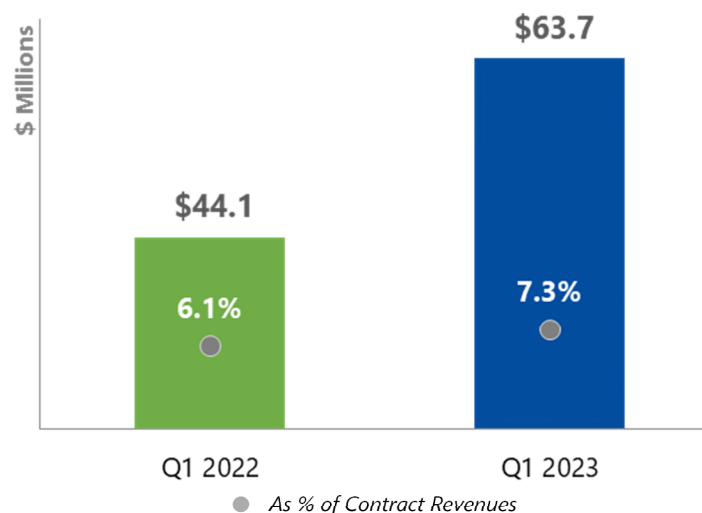
# Financial Highlights



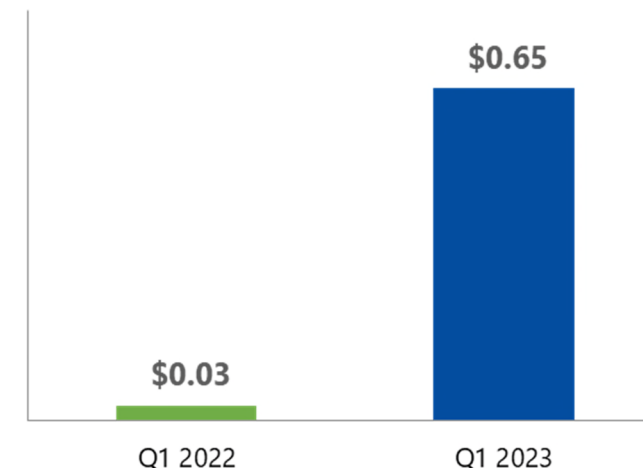
## Contract Revenues



## Non-GAAP Adjusted EBITDA



## Diluted EPS



- Contract revenues of \$876.3 million increased 21.1% organically after excluding \$3.9 million of contract revenues from storm restoration services in the year ago period
- Non-GAAP Adjusted EBITDA of \$63.7 million, or 7.3% of contract revenues
- Diluted earnings per common share of \$0.65
- Diluted earnings per common share included incremental tax benefits of \$0.14 per share in Q1 2023, compared to incremental tax benefits of \$0.09 per share in the year ago period

# Debt and Liquidity Overview



Debt maturity profile and liquidity provide financial flexibility

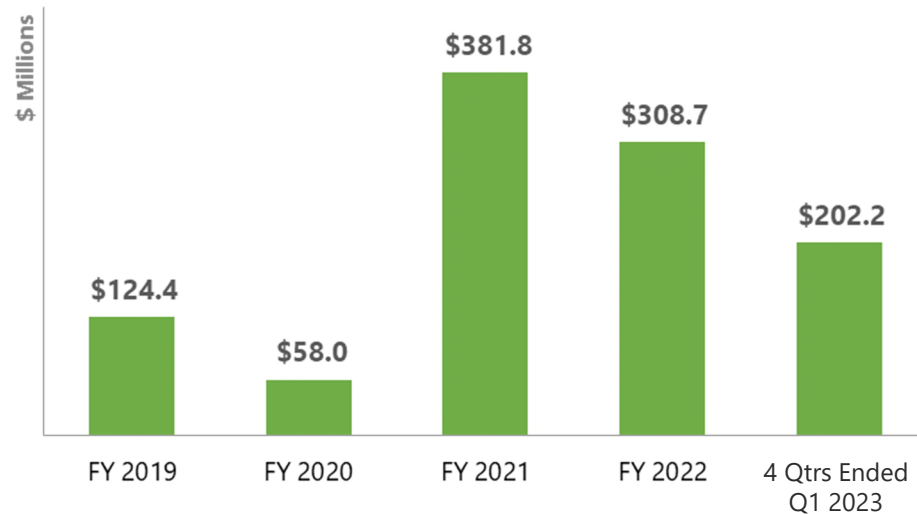
\$ Millions	Q4 2022	Q1 2023
<b>Debt Summary</b>		
4.50% Senior Notes, mature April 2029	\$ 500.0	\$ 500.0
Senior Credit Facility, matures April 2026: <sup>5</sup>		
Term Loan Facility	350.0	345.6
Revolving Facility	-	-
<b>Total Notional Amount of Debt</b>	<b>\$ 850.0</b>	<b>\$ 845.6</b>
<b>Less: Cash and Equivalents</b>	<b>310.8</b>	<b>185.6</b>
<b>Notional Net Debt</b>	<b>539.2</b>	<b>660.1</b>
<b>Liquidity<sup>6</sup></b>	<b>\$ 351.5</b>	<b>\$ 309.5</b>

- Solid liquidity of \$309.5 million at Q1 2023
- Capital allocation prioritizes organic growth, followed by opportunistic share repurchases and M&A, within the context of the Company's historical range of net leverage

# Cash Flow Overview



## Operating Cash Flow



\$ Millions

### Cash Flow Summary

	Q1 2022	Q1 2023
Operating cash flow	\$ 41.5	\$ (64.9)
Capital expenditures, net of disposals	\$ (28.6)	\$ (33.0)
Proceeds from issuance of 4.50% Senior Notes	\$ 500.0	\$ -
Repayments on Senior Credit Facility	\$ (176.9)	\$ (4.4)
Debt issuance costs	\$ (11.2)	\$ -
Repurchase of common stock	\$ -	\$ (18.5)
Other financing & investing activities, net	\$ (6.0)	\$ (4.3)

### Days Sales Outstanding ("DSO")

	Q4 2022	Q1 2023
Total DSO <sup>7</sup>	108	105

- Operating cash flow used to support strong organic growth during Q1 2023
- Repurchased 200,000 common shares for \$18.5 million during Q1 2023
- Total DSOs of 105 days improved 3 days sequentially

# Outlook for Quarter Ending July 30, 2022 (Q2 2023)



## Q2 2023 Outlook:

### CONTRACT REVENUES

Increase mid-teens to 20% as a percentage of contract revenues compared to Q2 2022

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### NON-GAAP ADJUSTED EBITDA % OF CONTRACT REVENUES

In-line to modestly higher compared to Q2 2022

### INTEREST EXPENSE

\$9.5 million

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### EFFECTIVE INCOME TAX RATE

Approximately 27.0%

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### DILUTED SHARES

30.0 million

# Closing Remarks



**We maintain significant customer presence throughout our markets and are encouraged by the breadth in our business**

**Our extensive market presence has allowed us to be at the forefront of evolving industry opportunities**

- Telephone companies are deploying FTTH to enable gigabit high speed connections and, increasingly, rural electric utilities are doing the same
- Dramatically increased speeds to consumers are being provisioned and consumer data usage is growing, particularly upstream
- Wireless construction activity in support of newly available spectrum bands is expected to increase this year
- Federal and state support for rural deployments of communications networks is dramatically increasing in scale and duration
- Cable operators are deploying fiber to small and medium businesses and enterprises, partly in anticipation of the customer sales process; deployments to expand capacity as well as new build opportunities are underway
- Customers are consolidating supply chains creating opportunities for market share growth and increasing the long-term value of our maintenance and operations business

**A growing number of our customers are committed to multi-year capital spending initiatives**

# Notes



1. Organic growth (decline) % adjusted for contract revenues from storm restoration services, and for the additional week of operations during the fourth quarter as a result of the Company's 52/53 week fiscal year, when applicable.
2. Top 5 customers included AT&T, Comcast, Lumen, Verizon, and Frontier for Q1 2023, compared to AT&T, Comcast, Verizon, Lumen, and Windstream for Q1 2022.
3. Q1 2023 % of contract revenues for customers #6 through #10 included in All Other Customers are presented in the following table:

Customer #6	Windstream	Charter	Dominion Energy	Ziply Fiber
3.9%	2.7%	1.9%	1.7%	1.6%

4. 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.
5. As of Q4 2022 and Q1 2023, the Company had \$46.3 million and \$47.5 million of standby letters of credit outstanding under the Senior Credit Facility, respectively.
6. Liquidity represents the sum of availability from the Company's Senior Credit Facility, considering net funded debt balances, and available cash and equivalents. For calculation of availability under the Senior Credit Facility, applicable cash and equivalents are netted against the funded debt amount.
7. 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, 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.



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