QUANTA SERVICES

Quanta Services, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
For the Three and Twelve Months Ended December 31, 2017 and 2016

(In thousands)
(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, 2017 and 2016. EBITA is defined as earnings before interest, taxes, amortization and equity in (earnings) losses of unconsolidated affiliates. EBITDA is defined as earnings before interest, taxes, depreciation, amortization and equity in (earnings) losses of unconsolidated affiliates, and Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, equity in (earnings) losses of unconsolidated affiliates 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, changes in 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 ongoing acquisition activity; (iv) asset impairments can vary from period to period depending on economic and other factors; (v) changes in fair value of contingent consideration liabilities can vary from period to period depending on financial performance of certain acquired businesses; and (vi) severance and restructuring costs are not regularly occurring items. Because Adjusted EBITDA, as defined, excludes some, but not all, items that affect net income 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 from continuing operations attributable to common stock, and information reconciling the GAAP and non-GAAP financial measures, are included below.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
Net income from continuing operations attributable to common stock (GAAP as reported)	$ 113,561	$ 88,530	$ 314,978	$ 198,725
Interest expense	6,652	3,989	20,946	14,887
Interest income	(185)	(392)	(832)	(2,423)
Provision for (benefit from) income taxes	(69,651)	24,592	35,532	107,246
Amortization of intangible assets	10,170	7,955	32,205	31,685
Equity in (earnings) losses of unconsolidated affiliates	5,439	331	10,945	979
EBITA	$ 65,986	$ 125,005	$ 413,774	$ 351,099
Depreciation expense	48,039	43,633	183,808	170,240
EBITDA	$ 114,025	$ 168,638	$ 597,582	$ 521,339
Non-cash stock-based compensation	12,096	9,875	46,448	41,134
Acquisition and integration costs	1,535	—	10,579	3,053
Asset impairment charges (a)	58,057	7,964	58,057	7,964
Change in fair value of contingent consideration liabilities	(5,171)	—	(5,171)	—
Severance and restructuring charges (b)	—	—	—	6,352
Adjusted EBITDA	$ 180,542	$ 186,477	$ 707,495	$ 579,842

See notes on the following page.

(a) The amounts for the three and twelve months ended December 31, 2017 reflect the elimination of asset impairment charges which were primarily associated with goodwill related to two reporting units within our Oil and Gas Infrastructure Services Division. Specifically, a reporting unit that provides material handling services experienced lower operating margins and is expected to continue to face a highly competitive environment in its select markets and a reporting unit that provides marine and offshore services experienced prolonged periods of reduced revenues and operating margins and is expected to continue to experience lower levels of activity in the U.S. Gulf of Mexico and other offshore markets. The amounts for the three and twelve months ended December 31, 2016 reflect the elimination of impairment charges primarily related to the pending disposition of certain international renewable energy services operations, which was completed in 2017.

(b) 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.

Reconciliation of 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. Management believes that free cash flow provides useful information to Quanta's investors because free cash flow is viewed by management 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 for capital allocation purposes as it is viewed as a measure of cash available to pay debt, acquire businesses, repurchase 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 included below.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
Net cash provided by operating activities of continuing operations	$ 197,638	$ 185,094	$ 372,475	$ 390,187
Less: Net capital expenditures:				
Additions to property and equipment	(76,373)	(68,131)	(244,651)	(212,555)
Proceeds from sale of property and equipment	6,924	4,872	23,348	21,975
Net capital expenditures	(69,449)	(63,259)	(221,303)	(190,580)
Free Cash Flow	$ 128,189	$ 121,835	$ 151,172	$ 199,607

Definition of Days Sales Outstanding:

Days Sales Outstanding is calculated by using the sum of current accounts receivable, net of allowance (which includes 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, and divided by average revenues per day during the quarter.

Definition of Total Liquidity:

Total liquidity includes Quanta's cash and cash equivalents and availability under Quanta's revolving credit facility.