Quanta Services, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
For the Three and Twelve Months Ended December 31, 2016 and 2015
(In thousands, except per share information)
(Unaudited)

Reconciliation of EBITA, EBITDA and Adjusted EBITDA:

The following table presents the non-GAAP financial measures of EBITA, EBITDA and Adjusted EBITDA for the three and twelve months ended December 31, 2016 and 2015. EBITA is defined as earnings before interest, taxes and amortization, EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization and certain other items as described below. These measures should not be considered as an alternative to net income or other measures of performance that are derived in accordance with GAAP. Management believes that the exclusion of these adjustments from net income from continuing operations attributable to common stock enables it to more effectively evaluate Quanta's operations period over period and to identify operating trends that could otherwise be masked by the excluded items. As to certain of the items below, (i) amortization of intangible assets is impacted by Quanta's acquisition activity, which can cause these amounts to vary from period to period; (ii) non-cash stock-based compensation expense may vary due to acquisition activity, factors influencing the estimated fair value of performance-based awards, forfeiture rates, accelerated vesting and amounts granted during the period; (iii) acquisition and integration costs vary period to period depending on the level of Quanta's acquisition activity ongoing during the period; (iv) severance costs related to the departure of Quanta's former president and chief executive officer and severance and restructuring costs associated with certain operations primarily within Quanta's Oil and Gas Infrastructure segment are not regularly occurring items and (v) asset impairments can vary from period to period depending on economic and other factors. Because Adjusted EBITDA, as defined, excludes some, but not all, items that affect net income (loss) from continuing operations attributable to common stock, Adjusted EBITDA as presented may not be comparable to similarly titled measures of other companies. The most comparable GAAP financial measure, net income (loss) from continuing operations attributable to common stock,

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net income (loss) from continuing operations attributable to common stock (GAAP as reported)	$ 88,530	$ (2,586)	$ 198,725	$ 120,286
Interest expense	3,989	2,928	14,887	8,024
Interest income	(392)	(375)	(2,423)	(1,493)
Provision for income taxes	24,592	2,898	107,246	97,472
Equity in losses of unconsolidated affiliates	331	152	979	466
Amortization of intangible assets	7,955	9,174	31,685	34,848
EBITA	$ 125,005	$ 12,191	$ 351,099	$ 259,603
Depreciation expense	43,633	41,463	170,240	162,845
EBITDA	$ 168,638	$ 53,654	$ 521,339	$ 422,448
Acquisition and integration costs	—	1,143	3,053	7,966
Non-cash stock-based compensation	9,875	8,231	41,134	36,939
Severance and restructuring charges (a)	—	—	6,352	—
Asset impairment charges (b)	7,964	58,451	7,964	58,451
Adjusted EBITDA	$ 186,477	$ 121,479	$ 579,842	$ 525,804

(a) The amount for the twelve months ended December 31, 2016 reflects the elimination of severance costs associated with the departure of Quanta's former president and chief executive officer and severance and restructuring costs associated with certain operations primarily within the Oil and Gas Infrastructure Services segment.

(b) The amounts for the three and twelve months ended December 31, 2016 and 2015 reflect the elimination of asset impairment charges. In the 2016 periods, these charges were primarily due to a pending disposition of certain international renewable energy services operations. In the 2015 periods, these charges included an elimination of a property and equipment impairment charge related to the same international renewable energy services operations but were primarily associated with the elimination of goodwill and intangible asset reductions, which resulted from lower levels of expected activity in the U.S. Gulf of Mexico and, to a lesser extent, certain directional drilling operations in Australia due to the extended low commodity price environment.

Free Cash Flow:

Free cash flow (a non-GAAP measure) is defined as net cash provided by operating activities of continuing operations less net capital expenditures. Net capital expenditures is defined as additions to property and equipment less proceeds from sale of property and equipment. We believe that free cash flow provides useful information to our investors because management views free cash flow as an important indicator of how much cash is provided or used by routine business operations, including the impact of net capital expenditures. Management uses free cash flow to make decisions in that it views free cash flow as a measure of cash available to pay debt, acquire businesses, repurchase its common stock and transact other investing and financing activities. The most comparable GAAP financial measure, net cash provided by operating activities of continuing operations, and information reconciling the GAAP and non-GAAP financial measures, are

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net cash provided by operating activities of continuing	$ 184,244	$ 223,533	$ 381,176	$ 618,183
Less: Net capital expenditures:				
Additions to property and	(68,131)	(41,001)	(212,555)	(209,968)
Proceeds from sale of property and	4,872	8,692	21,975	26,178
Net capital	(63,259)	(32,309)	(190,580)	(183,790)
Free Cash	$ 120,985	$ 191,224	$ 190,596	$ 434,393

Definition of Days Sales Outstanding:

Days Sales Outstanding is calculated by using the sum of current accounts receivable, net of allowance (which include retainage and unbilled balances), plus costs and estimated earnings in excess of billings on uncompleted contracts less billings in excess of costs and estimated earnings on uncompleted contracts, divided by average revenues per day during the quarter.