

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-30**  
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### FILER

#### **DYCOM INDUSTRIES INC**

CIK: **67215** | IRS No.: **591277135** | State of Incorporation: **FL** | Fiscal Year End: **0731**  
Type: **10-Q** | Act: **34** | File No.: **001-10613** | Film No.: **95546696**  
SIC: **1623** Water, sewer, pipeline, comm & power line construction

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 1995

OR

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 0-5423

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.)

450 Australian Avenue, South, West Palm Beach, Florida  
(Address of principal executive office)

33401  
(Zip Code)

(407) 659-6301  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No \_\_\_

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of June 6, 1995
Common	8,543,990

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DYCOM INDUSTRIES, INC.

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DYCOM INDUSTRIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

<TABLE>

<CAPTION>

	April 30, 1995	July 31, 1994
	<C> _____	<C> _____
<S>		
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 4,314,363	\$ 2,625,783
Accounts receivable, net	15,055,776	14,885,597
Costs and estimated earnings in excess of billings	5,152,854	3,765,931
Deferred tax assets, net	215,503	613,402
Other current assets	1,357,468	1,263,604
	-----	-----
Total current assets	26,095,964	23,154,317
	-----	-----

PROPERTY AND EQUIPMENT, net	19,488,874	19,955,051
	-----	-----
OTHER ASSETS:		
Intangible assets, net	5,033,306	5,149,623
Other	254,408	440,347
	-----	-----
Total other assets	5,287,714	5,589,970
	-----	-----
TOTAL	\$ 50,872,552	\$ 48,699,338
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,806,605	\$ 4,730,378
Notes payable	4,793,421	22,594,407
Billings in excess of costs and estimated earnings	40,300	252,441
Accrued self-insured claims	2,103,121	2,388,642
Income taxes payable	616,594	
Other accrued liabilities	5,759,744	6,660,198
	-----	-----
Total current liabilities	18,119,785	36,626,066
NOTES PAYABLE	16,155,280	
ACCRUED SELF-INSURED CLAIMS	6,746,092	5,136,730
DEFERRED TAX LIABILITIES		227,647
	-----	-----
Total liabilities	41,021,157	41,990,443
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, par value \$.33 1/3 per share: 50,000,000 shares authorized; 8,543,990 and 8,528,990 shares issued and outstanding, respectively	2,847,997	2,842,997
Additional paid-in capital	24,293,308	24,253,309
Retained deficit	(17,289,910)	(20,387,411)
	-----	-----
Total stockholders' equity	9,851,395	6,708,895
	-----	-----
TOTAL	\$ 50,872,552	\$ 48,699,338
	=====	=====

See notes to condensed consolidated financial statements--unaudited.

</TABLE>

<CAPTION>

For the Three Months Ended

	April 30, 1995	April 30, 1994
<S>	<C> _____	<C> _____
REVENUES:		
Contract revenues earned	\$ 35,880,085	\$ 30,745,126
Other, net	648,252	775,308
	-----	-----
Total	36,528,337	31,520,434
	-----	-----
EXPENSES:		
Costs of earned revenues excluding depreciation	29,758,702	25,464,726
General and administrative	3,407,562	3,890,777
Depreciation and amortization	1,354,643	1,783,110
	-----	-----
Total	34,520,907	31,138,613
	-----	-----
INCOME BEFORE INCOME TAXES	2,007,430	381,821
	-----	-----
PROVISION (BENEFIT) FOR INCOME TAXES:		
Current	785,876	(33,924)
Deferred	170,252	117,957
	-----	-----
Total	956,128	84,033
	-----	-----
NET INCOME	\$ 1,051,302	\$ 297,788
	=====	=====
EARNINGS PER COMMON SHARE	\$ 0.12	\$ 0.03
	=====	=====

See notes to condensed consolidated financial statements--unaudited.

</TABLE>

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

&lt;TABLE&gt;

&lt;CAPTION&gt;

For the Nine Months Ended

	April 30, 1995	April 30, 1994
<S>	<C> _____	<C> _____
REVENUES:		
Contract revenues earned	\$105,607,532	\$ 89,710,703
Other, net	1,136,287	818,739
	-----	-----
Total	106,743,819	90,529,442
	-----	-----
EXPENSES:		
Costs of earned revenues excluding depreciation	86,451,747	78,191,700
General and administrative	10,423,662	11,329,708
Depreciation and amortization	4,461,447	5,418,907
	-----	-----
Total	101,336,856	94,940,315
	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	5,406,963	(4,410,873)
	-----	-----
PROVISION (BENEFIT) FOR INCOME TAXES:		
Current	2,139,210	(968,826)
Deferred	170,252	1,086,253
	-----	-----
Total	2,309,462	117,427
	-----	-----
NET INCOME (LOSS)	\$ 3,097,501	\$ (4,528,300)
	=====	=====

EARNINGS (LOSS) PER COMMON SHARE

\$ 0.36

\$ (0.54)

=====

=====

See notes to condensed consolidated financial statements--unaudited.

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

<TABLE>

<CAPTION>

For the Nine Months Ended

	April 30, 1995	April 30, 1994
	<C> _____	<C> _____
<S> Increase (Decrease) in Cash and equivalents from:		
OPERATING ACTIVITIES:		
Net income (loss)	\$ 3,097,501	\$ (4,528,300)
Add revenues and expenses accrued which did not generate or require cash:		
Depreciation and amortization	4,461,447	5,418,907
(Gain) loss on disposal of assets	(745,390)	(155,695)
Deferred income taxes	170,252	1,086,253
Deferred compensation		225,000



Changes in assets and liabilities:		
Accounts receivable, net	(170,179)	785,891
Unbilled revenues, net	(1,599,064)	(2,154,951)
Other current assets	(93,864)	(167,340)
Other assets	185,939	(278,606)
Accounts payable	76,227	849,495
Accrued self-insured claims and other liabilities	416,073	1,012,270
Accrued income taxes	616,594	
	-----	-----
Net cash inflow from operating activities	6,415,536	2,092,924
	-----	-----
FINANCING ACTIVITIES:		
Borrowing on bank lines-of-credit	1,350,000	1,100,000
Principal payments on notes and loans payable and bank lines-of-credit	(3,141,395)	(4,139,242)
Exercise of stock options	45,000	
	-----	-----
Net cash outflow from financing activities	(1,746,395)	(3,039,242)
	-----	-----
INVESTING ACTIVITIES:		
Capital expenditures	(4,913,386)	(3,522,162)
Proceeds from sales of assets	1,932,825	2,031,118
	-----	-----
Net cash outflow from investing activities	(2,980,561)	(1,491,044)
	-----	-----
NET CASH INFLOW (OUTFLOW) FROM ALL ACTIVITIES	1,688,580	(2,437,362)
	-----	-----
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	2,625,783	4,432,739
	-----	-----
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 4,314,363	\$ 1,995,377
	=====	=====

See notes to condensed consolidated financial statements--unaudited.

</TABLE>

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

<TABLE>

<CAPTION>

For the Nine Months Ended

	April 30, 1995	April 30, 1994
	<C> _____	<C> _____
<S> SUPPLEMENTAL DISCLOSURES OF CASH FLOW AND NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cash paid during the period for:		
Interest	\$ 1,453,559	\$ 1,275,181
Income taxes	1,702,804	750,447
Property and equipment acquired and financed with:		
Capital lease obligations	\$ 153,003	
Short-term notes payable		\$ 204,521

See notes to condensed consolidated financial statements--unaudited.  
</TABLE>

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--Unaudited

1. The accompanying condensed consolidated balance sheets of Dycom Industries, Inc. ("Dycom" or the "Company") as of April 30, 1995 and July 31, 1994, the related condensed consolidated statements of operations for the three and nine months ended April 30, 1995 and 1994 and the condensed consolidated statements of cash flows for the nine months ended April 30, 1995 and 1994 reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of such statements. The results of operations for the nine months ended April 30, 1995 are not necessarily indicative of the results which may be expected for the entire year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION-- The condensed consolidated financial statements include Dycom Industries, Inc. and its subsidiaries, all of which are wholly-owned. The Company's operations consist primarily of telecommunication and utility services contracting. All material intercompany accounts and transactions have been eliminated.

REVENUE-- Income on long-term contracts is recognized on the percentage-of-completion method based primarily on the ratio of contract costs incurred to date to total estimated contract costs. As some of these contracts extend over one or more years, revisions in cost and profit estimates during the course of the work are reflected in the accounting period in which the facts which require the revision become known. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued. Income on short-term unit contracts is recognized as the related work is completed. Work-in-process on unit contracts is based on management's estimate of work performed but not billed.

"Costs and estimated earnings in excess of billings" represent the excess of contract revenues recognized under the percentage-of-completion method of accounting for long-term contracts and work-in-process on unit contracts over billings to date. For those contracts in which billings exceed contract revenue recognized to date, such excesses are included in the caption "Billings in excess of costs and estimated earnings".

CASH AND EQUIVALENTS-- Cash and equivalents include cash balances in excess of the daily requirements which are invested in overnight repurchase agreements, certificates of deposits, and various other financial instruments with maturities of three months or less. For purposes of the condensed consolidated statements of cash flows, the Company considers these amounts to be cash equivalents.

PROPERTY AND EQUIPMENT-- Property and equipment are stated at cost, reduced in certain cases by valuation reserves. Depreciation and amortization are computed over the estimated useful life of the assets utilizing the straight-line method. The estimated useful lives of the assets are: buildings--20-31 years; leasehold improvements--the term of the respective lease or the estimated useful life of the improvement, whichever is shorter; vehicles--3-7 years; equipment and machinery--3-10 years; and furniture and fixtures--3-10 years. Maintenance and repairs are expensed as incurred; expenditures that enhance the value of the property or extend their useful lives are capitalized. When assets are sold or retired, the cost and the accumulated depreciation are removed from the accounts and the resulting gain or loss is included in income.

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INTANGIBLE ASSETS-- The excess of the purchase price over the fair market value of the tangible net assets of acquired businesses (goodwill) is amortized on the straight-line method over 40 years. The appropriateness of the carrying value of intangible assets is continually reviewed and adjusted where appropriate. The ongoing assessment of intangible assets for impairment is based on the recoverability of such amounts through future operations.

Intangible assets are net of accumulated amortization of \$802,411 at April 30, 1995 and \$686,094 at July 31, 1994. Amortization expense for the nine month periods ended April 30, 1995 and 1994 was \$116,317 and \$220,110, respectively. In the fourth quarter of fiscal 1994, the Company wrote off \$1,286,321 of goodwill related to the termination of Prime Utility Contractors, Inc., a wholly owned subsidiary of the Company. In addition, the Company also wrote off \$136,555 of intangible assets in the fourth quarter of fiscal 1994 related to the termination of the utility right-of-way maintenance activities.

SELF-INSURED CLAIMS LIABILITY-- The Company is primarily self-insured, up to certain limits, for automobile and general liability, workers' compensation, and employee group health claims. A liability for unpaid claims and associated expenses, including incurred but not reported losses, is actuarially determined and reflected in the condensed consolidated financial statements as an accrued liability. The determination of such claims and expenses and the appropriateness of the liability is continually reviewed and updated.

INCOME TAXES-- The Company and its subsidiaries file a consolidated federal income tax return. Taxes on income are provided in the period in which the related transactions enter into the determination of net income. Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates to differences between the financial statement carrying value and the tax basis of the Company's existing assets and liabilities. The effect on deferred taxes of a change in tax law or rates is recognized in income in the period that includes the enactment date.

The ability to realize deferred tax assets is continuously reviewed and adjusted when appropriate. The ultimate realization of the deferred tax assets depends on the Company's ability to generate sufficient taxable income in the future. Management has determined, based on the Company's history of recent operating performance, that taxable income of the Company will more than likely not be sufficient to fully realize the net deferred tax assets. Accordingly, deferred tax assets are net of a valuation allowance of \$1,768,924 at April 30, 1995 and \$1,712,373 at July 31, 1994.

PER SHARE DATA-- Per common share amounts are computed on the basis of weighted average shares of common stock outstanding plus common equivalent shares arising from the effect of dilutive stock options, using the treasury stock method. In the three and nine month periods ended April 30, 1995 and 1994, stock options did not impact the per share amounts as they were either insignificant or antidilutive. The weighted-average number of shares was 8,540,282 and 8,454,865 for the three month periods ended April 30, 1995 and 1994, respectively, and 8,532,671 and 8,461,740 for the nine month periods ended April 30, 1995 and 1994, respectively.

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### 3. OPERATING DIFFICULTIES

The Company and its subsidiaries provide a range of services, under comprehensive services contracts, to large companies in the telecommunication and electric utility industries, private enterprise and governmental units. In prior years, the Company experienced significant operating difficulties resulting from work reductions in the construction industry, increased operating costs, competition from smaller contractors, loss of experienced operating personnel, as well as various legal matters, including class action and shareholder derivative lawsuits and

investigations involving Company executives. These matters created a significant burden on the Company's financial resources. As a result, the Company incurred losses and declining cash flows in prior years which significantly reduced its available cash balances. These factors raise substantial doubt about the Company's ability to continue as a going concern.

As shown in the accompanying condensed consolidated financial statements, the operating results during the nine months ended April 30, 1995 reflect significant improvements in operating profit margins and cash flows in comparison to the corresponding period last year. The Company has also resolved various legal matters, including the class action and shareholder derivative lawsuits. Although the Company has made progress, its viability as a going concern is dependent upon further improvement of future cash flows from operating activities, obtaining alternative sources of financing for operations and bonding facilities, and ultimately to continue operating profitably.

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable, net consist of the following:

<TABLE>

<CAPTION>

	April 30, 1995	July 31, 1994
	———	———
<S>	<C>	<C>
Contract billings, net of retainage	\$ 13,693,499	\$ 12,975,307
Retainage	909,723	1,246,340
Refundable income taxes		1,092,375
Other receivables	1,655,074	739,427
	-----	-----
Total	16,258,296	16,053,449
Less allowance for doubtful accounts	1,202,520	1,167,852
	-----	-----
Accounts receivable, net	\$ 15,055,776	\$ 14,885,597
	=====	=====

</TABLE>

## 5. COSTS AND ESTIMATED EARNINGS ON CONTRACTS IN PROGRESS

The accompanying condensed consolidated balance sheets include costs and estimated earnings on contracts in progress, net of progress billings as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	April 30, 1995	July 31, 1994
	—————	—————
<S>	<C>	<C>
Costs incurred on contracts in progress	\$ 27,411,987	\$ 22,244,850
Estimated earnings thereon	1,022,900	534,618
	-----	-----
	28,434,887	22,779,468
Less billings to date	23,322,333	19,265,978
	-----	-----
	\$ 5,112,554	\$ 3,513,490
	=====	=====

Included in the accompanying condensed consolidated balance sheets under the captions:

Costs and estimated earnings in excess of billings

\$ 5,152,854      \$ 3,765,931

Billings in excess of costs and estimated earnings

(40,300)              (252,441)

-----  
\$ 5,112,554      \$ 3,513,490

=====

&lt;/TABLE&gt;

## 6. PROPERTY AND EQUIPMENT

The accompanying condensed consolidated balance sheets include the following property and equipment:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	April 30, 1995	July 31, 1994
	—————	—————
<S>	<C>	<C>
Land	\$ 1,789,527	\$ 1,789,527
Buildings	2,313,627	2,304,730
Leasehold improvements	735,370	1,209,742
Vehicles	21,718,359	20,852,476

Equipment and machinery	19,885,686	20,477,127
Furniture and fixtures	2,953,310	2,802,377
	-----	-----
Total	49,395,879	49,435,979
Less accumulated depreciation and amortization	29,907,005	29,480,928
	-----	-----
Property and equipment, net	\$ 19,488,874	\$ 19,955,051
	=====	=====

</TABLE>

Idle assets consisting of land and office and shop facilities, are included in property and equipment. These assets are not currently being used and certain assets are being offered for sale. The carrying value of these assets at April 30, 1995 and July 31, 1994 was \$100,550 and 112,500, respectively. In the opinion of management, the carrying values of these assets are not in excess of their net realizable value.

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#### 7. NOTES PAYABLE

Notes and loans payable are summarized by type of borrowings as follows:

<TABLE>

<CAPTION>

	April 30, 1995	July 31, 1994
	-----	-----
<S>	<C>	<C>
Bank Credit Agreement:		
Revolving credit facility	\$ 9,000,000	\$ 9,000,000
Term-loan	9,997,190	12,461,306
Equipment acquisition term-loans	1,816,667	962,500
Due former shareholder of acquired company		110,000
Vehicle and equipment loans		60,601
Capital lease obligations	134,844	
	-----	-----
Total	20,948,701	22,594,407
Less current portion	4,793,421	22,594,407
	-----	-----
Notes payable--non-current	\$ 16,155,280	\$ 0
	=====	=====

</TABLE>

At April 30, 1995, the Company had a bank credit agreement consisting of a \$10.0 million term-loan, a \$9.0 million revolving credit facility, a \$9.8 million standby letter of credit facility, and a \$3.0 million capital equipment acquisition facility of which \$1.2 million was available and unused. Substantially all of the Company's assets are pledged as collateral under the terms of the agreement.



In April 1995, \$0.9 million was drawn against the capital equipment acquisition facility. In accordance with the bank credit agreement, the borrowing against the capital equipment acquisition facility was converted to a term-loan. The outstanding principal on the borrowing is payable quarterly through January 1998. Quarterly principal payments of \$70,833 will begin in July 1995.

At April 30, 1995, the Company had \$8.8 million outstanding standby letters of credit issued as security to the Company's insurance administrators as part of its self-insurance program. The capital equipment acquisition facility and standby letter of credit facility expire November 30, 1995.

The bank credit agreement contains provisions regarding minimum working capital, tangible net worth, debt-to-equity ratios and certain other financial covenants. The credit agreement also restricts the payment of cash dividends until the term-loan is reduced to \$5.0 million; thereafter cash dividends are limited to 33 1/3 percent of earnings available for distribution as dividends. At July 31, 1994, the Company was required to classify the outstanding borrowings under the bank credit agreement as a current liability. This classification resulted from the likelihood of the Company violating certain of its financial covenants within the subsequent twelve months. The Company requested modifications of these existing financial covenant requirements going forward, and on December 14, 1994 the bank granted the modifications. Although there can be no assurances, management believes it is more likely than not that the Company will remain in compliance with the modified covenant requirements within the next twelve months. As a result, the Company is no longer required to classify the outstanding borrowings under the bank credit agreement as a current liability. At April 30, 1995, the Company was in compliance with all covenants and conditions.

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The amount shown in the above table as due former stockholder of an acquired company resulted from the repurchase of the stockholder's stock upon his retirement. This arrangement was an existing arrangement made by a subsidiary prior to Dycom's acquisition of the subsidiary. The stock payment was payable at \$110,000 per year plus interest at 10% and expired in the quarter ended October 31, 1994.

Subsidiaries of the Company have capital lease obligations. The obligations are payable in monthly installments and expire in the quarter ended April 30, 1998.

The interest on the term-loan and the revolving credit facility is at the bank's prime rate plus one-half percent (9.50% at April 30, 1995). The

interest on the equipment acquisition term-loans is at the bank's prime rate plus three-quarters of one percent (9.75% at April 30, 1995). Interest costs incurred on notes payable, all of which were expensed, for the nine month periods ended April 30, 1995 and 1994 were \$1,446,187 and \$1,248,296, respectively. Such amounts are included in general and administrative expenses in the accompanying condensed consolidated statements of operations.

## 8. LITIGATION SETTLEMENTS

During the quarter ended January 31, 1995, the Company settled a shareholder class action lawsuit filed in June 1991, a derivative complaint filed in July 1992 and several other related matters. The settlement of the class action resulted in the creation of a \$4.0 million settlement fund out of which all class claims and plaintiff's attorney fees will be paid. In fiscal 1994, the Company paid \$600,000 into escrow for the settlement fund, with the balance of the settlement fund provided by the Company's insurance carrier. The settlement of the derivative complaint provided for certain therapeutic changes in the Company's corporate governance, but did not require any additional payments of monies other than the cash settlement provided for in the context of the class action settlement. The Company believes that all matters related to the class action and derivative complaint have been concluded as a result of the settlement reached.

During the quarter ended January 31, 1995, a final settlement was reached in the complaint filed in March 1993 by BellSouth Telecommunications, Inc. ("BellSouth") against Star Construction, Inc. ("Star"), a subsidiary of the Company. The settlement provided for the payment of \$750,000 to BellSouth by Star. The settlement monies were paid in two equal installments of \$375,000 during the quarters ended April 30, 1995 and January 31, 1995, respectively. The favorable settlement in this matter resulted in a \$450,000 reversal of a previously accrued liability during the quarter ended January 31, 1995.

## 9. COMMITMENTS AND CONTINGENCIES

In the normal course of business, certain subsidiaries of the Company have pending and unasserted claims. Although the ultimate resolution and liability of these claims cannot be determined, management believes the final disposition of these claims will not have a material adverse impact on the Company's consolidated financial condition or results of operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated financial condition and results of operations. The discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto.

### Liquidity and Capital Resources

The Company's sources of funds are generated from operations, proceeds from the sale of idle real property and equipment and its available borrowing capabilities under the current bank credit agreement. Cash flow from operating activities increased \$4.3 million to \$6.4 million in comparison to the same period last year. Strong operating results during the nine months ended April 30, 1995 contributed to the Company's strengthening cash flow position. In addition, the Company made a draw against the capital equipment acquisition facility of \$1.4 million and recorded \$1.9 million in proceeds from the sale of certain real property and equipment. Cash flow from operating activities have been and are expected to be the Company's primary source of liquidity.

Working capital at April 30, 1995 increased \$21.4 million from a deficit position of \$13.5 million at July 31, 1994, to \$7.9 million. At July 31, 1994, the Company was required to classify the outstanding borrowings under the bank credit agreement as a current liability as discussed below. The improvement in working capital is principally the result of reclassifying a portion of the Company's outstanding debt balance to a non-current liability.

The Company's sources of funds provided for capital expenditures of \$4.9 million during the nine month period ended April 30, 1995. These capital expenditures resulted from both the normal replacement of equipment and the additional investment of equipment related to the start-up of new comprehensive services contracts in the telecommunication services group. Aside from these capital expenditures, the Company obtained approximately \$3.1 million of equipment under various noncancelable operating leases.

At April 30, 1995, the Company had outstanding borrowings under a term-loan of \$10.0 million, equipment acquisition term-loans aggregating \$1.8 million and a revolving credit facility of \$9.0 million. Interest on the term-loan and revolving credit facility is at the bank's prime rate plus one-half percent (9.50% at April 30, 1995). The interest on the equipment acquisition term-loans is at the bank's prime rate plus three-quarters of one percent (9.75% at April 30, 1995). During the nine month period ended

April 30, 1995, the Company reduced its outstanding debt balance by \$3.1 million, which included a \$0.2 million prepayment of the term-loan principal utilizing the proceeds received from the sale of certain real property and equipment. Substantially all of the Company's assets are pledged as collateral in support of these facilities.

In addition, the Company has available a \$9.8 million standby letter of credit facility and a \$3.0 million capital equipment acquisition facility of which \$1.2 million is available and unused at April 30, 1995. The standby letter of credit facility is issued as security to the Company's insurance administrators as part of its self-insurance program. The Company had outstanding standby letters of credit of \$8.8 million against the standby letter of credit facility at April 30, 1995. Both facilities expire November 30, 1995.

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The bank credit agreement contains provisions regarding minimum working capital, tangible net worth, debt-to-equity ratios and certain other financial covenants. At July 31, 1994, the Company was required to classify the outstanding borrowings under the bank credit agreement as a current liability. This classification resulted from the likelihood of the Company violating certain of its financial covenants within the subsequent twelve months. On December 14, 1994, the bank modified the financial covenant requirements going forward. Although there can be no assurances, management believes it is more likely than not that the Company will remain in compliance with the modified covenant requirements within the next twelve months. As a result, the Company is no longer required to classify the outstanding borrowings under the bank credit agreement as a current liability. At April 30, 1995, the Company was in compliance with all covenants and conditions.

In the near term, cash flow generated from operations will continue to be the Company's primary source of funds as available borrowing capabilities under the bank credit agreement are limited. The Company foresees these available sources of funds along with existing cash balances to be sufficient to meet its financial obligations, including the scheduled debt payments under the bank credit agreement and operating lease commitments, and to support the Company's normal replacement of equipment at its current level of business; however, the Company may not be able to take advantage of opportunities that would require substantial investment. The Company's viability as a going concern is dependent upon further improvement of cash flows from operations, obtaining alternative sources of financing for operations and bonding facilities, and ultimately to continue operating profitably.

No dividends have been paid during the nine month period ended April 30, 1995, and no dividends are expected to be declared and paid in the

foreseeable future. The Board will determine future dividend policies based on financial condition, profitability, cash flow, capital requirements and business outlook, as well as other factors relevant at the time.

## Results of Operations

The Company reported earnings per common share of \$0.12 and \$0.36 for the three and nine month periods ended April 30, 1995, respectively, as compared to earnings per common share of \$0.03 and a loss per common share of \$0.54, respectively, for the corresponding periods last year.

Contract revenues for the quarter ended April 30, 1995 increased 16.7% to \$35.9 million, as compared to \$30.7 million for the same quarter last year. The increase in contract revenues is primarily attributable to the increased volume experienced in telecommunication services and utility line locating services groups. The telecommunication services and utility line locating services groups contract revenue increased 17.5% to \$32.8 million for the quarter. The electrical services group contract revenue remained relatively stable as compared to the corresponding period last year.

For the nine month period ended April 30, 1995 contract revenues of \$105.6 million increased 17.7% from the \$89.7 million reported in the corresponding period last year. Contract revenues from the telecommunication services and utility line locating services groups increased 26.1% to \$96.7 million as a result of improved pricing and volume realized on multi-year comprehensive services contracts primarily within the telecommunication services group. In addition, during the nine months

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ended April 30, 1994, certain contracts had expired and the Company had canceled other less profitable contracts which resulted in lower volume. The electrical services group contract revenues decreased \$4.1 million to \$8.9 million for the nine month period ended April 30, 1995 as compared to the corresponding period last year. The electrical services group continues to experience lower contract revenues as a result of lower volumes on existing master contracts, difficulty in meeting bonding requirements and the decision in fiscal 1994 to terminate the Company's business interest in the governmental electrical contracting activities. The Company's ability to meet the bid and performance bond requirements and success in bidding on future contracts are key factors affecting the future revenue growth of the Company.

The contract revenue mix between telecommunication services, utility line locating services and electrical services over recent years has reflected a

steady increase in contract revenues from the telecommunication services group offset by a decline in the electrical services group as discussed above. The increase in contract revenues from the telecommunication services group is primarily attributable to multi-year comprehensive services contracts which at the three and nine month periods ended April 30, 1995 represented 64% and 68% of total contract revenues, respectively. The contract revenue mix between telecommunication services, utility line locating services and electrical services was 81%, 11%, and 8% of total contract revenues, respectively, for the three and nine month period ended April 30, 1995.

The Company's backlog of uncompleted work at April 30, 1995 was \$192 million as compared to \$197 million at April 30, 1994 and \$181 million at July 31, 1994.

Other revenue is primarily comprised of earnings on short-term investments and net gains and losses from property and equipment disposals. For the three and nine month periods ended April 30, 1995, other revenue included net gains on the disposal of idle and surplus property and equipment of \$0.5 million and \$0.7 million, respectively. For the three and nine month periods ended April 30, 1994, other revenue included \$0.3 million from the recovery of damages received in the settlement of a breach of contract claim and a net gain of \$0.2 million from the disposal of idle and surplus property and equipment.

The Company's costs and operating expenses may be affected by a number of factors including contract volumes, character of services rendered, work locations, competition, and changes in productivity. Costs of earned revenues, excluding depreciation, was 83% of contract revenues for both the quarters ended April 30, 1995 and 1994, and 82% and 87% of contract revenues for the nine month periods ended April 30, 1995 and 1994, respectively. Cost of earned revenues as a percentage of contract revenues remained relatively stable for the quarter ended April 30, 1995 as compared to the same period last year. For the nine month periods ended April 30, 1995 cost of earned revenue decreased as a percentage of contract revenues as compared to the same period last year as a result of improved operating efficiencies and productivity, and the cancellation of less profitable contracts during fiscal 1994. In addition, as a result of the favorable settlement of a lawsuit, the Company reversed \$450,000 of a previously accrued liability during the quarter ended January 31, 1995.

General and administrative expenses decreased 12.4% for the quarter ended April 30, 1995 to \$3.4 million as compared to \$3.9 million for the same quarter last year. For the nine month period ended April 30, 1995 general and administrative expenses decreased 8.0% to \$10.4 million as compared to \$11.3 million for the corresponding period last year. These decreases are

primarily attributable to lower professional and legal fees, general and group insurance and the absence of a provision recorded for the settlement of a lawsuit which for the quarter ended April 30, 1994 was \$0.4 million. The decline in general and administrative expenses in both periods was partially offset by increases in the provision for doubtful accounts.

Intangible asset amortization expense of \$38,772 and \$116,317 for the three and nine month periods ended April 30, 1995 decreased 47% as compared to the corresponding periods last year. The lower expense resulted from the write-off of certain intangible assets during the fourth quarter of fiscal 1994.

The variance from the statutory income tax rates resulted primarily from the inability to recognize state income tax benefits for certain loss subsidiaries and the impact of non-deductible expenses for tax purposes. Deferred tax assets are net of a valuation allowance of \$1,768,924 at April 30, 1995 and \$1,712,373 at July 31, 1994.

PART II. OTHER INFORMATION

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Item 1. Legal Proceedings

The information concerning legal proceedings is hereby incorporated by reference from Note 8, Litigation Settlements, to the condensed consolidated financial statements included in Part I hereof.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

See Exhibit Index on Page 20

(b) Reports On Form 8-K

No reports on Form 8-K were filed on behalf of the Registrant during the quarter ended April 30, 1995.



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SIGNATURES

Pursuant to the requirements of the Securities and 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

<TABLE>

<S>

Date: June 13, 1995

<C>

/s/ Thomas R. Pledger

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Thomas R. Pledger  
Chairman and Chief Executive  
Officer

Date: June 13, 1995

---

/s/ Ronald L. Roseman

---

Ronald L. Roseman  
President and Chief Operating  
Officer

Date: June 13, 1995

---

/s/ Douglas J. Betlach

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Douglas J. Betlach  
Vice President and Chief  
Financial Officer

</TABLE>

<CAPTION>

Number

Description

\_\_\_\_\_  
<C>

\_\_\_\_\_  
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(27)

Financial Data Schedule

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE DYCOM INDUSTRIES, INC. CONDENSED CONSOLIDATED BALANCE SHEET AT APRIL 30, 1995 AND THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED APRIL 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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