

QUANTA SERVICES INC

Form 10-Q/A

October 02, 2003

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 10-Q/A**  
**(Amendment No. 1)**

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(Mark One)

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

**For the quarterly period ended June 30, 2003**

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 no. 001-13831**

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**Quanta Services, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
Incorporation or organization)*

**74-2851603**

*(I.R.S. Employer  
Identification No.)*

**1360 Post Oak Blvd.**

**Suite 2100**

**Houston, Texas 77056**

*(Address of principal executive offices)*

**Registrant's telephone number, including area code:**

**(713) 629-7600**

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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 is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

115,554,481 shares of Common Stock were outstanding as of August 5, 2003. As of the same date, 1,067,750 shares of Limited Vote Common Stock were outstanding.

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**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-Q/A (Amendment) is being filed to amend, as described below, Item 1 of Part I of the quarterly report on Form 10-Q of Quanta Services, Inc. (Quanta) filed with the Securities and Exchange Commission (SEC) on August 14, 2003 (Original Report on Form 10-Q). The purpose of this Amendment is to amend the Consolidated Statements of Operations for the three and six months ended June 30, 2002 and for the six months ended June 30, 2003 (i) to restate the weighted average number of shares used in computing basic and diluted earnings (loss) per share to exclude the shares issuable upon the conversion of the Series A Convertible Preferred Stock as the effect of including those shares was antidilutive, and therefore (ii) to restate the computation of basic and diluted earnings (loss) per share. Accordingly, Notes 1 and 2 of the Notes to Consolidated Financial Statements are amended to reflect the restated weighted average number of shares and the restated basic and diluted earnings (loss) per share.

In addition to the amendments discussed above, Quanta has clarified the language in Note 8 of the Notes to Consolidated Financial Statements. This Amendment does not reflect events occurring after the filing of the Original Report on Form 10-Q, and does not modify or update the disclosures therein in any way other than as required to reflect the amendments described above. The complete text of Item 1 of Part I has been set forth in its entirety, in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, and the other Items are included for the convenience of the reader. In connection with the filing of this Amendment and pursuant to the rules of the SEC, Quanta is including with this Amendment certain currently dated certifications. Unless otherwise indicated, the exhibits previously filed with the Original Report on Form 10-Q are not re-filed herewith.

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SIGNATURE

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Certification of CFO Pursuant to Section 302

Certification of CEO Pursuant to Section 906

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**QUANTA SERVICES, INC. AND SUBSIDIARIES**

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## QUANTA SERVICES, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share information)

	December 31, 2002	June 30, 2003
<b>(Unaudited)</b>		
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 27,901	\$ 86,115
Accounts receivable, net of allowances of \$37,585 and \$29,647, respectively	367,057	352,021
Costs and estimated earnings in excess of billings on uncompleted contracts	54,749	55,492
Inventories	25,646	26,838
Current deferred taxes	28,968	4,910
Prepaid expenses and other current assets	25,176	25,154
	529,497	550,530
Property and equipment, net	369,568	350,707
Accounts and notes receivable, net of allowances of \$28,389 and \$46,320, respectively	50,900	35,477
Other assets, net	19,250	28,495
Goodwill and other intangibles, net	395,597	395,465
	1,364,812	1,360,674
Total assets	\$ 1,364,812	\$ 1,360,674
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Current maturities of long-term debt	\$ 6,652	\$ 6,261
Accounts payable and accrued expenses	189,080	178,401
Billings in excess of costs and estimated earnings on uncompleted contracts	16,409	15,295
	212,141	199,957
Total current liabilities	212,141	199,957
Long-term debt, net of current maturities	213,167	211,947
Convertible subordinated notes	172,500	172,500
Deferred income taxes and other non-current liabilities	82,411	97,450
	680,219	681,854
Total liabilities	680,219	681,854
Commitments and Contingencies		
Redeemable common stock	72,922	
Stockholders Equity:		
Preferred Stock, \$.00001 par value, 10,000,000 shares authorized:		
Series A Convertible Preferred Stock, 3,199,961 and no shares issued and outstanding, respectively		
Common Stock, \$.00001 par value, 300,000,000 shares authorized, 70,632,899 and 116,003,899 shares issued and 69,706,528 and 115,077,528 outstanding, respectively(a)		

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Limited Vote Common Stock, \$.00001 par value, 3,345,333 shares authorized, 1,083,750 and 1,067,750 shares issued and outstanding, respectively		
Additional paid-in capital	980,303	1,068,837
Deferred compensation	(302)	(9,118)
Retained deficit	(356,605)	(369,174)
Treasury Stock, 926,371 common shares, at cost	(11,725)	(11,725)
	<u>611,671</u>	<u>678,820</u>
Total stockholders equity		
	<u>\$1,364,812</u>	<u>\$1,360,674</u>
Total liabilities and stockholders equity		

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- (a) Shares issued and outstanding as of December 31, 2002 do not include the 24,370,410 shares of Redeemable Common Stock valued at \$72.9 million which was reclassified to stockholders equity on February 20, 2003.

The accompanying notes are an integral part of these condensed consolidated financial statements.

## QUANTA SERVICES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share information)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
Revenues	\$ 432,522	\$408,302	\$ 881,742	\$775,431
Cost of services (including depreciation)	384,362	354,784	757,895	684,156
Gross profit	48,160	53,518	123,847	91,275
Selling, general and administrative expenses	59,489	58,107	110,209	97,077
Goodwill impairment	166,580		166,580	
Income (loss) from operations	(177,909)	(4,589)	(152,942)	(5,802)
Other Income (Expense):				
Interest expense	(8,035)	(8,138)	(15,889)	(16,102)
Other, net	1,183	(326)	1,618	(110)
Income (loss) before income tax provision (benefit) and cumulative effect of change in accounting principle	(184,761)	(13,053)	(167,213)	(22,014)
Provision (benefit) for income taxes	(7,564)	(3,218)	(282)	(7,336)
Income (loss) before cumulative effect of change in accounting principle	(177,197)	(9,835)	(166,931)	(14,678)
Cumulative effect of change in accounting principle, net of tax			445,422	
Net income (loss)	(177,197)	(9,835)	(612,353)	(14,678)
Dividends (forfeitures) on preferred stock, net	232		464	(2,109)
Net income (loss) attributable to common stock	\$ (177,429)	\$ (9,835)	\$ (612,817)	\$ (12,569)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
	(Restated- Note 2)		(Restated- Note 2)	(Restated- Note 2)
Earnings (Loss) Per Share:				
Basic Earnings (Loss) per Share Before Cumulative Effect of Change in Accounting Principle	\$ (2.91)	\$ (0.08)	\$ (2.74)	\$ (0.11)
Cumulative Effect of Change in Accounting Principle, Net of Tax			(7.30)	
Basic Earnings (Loss) per Share	\$ (2.91)	\$ (0.08)	\$ (10.04)	\$ (0.11)



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Diluted Earnings (Loss) per Share Before Cumulative Effect of Change in Accounting Principle	\$ (2.91)	\$ (0.08)	\$ (2.74)	\$ (0.11)
Cumulative Effect of Change in Accounting Principle, Net of Tax			(7.30)	
Diluted Earnings (Loss) per Share	\$ (2.91)	\$ (0.08)	\$ (10.04)	\$ (0.11)
Shares Used in Computing Earnings (Loss) Per Share:				
Basic	61,047	115,799	61,044	110,409
Diluted	61,047	115,799	61,044	110,409

The accompanying notes are an integral part of these condensed consolidated financial statements.

## QUANTA SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
<b>Cash Flows from Operating Activities:</b>				
Net income (loss) attributable to common stock	\$ (177,429)	\$ (9,835)	\$ (612,817)	\$ (12,569)
Adjustments to reconcile net income (loss) attributable to common stock to net cash provided by (used in) operating activities				
Cumulative effect of change in accounting principle, net of tax			445,422	
Goodwill impairment	166,580		166,580	
Depreciation and amortization	15,442	15,307	30,017	30,208
Loss on sale of property and equipment	444	261	696	694
Provision for doubtful accounts	6,362	19,014	5,567	19,257
Deferred income tax provision (benefit)	(22,868)	30,249	(18,270)	32,304
Amortization of deferred compensation	62	878	125	1,084
Preferred stock dividends, net of forfeitures	232		464	(2,109)
Changes in operating assets and liabilities, net of non-cash transactions				
(Increase) decrease in				
Accounts receivable	(23,974)	(35,267)	31,432	9,120
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,113)	(2,413)	(9,509)	(743)
Inventories	(1,030)	366	(6,074)	(1,192)
Prepaid expenses and other current assets	(1,165)	1,216	210	(15)
Increase (decrease) in				
Accounts payable and accrued expenses and other non-current liabilities	26,283	15,510	30,175	(4,274)
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,599)	(1,969)	(10,573)	(1,114)
Other, net	80	2,553	(623)	2,511
Net cash provided by (used in) operating activities	(15,693)	35,870	52,822	73,162
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of property and equipment	1,173	691	1,729	904
Additions of property and equipment	(16,623)	(7,624)	(33,371)	(12,477)
Cash paid for acquisitions, net of cash acquired	(7,035)		(8,000)	