

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

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 29, 2022

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

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

Florida
(State or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

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

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

The aggregate market value of the common stock, par value \$0.33 1/3 per share, held by non-affiliates of the registrant, computed by reference to the closing price of such stock on the New York Stock Exchange on July 31, 2021, was \$2,025,969,771.

There were 29,613,477 shares of common stock with a par value of \$0.33 1/3 outstanding at March 1, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Annual Report on Form 10-K into which incorporated
Portions of the registrant's Proxy Statement for its 2022 Annual Meeting of Shareholders	Parts II and III
Such Proxy Statement, except for the portions thereof which have been specifically incorporated by reference, shall not be deemed "filed" as part of this Annual Report on Form 10-K.	

Dycom Industries, Inc.
Table of Contents

Cautionary Note Concerning Forward-Looking Statements	3
Available Information	4

PART I

Item 1.	Business	4
Item 1A.	Risk Factors	9
Item 1B.	Unresolved Staff Comments	18
Item 2.	Properties	18
Item 3.	Legal Proceedings	19
Item 4.	Mine Safety Disclosures	19

PART II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
Item 6.	Selected Financial Data	21
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	40
Item 8.	Financial Statements and Supplementary Data	42
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	79
Item 9A.	Controls and Procedures	79
Item 9B.	Other Information	79
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	79

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	80
Item 11.	Executive Compensation	80
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	80
Item 13.	Certain Relationships, Related Transactions and Director Independence	80
Item 14.	Principal Accounting Fees and Services	80

PART IV

Item 15.	Exhibits and Financial Statement Schedules	81
Item 16.	Form 10-K Summary	83

[Signatures](#)

Cautionary Note Concerning Forward-Looking Statements

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

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

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

Available Information

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

PART I

Item 1. *Business.*

Dycom Industries, Inc. (“Dycom”, the “Company”, “we”, or “us”) is a leading provider of specialty contracting services throughout the United States. Since our incorporation in the State of Florida in 1969, we have expanded our scope and service offerings organically and through acquisitions. Our geographic presence and substantial workforce provide the scale needed to quickly execute on opportunities to service existing and new customers. Our consolidated contract revenues for fiscal 2022 were \$3.1 billion.

We supply telecommunications providers with a comprehensive portfolio of specialty services, including program management; planning; engineering and design; aerial, underground, and wireless construction; maintenance; and fulfillment services 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.

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

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

Business Strategy

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

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

Selectively Increase Market Share. We believe our reputation for providing high quality services and the ability to provide those services nationally creates opportunities to expand market share. Our decentralized operating structure and multiple points of contact within customer organizations positions us favorably to win new opportunities and maintain strong relationships with existing customers. We are able to address larger customer opportunities due to our significant financial resources that some of our comparatively more capital-constrained competitors may be unable to take on. We do not intend to increase market share by pursuing unprofitable work.

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

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

Fiscal Year

In September 2017, our Board of Directors approved a change in the Company's fiscal year end from the last Saturday in July to the last Saturday in January. The change better aligned our fiscal year with the planning cycles of our customers. For quarterly comparisons, there were no changes to the months in each fiscal quarter. We use a 52/53 week fiscal year ending on the last Saturday in January. Fiscal 2022, fiscal 2020, fiscal 2019, and fiscal 2017 each consisted of 52 weeks of operations. Fiscal 2021 consisted of 53 weeks of operations.

We refer to the period beginning January 31, 2021 and ending on January 29, 2022 as "fiscal 2022", the period beginning January 26, 2020 and ending on January 30, 2021 as "fiscal 2021", the period beginning on January 27, 2019 and ending on January 25, 2020 as "fiscal 2020", the period beginning on January 28, 2018 and ending January 26, 2019 as "fiscal 2019", the period beginning July 30, 2017 and ending January 27, 2018 as the "2018 transition period", and the period beginning July 31, 2016 and ending July 29, 2017 as "fiscal 2017".

Customer Relationships

We have established relationships with many leading telecommunications providers, including telephone companies, cable multiple system operators, wireless carriers, telecommunication equipment and infrastructure providers, as well as electric and gas utilities. Our customer base is highly concentrated, with our top five customers during fiscal 2022, fiscal 2021, and fiscal 2020, accounting for approximately 66.2%, 74.1%, and 78.4%, of our total contract revenues, respectively. During fiscal 2022, we derived approximately 23.5% of our total contract revenues from AT&T Inc., 15.1% from Comcast Corporation, 11.9% from Lumen Technologies Inc. (formerly CenturyLink Inc.), 11.3% from Verizon Communications, Inc., and 4.4% from Frontier Communications Corporation. We believe that a substantial portion of our total contract revenues and operating income will continue to be generated from a concentrated group of customers.

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

We perform a majority of our services under master service agreements and other contracts that contain customer-specified service requirements. These agreements include discrete pricing for individual tasks. We generally possess multiple agreements with each of our significant customers. To the extent that such agreements specify exclusivity, there are often exceptions, including the ability of the customer to issue work orders valued above a specified dollar amount to other service providers, the

performance of work with the customer's own employees, and the use of other service providers when jointly placing facilities with another utility. In many cases, a customer may terminate an agreement for convenience. Historically, multi-year master service agreements have been awarded primarily through a competitive bidding process; however, occasionally we are able to negotiate extensions to these agreements. We provide the remainder of our services pursuant to contracts for specific projects. These contracts may be long-term (with terms greater than one year) or short-term (with terms less than one year) and often include customary retainage provisions under which the customer may withhold 5% to 10% of the invoiced amounts pending project completion and closeout.

Cyclicality and Seasonality

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

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

Backlog

Our backlog is an estimate of the uncompleted portion of services to be performed under contractual agreements with our customers and totaled \$5.822 billion and \$6.810 billion at January 29, 2022 and January 30, 2021, respectively. We expect to complete 52.8% of the January 29, 2022 total backlog during the next 12 months. Our backlog represents an estimate of services to be performed pursuant to master service agreements and other contractual agreements over the terms of those contracts. These estimates are based on contract terms and evaluations regarding the timing of the services to be provided. In the case of master service agreements, backlog is estimated based on the work performed in the preceding 12 month period, when applicable. When estimating backlog for newly initiated master service agreements and other long and short-term contracts, we also consider the anticipated scope of the contract and information received from the customer during the procurement process and, where applicable, other ancillary information. 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. 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 and 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. 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 ("GAAP") and should be considered in addition to, but not as a substitute for, GAAP results. Participants in our industry often disclose a calculation of their backlog; however, our methodology for determining backlog may not be comparable to the methodologies used by others. We utilize our calculation of backlog to assist in measuring aggregate awards under existing contractual relationships with our

customers. We believe our backlog disclosures will assist investors in better understanding this estimate of the services to be performed pursuant to awards by our customers under existing contractual relationships.

Competition

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

Human Capital Resources

We believe the people who work for our company are our most important resources and are critical to our continued success. We employed approximately 15,024 persons as of January 29, 2022. We focus significant attention on attracting and retaining talented and experienced individuals to manage and support our operations. We offer our employees a broad range of company-paid benefits, and we believe our compensation package and benefits are competitive with others in our industry. We are committed to hiring, developing and supporting a diverse and inclusive workplace.

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

The success of our business is fundamentally connected to the safety and well-being of our people. Accordingly, we are committed to the health and safety of our employees. In response to the COVID-19 pandemic, we implemented significant operational changes that we determined were in the best interest of our employees. This includes having many of our office-based personnel work from home, while implementing and ensuring compliance with additional safety measures for employees continuing critical on-site work.

Our Board of Directors, through our Compensation Committee and our Corporate Governance Committee, provides oversight on employee matters. The Compensation Committee receives updates on activities, strategies and initiatives related to our employees, and our Corporate Governance Committee oversees the development and succession planning of senior management. As part of this oversight, the Board received regular updates on efforts we have taken in response to the COVID-19 pandemic.

Independent Subcontractors and Materials

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

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

Safety and Risk Management

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

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

Regulation

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

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

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

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

Information About Our Executive Officers

The following table sets forth certain information concerning the Company's executive officers as of January 29, 2022, all of whom serve at the pleasure of the Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Office</u>	<u>Executive Officer Since</u>
Steven E. Nielsen	58	Chairman, President and Chief Executive Officer	February 26, 1996
Daniel S. Peyovich	46	Executive Vice President of Operations	January 6, 2021
H. Andrew DeFerrari	53	Senior Vice President and Chief Financial Officer	November 22, 2005
Scott P. Horton	58	Vice President and Chief Human Resources Officer	September 4, 2018
Ryan F. Umess	49	Vice President, General Counsel and Corporate Secretary	May 21, 2019

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

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

Daniel S. Peyovich has been the Company's Executive Vice President of Operations since January 2021. Prior to that, from 2014 until January 2021, Mr. Peyovich was the President of the Northwest Division for Balfour Beatty Construction, a leading international infrastructure group engaged in the development, building and maintenance of complex infrastructure such as transportation, power and utility systems and commercial buildings. Mr. Peyovich held a number of roles with increasing levels of authority at Balfour Beatty Construction and a predecessor entity from 2004 to 2014.

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

Scott P. Horton has been the Company's Vice President and Chief Human Resources Officer since September 2018. Prior to joining the Company, Mr. Horton spent the past 30 years in various human resources leadership roles within Cooper Industries, Tyco International, and most recently as VP, International Human Resources with Bausch Health Companies.

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

Item 1A. Risk Factors.

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

Risks Related to Financial Performance or General Economic Conditions

Economic downturns, uncertain economic conditions, and capital market fluctuations may affect our customers' spending on the services we provide.

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

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 COVID-19 pandemic and by the nation's response to it. Measures mandated by governmental agencies have included vaccination and masking requirements, travel and large gathering restrictions, social distancing requirements, quarantines, and shelter in place orders. Even as efforts to contain the pandemic have made progress and some restrictions have relaxed, new variants of COVID-19 have resulted in, and may continue to result in, additional outbreaks. As a result, certain business-related activities have been curtailed or modified. During the COVID-19 pandemic, our services have generally been considered essential in nature and have not been materially interrupted by governmental mandates, but changes in the severity of the COVID-19 pandemic at different times in the various

cities and regions where we operate, or changes in the response to the COVID-19 pandemic by governmental agencies may impact our ability to operate.

We believe the impact of the COVID-19 pandemic on our operating results, cash flows and financial condition is uncertain, unpredictable and is outside of our control. The extent of the impact of the COVID-19 pandemic will depend on the severity and duration of the pandemic, as well as the nature and duration of federal, state and local laws, orders, rules, emergency temporary standards, regulations and mandates, together with protocols and contractual requirements implemented by our customers, that have been enacted or newly enforced in response to the COVID-19 pandemic (collectively, or individually, referred to herein as “COVID-19 Legal and Contractual Requirements”). Additionally, our ability to perform our work is dependent on the effectiveness of vaccination programs that are implemented in the markets in which we operate and the willingness and ability of our employees and our subcontractor’s workers to participate in these vaccination programs as required. The COVID-19 pandemic is likely to heighten and exacerbate the risks described herein. In addition to those risks, and others that cannot yet be identified, we may experience impacts to our business resulting from any of 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. For example, certain customers of the Company’s broadband reporting unit have restricted our technicians from engaging in certain revenue generating activities on third party premises, which is where a substantial portion of revenue, operating results and cash flows for this reporting unit has historically been generated.
- 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 may result in reduced customer demand for our in-home installation services, and our customers may maintain these protocols after the impacts of the pandemic have abated.
- To the extent that we are required to comply with COVID-19 Legal and Contractual Requirements that do not apply to other potential employers, our employees and our subcontractor’s workers may seek employment elsewhere, which could affect our ability to perform our work on a timely basis, or at all.
- Our operations may not, at times, be consistent with evolving, differing and, in some instances, conflicting COVID-19 Legal and Contractual Requirements. For example, our employees and our subcontractor’s workers may be hesitant or unwilling to comply with COVID-19 Legal and Contractual Requirements, such as vaccination requirements. A failure to comply with COVID-19 Legal and Contractual Requirements could expose us to increased risks, including sanction from governmental bodies, the termination of our contractual agreements with our customers, a reduction or elimination of the amount of work that is issued to us by our customers and costs associated with claims that we have breached the terms of our contractual arrangements with our customers, as well as fines, penalties and costs.
- As a result of having 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, the continuation of COVID-19 Legal and Contractual Requirements or other similar measures, and from recessionary economic conditions that may persist. The challenges faced in implementing nationwide COVID-19 vaccinations, the degree to which the public is willing to be vaccinated, and the degree that vaccines are effective in preventing infection or illness over time and in connection with existing or new variants of COVID-19 may also extend the impacts on our business.

Regulatory changes may affect our customers’ spending on the services we provide. Our customers operate in regulated industries and are subject to laws and regulations that can change frequently and without notice. The adoption of new laws or regulations, or changes to the enforcement or interpretation of existing laws or regulations, could cause our customers to reduce or delay spending on the services we provide, which could adversely affect our revenues, results of operations, and liquidity.

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

We derive a significant portion of our revenues from a small number of customers, and the loss of one or more of these customers could adversely affect our revenues, results of operations, and liquidity. Our customer base is highly concentrated,

with our top five customers during fiscal 2022, fiscal 2021, and fiscal 2020 accounting for approximately 66.2%, 74.1%, and 78.4%, of our total contract revenues, respectively. Our industry is highly competitive and the revenue we expect from an existing customer in any market could fail to be realized if competitors who offer comparable services to our customers do so on more favorable terms or have a better relationship with a customer. Additionally, the continued consolidation of the telecommunications industry could result in the loss of a customer if, as a result of a merger or acquisition involving one or more of our customers, the surviving entity chooses to use one of our competitors for the services we currently provide.

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

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

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

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

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

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. 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 and 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. Our estimates of our customers' requirements during a future period may prove to be inaccurate. As a result, our backlog as of any particular date is an uncertain estimate of the amount of, and timing of, future revenues and earnings.

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

Our business is labor-intensive, and we may be unable to attract, retain and ensure the productivity of qualified employees or to pass increased labor and training costs to our customers. We are highly dependent upon our ability to employ, train, retain, and ensure the productivity of skilled personnel to operate our business. Given the highly specialized work we perform, many of our employees receive training in, and possess, specialized technical skills that are necessary to operate our business and maintain productivity and profitability. We cannot be certain that we will be able to maintain and ensure the productivity of the skilled labor force necessary to operate our business. Our ability to do so depends on a number of factors, such as the general rate of employment, competition for employees possessing the skills we need, the general health and welfare of our employees, which has been impacted by the COVID-19 pandemic, and the level of compensation required to hire, train and retain qualified employees. In addition, the uncertainty of contract awards and project delays can also present difficulties in appropriately sizing our skilled labor force. Furthermore, due to the fixed price nature of the tasks in our contracts, we may be unable to pass increases in labor and training costs on to our customers. If we are unable to attract or retain qualified employees or incur additional labor and training costs, our results of operations could be adversely affected.

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

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

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

Continued increases in healthcare costs or additional costs created by future health care reform laws adopted by Congress, state legislatures, or municipalities could adversely affect our results of operations and financial position.

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

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

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

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

The market price of our common stock has been, and may continue to be, highly volatile. During fiscal 2022, our common stock fluctuated from a low of \$63.99 per share to a high of \$100.78 per share. We may continue to experience significant volatility in the market price of our common stock due to numerous factors, including, but not limited to:

- fluctuations in our operating results or the operating results of one or more of our competitors;
- announcements by us or our competitors of significant contracts, acquisitions or capital commitments;
- announcements by our customers regarding their capital spending and start-up, deferral or cancellation of projects, or their mergers and acquisitions activities;
- the commercialization of new technologies impacting the services that we provide to our customers;
- government regulatory actions and changes in tax laws;
- changes in recommendations or earnings estimates by securities analysts; and
- the impact of economic conditions on the credit and stock markets and on our customers' demand for our services.

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

Risks Related to the Operation of Our Business

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

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

A failure, outage, or cybersecurity breach of our technology systems or those of third-party providers may adversely affect our operations and financial results. We are increasingly dependent on technology to operate our business, to engage with our customers and other third parties, and to increase the efficiency and effectiveness of the services we offer our customers. We use both our own information technology systems and the information technology systems and expertise of third-party service providers to manage our operations, financial reporting, and other business processes. We also use information technology systems to record, transmit, store, and protect sensitive Company, employee, and customer information. A cyber-security attack on these information technology systems may result in financial loss, including potential fines and damages for failure to safeguard data, and may negatively impact our reputation. Additionally, many of our customer contracts can be terminated if we fail to adequately protect their data. The third-party systems of our business partners on which we rely could also fail or be subject to a cybersecurity attack. Any of these occurrences could disrupt our business or the delivery of services to our customers, result in potential liabilities, the termination of contracts, divert the attention of management from effectively operating our business, cause significant reputational damage, or otherwise have an adverse effect on our financial results. We may also need to expend significant additional resources to protect against cybersecurity threats or to address actual breaches or to redress problems caused by cybersecurity breaches.

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

The loss or long-term incapacitation of one or more of our executive officers or other key employees could adversely affect our business. We depend on the continued and ongoing services of our executive officers and other key employees, including the senior management of our subsidiaries. In many instances, these employees have significant experience and expertise in our industry. Competition for senior management personnel is intense and we cannot be certain that any of our executive officers or other key management personnel will remain employed by us or that they will otherwise be able to provide service to us for any length of time. We do not carry “key-person” life or disability insurance on any of our employees. The loss or long-term incapacitation of any one of our executive officers or other key employees could negatively affect our customer relationships or the ability to execute our business strategy, which could adversely affect our business.

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

Risks Related to Laws and Regulations

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

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

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

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

We retain the risk of loss for certain insurance-related liabilities. 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), environmental liability, workers' compensation, and employee group health. We are effectively self-insured for the majority of claims because most claims against us fall below the deductibles under our insurance policies. Additionally, within our aggregate coverage limits and above our base layer of third-party insurance coverage, we have retained

the risk of loss at certain levels of exposure and any claims that reach these retained levels of exposure are self-insured. We estimate and develop our accrual for these claims, including losses incurred but not reported, based on facts, circumstances, and historical evidence. However, the estimate for accrued insurance claims remains subject to uncertainty as it depends in part on factors not known at the time such estimates are made. These factors include the estimated development of claims, the payment pattern of claims incurred, changes in the medical condition of claimants, and other factors such as inflation, tort reform or other legislative changes, unfavorable jury decisions, and court interpretations. Should the cost of actual claims exceed what we have anticipated, our recorded reserves may not be sufficient, and we could incur additional charges that could adversely affect our results of operations and financial position. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Accrued Insurance Claims*, and Note 10, *Accrued Insurance Claims*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

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

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

We may be subject to warranty claims, which could result in significant liabilities and adversely impact our financial results. We typically warrant the services we provide by guaranteeing the work performed against defects in workmanship and materials. When warranty claims occur, we may be required to repair or replace warrantied items without receiving any additional compensation. Our performance of warranty services requires us to allocate resources that otherwise might be engaged in the provision of services that generate revenue. In addition, our customers often have the right to repair or replace warrantied items using the services of another provider and to charge the cost of the repair or replacement to us. Costs incurred for warranty claims, or reductions to revenue-generating activities arising from the allocation of resources to resolve warranty claims, could adversely affect our results of operations and financial position.

One of our subsidiaries participate in multiemployer pension plans under which we could incur significant liabilities. Pursuant to collective bargaining agreements, one of our subsidiaries participates in various multiemployer pension plans that provide defined pension benefits to covered employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to participants. Assets contributed by an employer to a multiemployer plan are not segregated into a separate account and are not restricted to providing benefits only to employees of that contributing employer. Under the Employee Retirement Income Security Act ("ERISA"), absent an applicable exemption, a contributing employer to an underfunded multiemployer plan is liable upon withdrawal from the plan for its proportionate share of the plan's unfunded vested liability. Such underfunding may increase in the event other employers become insolvent or withdraw from the applicable plan or upon the inability or failure of withdrawing employers to pay their withdrawal liability. In addition, if any of the plans in which we participate become significantly underfunded, as defined by the Pension Protection Act of 2006, we may be required to make additional cash contributions in the form of higher contribution rates or surcharges. This could occur because of a shrinking contribution base as a result of insolvency or withdrawal of other companies that currently contribute to these plans, inability or failure of withdrawing companies to pay their withdrawal liability, lower than expected returns on plan assets, or other funding deficiencies. Requirements to pay increased contributions or a withdrawal liability could adversely affect our results of operations, financial position, and cash flows.

During the fourth quarter of fiscal 2016, one of the Company's subsidiaries ceased operations. This subsidiary contributed to a multiemployer pension plan, the Pension, Hospitalization and Benefit Plan of the Electrical Industry - Pension Trust Fund

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

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

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

Risks Related to Our Ability to Grow Our Business

We may not have access in the future to sufficient capital on favorable terms or at all. We may require additional capital to pursue acquisitions, fund capital expenditures, and for working capital needs, or to respond to changing business conditions. Our existing credit agreement contains significant restrictions on our ability to incur additional debt. In addition, if we seek to incur more debt, we may be required to agree to additional covenants that further limit our operational and financial flexibility. If we pursue additional debt or equity financings, we cannot be certain that such funding will be available on terms acceptable to us, or at all. Our inability to access additional capital could adversely affect our liquidity and may limit our growth and ability to execute our business strategy.

Our debt obligations impose restrictions that may limit our operating and financial flexibility, and a failure to comply with these obligations could result in the acceleration of our debt. On April 1, 2021, the Company and certain of its subsidiaries amended its credit agreement, dated as of October 19, 2018, with the various lenders party thereto and Bank of America, N.A., as administrative agent (the “Credit Agreement”) to among other things, decrease the maximum revolver commitment to \$650.0 million from \$750.0 million and decrease the term loan facility to \$350.0 million from \$416.3 million. The Credit Agreement includes a \$200.0 million sublimit for the issuance of letters of credit and a \$50.0 million sublimit for swingline loans. As part of the amendment, the maturity of the Credit Agreement was extended to April 1, 2026. As of January 29, 2022, we had \$350.0 million outstanding under the term loan facility and \$46.3 million of outstanding letters of credit issued under our Credit Agreement. We had no outstanding borrowings under our revolving facility as of January 29, 2022. This Credit Agreement contains covenants that restrict or limit our ability to, among other things: make certain payments, including the payment of dividends, redeem or repurchase our capital stock, incur additional indebtedness and issue preferred stock, make investments or

create liens, enter into sale and leaseback transactions, merge or consolidate with another entity, sell certain assets, and enter into transactions with affiliates. Our Credit Agreement also requires us to comply with certain financial covenants, including a consolidated net leverage ratio and a consolidated interest coverage ratio. These covenants in our Credit Agreement may prevent us from engaging in transactions that benefit us and may limit our flexibility in the execution of our business strategy. On April 1, 2021, we issued \$500.0 million aggregate principal amount of 4.50% senior notes due 2029 (the “2029 Notes”). The 2029 Notes are guaranteed on a senior unsecured basis, jointly and severally, by all of our domestic subsidiaries that guarantee the Credit Agreement. The indenture governing the 2029 Notes includes cross-acceleration and cross-default provisions with our Credit Agreement. If our financial results fall below anticipated levels, we may be unable to comply with these covenants and a default under our credit agreement could result in the acceleration of our obligations under both our credit agreement and the indenture governing the 2029 Notes, which could adversely affect our liquidity and our ability to execute our business strategy.

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

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

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

Our failure to successfully integrate acquisitions could adversely affect our financial results. As part of our growth strategy, we may acquire companies that expand, complement, or diversify our business. The success of this strategy depends on our ability to realize the anticipated benefits from the acquired businesses, such as the expansion of our existing operations and elimination of redundant costs. To realize these benefits, we must successfully integrate the operations of the acquired businesses with our existing operations. Integrating acquired businesses involves a number of operational challenges and risks, including diversion of management’s attention from our existing business; unanticipated issues in integrating information, communications, and other systems and consolidating corporate and administrative infrastructures; failure to manage successfully and coordinate the growth of the combined company; and failure to retain management and other key employees. These factors could result in increased costs, decreases in the amount of expected revenues and diversion of management’s time and energy, which could adversely affect our results of operations and financial position. Additionally, any impairment of goodwill or other intangible assets as a result of our failure to successfully integrate acquisitions could adversely affect our results of operations and financial position.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease our executive offices located in Palm Beach Gardens, Florida. Our subsidiaries operate from administrative offices, district field offices, equipment yards, shop facilities, and temporary storage locations throughout the United States. Those facilities are primarily leased but certain facilities are owned. Our leased properties operate under both non-cancelable

and cancelable leases. We believe that our facilities are suitable and adequate for our current operations and, if necessary, additional or replacement facilities would generally be available on commercially reasonable terms.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information for Our Common Stock

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

Holders

As of March 1, 2022, there were approximately 502 holders of record of our \$0.33 1/3 par value per share common stock.

Dividend Policy

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

Issuer Purchases of Equity Securities

The following table summarizes the Company's purchases of its common stock during the three months ended January 29, 2022:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 31, 2021 - November 27, 2021	—	\$ —	—	(2)
November 28, 2021 - December 25, 2021	—	\$ —	—	(2)
December 26, 2021 - January 29, 2022	600,000	\$ 93.55	—	(2)

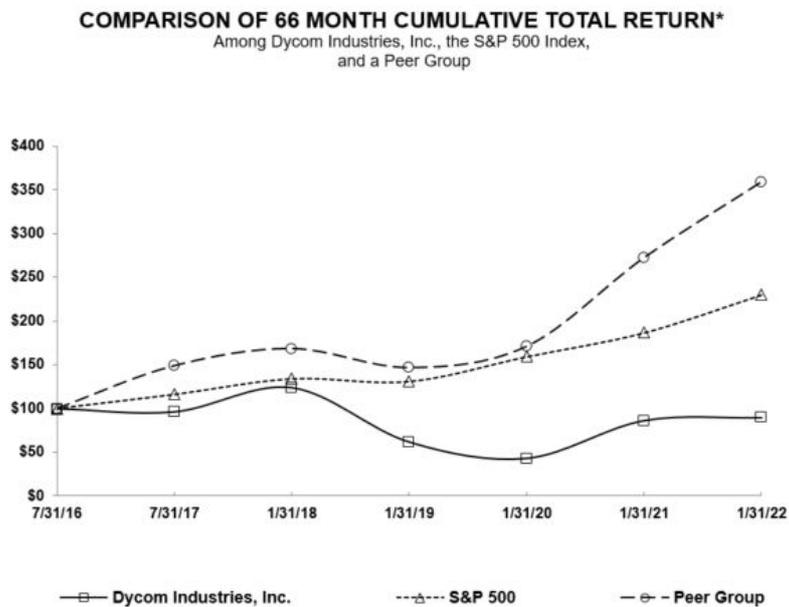
⁽¹⁾ All shares repurchased have been subsequently canceled.

⁽²⁾ On March 3, 2021 the Company announced that its Board of Directors had authorized a new \$150.0 million program to repurchase shares of the Company's outstanding common stock through August 2022 in open market or private transactions. During fiscal 2022, the Company repurchased 1,231,638 shares of its common stock, at an average price of \$86.17, for \$106.1 million. As of January 29, 2022, \$43.9 million of the authorization was available for repurchases. On March 2, 2022 the Company announced that its Board of Directors had authorized a new \$150.0 million program to repurchase shares of the

Company's outstanding common stock through August 2023 in open market or private transactions. The new authorization replaces the remaining \$43.9 million that was available under the prior authorization. As of March 4, 2022, the full \$150.0 million of the new authorization was available for repurchases.

Performance Graph

The performance graph below compares the cumulative total return for our common stock with the cumulative total return (including reinvestment of dividends) of the Standard & Poor's (S&P) 500 Composite Stock Index and that of a selected peer group for fiscal 2016 through fiscal 2022. The selected peer group consists of MasTec, Inc., Quanta Services, Inc., MYR Group, Inc., and Primoris Services Corporation. The graph assumes an investment of \$100 in our common stock and in each of the respective indices noted on July 31, 2016. The comparisons in the graph are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of the possible future performance of our common stock.



*\$100 invested on 7/31/16 in stock or index, including reinvestment of dividends. Fiscal year ending January 31.

Copyright© 2022 Standard & Poor's, a division of S&P Global. All rights reserved.

Item 6. Selected Financial Data.

The selected financial data below should be read in conjunction with our consolidated financial statements and accompanying notes, and with Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in this Annual Report on Form 10-K. Fiscal 2022, fiscal 2020, fiscal 2019, and fiscal 2017 each consisted of 52 weeks of operations. Fiscal 2021 consisted of 53 weeks of operations. The results of operations of businesses acquired are included in the following selected financial data from their dates of acquisition (dollars in thousands, except per share amounts):

	Fiscal Year Ended				Six Months Ended	Fiscal Year Ended
	January 29, 2022 ⁽¹⁾	January 30, 2021 ⁽²⁾	January 25, 2020 ⁽³⁾	January 26, 2019 ⁽³⁾	January 27, 2018 ⁽⁴⁾	July 29, 2017
Operating Data:						
Revenues	\$ 3,130,519	\$ 3,199,165	\$ 3,339,682	\$ 3,127,700	\$ 1,411,348	\$ 3,066,880
Net income	\$ 48,574	\$ 34,337	\$ 57,215	\$ 62,907	\$ 68,835	\$ 157,217
Earnings Per Common Share:						
Basic	\$ 1.60	\$ 1.08	\$ 1.82	\$ 2.01	\$ 2.22	\$ 5.01
Diluted	\$ 1.57	\$ 1.07	\$ 1.80	\$ 1.97	\$ 2.15	\$ 4.92
Balance Sheet Data (at end of period):						
Total assets ⁽⁵⁾	\$ 2,118,224	\$ 1,944,165	\$ 2,217,631	\$ 2,097,503	\$ 1,840,956	\$ 1,899,307
Long-term liabilities ⁽⁴⁾⁽⁵⁾	\$ 977,884	\$ 684,367	\$ 1,026,002	\$ 1,008,344	\$ 856,348	\$ 909,186
Stockholders' equity ⁽⁶⁾	\$ 758,544	\$ 811,308	\$ 868,604	\$ 804,168	\$ 724,996	\$ 671,583

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

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

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

⁽⁴⁾ The 2018 transition period includes an income tax benefit associated with the Tax Cuts and Jobs Act of 2017 ("Tax Reform") of approximately \$32.2 million. This benefit primarily resulted from the re-measurement of our net deferred tax liabilities at a lower U.S. federal corporate income tax rate. In addition, the 2018 transition period includes an income tax benefit of approximately \$7.8 million for the tax effects of the vesting and exercise of share-based awards as a result of the application of Accounting Standards Update 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09").

⁽⁵⁾ Balance sheet data presented for fiscal 2020 reflects the adoption of Accounting Standards Update 2016-02, *Leases (Topic 842)* ("ASU 2016-02") which resulted in the recognition of operating lease right-of-use assets and corresponding lease liabilities. Balance sheet data presented for fiscal 2020, fiscal 2019, and the 2018 transition period reflects the adoption of Accounting Standards Update 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"), under which deferred tax liabilities are presented net of deferred tax assets. No prior periods have been retrospectively adjusted for the adoption of ASU 2015-17.

⁽⁶⁾ We did not repurchase any of our common stock during fiscal 2020 or fiscal 2019. The following table summarizes our share repurchases during fiscal 2022, 2021, the 2018 transition period, and fiscal 2017:

	<u>Fiscal Year Ended</u> <u>January 29, 2022</u>	<u>Fiscal Year Ended</u> <u>January 30, 2021</u>	<u>Six Months Ended</u> <u>January 27, 2018</u>	<u>Fiscal Year Ended</u> <u>July 29, 2017</u>
Shares	1,231,638	1,324,381	200,000	713,006
Amount paid (dollars in millions)	\$ 106.1	\$ 100.0	\$ 16.9	\$ 62.9
Average price per share	\$ 86.17	\$ 75.51	\$ 84.38	\$ 88.23

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

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

Introduction

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

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

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

Macro-economic effects and supply constraints may influence the near-term execution of some customer plans. Broad increases in demand for fiber optic cable and related equipment may cause delivery lead time volatility in the short to intermediate term. In addition, the market for labor remains tight in many regions around the country. It remains to be seen how long this condition persists. Furthermore, the automotive and equipment supply chain remains challenged, particularly for the large truck chassis required for specialty equipment. Prices for capital equipment are increasing. As we contend with these factors, we remain confident that our scale and financial strength position us well to deliver valuable service to our customers.

Telephone companies are deploying fiber-to-the-home to enable gigabit high-speed connections. Increasingly, rural electric utilities are doing the same. Dramatically increased speeds to consumers are being provisioned and consumer data usage is growing, particularly upstream. Wireless construction activity in support of newly available spectrum bands is beginning and 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. A portion of these deployments are 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.

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

Our operations expose us to risks associated with pandemics, epidemics or other public health emergencies, such as the COVID-19 pandemic. Since March 2020, the economy of the United States has been severely impacted by the COVID-19 pandemic and by the nation's response to it. Measures mandated by governmental agencies have included vaccination and masking requirements, travel and large gathering restrictions, social distancing requirements, quarantines, and shelter in place orders. Even as efforts to contain the pandemic have made progress and some restrictions have been relaxed, new variants of COVID-19 have resulted in, and may continue to result in, additional outbreaks. As a result, certain business-related activities have been curtailed or modified.

During the COVID-19 pandemic, our services have generally been considered essential in nature and have not been materially interrupted by governmental mandates. We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including its effects on our customers, subcontractors, suppliers, vendors and employees, as well as any impacts affecting 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 will be determined by factors which are uncertain, unpredictable and outside of our control. These factors include the duration and severity of the pandemic, including any new variants, vaccination rates in the areas we operate and among our employees and subcontractors, the nature and duration of containment and mitigation actions taken by federal, state and local governments, the protocols and contractual requirements implemented by our customers, and the resulting impact on the demand for our services. 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. Our customers may be directly impacted by business curtailments or weak market conditions and may not be willing to continue investments in the services we provide. Furthermore, the COVID-19 pandemic has caused delays, and increases the risk of further delays, in our provision of construction services due to delays in our ability to obtain permits from government agencies or as a result of constraints to the availability of labor, supplies, and equipment. For further discussion of this matter, refer "Item 1A. Risk Factors" in Part I of this report.

Fiscal Year

In September 2017, our Board of Directors approved a change in the Company's fiscal year end from the last Saturday in July to the last Saturday in January. The change better aligned our fiscal year with the planning cycles of our customers. For quarterly comparisons, there were no changes to the months in each fiscal quarter. We use a 52/53 week fiscal year ending on the last Saturday in January. Fiscal 2022, fiscal 2020, fiscal 2019, and fiscal 2017 each consisted of 52 weeks of operations. Fiscal 2021 consisted of 53 weeks of operations.

We refer to the period beginning January 31, 2021 and ending on January 29, 2022 as "fiscal 2022", the period beginning January 26, 2020 and ending on January 30, 2021 as "fiscal 2021", the period beginning on January 27, 2019 and ending on January 25, 2020 as "fiscal 2020", the period beginning on January 28, 2018 and ending January 26, 2019 as "fiscal 2019", the period beginning July 30, 2017 and ending January 27, 2018 as the "2018 transition period", and the period beginning July 31, 2016 and ending July 29, 2017 as "fiscal 2017".

Customer Relationships and Contractual Arrangements

We have established relationships with many leading telecommunications providers, including telephone companies, cable multiple system operators, wireless carriers, telecommunications equipment and infrastructure providers, as well as electric and gas utilities. Our customer base is highly concentrated, with our top five customers accounting for approximately 66.2%, 74.1%, and 78.4% of our total contract revenues during fiscal 2022, fiscal 2021, and fiscal 2020, respectively.

The following reflects the percentage of total contract revenues from customers who contributed at least 2.5% to our total contract revenues during fiscal 2022, fiscal 2021, and fiscal 2020:

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
AT&T Inc.	23.5%	16.7%	20.6%
Comcast Corporation	15.1%	16.7%	15.1%
Lumen Technologies Inc. ⁽¹⁾	11.9%	16.9%	16.4%
Verizon Communications Inc.	11.3%	18.8%	21.8%
Frontier Communications Corporation	4.4%	2.0%	1.7%
Windstream Corporation	3.5%	5.0%	4.5%
Charter Communications, Inc.	2.2%	2.5%	2.8%

⁽¹⁾ Formerly known as CenturyLink, Inc.

In addition, another customer contributed 3.7%, 1.6% and 0.5% to our total contract revenues during fiscal 2022, fiscal 2021, and fiscal 2020, respectively.

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Multi-year master service agreements	76.9 %	71.7 %	65.4 %
Other long-term contracts	13.5	18.3	23.2
Total long-term contracts	90.4 %	90.0 %	88.6 %

Acquisitions

As part of our growth strategy, we may acquire companies that expand, complement, or diversify our business. We regularly review opportunities and periodically engage in discussions regarding possible acquisitions. Our ability to sustain our growth and maintain our competitive position may be affected by our ability to identify, acquire, and successfully integrate companies. The results of these businesses acquired are included in our consolidated financial statements from their respective dates of acquisition.

Understanding Our Results of Operations

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

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

Costs of Earned Revenues. Costs of earned revenues includes all direct costs of providing services under our contracts, including costs for direct labor provided by employees, services by 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.

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

(Loss) Gain on Debt Extinguishment. Gain on debt extinguishment for fiscal 2021 of \$12.0 million includes pre-tax charges related to the extinguishment of \$401.7 million of our convertible senior notes, including the write-off of deferred debt issuance costs on convertible senior notes.

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

Seasonality and Fluctuations in Operating Results. Our contract revenues and results of operations exhibit seasonality 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.

Critical Accounting Policies and Estimates

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

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

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

Revenue Recognition. We perform 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 5%, 10%, and 15% of contract revenues during fiscal 2022, fiscal 2021, and fiscal 2020, respectively.

For certain contracts, representing less than 5% of contract revenues during fiscal 2022, fiscal 2021, and fiscal 2020, we use the cost-to-cost measure of progress. These contracts are generally projects that are completed over a period of less than 12 months and for which payment is received in a lump sum at the end of the project. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs. Contract costs include direct labor, direct materials, and subcontractor costs, as well as an allocation of indirect costs. Contract revenues are recorded as costs are incurred. We accrue the entire amount of a contract loss, if any, at the time the loss is determined to be probable and can be reasonably estimated.

There were no material amounts of unapproved change orders or claims recognized during fiscal 2022, fiscal 2021, and fiscal 2020.

Accounts Receivable, net. We grant credit to our customers, generally without collateral, under normal payment terms (typically 30 to 90 days after invoicing). Generally, invoicing occurs within 45 days after the related services are performed. Accounts receivable represents an unconditional right to consideration arising from our performance under contracts with

customers. Accounts receivable include billed accounts receivable, unbilled accounts receivable, and retainage. The carrying value of such receivables, net of the allowance for doubtful accounts, represents their estimated realizable value. Unbilled accounts receivable represent amounts we have an unconditional right to receive payment for that will be billed at a later date due to administrative requirements in the billing processes specified by our customers. Certain of our contracts contain retainage provisions whereby a portion of the revenue earned is withheld from payment as a form of security until contractual provisions are satisfied. The collectability of retainage is included in our overall assessment of the collectability of accounts receivable. We expect to collect the outstanding balance of current accounts receivable, net (including trade accounts receivable, unbilled accounts receivable, and retainage) within the next 12 months. We estimate our allowance for doubtful accounts by evaluating specific accounts receivable balances based on historical collection trends, the age of outstanding receivables, and the credit worthiness of our customers.

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

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

Contract liabilities. Contract liabilities consist of amounts invoiced to customers in excess of revenue recognized. Our contract assets and liabilities are reported in a net position on a contract by contract basis at the end of each reporting period. As of January 29, 2022 and January 30, 2021, the contract liabilities balance is classified as current based on the timing of when we expect to complete the tasks required for the recognition of revenue.

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

Goodwill and Intangible Assets. Goodwill and other indefinite-lived intangible assets are assessed 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. Goodwill and indefinite lived intangible assets are required to be tested for impairment between annual tests if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value.

We performed our annual impairment assessment for fiscal 2022, fiscal 2021, and fiscal 2020, and concluded that no impairment of goodwill or the indefinite-lived intangible asset was indicated at any reporting unit for any of the periods other than the first quarter of fiscal 2021 as described below. In each of these periods, qualitative assessments were performed on reporting units that comprise a significant portion of our consolidated goodwill balance. A qualitative assessment includes evaluating all identified events and circumstances that could affect the significant inputs used to determine the fair value of a reporting unit or indefinite-lived intangible asset for the purpose of determining whether it is more likely than not that these assets are impaired. We consider various factors while performing qualitative assessments, including macroeconomic conditions, industry and market conditions, financial performance of the reporting units, changes in market capitalization, and any other specific reporting unit considerations. These qualitative assessments indicated that it was more likely than not that the fair value exceeded carrying value for those reporting units. For the remaining reporting units, we performed the quantitative analysis described in ASC Topic 350 in each of these periods. When performing the quantitative analysis, we determine the fair value of our reporting units using a weighing of fair values derived in equal proportions from the income approach and market approach valuation methodologies. Under the income approach, the key valuation assumptions used in determining the fair value estimates of our reporting units for each annual test were: (a) a discount rate based on our best estimate of the weighted average cost of capital adjusted for certain risks for the reporting units; (b) terminal value based on our best estimate of terminal growth rates; and (c) seven expected years of cash flow before the terminal value based on our best estimate of the revenue growth rate and projected operating margin.

The table below outlines certain assumptions used in our annual quantitative impairment analyses for fiscal 2022, fiscal 2021, and fiscal 2020;

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Terminal Growth Rate	2% - 3%	3.0%	3.0%
Discount Rate	10.5%	10.0%	10.0%

The discount rate reflects risks inherent within each reporting unit operating individually. These risks are greater than the risks inherent in the Company as a whole. Determination of discount rates included consideration of market inputs such as the risk-free rate, equity risk premium, industry premium, and cost of debt, among other assumptions. The discount rate was consistent for fiscal 2021 and fiscal 2020. The increase in the discount rate for fiscal 2022 from fiscal 2021 was mainly a result of a heavier weighting of the cost of equity versus debt in the current year as a result of recent market trends for capital structure. We believe the assumptions used in the impairment analysis each year are reflective of the risks inherent in the business models of our reporting units and our industry. Under the market approach, the guideline company method develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key valuation assumptions used in determining the fair value estimates of our reporting units rely on: (a) the selection of similar companies and (b) the selection of valuation multiples as they apply to the reporting unit characteristics.

We determined that the fair values of each of the reporting units and the indefinite-lived intangible asset were in excess of their carrying values in the fiscal 2022 assessment. Management determined that significant changes were not likely in the

factors considered to estimate fair value, and analyzed the impact of such changes were they to occur. Specifically, if the discount rate applied in the fiscal 2022 impairment analysis had been 100 basis points higher than estimated for each of the reporting units, and all other assumptions were held constant, the conclusion of the assessment would remain unchanged and there would be no impairment of goodwill. Additionally, if there was a 25% decrease in the fair value of any of the reporting units due to a decline in their discounted cash flows resulting from lower operating performance, the conclusion of the assessment would remain unchanged for all reporting units except for one. For this reporting unit with goodwill of \$5.7 million, the excess of fair value above its carrying value was approximately 10% of the fair value. Recent operating performance, along with assumptions for specific customer and industry opportunities, were considered in the key assumptions used during the fiscal 2022 impairment analysis. Management has determined the goodwill of the Company may have an increased likelihood of impairment if a prolonged downturn in customer demand were to occur, or if the reporting units was not able to execute against customer opportunities, and the long-term outlook for their cash flows were adversely impacted. Furthermore, changes in the long-term outlook may result in a change to other valuation assumptions. Factors monitored by management which could result in a change to the reporting units' estimates include the outcome of customer requests for proposals and subsequent awards, strategies of competitors, labor market conditions and levels of overall economic activity.

The Company determined that there were no events or changes in circumstances for the other reporting units or indefinite lived intangible assets during fiscal 2022 that would indicate a potential reduction in their fair value below their carrying amounts. As of January 29, 2022, the Company continues to believe the remaining goodwill and the indefinite-lived intangible asset are recoverable for all of its reporting units. However, if adverse events were to occur or circumstances were to change indicating that the carrying amount of such assets may not be fully recoverable, the assets would be reviewed for impairment and could be impaired. There can be no assurances that goodwill or the indefinite-lived intangible asset may not be impaired in future periods.

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

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

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

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

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

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

For fiscal 2020 and fiscal 2021 with regards to workers' compensation losses, we retained the risk of loss up to \$1.0 million on a per occurrence basis. This retention amount is applicable to all of the states in which we operate, except with respect to workers' compensation insurance in two states in which we participate in state-sponsored insurance funds. With regard to automobile liability and general liability losses for fiscal 2020, we retained risk of loss up to \$1.0 million on a per-occurrence basis. With regard to automobile liability and general liability losses for fiscal 2021, we retained the risk of loss up to \$1.0 million on a per-occurrence basis for the first \$5.0 million of insurance coverage. In addition, we also retained the risk of loss for automobile and general liability for the next \$5.0 million on a per-occurrence basis with aggregate loss limits of \$11.5 million within this layer of retention.

For fiscal 2022, with regard to workers' compensation losses, our retention of risk remained the same as fiscal 2021. With regard to automobile liability and general liability losses, our retention of primary risk remained the same as fiscal 2021. In addition, we reduced our coverage limit and retained \$10.0 million risk of loss on a per occurrence basis for losses above \$30.0 million

For fiscal 2023, with regard to workers' compensation losses, our retention of risk remains the same as fiscal 2022. With regard to automobile liability and general liability losses our retention of risk remains the same as fiscal 2022, with the exception that we retained an additional \$5.0 million risk of loss on a per occurrence basis for losses above \$10.0 million , if any.

We are party to a stop-loss agreement for losses under our employee group health plan. For calendar year 2019, we retained the risk of loss, on an annual basis, up to the first \$400,000 of claims per participant, as well as an annual aggregate amount for all participants of \$425,000. For the calendar year 2020, we retained the risk of loss on an annual basis, up to the first \$450,000 of claims per participant, as well as an annual aggregate amount for all participants of \$475,000. For the calendar years 2021 and 2022, we retain the risk of loss on an annual basis, up to the first \$600,000 of claims per participant.

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

	<u>January 29, 2022</u>	<u>January 30, 2021</u>
Accrued insurance claims - current	\$ 36,805	\$ 41,736
Accrued insurance claims - non-current	48,238	70,224
Accrued insurance claims	<u>\$ 85,043</u>	<u>\$ 111,960</u>
Insurance recoveries/receivables:		
Current (included in Other current assets)	\$ 756	\$ —
Non-current (included in Other assets)	3,687	15,837
Insurance recoveries/receivables	<u>\$ 4,443</u>	<u>\$ 15,837</u>

The liability for total accrued insurance claims included incurred but not reported losses of approximately \$48.0 million and \$59.6 million as of January 29, 2022 and January 30, 2021, respectively.

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

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

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

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

Fluctuations in our effective income tax rate were attributable to the difference in income tax rates from state to state where work was performed, non-deductible and non-taxable items, tax credits recognized, the tax effects of the vesting and exercise of share-based awards, and changes in unrecognized tax benefits. Fiscal 2022 includes approximately \$5.0 million for incremental tax benefits for credits related to tax filings for prior periods. During fiscal 2021 our effective tax rate was impacted by a \$53.3 million goodwill impairment charge which was mostly non-deductible for income tax purposes, and the benefit from a \$2.6 million tax loss carryback technical correction under the CARES Act. See Note 14, *Income Taxes*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for further information.

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

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

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

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

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

Results of Operations

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

	Fiscal Year Ended			
	January 29, 2022		January 30, 2021	
Contract revenues	\$ 3,130.5	100.0 %	\$ 3,199.2	100.0 %
Expenses:				
Costs of earned revenues, excluding depreciation and amortization	2,633.9	84.1	2,642.0	82.6
General and administrative	262.4	8.4	259.8	8.1
Depreciation and amortization	152.7	4.9	175.9	5.5
Goodwill impairment charge	—	—	53.3	1.7
Total	3,049.0	97.4	3,130.9	97.9
Interest expense, net	(33.2)	(1.1)	(29.7)	(0.9)
(Loss) gain on debt extinguishment	(0.1)	—	12.0	0.4
Other income, net	4.4	0.1	8.6	0.3
Income before income taxes	52.8	1.7	59.2	1.9
Provision for income taxes	4.2	0.1	24.9	0.8
Net income	\$ 48.6	1.6 %	\$ 34.3	1.1 %

A discussion of our financial results for fiscal 2021 compared to our financial for fiscal 2020 can be found in the “Item 7. *Management’s Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations*” section in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021, filed on March 5, 2021.

Contract Revenues. Contract revenues were \$3.131 billion during fiscal 2022 compared to \$3.199 billion during fiscal 2021. Additionally, we earned \$3.9 million and \$14.6 million of contract revenues from storm restoration services during fiscal 2022 and fiscal 2021, respectively. Fiscal 2022 had 52 weeks of operations while fiscal 2021 had 53 weeks.

Excluding amounts generated from storm restoration services, contract revenues decreased by \$57.9 million during fiscal 2022 compared to fiscal 2021. Contract revenues decreased by approximately \$249.0 million for a large telecommunications customer primarily for services for fiber deployments and by approximately \$165.6 million for a large telecommunications customer primarily for decreases in services performed under existing contracts. Additionally contract revenues decreased by approximately \$60.1 million for a leading cable multiple system operator from installation, maintenance and construction services. Contract revenues also decreased by approximately \$51.9 million for services performed for a telecommunications customer in connection with rural services. Partially offsetting these decreases, contract revenues increased by approximately \$202.2 million for a large telecommunications customer improving its network and by approximately \$72.2 million for a telecommunications customer for fiber deployments. All other customers had net increases in contract revenues of \$194.2 million on a combined basis during fiscal 2022 compared to fiscal 2021.

The percentage of our contract revenues by customer type from telecommunications, underground facility locating, and electric and gas utilities and other customers, was 88.7%, 8.2%, and 3.1%, respectively, for fiscal 2022 compared to 89.1%, 7.2%, and 3.7%, respectively, for fiscal 2021.

Costs of Earned Revenues. Costs of earned revenues decreased to \$2.634 billion, or 84.1% of contract revenues, during fiscal 2022 compared to \$2.642 billion, or 82.6% of contract revenues, during fiscal 2021. The primary components of the decrease were a \$44.6 million decrease in direct materials and a \$19.2 million decrease in other direct costs. Partially offsetting these decreases was a \$41.7 million aggregate increase in direct labor and subcontractor costs and a \$13.9 million increase in equipment maintenance and fuel costs combined.

Costs of earned revenues as a percentage of contract revenues increased 1.6% during fiscal 2022 compared to fiscal 2021. As a percentage of contract revenues, labor and subcontracted labor costs increased 2.7% primarily due to the mix of work performed. Equipment maintenance and fuel costs combined increased 0.5% as a percentage of contract revenues primarily resulting from an increase in fuel prices. Direct materials decreased 1.2% primarily as a result of our mix of work in which we provide materials for our customers and other direct costs decreased 0.5% as a percentage of contract revenues during fiscal 2022.

General and Administrative Expenses. General and administrative expenses increased to \$262.4 million, or 8.4% of contract revenues, during fiscal 2022 compared to \$259.8 million, or 8.1% of contract revenues, during fiscal 2021. The increase in total general and administrative expenses primarily resulted from increased administrative, payroll and other costs, including bad debt expense, offset in part by a decrease in professional fees, performance based compensation and stock-based compensation.

Depreciation and Amortization. Depreciation expense was \$135.2 million, or 4.3% of contract revenues, during fiscal 2022, compared to \$155.3 million, or 4.9% of contract revenues, during fiscal 2021. The decrease in depreciation expense during fiscal 2022 was primarily due certain assets becoming fully depreciated or sold and reduced capital expenditures during fiscal 2021 compared to prior periods. Amortization expense was \$17.5 million and \$20.6 million during fiscal 2022 and fiscal 2021, respectively.

Interest Expense, Net. Interest expense, net was \$33.2 million and \$29.7 million during fiscal 2022 and fiscal 2021, respectively. Interest expense includes \$1.7 million and \$7.4 million for the non-cash amortization of the debt discount associated with the 0.75% convertible senior notes due September 2021 (the "2021 Convertible Notes") during fiscal 2022 and fiscal 2021, respectively. Excluding this amortization, interest expense, net increased to \$31.5 million during fiscal 2022 from \$22.2 million during fiscal 2021 as a result of higher interest rates on funded debt balances and higher outstanding borrowings during the current period.

Other Income, Net. Other income, net was \$4.4 million and \$8.6 million during fiscal 2022 and fiscal 2021, respectively. The change in other income, net was primarily a function of the number of assets sold and prices obtained for those assets during each respective period. Gain on sale of fixed assets was \$4.2 million and \$10.0 million during fiscal 2022 and fiscal 2021, respectively. Other income, net also includes expense associated with the non-recourse sale of accounts receivable under a customer-sponsored vendor payment program.

(Loss) gain on Debt Extinguishment. Gain on debt extinguishment for fiscal 2021 of \$12.0 million includes pre-tax charges related to the extinguishment of \$401.7 million of our 2021 Convertible Notes, including the write-off of deferred debt issuance costs on the 2021 Convertible Notes.

Income Taxes. The following table presents our income tax provision and effective income tax rate for fiscal 2022 and fiscal 2021 (dollars in millions):

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
Income tax provision	\$ 4.2	\$ 24.9
Effective income tax rate	8.0 %	42.0 %

Our effective income tax rate differs from the statutory rate primarily due to the difference in income tax rates from state to state where work was performed, non-deductible and non-taxable items, tax credits recognized, tax effects from the vesting and exercise of share-based awards, and changes in unrecognized tax benefits. Fiscal 2022 includes approximately \$5.0 million for incremental tax benefits for credits related to tax filings for prior periods. During fiscal 2021 our effective tax rate was impacted by a \$53.3 million goodwill impairment charge which was mostly non-deductible for income tax purposes, and the benefit from a \$2.6 million tax loss carryback technical correction under the CARES Act.

Net Income. Net income was \$48.6 million for fiscal 2022 compared to \$34.3 million for fiscal 2021.

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

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
Net income	\$ 48,574	\$ 34,337
Interest expense, net	33,166	29,671
Provision for income taxes	4,202	24,880
Depreciation and amortization	152,652	175,897
Earnings Before Interest, Taxes, Depreciation & Amortization ("EBITDA")	238,594	264,785
Gain on sale of fixed assets	(4,203)	(10,026)
Stock-based compensation expense	9,866	12,771
Charges for a wage and hour litigation settlement	—	2,254
Goodwill impairment charge	—	53,264
Loss (gain) on debt extinguishment	62	(12,046)
Non-GAAP Adjusted EBITDA	\$ 244,319	\$ 311,002
Non-GAAP Adjusted EBITDA % of contract revenues	7.8 %	9.7 %

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 \$310.8 million as of January 29, 2022, compared to \$11.8 million as of January 30, 2021. 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.

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 \$991.8 million as of January 29, 2022 compared to \$801.9 million as of January 30, 2021.

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 and share repurchases. Consequently, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Our level of capital expenditures can vary depending on the customer demand for our services, the replacement cycle we select for our equipment, and overall growth. We intend to fund these expenditures primarily from operating cash flows, availability under our credit agreement, and cash on hand. We expect capital expenditures, net of disposals, to range from \$180.0 million to \$190.0 million during fiscal 2023 to support growth opportunities and the replacement of certain fleet assets.

Sufficiency of Capital Resources. We believe that our capital resources, including existing cash balances and amounts available under our credit agreement, are sufficient to meet our financial obligations. These obligations include interest payments required on the \$500 million aggregate principal amount of 4.50% senior notes due 2029 (the "2029 Notes") and outstanding term loan facility and revolver borrowings, if any, 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, experience difficulty or delays in collecting amounts owed to us by our customers, increase our working capital in connection with new or existing customer programs, or to the extent we repurchase our common stock, or repay credit agreement borrowings. Changes in financial markets or other components of the economy could adversely impact our ability to access the capital markets, in which case we would expect to rely on a combination of available cash and our credit agreement to provide short-term funding. Management regularly monitors the financial markets and assesses general economic conditions for possible impact on our financial position. We believe our cash investment policies are prudent and expect that any volatility in the capital markets would not have a material impact on our cash investments.

Net Cash Flows. The following table presents our net cash flows for fiscal 2022 and fiscal 2021 (dollars in millions):

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
Net cash flows:		
Provided by operating activities	\$ 308.7	\$ 381.8
Used in investing activities	\$ (151.7)	\$ (44.6)
Provided by (used in) financing activities	\$ 142.0	\$ (383.4)

Cash Provided by Operating Activities. Depreciation and amortization, goodwill impairment charge, 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, gain and loss on debt extinguishment and provision for bad debt were the primary non-cash items in cash flows from operating activities during the current and prior periods.

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

Days sales outstanding ("DSO") is calculated based on the ending balance of total current and non-current accounts receivable (including unbilled accounts receivable), net of the allowance for doubtful accounts, and current contract assets, net

of contract liabilities, divided by the average daily revenue for the most recently completed quarter. Long-term contract assets are excluded from the calculation of DSO, as these amounts represent payments made to customers pursuant to long-term agreements and are recognized as a reduction of contract revenues over the period for which the related services are provided to the customers. Including these balances in DSO is not meaningful to the average time to collect accounts receivable and current contract asset balances. Our DSO was 108 days as of January 29, 2022, compared to 136 days as of January 30, 2021. The decrease in our DSO was primarily a result of a decrease in outstanding balances for 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 January 29, 2022 and January 30, 2021 and Note 19, *Customer Concentration and Revenue Information*, for further information on our significant customers. We believe that none of our significant customers were experiencing financial difficulties that would materially impact the collectability of our total accounts receivable and contract assets, net as of January 29, 2022 or January 30, 2021.

During fiscal 2021, net cash provided by operating activities was \$381.8 million. Changes in working capital (excluding cash) and changes in other long-term assets and liabilities provided \$113.3 million of operating cash flow during fiscal 2021. Working capital changes that used operating cash flow during fiscal 2021 included increases in accounts receivable of \$41.8 million. Changes that provided operating cash flow during fiscal 2021 included a decrease in contract assets, net; other current assets and inventories; income tax receivable; and other assets of \$53.7 million, \$27.3 million, \$7.5 million and \$9.2 million, respectively. In addition, a net increase in accounts payable of \$43.7 million and accrued liabilities of \$13.6 million, each primarily as a result of the timing of payments, provided operating cash flow during fiscal 2021.

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

Net cash used in investing activities was \$44.6 million during fiscal 2021. During fiscal 2021, capital expenditures of \$58.0 million, primarily as a result of spending for new work opportunities and the replacement of certain fleet assets, were offset in part by proceeds from the sale of assets of \$13.4 million.

Cash Provided by (Used in) Financing Activities. Net cash provided by financing activities was \$142.0 million during fiscal 2022. The primary source of cash provided by financing activities during fiscal 2022 was the \$500.0 million principal amount of the "2029 Notes" issued in a private placement in April 2021. This was partially offset by a \$58.3 million payment on long-term debt related to the repayment in full of our 2021 Convertible Notes during fiscal 2022 and an additional \$0.7 million to unwind warrants associated with the remaining portion of the 2021 Convertible Notes that was repaid. In addition, we used \$105.0 million of the proceeds of the 2029 Notes offering to repay outstanding borrowings under the revolving portion of our credit agreement and approximately \$71.9 million to repay term loan borrowings under our credit agreement. We paid approximately \$11.6 million in issuance costs and third party fees and expenses related to our financing transactions. We repurchased 1,231,638 shares of our common stock in open market transactions, at an average price of \$86.17 per share, for \$106.1 million. The exercise of stock options provided \$2.3 million during fiscal 2022 and we paid \$6.6 million to tax authorities in order to meet the payroll tax withholding obligations on restricted share units that vested during the period.

Net cash used in financing activities was \$383.4 million during fiscal 2021. During fiscal 2021, borrowings under our credit agreement, net of repayments, were \$82.5 million. We repurchased 1,324,381 shares of our common stock in open market transactions, at an average price \$75.51 per share, for \$100.0 million. We also purchased \$401.7 million of our 2021 Convertible Notes for \$371.4 million, including interest and fees, resulting in a \$30.8 million redemption discount on 2021 Convertible Notes. In connection with the purchase, we unwound convertible note hedge transactions and warrants proportionally to the number of 2021 Convertible Notes. We received \$7.2 million for the settlement of the convertible note hedges and paid \$7.2 million for the warrants. During fiscal 2021, we withheld shares and paid \$0.7 million to tax authorities in order to meet the payroll tax withholding obligations on restricted share units that vested during the period. Partially offsetting these uses, we received \$5.7 million from the exercise of stock options during fiscal 2021.

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

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

Under our credit agreement, borrowings bear interest at the rates described below based upon our consolidated net leverage ratio, which is the ratio of our consolidated total funded debt reduced by unrestricted cash and equivalents in excess of \$25.0 million to our trailing 12 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 ⁽¹⁾
Borrowings - Base Rate Loans	0.25% - 1.00% plus Base rate ⁽²⁾
Unused Revolver Commitment	0.20% - 0.40%
Standby Letters of Credit	1.25% - 2.00%
Commercial Letters of Credit	0.625% - 1.00%

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

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

Standby letters of credit of approximately \$46.3 million and \$52.2 million, issued as part of our insurance program, were outstanding under our Credit Agreement as January 29, 2022 and January 30, 2021, respectively.

The weighted average interest rates and fees for balances under our credit agreement as of January 29, 2022 and January 30, 2021 were as follows:

	Weighted Average Rate End of Period	
	January 29, 2022	January 30, 2021
Borrowings - Term loan facility	1.86%	1.63%
Borrowings - Revolving facility ⁽¹⁾	—%	2.14%
Standby Letters of Credit	1.63%	1.50%
Unused Revolver Commitment	0.30%	0.25%

⁽¹⁾There were no outstanding borrowings under our revolving facility as of January 29, 2022.

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 12 month consolidated EBITDA to our consolidated interest expense, each as defined by our credit agreement, of not less than 3.00 to 1.00, as measured at the end of each fiscal quarter. At January 29, 2022 and January 30, 2021, we were in compliance with the financial covenants of our credit agreement and had borrowing availability under our revolving facility of \$326.3 million and \$558.7 million, respectively, as determined by the most restrictive covenant. For calculation purposes, applicable cash on hand is netted against the funded debt amount as permitted in the Credit Agreement.

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

Contractual Obligations. The following table sets forth our outstanding contractual obligations as of January 29, 2022 (dollars in thousands):

	Less than 1 Year	Years 1 – 3	Years 3 – 5	Greater than 5 Years	Total
2029 Notes	\$ —	\$ —	\$ —	\$ 500,000	\$ 500,000
Credit agreement – revolving facility	—	—	—	—	—
Credit agreement – term loan facility	17,500	35,000	297,500	—	350,000
Fixed interest payments on long-term debt ⁽¹⁾	22,500	45,000	45,000	56,250	168,750
Obligations under long-term operating leases ⁽²⁾	26,594	29,458	7,655	1,165	64,872
Obligations under short-term operating leases ⁽³⁾	884	—	—	—	884
Employment agreements	18,346	5,326	377	—	24,049
Deferral of tax payments ⁽⁴⁾	18,507	—	—	—	18,507
Purchase and other contractual obligations ⁽⁵⁾	84,988	6,880	1,444	—	93,312
Total	<u>\$ 189,319</u>	<u>\$ 121,664</u>	<u>\$ 351,976</u>	<u>\$ 557,415</u>	<u>\$ 1,220,374</u>

⁽¹⁾ Includes interest payments on our \$500.0 million principal amount of 2029 Notes outstanding, and excludes interest payments on our variable rate debt. Variable rate debt as of January 29, 2022 consisted of \$350.0 million outstanding under our term loan facility.

⁽²⁾ Amounts represent undiscounted lease obligations under long-term operating leases and exclude long-term operating leases that have not yet commenced of \$3.0 million as of January 29, 2022.

⁽³⁾ Amounts represent lease obligations under short-term operating leases that are not recorded on our consolidated balance sheet as of January 29, 2022.

⁽⁴⁾ During 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which provided for various tax relief and tax incentive measures. These measures did not have a material impact on our results of operations. However, pursuant to the CARES Act, we deferred the payment of \$37.4 million of employer payroll taxes during the year ended December 31, 2020, \$18.7 million of which was paid by December 31, 2021 and the remainder is due by December 31, 2022.

⁽⁵⁾ We have committed capital for the expansion of our vehicle fleet in order to accommodate manufacturer lead times. As of January 29, 2022, purchase and other contractual obligations includes approximately \$78.9 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 January 29, 2022. See Note 16, *Employee Benefit Plans*, in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information regarding obligations under multi-employer defined pension plans.

Our consolidated balance sheet as of January 29, 2022 includes a long-term liability of approximately \$48.2 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 \$11.9 million and \$5.9 million, as of January 29, 2022 and January 30, 2021, respectively, and is included in other liabilities in the consolidated balance

sheets. This amount has been excluded from the contractual obligations table because we are unable to reasonably estimate the timing of the resolution of the underlying tax positions with the relevant tax authorities.

Performance and Payment Bonds and Guarantees. We have obligations under performance and other surety contract bonds related to certain of our customer contracts. Performance bonds generally provide a customer with the right to obtain payment and/or performance from the issuer of the bond if we fail to perform our contractual obligations. As of January 29, 2022 and January 30, 2021 we had \$296.4 million and \$208.7 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 \$138.0 million as of January 29, 2022. In addition to performance and other surety contract bonds, as part of our insurance program we also provide surety bonds that collateralize our obligations to our insurance carriers. As of January 29, 2022 and January 30, 2021, we had \$20.3 million and \$20.9 million, respectively, of outstanding surety bonds related to our insurance obligations. Additionally, we have periodically guaranteed certain obligations of our subsidiaries, including obligations in connection with obtaining state contractor licenses and leasing real property and equipment.

Letters of Credit. We have standby letters of credit issued under our credit agreement as part of our insurance program. These letters of credit collateralize obligations to our insurance carriers in connection with the settlement of potential claims. In connection with these collateral obligations, we had \$46.3 million and \$52.2 million outstanding standby letters of credit issued under our credit agreement as of January 29, 2022 and January 30, 2021, respectively.

Backlog. Our backlog is an estimate of the uncompleted portion of services to be performed under contractual agreements with our customers and totaled \$5.822 billion and \$6.810 billion at January 29, 2022, and January 30, 2021, respectively. We expect to complete 52.8% of the January 29, 2022 total backlog during the next 12 months. Our backlog represents an estimate of services to be performed pursuant to master service agreements and other contractual agreements over the terms of those contracts. These estimates are based on contract terms and evaluations regarding the timing of the services to be provided. In the case of master service agreements, backlog is estimated based on the work performed in the preceding 12 month period, when available. When estimating backlog for newly initiated master service agreements and other long and short-term contracts, we also consider the anticipated scope of the contract and information received from the customer during the procurement process and, where applicable, other ancillary information. A significant majority of our backlog comprises services under master service agreements and other long-term contracts.

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

Legal Proceedings

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

Recently Issued Accounting Pronouncements

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

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

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. We 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 January 29, 2022, we had variable rate debt outstanding of \$350.0 million under our term loan facility. Interest related to these borrowings fluctuates based on LIBOR or the administrative agent's base rate. The administrative agent's base rate is described in the Credit Agreement as the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the administrative agent's prime rate, and (iii) the Eurodollar rate plus 1.00% and, if such rate is less than zero, such rate shall be deemed zero. At the current level of borrowings, for every 50 basis point change in the interest rate, interest expense associated with such borrowings would correspondingly change by approximately \$1.8 million annually.

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

The fair value of the fixed rate 2029 Notes will change with changes in market interest rates. Generally, the fair value of the fixed rate 2029 Notes will increase as interest rates fall and decrease as interest rates rise. The following table summarizes the carrying amount and fair value of the 2029 Notes, net of debt issuance costs. The fair value of the 2029 Notes is based on the closing trading price per \$100 of the 2029 Notes as of the last day of trading (Level 2), which was \$97.50 as of January 29, 2022 (dollars in thousands):

	January 29, 2022	
Principal amount of 2029 Notes	\$	500,000
Less: Debt issuance costs		(6,687)
Net carrying amount of 2029 Notes	\$	493,313
		January 29, 2022
Fair value of principal amount of 2029 Notes	\$	487,500
Less: Debt issuance costs		(6,687)
Fair value of 2029 Notes	\$	480,813

A hypothetical 50 basis point change in the market interest rates in effect would result in an increase or decrease in the fair value of the 2029 Notes of approximately \$15.0 million, calculated on a discounted cash flow basis as of January 29, 2022.

In September 2015, we issued \$485.0 million principal amount of convertible senior notes (the "2021 Convertible Notes"), which bore 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 2021 Convertible Notes for \$24.3 million, leaving the principal amount of \$460.0 million outstanding. After the write-off of associated debt issuance costs, the net loss on extinguishment was \$0.1 million for fiscal 2020. In fiscal 2021, we purchased \$401.7 million aggregate principal amount of the Notes for \$371.4 million, including interest and fees, leaving the principal amount of \$58.3 million outstanding. These 2021 Convertible Notes were purchased through a privately-negotiated transactions and a tender offer. After the write-off of associated debt issuance costs, the net gain on extinguishment was \$12.0 million for fiscal 2021. On the maturity date of September 15, 2021, the outstanding balance of \$58.3 million under the 2021 Convertible Notes was repaid in full.

The fair value of the fixed rate 2021 Convertible Notes changed with changes in market interest rates. Generally, the fair value of the fixed rate 2021 Convertible Notes increased as interest rates fell and decreased as interest rates rose. In addition, the fair value of the 2021 Convertible Notes was affected by the price and volatility of our common stock and generally increased or decreased as the market price of our common stock changed.

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 2021 Convertible Notes was based on the closing trading price per \$100 of the 2021 Convertible Notes as of the last day of trading for the period (Level 2), which was \$104.50 as of January 30, 2021 (dollars in thousands).

	January 30, 2021	
Principal amount of 2021 Convertible Notes	\$	58,264
Less: Debt discount and debt issuance costs		(1,854)
Net carrying amount of 2021 Convertible Notes	\$	56,410
Fair value of principal amount of 2021 Convertible Notes	\$	60,886
Less: Debt discount and debt issuance costs		(1,854)
Fair value of 2021 Convertible Notes	\$	59,032

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

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

Item 8. *Financial Statements and Supplementary Data.*

Index to Consolidated Financial Statements

	<u>Page</u>
Consolidated Balance Sheets	43
Consolidated Statements of Operations	44
Consolidated Statements of Comprehensive Income	45
Consolidated Statements of Stockholders' Equity	46
Consolidated Statements of Cash Flows	47
Notes to the Consolidated Financial Statements	49
Report of Independent Registered Public Accounting Firm (PCAOB ID 238)	77

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

	January 29, 2022	January 30, 2021
ASSETS		
Current assets:		
Cash and equivalents	\$ 310,757	\$ 11,770
Accounts receivable, net (Note 5)	895,898	858,123
Contract assets	24,539	197,110
Inventories	81,291	70,849
Income tax receivable	12,729	1,706
Other current assets	30,876	29,072
Total current assets	1,356,090	1,168,630
Property and equipment, net	294,798	273,960
Operating lease right-of-use assets	61,101	63,179
Goodwill	272,485	272,485
Intangible assets, net	101,832	119,322
Other assets	31,918	46,589
Total assets	\$ 2,118,224	\$ 1,944,165
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 155,896	\$ 158,966
Current portion of debt	17,500	81,722
Contract liabilities	18,512	14,101
Accrued insurance claims	36,805	41,736
Operating lease liabilities	24,641	24,769
Income taxes payable	233	6,387
Other accrued liabilities	128,209	120,809
Total current liabilities	381,796	448,490
Long-term debt	823,251	501,562
Accrued insurance claims - non-current	48,238	70,224
Operating lease liabilities - non-current	36,519	38,359
Deferred tax liabilities, net - non-current	55,674	47,650
Other liabilities	14,202	26,572
Total liabilities	1,359,680	1,132,857
COMMITMENTS AND CONTINGENCIES (Note 20)		
Stockholders' equity:		
Preferred stock, par value \$1.00 per share: 1,000,000 shares authorized: no shares issued and outstanding	—	—
Common stock, par value \$0.33 1/3 per share: 150,000,000 shares authorized: 29,612,867 and 30,615,167 issued and outstanding, respectively	9,871	10,205
Additional paid-in capital	2,028	2,284
Accumulated other comprehensive loss	(1,769)	(1,769)
Retained earnings	748,414	800,588
Total stockholders' equity	758,544	811,308
Total liabilities and stockholders' equity	\$ 2,118,224	\$ 1,944,165

See notes to the consolidated financial statements.

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Contract revenues	\$ 3,130,519	\$ 3,199,165	\$ 3,339,682
Costs of earned revenues, excluding depreciation and amortization	2,633,877	2,641,989	2,779,730
General and administrative	262,432	259,770	254,590
Depreciation and amortization	152,652	175,897	187,556
Goodwill impairment charge	—	53,264	—
Total	<u>3,048,961</u>	<u>3,130,920</u>	<u>3,221,876</u>
Interest expense, net	(33,166)	(29,671)	(50,859)
(Loss) gain on debt extinguishment	(62)	12,046	(76)
Other income, net	4,446	8,597	11,665
Income before income taxes	52,776	59,217	78,536
Provision for income taxes	4,202	24,880	21,321
Net income	<u>\$ 48,574</u>	<u>\$ 34,337</u>	<u>\$ 57,215</u>
Earnings per common share:			
Basic earnings per common share	<u>\$ 1.60</u>	<u>\$ 1.08</u>	<u>\$ 1.82</u>
Diluted earnings per common share	<u>\$ 1.57</u>	<u>\$ 1.07</u>	<u>\$ 1.80</u>
Shares used in computing earnings per common share:			
Basic	<u>30,337,544</u>	<u>31,665,183</u>	<u>31,498,474</u>
Diluted	<u>30,844,211</u>	<u>32,090,578</u>	<u>31,821,782</u>

See notes to the consolidated financial statements.

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Net Income	\$ 48,574	\$ 34,337	\$ 57,215
Foreign currency translation gains (losses), net of tax	—	12	(499)
Comprehensive income	<u>\$ 48,574</u>	<u>\$ 34,349</u>	<u>\$ 56,716</u>

See notes to the consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
	Shares	Amount				
Balances as of January 26, 2019	31,430,031	\$ 10,477	\$ 22,489	\$ (1,282)	\$ 772,484	\$ 804,168
Stock options exercised	45,258	15	488	—	—	503
Stock-based compensation	2,803	1	10,033	—	—	10,034
Issuance of restricted stock, net of tax withholdings	105,846	35	(1,733)	—	—	(1,698)
Equity component of the settlement of 0.75% convertible senior notes due 2021, net of taxes	—	—	(1,206)	—	—	(1,206)
Purchase of warrants	—	—	(301)	—	—	(301)
Settlement of convertible note hedges related to extinguishment of convertible debt	—	—	388	—	—	388
Other comprehensive loss	—	—	—	(499)	—	(499)
Net income	—	—	—	—	57,215	57,215
Balances as of January 25, 2020	31,583,938	10,528	30,158	(1,781)	829,699	868,604
Cumulative effect from implementation of ASU 2016-13	—	—	—	—	(471)	(471)
Stock options exercised	295,650	98	5,640	—	—	5,738
Stock-based compensation	4,962	1	12,770	—	—	12,771
Issuance of restricted stock, net of tax withholdings	54,998	19	(747)	—	—	(728)
Equity component of the settlement of 0.75% convertible senior notes due 2021, net of taxes	—	—	(8,976)	—	—	(8,976)
Purchase of warrants	—	—	(7,176)	—	—	(7,176)
Settlement of convertible note hedges related to extinguishment of convertible debt	—	—	7,197	—	—	7,197
Repurchase of common Stock	(1,324,381)	(441)	(36,582)	—	(62,977)	(100,000)
Other comprehensive income	—	—	—	12	—	12
Net income	—	—	—	—	34,337	34,337
Balances as of January 30, 2021	30,615,167	10,205	2,284	(1,769)	800,588	811,308
Stock options exercised	42,580	14	2,247	—	—	2,261
Stock-based compensation	2,197	1	9,865	—	—	9,866
Issuance of restricted stock, net of tax withholdings	184,561	62	(2,767)	—	(3,934)	(6,639)
Purchase of warrants	—	—	(693)	—	—	(693)
Repurchase of common Stock	(1,231,638)	(411)	(8,909)	—	(96,814)	(106,133)
Net income	—	—	—	—	48,574	48,574
Balances as of January 29, 2022	29,612,867	\$ 9,871	\$ 2,028	\$ (1,769)	\$ 748,414	\$ 758,544

See notes to the consolidated financial statements.

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Cash flows from operating activities:			
Net income	\$ 48,574	\$ 34,337	\$ 57,215
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	152,652	175,897	187,556
Non-cash lease expense	31,838	31,828	30,043
Deferred income tax (benefit) provision	8,024	(28,185)	9,261
Stock-based compensation	9,866	12,771	10,034
Provision for bad debt (recovery), net	2,911	406	(6,540)
Gain on sale of fixed assets	(4,203)	(10,026)	(14,879)
Loss (gain) on debt extinguishment	62	(12,046)	76
Amortization of debt discount	1,665	7,441	20,112
Amortization of debt issuance costs and other	2,825	2,797	4,023
Goodwill impairment charge	—	53,264	—
Change in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(40,687)	(41,755)	(195,796)
Contract assets, net	176,982	53,664	(35,888)
Other current assets and inventories	(12,255)	27,316	(6,960)
Other assets	2,220	9,178	41,068
Income taxes receivable/payable	(17,177)	7,505	(84)
Accounts payable	(4,905)	43,747	(2,141)
Accrued liabilities, insurance claims, operating lease liabilities, and other liabilities	(49,737)	13,638	(39,101)
Net cash provided by operating activities	<u>308,655</u>	<u>381,777</u>	<u>57,999</u>
Cash flows from investing activities:			
Capital expenditures	(157,042)	(58,047)	(120,574)
Proceeds from sale of assets	5,363	13,419	19,045
Other investing activities	—	—	306
Net cash used in investing activities	<u>(151,679)</u>	<u>(44,628)</u>	<u>(101,223)</u>
Cash flows from financing activities:			
Proceeds from 2029 Notes	500,000	—	—
Proceeds from borrowings on senior credit agreement, including term loans	95,000	1,056,000	475,000
Principal payments on senior credit agreement, including term loans	(271,875)	(973,500)	(480,625)
Debt issuance costs	(11,646)	—	—
Repurchase of common stock	(106,133)	(100,000)	—
Extinguishment of 2021 Convertible Notes	(58,264)	(401,736)	(25,000)
Redemption discount on convertible debt, net of costs	—	30,761	675
Settlement of convertible note hedges related to extinguished convertible debt	—	7,197	388
Purchase of warrants	(693)	(7,176)	(301)
Exercise of stock options	2,261	5,738	503
Restricted stock tax withholdings	(6,639)	(728)	(1,698)

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Net cash provided by (used in) financing activities	142,011	(383,444)	(31,058)
Net increase (decrease) in cash, cash equivalents and restricted cash	298,987	(46,295)	(74,282)
Cash, cash equivalents and restricted cash at beginning of period (Note 8)	13,574	59,869	134,151
Cash, cash equivalents and restricted cash at end of period (Note 8)	\$ 312,561	\$ 13,574	\$ 59,869
Supplemental disclosure of other cash flow activities and non-cash investing and financing activities:			
Cash paid for interest	\$ 22,076	\$ 20,653	\$ 26,655
Cash paid for taxes, net	\$ 8,601	\$ 45,332	\$ 12,017
Purchases of capital assets included in accounts payable or other accrued liabilities at period end	\$ 6,666	\$ 6,556	\$ 8,814

See notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

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

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

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

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

2. Significant Accounting Policies and Estimates

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

Revenue Recognition. We perform a 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 the tasks are completed as a measurement of progress in the satisfaction of the corresponding performance

obligation, and represented approximately 5%, 10%, and 15% of contract revenues during fiscal 2022, fiscal 2021, and fiscal 2020.

For certain contracts, representing less than 5% of contract revenues during fiscal 2022, fiscal 2021, and fiscal 2020, we use the cost-to-cost measure of progress. These contracts are generally projects that are completed over a period of less than 12 months and for which payment is received in a lump sum at the end of the project. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs. Contract costs include direct labor, direct materials, and subcontractor costs, as well as an allocation of indirect costs. Contract revenues are recorded as costs are incurred. We accrue the entire amount of a contract loss, if any, at the time the loss is determined to be probable and can be reasonably estimated.

There were no material amounts of unapproved change orders or claims recognized during fiscal 2022, fiscal 2021, and fiscal 2020.

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

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

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

Contract Liabilities. Contract liabilities consist of amounts invoiced to customers in excess of revenue recognized. Our contract assets and liabilities are reported in a net position on a contract by contract basis at the end of each reporting period. As of January 29, 2022 and January 30, 2021, the contract liabilities balance is classified as current based on the timing of when we expect to complete the tasks required for the recognition of revenue.

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

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

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

useful life as a component of depreciation expense. Property and equipment includes internally developed capitalized computer software at net book value of \$17.0 million and \$15.6 million as of January 29, 2022 and January 30, 2021, respectively.

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

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

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

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

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

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

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

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

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

We believe our provision for income taxes is adequate; however, any assessment would affect our results of operations and cash flows. With few exceptions, we are no longer subject to U.S. federal, state and local, or Canadian income tax examinations for fiscal years ended 2016 and prior.

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

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

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

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

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

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

Fair Value of Financial Instruments. Our financial instruments primarily consist of cash and equivalents, restricted cash, accounts receivable, income taxes receivable and payable, accounts payable, certain accrued expenses, and long-term debt. The carrying amounts of these items approximate fair value due to their short maturity, except for the fair value of our long-term debt, which is based on observable market-based inputs (Level 2). See Note 13, *Debt*, for further information regarding the fair value of such financial instruments. Our cash and equivalents are based on quoted market prices in active markets for identical assets (Level 1) as of January 29, 2022 and January 30, 2021. During fiscal 2022, fiscal 2021, and fiscal 2020 we had no material nonrecurring fair value measurements of assets or liabilities subsequent to their initial recognition.

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

3. Accounting Standards

Recently Adopted Accounting Standards

Codification Improvement. In October 2020, the FASB issued ASU 2020-10, *Codification Improvements* (“ASU 2020-10”). The amendments in this ASU represent changes to clarify the Accounting Standards Codification (“ASC”), correct unintended application of guidance, or make minor improvements to the ASC that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. ASU 2020-10 is effective for annual periods beginning after December 15, 2020 and interim periods within those annual periods, with early adoption permitted. The amendments in this ASU should be applied retrospectively. We adopted the provisions of this ASU in the first quarter of fiscal 2022 and there was no material effect on our consolidated financial statements.

Income Taxes. In December 2019, the FASB issued ASU 2019-12, *Income Taxes - Simplifying the Accounting for Income Taxes* (Topic 740) (“ASU 2019-12”). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principals in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The Company adopted the provisions of this ASU in the first quarter of fiscal 2022. The adoption of this ASU did not have a material effect on our consolidated financial statements.

Accounting Standards Not Yet Adopted

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

4. Computation of Earnings per Common Share

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Net income available to common stockholders (numerator)	\$ 48,574	\$ 34,337	\$ 57,215
Weighted-average number of common shares (denominator)	30,337,544	31,665,183	31,498,474
Basic earnings per common share	\$ 1.60	\$ 1.08	\$ 1.82
Weighted-average number of common shares	30,337,544	31,665,183	31,498,474
Potential shares of common stock arising from stock options, and unvested restricted share units	506,667	425,395	323,308
Total shares-diluted (denominator)	30,844,211	32,090,578	31,821,782
Diluted earnings per common share	\$ 1.57	\$ 1.07	\$ 1.80
Anti-dilutive weighted shares excluded from the calculation of earnings per common share:			
Stock-based awards	91,816	233,988	253,000
0.75% convertible senior notes due 2021 ⁽¹⁾⁽²⁾	375,013	1,715,972	4,747,706
Warrants ⁽¹⁾⁽²⁾	538,124	1,715,972	4,747,706
Total	1,004,953	3,665,932	9,748,412

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

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

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

5. Accounts Receivable, Contract Assets, and Contract Liabilities

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

Accounts Receivable

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

	January 29, 2022	January 30, 2021
Trade accounts receivable	\$ 330,811	\$ 352,501
Unbilled accounts receivable	545,493	492,324
Retainage	20,318	14,974
Total	896,622	859,799
Less: allowance for doubtful accounts	(724)	(1,676)
Accounts receivable, net	\$ 895,898	\$ 858,123

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

	January 29, 2022	January 30, 2021
Cumulative effect from implementation of ASU 2016-13	\$ —	\$ 471
Allowance for doubtful accounts at beginning of period	1,676	4,582
Provision for bad debt	2,911	406
Amounts charged against the allowance	(3,863)	(3,783)
Allowance for doubtful accounts at end of period	\$ 724	\$ 1,676

Contract Assets and Contract Liabilities

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

	January 29, 2022	January 30, 2021
Contract assets	\$ 24,539	\$ 197,110
Contract liabilities	18,512	14,101
Contract assets, net	\$ 6,027	\$ 183,009

The decrease in contract assets, net, in fiscal 2022 from fiscal 2021 primarily resulted from reduced services performed and increased billings under contracts consisting of multiple tasks. There were no other significant changes in contract assets during the period. During fiscal 2022, we performed services and recognized \$10.7 million of contract revenues related to contract liabilities that existed at January 30, 2021. See Note 6, *Other Current Assets and Other Assets*, for information on our long-term contract assets.

Customer Credit Concentration

Customers whose combined amounts of accounts receivable and contract assets, net exceeded 10% of total combined accounts receivable and contract assets, net as of January 29, 2022 or January 30, 2021 were as follows (dollars in millions):

	January 29, 2022		January 30, 2021	
	Amount	% of Total	Amount	% of Total
Lumen Technologies ⁽¹⁾	\$ 166.0	18.4 %	\$ 173.5	16.6 %
Verizon Communications Inc.	\$ 144.3	16.0 %	\$ 389.9	37.4 %
Comcast Corporation	\$ 113.5	12.6 %	\$ 131.7	12.6 %
AT&T Inc.	\$ 106.0	11.7 %	\$ 71.7	6.9 %

⁽¹⁾ Formerly known as CenturyLink, Inc.

We believe that none of the customers above were experiencing financial difficulties that would materially impact the collectability of our total accounts receivable and contract assets, net, as of January 29, 2022 or January 30, 2021.

6. Other Current Assets and Other Assets

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

	January 29, 2022	January 30, 2021
Prepaid expenses	\$ 14,640	\$ 14,849
Deposits and other current assets	14,083	12,817
Insurance recoveries/receivables for accrued insurance claims	756	—
Restricted cash	1,372	1,372
Receivables on equipment sales	25	34
Other current assets	\$ 30,876	\$ 29,072

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

	January 29, 2022	January 30, 2021
Long-term contract assets	\$ 14,056	\$ 17,574
Deferred financing costs	4,834	5,205
Restricted cash	432	432
Insurance recoveries/receivables for accrued insurance claims	3,687	15,837
Other non-current deposits and assets	8,909	7,541
Other assets	\$ 31,918	\$ 46,589

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

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

7. Cash and Equivalents and Restricted Cash

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

	January 29, 2022	January 30, 2021
Cash and equivalents	\$ 310,757	\$ 11,770
Restricted cash included in:		
Other current assets	1,372	1,372
Other assets (long-term)	432	432
Cash, cash equivalents and restricted cash	<u>\$ 312,561</u>	<u>\$ 13,574</u>

8. Property and Equipment

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

	Estimated Useful Lives (Years)	January 29, 2022	January 30, 2021
Land	—	\$ 4,127	\$ 3,796
Buildings	10-35	10,649	11,169
Leasehold improvements	1-10	17,706	17,030
Vehicles	1-5	714,515	626,809
Computer hardware and software	1-7	153,072	144,989
Office furniture and equipment	1-10	12,939	13,293
Equipment and machinery	1-10	329,145	300,143
Total		<u>1,242,153</u>	<u>1,117,229</u>
Less: accumulated depreciation		<u>(947,355)</u>	<u>(843,269)</u>
Property and equipment, net		<u>\$ 294,798</u>	<u>\$ 273,960</u>

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Depreciation expense	\$ 135,163	\$ 155,274	\$ 166,376
Repairs and maintenance expense	\$ 51,150	\$ 47,586	\$ 44,208

9. Goodwill and Intangible Assets

Goodwill

There were no changes in the carrying amount of goodwill during fiscal 2022. Changes in the carrying amount of goodwill during fiscal 2021 were as follows (dollars in thousands):

	Goodwill	Accumulated Impairment Losses	Total
Balance as of January 25, 2020	\$ 521,516	\$ (195,767)	\$ 325,749
Fiscal 2021 Goodwill impairment charge	—	(53,264)	(53,264)
Balance as of January 30, 2021	<u>\$ 521,516</u>	<u>\$ (249,031)</u>	<u>\$ 272,485</u>

The Company's goodwill resides in multiple reporting units and primarily consists of expected synergies, together with the expansion of our geographic presence and strengthening of our customer base from acquisitions. Goodwill and other indefinite-lived intangible assets are assessed annually for impairment as of the first day of the fourth fiscal quarter of each year, or more frequently if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. The profitability of individual reporting units may suffer periodically due to downturns in customer demand, increased costs of providing services, and the level of overall economic activity. Our customers may reduce capital expenditures and defer or cancel pending projects due to changes in technology, a slowing or uncertain economy, merger or acquisition activity, a

decision to allocate resources to other areas of their business, or other reasons. The profitability of reporting units may also suffer if actual costs of providing services exceed the costs anticipated when the Company enters into contracts. Additionally, adverse conditions in the economy and future volatility in the equity and credit markets could impact the valuation of our reporting units. The cyclical nature of our business, the high level of competition existing within our industry, and the concentration of our revenues from a limited number of customers may also cause results to vary. These factors may affect individual reporting units disproportionately, relative to the Company as a whole. As a result, the performance of one or more of the reporting units could decline, resulting in an impairment of goodwill or intangible assets.

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

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

We performed our annual impairment assessment for fiscal 2022, fiscal 2021, and fiscal 2020, and concluded that no impairment of goodwill or the indefinite-lived intangible asset was indicated at any reporting unit for any of the periods other than the first quarter of fiscal 2021 as described below. In each of these periods, qualitative assessments were performed on reporting units that comprise a significant portion of our consolidated goodwill balance. A qualitative assessment includes evaluating all identified events and circumstances that could affect the significant inputs used to determine the fair value of a reporting unit or indefinite-lived intangible asset for the purpose of determining whether it is more likely than not that these assets are impaired. We consider various factors while performing qualitative assessments, including macroeconomic conditions, industry and market conditions, financial performance of the reporting units, changes in market capitalization, and any other specific reporting unit considerations. These qualitative assessments indicated that it was more likely than not that the fair value exceeded carrying value for those reporting units. For the remaining reporting units, we performed the quantitative analysis described in ASC Topic 350 in each of these periods. When performing the quantitative analysis, we determine the fair value of our reporting units using a weighing of fair values derived in equal proportions from the income approach and market approach valuation methodologies. Under the income approach, the key valuation assumptions used in determining the fair value estimates of our reporting units for each annual test were: (a) a discount rate based on our best estimate of the weighted average cost of capital adjusted for certain risks for the reporting units; (b) terminal value based on our best estimate of terminal growth rates; and (c) seven expected years of cash flow before the terminal value based on our best estimate of the revenue growth rate and projected operating margin.

The table below outlines certain assumptions used in our annual quantitative impairment analyses for fiscal 2022, fiscal 2021, and fiscal 2020:

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Terminal Growth Rate	2% - 3%	3.0%	3.0%
Discount Rate	10.5%	10.0%	10.0%

The discount rate reflects risks inherent within each reporting unit operating individually. These risks are greater than the risks inherent in the Company as a whole. Determination of discount rates included consideration of market inputs such as the risk-free rate, equity risk premium, industry premium, and cost of debt, among other assumptions. The discount rate was consistent for fiscal 2021 and fiscal 2020. The increase in the discount rate for fiscal 2022 from fiscal 2021 was mainly a result of a heavier weighting of the cost of equity versus debt in the current year as a result of recent market trends for capital structure. We believe the assumptions used in the impairment analysis each year are reflective of the risks inherent in the business models of our reporting units and our industry. Under the market approach, the guideline company method develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key valuation assumptions used in determining the fair value estimates of our reporting units rely on: (a) the selection of similar companies and (b) the selection of valuation multiples as they apply to the reporting unit characteristics.

We determined that the fair values of each of the reporting units and the indefinite-lived intangible asset were in excess of their carrying values in the fiscal 2022 assessment. Management determined that significant changes were not likely in the

factors considered to estimate fair value, and analyzed the impact of such changes were they to occur. Specifically, if the discount rate applied in the fiscal 2022 impairment analysis had been 100 basis points higher than estimated for each of the reporting units, and all other assumptions were held constant, the conclusion of the assessment would remain unchanged and there would be no impairment of goodwill. Additionally, if there was a 25% decrease in the fair value of any of the reporting units due to a decline in their discounted cash flows resulting from lower operating performance, the conclusion of the assessment would remain unchanged for all reporting units except for one. For this reporting unit with goodwill of \$5.7 million, the excess of fair value above its carrying value was approximately 10% of the fair value. Recent operating performance, along with assumptions for specific customer and industry opportunities, were considered in the key assumptions used during the fiscal 2022 impairment analysis. Management has determined the goodwill of the Company may have an increased likelihood of impairment if a prolonged downturn in customer demand were to occur, or if the reporting units was not able to execute against customer opportunities, and the long-term outlook for their cash flows were adversely impacted. Furthermore, changes in the long-term outlook may result in a change to other valuation assumptions. Factors monitored by management which could result in a change to the reporting units' estimates include the outcome of customer requests for proposals and subsequent awards, strategies of competitors, labor market conditions and levels of overall economic activity.

The Company determined that there were no events or changes in circumstances for the other reporting units or indefinite lived intangible assets during fiscal 2022 that would indicate a potential reduction in their fair value below their carrying amounts. As of January 29, 2022, the Company continues to believe the remaining goodwill and the indefinite-lived intangible asset are recoverable for all of its reporting units. However, if adverse events were to occur or circumstances were to change indicating that the carrying amount of such assets may not be fully recoverable, the assets would be reviewed for impairment and could be impaired. There can be no assurances that goodwill or the indefinite-lived intangible asset may not be impaired in future periods.

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

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

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

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

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

Intangible Assets

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

	January 29, 2022			January 30, 2021			
	Weighted Average Remaining Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Customer relationships	8.5	\$ 312,017	\$ 215,806	\$ 96,211	\$ 312,017	\$ 198,604	\$ 113,413
Trade names, finite	8.4	9,250	8,329	921	10,350	9,141	1,209
Trade name, indefinite	—	4,700	—	4,700	4,700	—	4,700
		<u>\$ 325,967</u>	<u>\$ 224,135</u>	<u>\$ 101,832</u>	<u>\$ 327,067</u>	<u>\$ 207,745</u>	<u>\$ 119,322</u>

Amortization of our customer relationship intangibles is recognized on an accelerated basis as a function of the expected economic benefit. Amortization of our other finite-lived intangibles is recognized on a straight-line basis over the estimated useful life. Amortization expense for finite-lived intangible assets was \$17.5 million, \$20.6 million, and \$21.2 million for fiscal 2022, fiscal 2021, and fiscal 2020.

As of January 29, 2022, total amortization expense for existing finite-lived intangible assets for the next five fiscal years and thereafter is as follows (dollars in thousands):

	Amount
2023	\$ 15,332
2024	13,901
2025	13,717
2026	13,411
2027	11,271
Thereafter	29,500
Total	<u>\$ 97,132</u>

As of January 29, 2022, we believe that the carrying amounts of our intangible assets are recoverable. However, if adverse events were to occur or circumstances were to change indicating that the carrying amount of such assets may not be fully recoverable, the assets would be reviewed for impairment and the assets could be impaired.

10. Accrued Insurance Claims

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

For fiscal 2020 and fiscal 2021 with regards to workers' compensation losses, we retained the risk of loss up to \$1.0 million on a per occurrence basis. This retention amount is applicable to all of the states in which we operate, except with respect to workers' compensation insurance in two states in which we participate in state-sponsored insurance funds. With regard to automobile liability and general liability losses for fiscal 2020, we retained risk of loss up to \$1.0 million on a per-occurrence basis. With regard to automobile liability and general liability losses for fiscal 2021, we retained the risk of loss up to \$1.0 million on a per-occurrence basis for the first \$5.0 million of insurance coverage. In addition, we also retained the risk of loss for automobile and general liability for the next \$5.0 million on a per-occurrence basis with aggregate loss limits of \$11.5 million within this layer of retention.

For fiscal 2022, with regard to workers' compensation losses, our retention of risk remained the same as fiscal 2021. With regard to automobile liability and general liability losses, our retention of primary risk remained the same as fiscal 2021. In addition, we reduced our coverage limit and retained \$10.0 million risk of loss on a per occurrence basis for losses above \$30.0 million.

For fiscal 2023, with regard to workers' compensation losses, our retention of risk remains the same as fiscal 2022. With regard to automobile liability and general liability losses our retention of risk remains the same as fiscal 2022, with the exception that we retained an additional \$5.0 million risk of loss on a per occurrence basis for losses above \$10.0 million, if any.

We are party to a stop-loss agreement for losses under our employee group health plan. For calendar year 2019, we retained the risk of loss, on an annual basis, up to the first \$400,000 of claims per participant, as well as an annual aggregate amount for all participants of \$425,000. For the calendar year 2020, we retained the risk of loss on an annual basis, up to the first \$450,000 of claims per participant, as well as an annual aggregate amount for all participants of \$475,000. For the calendar years 2021 and 2022, we retain the risk of loss on an annual basis, up to the first \$600,000 of claims per participant.

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

	January 29, 2022	January 30, 2021
Accrued insurance claims - current	\$ 36,805	\$ 41,736
Accrued insurance claims - non-current	48,238	70,224
Accrued insurance claims	<u>\$ 85,043</u>	<u>\$ 111,960</u>
Insurance recoveries/receivables:		
Current (included in Other current assets)	\$ 756	\$ —
Non-current (included in Other assets)	3,687	15,837
Insurance recoveries/receivables	<u>\$ 4,443</u>	<u>\$ 15,837</u>

The liability for total accrued insurance claims included incurred but not reported losses of approximately \$48.0 million and \$59.6 million as of January 29, 2022 and January 30, 2021, respectively.

Insurance recoveries/receivables represent the amount of accrued insurance claims that are covered by insurance as the amounts exceed the Company's loss retention. During fiscal 2022, total insurance recoveries/receivables decreased approximately \$11.5 million primarily due to the settlement of claims that exceeded our loss retention. Accrued insurance claim decreased by a corresponding amount.

11. Leases

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

The following table summarizes the components of lease cost recognized in the consolidated statement of operations for fiscal 2022 and fiscal 2021 (dollars in thousands):

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
Lease cost under long-term operating leases	\$ 34,520	\$ 35,411
Lease cost under short-term operating leases	24,218	28,532
Variable lease cost under short-term and long-term operating leases ⁽¹⁾	3,405	4,113
Total lease cost	<u>\$ 62,143</u>	<u>\$ 68,056</u>

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

Our operating lease liabilities related to long-term operating leases were \$61.2 million and \$63.1 million as of January 29, 2022 and January 30, 2021, respectively. Supplemental balance sheet information related to these liabilities is as follows:

	<u>January 29, 2022</u>	<u>January 25, 2020</u>
Weighted average remaining lease term	3.1 years	3.2 years
Weighted average discount rate	3.8 %	4.6 %

Supplemental cash flow information related to our long-term operating lease liabilities as of January 29, 2022 and January 30, 2021 is as follows (dollars in thousands):

	<u>Fiscal Year Ended</u>	
	<u>January 29, 2022</u>	<u>January 30, 2021</u>
Cash paid for amounts included in the measurement of lease liabilities	\$ 33,514	\$ 33,313
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 29,725	\$ 27,510

As of January 29, 2022, 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):

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$ 26,594
2024	18,210
2025	11,248
2026	5,381
2027	2,274
Thereafter	1,165
Total lease payments	<u>64,872</u>
Less: imputed interest	(3,712)
Total	<u>\$ 61,160</u>

As of January 29, 2022, the Company had additional operating leases with total leases costs of \$3.0 million that have not yet commenced. These leases will commence in fiscal 2023.

12. Other Accrued Liabilities

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

	<u>January 29, 2022</u>	<u>January 30, 2021</u>
Accrued payroll and related taxes	\$ 47,303	\$ 43,593
Accrued employee benefit and incentive plan costs	26,942	32,988
Accrued construction costs	28,254	22,972
Other current liabilities	25,710	21,256
Other accrued liabilities	<u>\$ 128,209</u>	<u>\$ 120,809</u>

13. Debt

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

	January 29, 2022	January 30, 2021
Credit Agreement - Revolving facility (matures April 2026)	\$ —	\$ 105,000
Credit Agreement - Term loan facility (matures April 2026)	347,438	421,874
4.50% senior notes, net (mature April 2029)	493,313	—
0.75% convertible senior notes, net (mature September 2021)	—	56,410
	840,751	583,284
Less: current portion	(17,500)	(81,722)
Long-term debt	\$ 823,251	\$ 501,562

Credit Agreement

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

The following table summarizes the net carrying value of the term loan as of January 29, 2022 (dollars in thousands):

	January 29, 2022
Principal amount of term loan	\$ 350,000
Less: Debt issuance costs	(2,562)
Net carrying amount of term loan	\$ 347,438

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

Under our credit agreement, borrowings bear interest at the rates described below based upon our consolidated net leverage ratio, which is the ratio of our consolidated total funded debt reduced by unrestricted cash and equivalents in excess of

\$25.0 million to our trailing 12 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 ⁽¹⁾
Borrowings - Base Rate Loans	0.25% - 1.00% plus Base rate ⁽²⁾
Unused Revolver Commitment	0.20% - 0.40%
Standby Letters of Credit	1.25% - 2.00%
Commercial Letters of Credit	0.625% -1.00%

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

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

Standby letters of credit of approximately \$46.3 million and \$52.2 million, issued as part of our insurance program, were outstanding under our credit agreement as of January 29, 2022 and January 30, 2021, respectively.

The weighted average interest rates and fees for balances under our credit agreement as of January 29, 2022 and January 30, 2021 were as follows:

	Weighted Average Rate End of Period	
	January 29, 2022	January 30, 2021
Borrowings - Term loan facility	1.86%	1.63%
Borrowings - Revolving facility ⁽¹⁾	—%	2.14%
Standby Letters of Credit	1.63%	1.50%
Unused Revolver Commitment	0.30%	0.25%

⁽¹⁾ There were no outstanding borrowings under our revolving facility as of January 29, 2022.

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 12 month consolidated EBITDA to our consolidated interest expense, each as defined by our credit agreement, of not less than 3.00 to 1.00, as measured at the end of each fiscal quarter. At January 29, 2022 and January 30, 2021, we were in compliance with the financial covenants of our credit agreement and had borrowing availability under our revolving facility of \$326.3 million and \$558.7 million, respectively, as determined by the most restrictive covenant. For calculation purposes, applicable cash on hand is netted against the funded debt amount as permitted in the Credit Agreement.

4.50% Senior Notes due 2029

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

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

The following table summarizes the net carrying value of the 2029 Notes as of January 29, 2022 (dollars in thousands):

	January 29, 2022
Principal amount of 2029 Notes	\$ 500,000
Less: Debt issuance costs	(6,687)
Net carrying amount of 2029 Notes	\$ 493,313

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

	January 29, 2022
Fair value of principal amount of 2029 Notes	\$ 487,500
Less: Debt issuance costs	(6,687)
Fair value of 2029 Notes	\$ 480,813

0.75% Convertible Senior Notes Due 2021

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

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

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

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

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

Convertible debt instruments that may be settled in cash upon conversion are required to be accounted for as separate liability and equity components. As of the date of issuance, the carrying amount of the liability component is calculated by measuring the fair value of a similar instrument that does not have an associated convertible feature using an indicative market interest rate ("Comparable Yield"). The difference between the principal amount of the notes and the carrying amount represents a debt discount. The debt discount was amortized to interest expense using the Comparable Yield (5.5% with respect to the 2021 Convertible Notes) using the effective interest rate method over the term of the 2021 Convertible Notes. We incurred \$1.7 million, \$7.4 million, and \$20.1 million of interest expense during fiscal 2022, fiscal 2021, and fiscal 2020, respectively, for the non-cash amortization of the debt discount. The liability component of the Notes consisted of the following (dollars in thousands):

	January 30, 2021	
Liability component		
Principal amount of 2021 Convertible Notes	\$	58,264
Less: Debt discount		(1,665)
Less: Debt issuance costs		(189)
Net carrying amount of 2021 Convertible Notes	\$	<u>56,410</u>

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

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 was based on the closing trading price per \$100 of the Notes as of the last day of trading (Level 2), which was \$104.50 as of January 30, 2021 (dollars in thousands).

	January 30, 2021	
Fair value of principal amount of 2021 Convertible Notes	\$	60,886
Less: Debt discount and debt issuance costs		(1,854)
Fair value of 2021 Convertible Notes	\$	<u>59,032</u>

Convertible Note Hedge and Warrant Transactions

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

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

14. Income Taxes

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Current:			
Federal	\$ (3,323)	\$ 42,794	\$ 8,389
Foreign	(4)	(2)	(56)
State	(495)	10,273	3,727
	<u>(3,822)</u>	<u>53,065</u>	<u>12,060</u>
Deferred:			
Federal	7,506	(24,380)	7,257
Foreign	—	—	568
State	518	(3,805)	1,436
	<u>8,024</u>	<u>(28,185)</u>	<u>9,261</u>
Provision for income taxes	<u>\$ 4,202</u>	<u>\$ 24,880</u>	<u>\$ 21,321</u>

Our effective income tax rate differs from the statutory rate primarily due to the difference in income tax rates from state to state where work was performed, non-deductible and non-taxable items, tax credits recognized, tax effects from the vesting and exercise of share-based awards, and changes in unrecognized tax benefits. Fiscal 2022 includes approximately \$5.0 million for incremental tax benefits for credits related to tax filings for prior periods. During fiscal 2021 our effective tax rate was impacted by a \$53.3 million goodwill impairment charge which was mostly non-deductible for income tax purposes, and the benefit from a \$2.6 million tax loss carryback technical correction under the CARES Act.

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Statutory rate applied to pre-tax income	\$ 11,083	\$ 12,436	\$ 16,495
State taxes, net of federal tax benefit	1,422	4,344	4,282
Change in accruals for uncertain tax positions	4,493	1,189	891
Compensation limitation	1,468	2,632	82
Tax filings for prior periods	(4,609)	—	—
Tax credits	(3,756)	(3,145)	(2,801)
Federal (benefit) deficiency of vesting and exercise of share-based awards	(2,425)	(436)	875
Deferred tax remeasurements	(1,355)	—	—
Effect of rates other than statutory	71	(4)	(197)
Non-deductible and non-taxable items, net	70	808	1,351
Change in valuation allowance	(12)	1	722
Non-deductible goodwill impairment	—	10,411	—
Tax Reform and related effects	—	(2,631)	1,093
Other items, net	(2,248)	(725)	(1,472)
Provision for income taxes	<u>\$ 4,202</u>	<u>\$ 24,880</u>	<u>\$ 21,321</u>

Deferred Income Taxes

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

	January 29, 2022	January 30, 2021
Deferred tax assets:		
Insurance and other reserves	\$ 19,407	\$ 23,513
Leases	15,718	16,119
CARES Act tax deferral	4,791	9,588
Stock-based compensation	2,303	3,198
Allowance for doubtful accounts and reserves	1,356	1,615
Net operating loss carryforwards	9,183	1,401
Other	6,233	3,238
Total deferred tax assets	58,991	58,672
Valuation allowance	(1,131)	(1,139)
Deferred tax assets, net of valuation allowance	<u>\$ 57,860</u>	<u>\$ 57,533</u>
Deferred tax liabilities:		
Property and equipment	\$ 63,310	\$ 57,287
Goodwill and intangibles	33,221	30,395
Leases	15,822	16,310
Other	1,181	1,191
Deferred tax liabilities	<u>\$ 113,534</u>	<u>\$ 105,183</u>
Net deferred tax liabilities	<u>\$ 55,674</u>	<u>\$ 47,650</u>

The valuation allowance above reduces the deferred tax asset balances to the amount that we have determined is more likely than not to be realized. The valuation allowance primarily relates to immaterial foreign net operating loss carryforwards and immaterial state net operating loss carryforwards, which generally begin to expire in fiscal 2023.

Uncertain Tax Positions

As of January 29, 2022 and January 30, 2021, we had total unrecognized tax benefits of \$11.9 million and \$5.9 million, respectively, resulting from uncertain tax positions. Our effective tax rate will be reduced by \$10.5 million during future periods if it is determined these unrecognized tax benefits are realizable. We had approximately \$2.3 million and \$1.9 million accrued for the payment of interest and penalties as of January 29, 2022 and January 30, 2021, respectively. Interest expense related to unrecognized tax benefits for the Company was not material during fiscal 2022, fiscal 2021, and fiscal 2020.

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Balance at beginning of year	\$ 5,940	\$ 4,742	\$ 3,786
Additions based on tax positions related to the fiscal year	1,377	1,075	696
Additions based on tax positions related to prior years	4,612	530	358
Reductions related to the expiration of statutes of limitation	—	(407)	(98)
Balance at end of year	\$ 11,929	\$ 5,940	\$ 4,742

15. Other Income, Net

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

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Gain on sale of fixed assets	\$ 4,203	\$ 10,026	\$ 14,879
Miscellaneous income (expense), net	243	(1,429)	(3,214)
Other income, net	\$ 4,446	\$ 8,597	\$ 11,665

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

16. Employee Benefit Plans

We sponsor a defined contribution plan that provides retirement benefits to eligible employees who elect to participate (the "Dycom Plan"). Under the plan, participating employees may defer up to 75% of their base pre-tax eligible compensation up to the IRS limits. We contribute 30% of the first 5% of base eligible compensation that a participant contributes to the plan and may make discretionary matching contributions from time to time. Our contributions were \$4.4 million, \$4.0 million, and \$4.1 million related to fiscal 2022, fiscal 2021, and fiscal 2020, respectively.

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

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

The information available to us about the multiemployer plans in which we participate is generally dated due to the nature of the reporting cycle of multiemployer plans and legal requirements under the Employee Retirement Income Security Act (“ERISA”) as amended by the Multiemployer Pension Plan Amendments Act. Based upon the most recently available annual reports, our contribution to each of the plans was less than 5% of each plan’s total contributions. All plans are presented in the aggregate in the following table (dollars in thousands):

Fund	Company Contributions			Expiration Date of CBA
	Fiscal Year Ended 2022	Fiscal Year Ended 2021	Fiscal Year Ended 2020	
All Plans	\$ 83	\$ 280	\$ 362	Various

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

17. Capital Stock

Repurchases of Common Stock. The company made the following repurchases during fiscal 2022 and fiscal 2021 (all shares repurchased have been canceled). We did not repurchase any of our common stock during fiscal 2020.

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

On March 3, 2021 the Company announced that its Board of Directors authorized a \$150.0 million program to repurchase shares of the Company’s outstanding common stock through August 2022 in open market or private transactions. During fiscal 2022 we repurchased 1,231,638 shares of common stock, at an average price of \$86.17 for \$106.1 million. As of January 29, 2022, \$43.9 million remained available for repurchases.

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

Restricted Stock Tax Withholdings. During fiscal 2022, fiscal 2021, and fiscal 2020, we withheld 78,264 shares, 19,081 shares, and 36,426 shares, respectively, totaling \$6.6 million, \$0.7 million, and \$1.7 million, respectively, to meet payroll tax

withholding obligations arising from the vesting of restricted share units. All shares withheld have been canceled. Shares of common stock withheld for tax withholdings do not reduce our total share repurchase authority.

Upon cancellation of shares repurchased or withheld for tax withholdings, the excess over par value is recorded as a reduction of additional paid-in capital until the balance is reduced to zero, with any additional excess recorded as a reduction of retained earnings. During fiscal 2022, \$96.8 million was charged to retained earnings related to shares canceled during the fiscal year.

18. Stock-Based Awards

We have outstanding stock-based awards under our 2003 Long-Term Incentive Plan, 2007 Non-Employee Directors Equity Plan, 2012 Long-Term Incentive Plan, and 2017 Non-Employee Directors Equity Plan (collectively, the “Plans”). No further awards will be granted under the 2003 Long-Term Incentive Plan or 2007 Non-Employee Directors Equity Plan. As of January 29, 2022, the total number of shares available for grant under the Plans was 639,569.

Stock-based compensation expense and the related tax benefit recognized during fiscal 2022, fiscal 2021, and fiscal 2020 were as follows (dollars in thousands):

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Stock-based compensation	\$ 9,866	\$ 12,771	\$ 10,034
Income tax effect of stock-based compensation	\$ 2,435	\$ 3,141	\$ 2,482

In addition, we realized approximately \$2.9 million of net excess tax benefits during fiscal 2022, and \$0.5 million of net excess tax benefits during fiscal 2021. We realized \$1.0 million of net tax deficiencies in fiscal 2020, related to the vesting and exercise of share-based awards.

As of January 29, 2022, 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 \$2.0 million, \$13.6 million, and \$8.3 million, respectively. This expense will be recognized over a weighted-average number of years of 2.6, 2.4, and 2.1, respectively, based on the average remaining service periods for the awards. As of January 29, 2022, we may recognize an additional \$7.3 million in compensation expense in future periods if the maximum number of Performance RSUs is earned based on certain performance measures being met.

The following table summarizes the valuation of stock options and restricted share units granted during fiscal 2022, fiscal 2021, and fiscal 2020, and the significant valuation assumptions:

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	January 25, 2020
Weighted average fair value of RSUs granted	\$ 82.25	\$ 27.75	\$ 48.37
Weighted average fair value of Performance RSUs granted	\$ 84.73	\$ 25.15	\$ 45.94
Weighted average fair value of stock options granted	\$ 52.33	\$ 14.63	\$ 24.72
Stock option assumptions:			
Risk-free interest rate	1.6 %	0.7 %	2.3 %
Expected life (in years)	9.3	9.4	8.4
Expected volatility	53.4 %	51.3 %	45.3 %
Expected dividends	—	—	—

Stock Options

The following table summarizes stock option award activity during fiscal 2022:

	Stock Options			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding as of January 30, 2021	344,963	\$ 49.66		
Granted	29,738	\$ 85.02		
Options exercised	(42,580)	\$ 53.10		
Canceled	—	\$ —		
Outstanding as of January 29, 2022	332,121	\$ 52.39	5.4	\$ 11,321
Exercisable options as of January 29, 2022	230,762	\$ 53.28	4.2	\$ 7,744

The total amount of exercisable options as of January 29, 2022 presented above reflects the approximate amount of options expected to vest. The aggregate intrinsic values presented above represent the total pre-tax intrinsic values (the difference between the Company's closing stock price of \$84.53 on the last trading day of fiscal 2022 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on the last trading day of fiscal 2022. The amount of aggregate intrinsic value will change based on the price of the Company's common stock. The total intrinsic value of stock options exercised was \$1.9 million, \$8.1 million, and \$1.8 million for fiscal 2022, fiscal 2021, and fiscal 2020, respectively. We received cash from the exercise of stock options of \$2.3 million, \$5.7 million, and \$0.5 million during fiscal 2022, fiscal 2021, and fiscal 2020, respectively.

RSUs and Performance RSUs

The following table summarizes RSU and Performance RSU award activity during fiscal 2022:

	Restricted Stock			
	RSUs		Performance RSUs	
	Share Units	Weighted Average Grant Price	Share Units	Weighted Average Grant Price
Outstanding as of January 30, 2021	648,361	\$ 33.29	425,344	\$ 54.03
Granted	77,109	\$ 82.25	273,858	\$ 84.73
Share units vested	(190,254)	\$ 39.01	(70,890)	\$ 57.59
Forfeited or canceled	(10,961)	\$ 35.26	(172,512)	\$ 62.07
Outstanding as of January 29, 2022	524,255	\$ 38.49	455,800	\$ 68.88

The total number of granted Performance RSUs presented above consists of 188,883 target shares and 84,975 supplemental shares. During fiscal 2022, we canceled 88,057 target shares and 74,024 supplemental shares of Performance RSUs, as a result of performance criteria for attaining those shares being partially met for the applicable performance periods. Approximately 163,831 target shares and 79,093 supplemental shares outstanding as of January 29, 2022 will be canceled during the three months ending April 30, 2022 as a result of the fiscal 2022 performance period criteria being partially met. The total amount of Performance RSUs outstanding as of January 29, 2022 consists of 303,555 target shares and 152,245 supplemental shares.

The total fair value of restricted share units vested during fiscal 2022, fiscal 2021, and fiscal 2020 was \$22.4 million, \$3.1 million, and \$6.7 million, respectively.

19. Customer Concentration and Revenue Information

Geographic Location

We provide services throughout the United States.

Significant Customers

Our customer base is highly concentrated, with our top five customers accounting for approximately 66.2%, 74.1%, and 78.4%, of our total contract revenues during fiscal 2022, fiscal 2021, and fiscal 2020, respectively. Customers whose contract revenues exceeded 10% of total contract revenues during fiscal 2022, fiscal 2021, and fiscal 2020, as well as total contract revenues from all other customers combined, were as follows:

	Fiscal Year Ended					
	January 29, 2022		January 30, 2021		January 25, 2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
AT&T Inc.	\$ 735.2	23.5 %	\$ 533.7	16.7 %	\$ 687.9	20.6 %
Comcast Corporation	473.8	15.1 %	533.9	16.7 %	503.2	15.1 %
Lumen Technologies ⁽¹⁾	373.0	11.9 %	542.0	16.9 %	547.8	16.4 %
Verizon Communications Inc.	352.6	11.3 %	601.6	18.8 %	728.2	21.8 %
Total other customers combined	1,195.9	38.2 %	988.0	30.9 %	872.6	26.1 %
Total contract revenues	\$ 3,130.5	100.0%	\$ 3,199.2	100.0%	\$3,339.7	100.0%

⁽¹⁾ Formerly known as CenturyLink, Inc.

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

Customer Type

Total contract revenues by customer type during fiscal 2022, fiscal 2021, and fiscal 2020, were as follows (dollars in millions):

	Fiscal Year Ended					
	January 29, 2022		January 30, 2021		January 25, 2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Telecommunications	\$ 2,777.6	88.7%	\$ 2,851.6	89.1%	\$ 3,031.9	90.8%
Underground facility locating	255.4	8.2%	229.6	7.2%	204.5	6.1%
Electrical and gas utilities and other	97.5	3.1%	118.0	3.7%	103.3	3.1%
Total contract revenues	\$ 3,130.5	100.0%	\$ 3,199.2	100.0%	\$ 3,339.7	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.

20. Commitments and Contingencies

On August 10, 2021, one of the Company's subsidiaries was named in a putative class action lawsuit alleging claims on behalf of its non-exempt employees in California. The lawsuit alleges that the company failed to pay minimum and overtime wages, did not provide required meal and rest breaks, did not timely pay wages during employment and at the time of termination, provided noncompliant wage statements, failed to reimburse necessary business expenses, failed to keep requisite payroll records, and engaged in unfair business practices. On September 14, 2021, the same plaintiff bringing the putative class action filed a separate representative action under California's Private Attorneys General Action ("PAGA") seeking civil penalties relating to the same claims described above. Both lawsuits are in the very early stages. Due to the early stage of litigation, it is not possible to estimate a range of loss that could occur resulting from either an adverse judgment or a settlement of these matters.

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

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

Commitments

Performance and Payment Bonds and Guarantees. We have obligations under performance and other surety contract bonds related to certain of our customer contracts. Performance bonds generally provide a customer with the right to obtain payment and/or performance from the issuer of the bond if we fail to perform our contractual obligations. As of January 29, 2022 and January 30, 2021, we had \$296.4 million and \$208.7 million, respectively, of outstanding performance and other surety contract bonds. In addition to performance and other surety contract bonds, as part of our insurance program, we also provide surety bonds that collateralize our obligations to our insurance carriers. As of January 29, 2022 and January 30, 2021, we had \$20.3 million and \$20.9 million, respectively, of outstanding surety bonds related to our insurance obligations. Additionally, the Company periodically guarantees certain obligations of its subsidiaries, including obligations in connection with obtaining state contractor licenses and leasing real property and equipment.

Letters of Credit. We have issued standby letters of credit under our credit agreement that collateralize our obligations to our insurance carriers. As January 29, 2022 and January 30, 2021, we had \$46.3 and \$52.2 of outstanding standby letters of credit issued under our credit agreement, respectively.

Deferral of Employer Payroll Taxes. During 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which provided for various tax relief and tax incentive measures. These measures did not have a material impact on our results of operations. However, pursuant to the CARES Act, we deferred the payment of \$37.4 million of employer payroll taxes during the year ended December 31, 2020, \$18.7 million of which was paid by December 31, 2021 and the remainder is due by December 31, 2022.

21. Subsequent Event

On March 2, 2022 the Company announced that its Board of Directors had authorized a new \$150.0 million program to repurchase shares of the Company's outstanding common stock through August 2023 in open market or private transactions. The new authorization replaces the remaining \$43.9 million that was available under the prior authorization. As of March 4, 2022, the full \$150.0 million of the new authorization was available for repurchases.

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Dycom Industries, Inc. and its subsidiaries (the "Company") as of January 29, 2022 and as of January 30, 2021, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended January 29, 2022, January 30, 2021, and January 25, 2020 including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 29, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 29, 2022 and January 30, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 29, 2022, January 30, 2021, and January 25, 2020 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 29, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

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

Goodwill Impairment Assessment - Reporting Units Subject to Quantitative Analysis

As described in Notes 2 and 9 to the consolidated financial statements, the Company's consolidated goodwill balance was \$272.5 million as of January 29, 2022. Management conducts an impairment test as of the first day of the fourth fiscal quarter of each year for each reporting unit, or more frequently if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. In the annual impairment test, management performs a qualitative assessment, and if it is not more likely than not that the fair value exceeds the carrying value of the reporting unit, a quantitative assessment is performed. In the year ended January 29, 2022, qualitative assessments were performed on reporting units that comprise a significant portion of the Company's consolidated goodwill balance, and quantitative assessments were performed on the remaining reporting units. If management determines the fair value of a reporting unit's goodwill is less than its carrying value, an impairment loss is recognized. When performing the quantitative analysis, the fair value is determined using 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. Under the income approach, the key valuation assumptions were (a) the discount rate, (b) terminal growth rate, and (c) seven expected years of cash flow before the terminal value based on the Company's best estimate of the revenue growth rate and projected operating margin. Under the market approach, the guideline company method develops valuation multiples by comparing the Company's reporting units to similar publicly traded companies. Key market approach valuation assumptions were (a) the selection of similar companies and (b) the selection of valuation multiples as they apply to the reporting unit characteristics.

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

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

/s/PricewaterhouseCoopers LLP
Hallandale Beach, Florida
March 4, 2022

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

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

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

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of January 29, 2022, the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of January 29, 2022, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms, and (2) accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Company's fourth quarter of fiscal 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

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

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of January 29, 2022.

The effectiveness of the Company's internal control over financial reporting as of January 29, 2022 has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm. Their report, which is set forth in Part II, Item 8, *Financial Statements*, of this Annual Report on Form 10-K, expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of January 29, 2022.

Item 9B. Other Information.

None.

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

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

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

Code of Ethics

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

Item 11. Executive Compensation.

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

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

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

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

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

Item 14. Principal Accounting Fees and Services.

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

PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

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

Exhibit Number

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

10.14*	Form of Non-Employee Director Restricted Stock Unit Agreement under the 2017 Non-Employee Directors Equity Plan (incorporated by reference to Dycom Industries, Inc.'s Transition Report on Form 10-K filed with the SEC on March 2, 2018).
10.15*	Employment Agreement for Steven E. Nielsen dated as of May 21, 2020 (incorporated by reference to Dycom Industries, Inc.'s Form 8-K filed with the SEC on May 21, 2020).
10.16*	Employment Agreement for Timothy R. Estes dated as of October 25, 2017 (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on October 27, 2017).
10.17*	Employment Agreement for Daniel S. Peyovich dated as of January 6, 2021 (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on January 6, 2021).
10.18*	Employment Agreement for H. Andrew DeFerrari dated as of July 23, 2015 (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on July 24, 2015).
10.19*	Employment Agreement for Scott P. Horton dated as of September 4, 2018, (incorporated by reference to Dycom Industries, Inc.'s Annual Report on Form 10-K filed with the SEC on March 4, 2019).
10.20*	Employment Agreement for Ryan F. Urness dated as of October 31, 2018 (incorporated by reference to Dycom Industries, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on August 29, 2019).
10.21*	2009 Annual Incentive Plan (incorporated by reference to Dycom Industries, Inc.'s Definitive Proxy Statement filed with the SEC on October 17, 2013).
10.22*	Form of Indemnification Agreement for directors and executive officers of Dycom Industries, Inc. (incorporated by reference to Dycom Industries, Inc.'s Annual Report on Form 10-K filed with the SEC on September 3, 2009).
10.23	Credit Agreement, dated as of December 3, 2012, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Managers, Wells Fargo Bank, National Association, as Syndication Agent, and SunTrust Bank, PNC Bank, National Association and Branch Banking and Trust Company, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on December 5, 2012).
10.24	First Amendment to Credit Agreement, dated as of April 24, 2015, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, Bank of America Merrill Lynch and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Managers, Wells Fargo Bank, National Association, as Syndication Agent, and SunTrust Bank, PNC Bank, National Association and Branch Banking and Trust Company, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on April 27, 2015).
10.25	Second Amendment to Credit Agreement, dated as of September 9, 2015, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on September 10, 2015).
10.26	Third Amendment to Credit Agreement and Additional Term Loan Agreement, dated as of May 20, 2016, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on May 24, 2016).
10.27	Fourth Amendment to Credit Agreement, dated as of June 17, 2016, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on June 22, 2016).
10.28	Lender Joinder Agreement, dated as of January 26, 2017, to the Credit Agreement dated as of December 3, 2012, by and among MUFG Union Bank N.A., as the New Lender, Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on March 3, 2017).
10.29	Amended and Restated Credit Agreement, dated as of October 19, 2018, among Dycom Industries, Inc. as the Borrower, the subsidiaries of Dycom Industries, Inc. identified therein, certain lenders named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, and other parties named therein (incorporated by reference to Exhibit 10.1 to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on October 22, 2018).
10.29(a)	First Amendment to Amended and Restated Credit Agreement and First Amendment to Amended and Restated Pledge Agreement, dated as of April 1, 2021, among Dycom Industries, Inc., as the Borrower, the subsidiaries of Dycom identified therein, certain lenders named therein, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, and other parties named therein (incorporated by reference to Dycom Industries, Inc.'s Current Report on Form 8-K filed with the SEC on April 2, 2021).
21.1 +	Principal subsidiaries of Dycom Industries, Inc.

23.1 +	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
31.1 +	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 +	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 ++	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 ++	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 +	The following materials from the Registrant's Annual Report on Form 10-K for the fiscal year ended January 29, 2022 formatted in Inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements.
104 +	Cover Page Interactive Data File (embedded within the Inline XBRL document)
+	Filed herewith
++	Furnished herewith
*	Indicates a management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

DYCOM INDUSTRIES, INC.

Registrant

Date: March 4, 2022

/s/ Steven E. Nielsen

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

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

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ Steven E. Nielsen</u> Steven E. Nielsen	President, Chief Executive Officer and Director (Principal Executive Officer)	March 4, 2022
<u>/s/ H. Andrew DeFerrari</u> H. Andrew DeFerrari	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 4, 2022
<u>/s/ Sharon R. Villaverde</u> Sharon R. Villaverde	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 4, 2022
<u>/s/ Dwight B. Duke</u> Dwight B. Duke	Director	March 4, 2022
<u>/s/ Jennifer M. Fritzsche</u> Jennifer M. Fritzsche	Director	March 4, 2022
<u>/s/ Eitan Gertel</u> Eitan Gertel	Director	March 4, 2022
<u>/s/ Peter T. Pruitt, Jr.</u> Peter T. Pruitt, Jr.	Director	March 4, 2022
<u>/s/ Stephen C. Robinson</u> Stephen C. Robinson	Director	March 4, 2022
<u>/s/ Richard K. Sykes</u> Richard K. Sykes	Director	March 4, 2022
<u>/s/ Laurie J. Thomsen</u> Laurie J. Thomsen	Director	March 4, 2022

**DESCRIPTION OF COMMON STOCK REGISTERED PURSUANT TO
SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

General

The following is a description of our common stock, par value \$0.33 $\frac{1}{3}$ per share (“common stock”). The following summary is not meant to be complete and is qualified by reference to our Restated Articles of Incorporation (the “Articles”) and our Third Amended and Restated By-Laws (the “By-Laws”), which are incorporated by reference as exhibits to this Annual Report on Form 10-K.

We have authorized the issuance of 150,000,000 shares of common stock and 1,000,000 shares of preferred stock, \$1.00 par value share (“preferred stock”).

Common Stock

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders. Holders of common stock do not have cumulative voting rights. Therefore, holders of more than 50% of the shares of common stock are able to elect all of our directors eligible for election in a given year. The holders of common stock are entitled to dividends and other distributions out of assets legally available if and when declared by the board of directors. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to share pro rata in the distribution of all of our assets remaining available for distribution after satisfaction of all liabilities, including any prior rights of any preferred stock which may be outstanding. There are no redemption or sinking fund provisions applicable to the common stock.

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

Potential Issuances of Preferred Stock

Under the Articles, series of the preferred stock may be created and issued from time to time by our board of directors, with such rights and preferences as they may determine.

Although our board of directors has no intention at the present time of doing so, it could issue a class or series of preferred stock that could, depending on the terms of such class or series, impede completion of a merger, tender offer or other takeover attempt that some, or a majority, of stockholders might believe to be in their best interests or in which stockholders might receive a premium for their shares over the then-current market price of such shares.

Material Provisions of our Articles of Incorporation, By-Laws and Other Agreements

Classified Board. The Articles provide that the board of directors is divided into three classes, as nearly equal in number as possible, with one class of directors being elected each year for a three-year term. The classification of the board may have the effect of delaying a change in a majority of the members of our board of directors.

Shareholder Approval. The Articles require approval of 80% of the outstanding shares of our capital stock entitled to vote in elections of directors for any merger with or into another corporation or any sale or transfer of all or a substantial part of our assets to, or any sale or transfer to us or any subsidiary in exchange for our securities or any assets (except assets valued at less than \$1,000,000) of, any other corporation or person, if at the time such other corporation or person is the beneficial owner, or is affiliated with the beneficial owner, of more than 20% of the outstanding shares of our capital stock entitled to vote in elections of directors. This requirement is not applicable to any such transaction with another corporation which was approved by our board of directors prior to the time that such other corporation became a holder of more than 20% of the outstanding shares of our capital stock.

Change of Control Agreements. We have agreements with certain of our executive officers which provide for substantial compensation (in general terms, continuation of up to eighteen months the officer’s base salary and vesting of all equity-based awards awarded to the officer pursuant to any of our long-term incentive plans), upon our termination of the officer’s employment without cause or the officer’s resignation of his employment for good reason on or prior to the second anniversary following the consummation of a change of control in our company. A change of control is defined as any person’s acquisition of more than 20% of our outstanding securities, the sale or transfer of substantially all of our assets to someone other than one of our wholly-owned subsidiaries, or a change of control of the board of directors.

Indemnification. Our By-Laws require us to indemnify each of our directors and officers to the fullest extent permitted by law and limits the liability of our directors and stockholders for monetary damages in certain circumstances.

Anti-Takeover Effects of Florida Law

Control Shares. The Florida Business Corporation Act contains provisions eliminating the voting rights of “control shares,” which are defined as shares which give any person, directly or indirectly, ownership of, or the power to direct the exercise of voting power with respect to, 20% or more of the outstanding voting power of an “issuing public corporation.” A corporation is an issuing public corporation if it has at least 100 shareholders, its principal place of business, principal office or substantial assets are in Florida and either more than 10% of its shareholders reside in Florida, more than 10% of its shares are owned by Florida residents or 1,000 shareholders reside in Florida. The voting rights of control shares are not eliminated if the articles of incorporation or the bylaws of the corporation prior to the acquisition provide that the statute does not apply. Voting rights are restored to control shares if, subsequent to their acquisition, the corporation’s shareholders (other than the holder of control shares, officers of the corporation and employee directors) vote to restore such voting rights.

Affiliated Transactions. The Florida Business Corporation Act also restricts “affiliated transactions” (mergers, consolidations, transfers of assets and other transactions) between “interested shareholders” (the beneficial owners of 10% or more of the corporation’s outstanding shares) and the corporation or any subsidiary. Affiliated transactions must be approved by two-thirds of the voting shares not beneficially owned by the interested shareholder or by a majority of the corporation’s “disinterested” directors. The statutory restrictions do not apply if the corporation has had fewer than 300 shareholders of record for three years, the interested shareholder has been the beneficial owner of at least 80% of the outstanding shares for five years, the interested shareholder is the beneficial owner of at least 90% of the corporation’s outstanding voting shares, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the disinterested directors, or certain consideration is paid to all shareholders.

The provisions of the Articles and By-Laws and the change of control agreements and the application of the anti-takeover provisions of the Florida Business Corporation Act could have the effect of discouraging, delaying or preventing a change of control not approved by the board of directors which could affect the market price of our common stock.

**AMENDMENT TO THE
DYCOM INDUSTRIES, INC. 2012 LONG-TERM INCENTIVE PLAN, AS AMENDED
AND RESTATED EFFECTIVE AS OF NOVEMBER 21, 2017**

This Amendment (the "**Amendment**") to the Dycor Industries, Inc. 2012 Long-Term Incentive Plan, as Amended and Restated Effective as of November 21, 2017 (the "**Plan**"), is made effective as of the 21st day of May, 2019, by Dycor Industries, Inc., a Florida corporation (the "**Company**").

1. Amendment to Section 5(a) of the Plan. The first sentence of Section 5(a) of the Plan is deleted and replaced with the following:

(a) Plan Limit. Subject to adjustment in accordance with Section 13(b) of the Plan, the maximum number of shares of Common Stock that may be awarded for all purposes under the Plan shall be 4,415,000 shares (the "Plan Limit").

2. Continued Effect. Except as set forth herein, the Plan shall remain unchanged and in full force and effect.

PRINCIPAL SUBSIDIARIES OF DYCOM INDUSTRIES, INC.

The following table sets forth the Registrant's principal subsidiaries and the jurisdiction of incorporation of each. Each subsidiary is 100% owned by the Registrant or its subsidiaries.

Subsidiary	Jurisdiction
AnSCO & Associates, LLC	Delaware
Blair Park Services, LLC	Delaware
Broadband Express, LLC	Delaware
C-2 Utility Contractors, LLC	Delaware
CableCom, LLC	Delaware
Cavo Broadband Communications, LLC	Delaware
CertusView Technologies, LLC	Delaware
Communications Construction Group, LLC	Delaware
Dycom Capital Management, Inc.	Delaware
Dycom Corporate Identity, Inc.	Delaware
Dycom Identity, LLC	Delaware
Dycom Investments, Inc.	Delaware
Engineering Associates, LLC	Georgia
Ervin Cable Construction, LLC	Delaware
Fiber Technologies Solutions, LLC	Delaware
Globe Communications, LLC	North Carolina
Golden State Utility Co.	Delaware
Ivy H. Smith Company, LLC	Delaware
Kanaan Communications, LLC	Delaware
Lambert's Cable Splicing Company, LLC	Delaware
Locating, Inc.	Washington
NeoCom Solutions, LLC	Georgia
Niels Fugal Sons Company, LLC	Delaware
North Sky Communications, LLC	Delaware
Parkside Utility Construction, LLC	Delaware
Pauley Construction, LLC	Arizona
Precision Valley Communications of Vermont, LLC	Delaware
Prince Telecom, LLC	Delaware
Professional Teleconcepts, LLC	Illinois
Professional Teleconcepts, LLC	New York
RJE Telecom, LLC	Delaware
Sage Telecommunications Corp. of Colorado, LLC	Colorado
Star Construction, LLC	Delaware
TCS Communications, LLC	Delaware
TelCom Construction, LLC	Minnesota
Tesinc, LLC	Delaware
Texstar Enterprises, LLC	Texas
Tjader & Highstrom Utility Services, LLC	Delaware
Trawick Construction Company, LLC	Florida
Triple-D Communications, LLC	Delaware
UtiliQuest, LLC	Georgia
VCI Construction, LLC	Delaware
VCI Utility Services, LLC	Delaware
White Mountain Cable Construction, LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3ASR (No. 333-248445) and Form S-8 (Nos. 333-117445, 333-153345, 333-191198, 333-221732, 333-221730, 333-253931) of Dycom Industries, Inc. of our report dated March 4, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Hallandale Beach, Florida
March 4, 2022

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 Annual Report on Form 10-K of Dycocom 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: March 4, 2022

/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 Annual Report on Form 10-K of Dycocom 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: March 4, 2022

/s/ H. Andrew DeFerrari

H. Andrew DeFerrari

Senior Vice President and Chief Financial Officer

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 Annual Report of Dycom Industries, Inc. (the "Company") on Form 10-K for the period ending January 29, 2022, 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: March 4, 2022

/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.

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 Annual Report of Dycom Industries, Inc. (the "Company") on Form 10-K for the period ending January 29, 2022, 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: March 4, 2022

/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.