



QUANTA

BETTER TOGETHER

Quanta Services 2018 Annual Report



A powerful representation of our operating companies, embedded into the new Quanta logo that will carry us into the next 20 years

For the past 20 years, Quanta has grown by bringing teams together to collaborate with customers to meet their critical needs. We have grown organically and united dozens of nimble, entrepreneurial-minded companies under a single vision and long-term strategy. Over the years Quanta has met many challenges, achieved many milestones, and set many records. We continued to do so in 2018. What has made it possible is what makes us Quanta – we did it together.





20 Years...and Counting

Over the past two decades, Quanta has become the leader in the specialty infrastructure services industry through innovative thinking and safe execution, which has woven our company into the very fabric of the utility space. We continue to hold this position by building the industry's strongest and safest teams, anticipating and capitalizing on macro industry catalysts, and maintaining focus on a multi-year plan. Throughout our history, Quanta's executive leadership has implemented this approach, which has allowed us to grow profitably and dramatically since Quanta's inception.



John Colson is the visionary founder of Quanta. Not only did he shape our company, he shaped our industry. Under John's leadership as CEO from 1997 to 2011, Quanta's revenues increased more than 1,000% to \$3.6 billion.



John hired Jim O'Neil in 1999 to lead Quanta's operations integration group. Jim rose through the ranks and became Quanta's CEO in May 2011. Under Jim's leadership as CEO, Quanta's revenues more than doubled to \$7.6 billion.



Duke Austin's long history with Quanta began in 2001 when Quanta acquired his family's business, which is now one of Quanta's largest operating units. Duke took on increasing responsibilities and was named CEO in March 2016. Since then, Quanta's revenues have increased 47% and adjusted EBITDA has increased 72%, both of which were at record levels in 2018.

Today the people of Quanta stand together as a workforce of more than 39,000. The vast majority of these employees are our industry-leading craft labor force, who bring the skills required to safely deliver execution excellence.

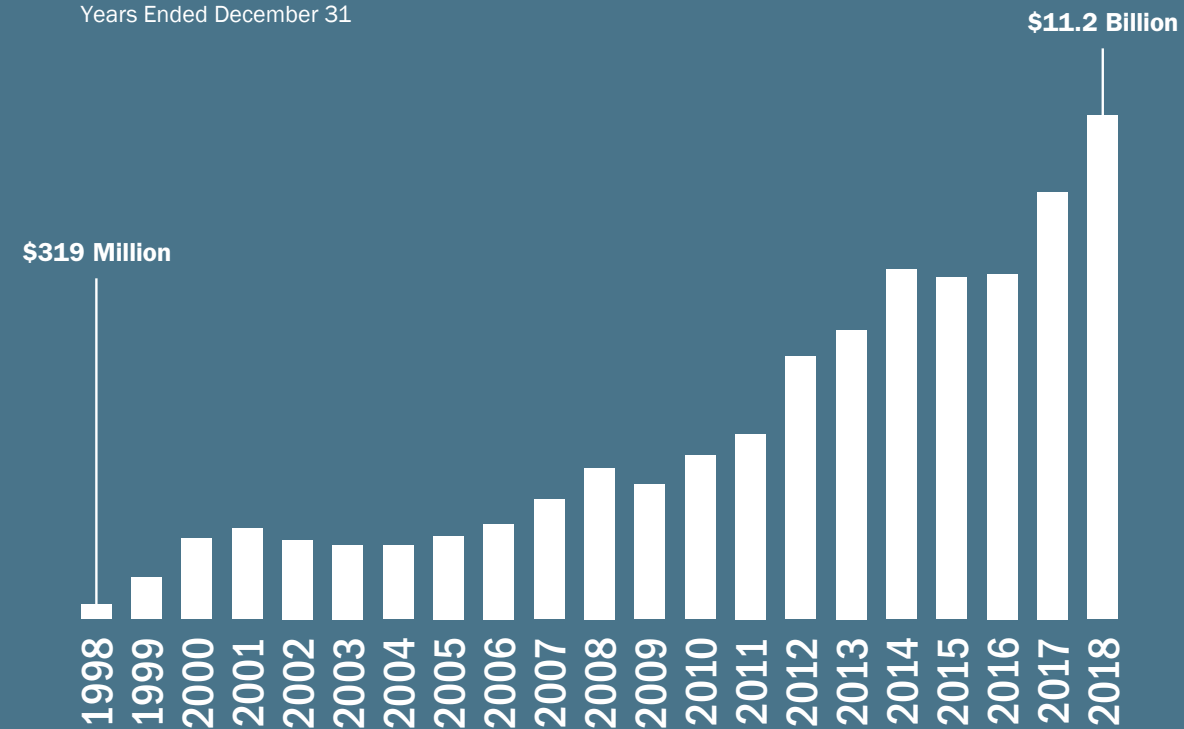
In 2018, the markets that Quanta serves were healthy and growing. We capitalized on opportunities by continuing to foster our entrepreneurial business model and collaborating closely with customers to develop infrastructure solutions that meet their needs and help them better meet the needs of their customers. Our goal is to continually evolve to make them better. We solidified our regional structure, which allows us to better serve the evolving needs of our customers as their service lines and geographies expand. This has allowed us to move forward as one, but with the agility to adapt to market conditions and seize opportunities.

20 Solid Years

Quanta has operated through multiple market cycles over the past 20 years. Regardless of economic conditions, we have remained steadfast to our long-term vision and strategies, which has driven stable overall growth throughout our history. We are pleased to report that 2018 was the best year so far.

20 Year Revenue Growth

Years Ended December 31

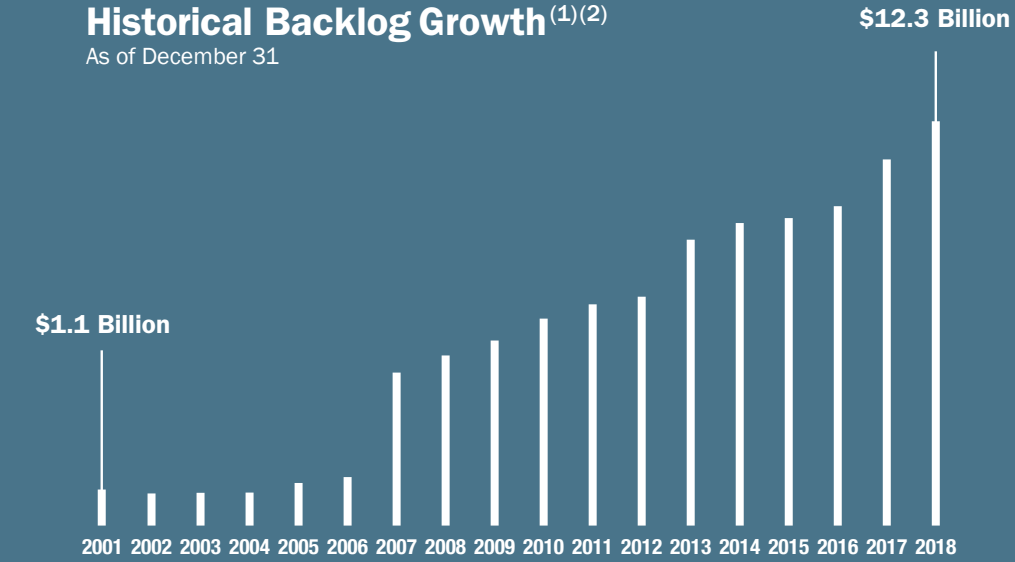


Employee Count at Year-End



Historical Backlog Growth⁽¹⁾⁽²⁾

As of December 31

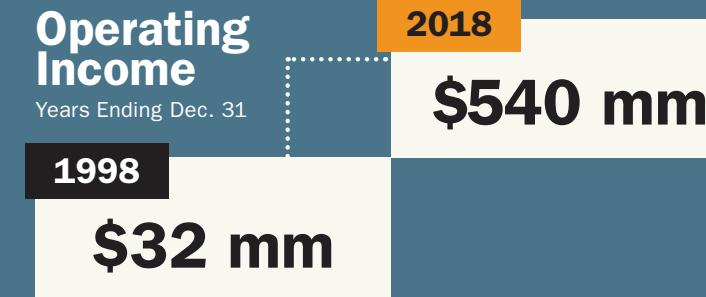


Quanta's 20-year history is built upon a heritage that goes back much further. Many of our operating companies have served our markets for more than 50 years.



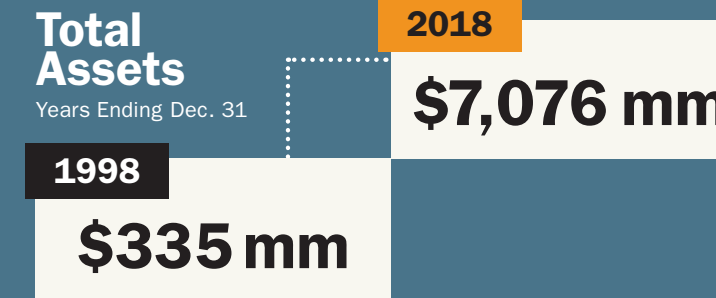
Operating Income

Years Ending Dec. 31



Total Assets

Years Ending Dec. 31



⁽¹⁾ A reconciliation of backlog (a non-GAAP measure) to remaining performance obligations (the most directly comparable GAAP measure) is set forth herein.

⁽²⁾ Twelve-month backlog is reflected from 2001 through 2006. Remaining periods reflect total backlog.

Strong Results in 2018

Quanta achieved strong results in 2018. Our business was robust, as demonstrated by a number of financial and operational records. We expect our success to continue as we execute our strategy to build Quanta's base business across all service lines, supplemented by select larger project opportunities.

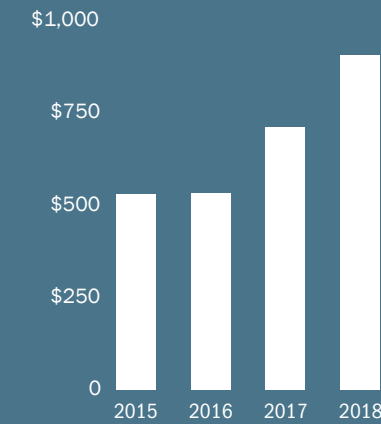
Revenues

Years Ended December 31
(\$ in millions)

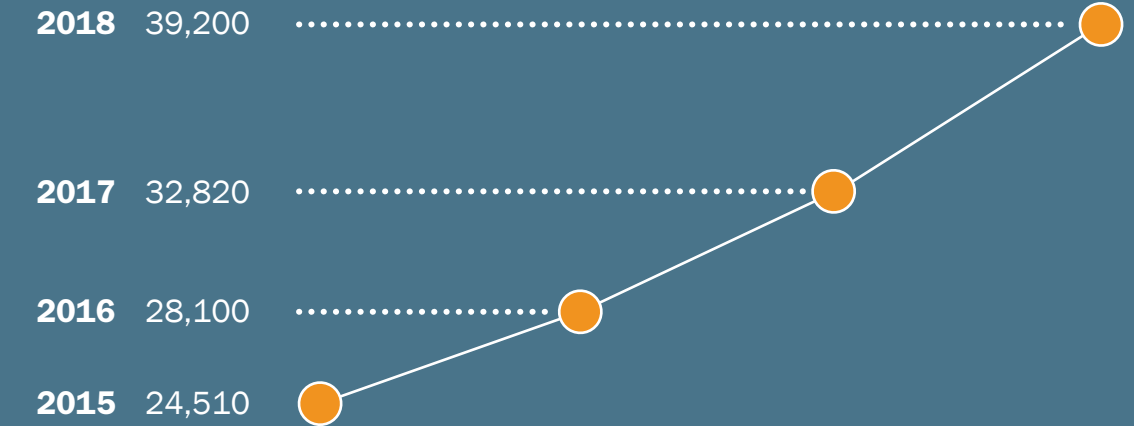


Adjusted EBITDA⁽¹⁾

Years Ended December 31
(\$ in millions)

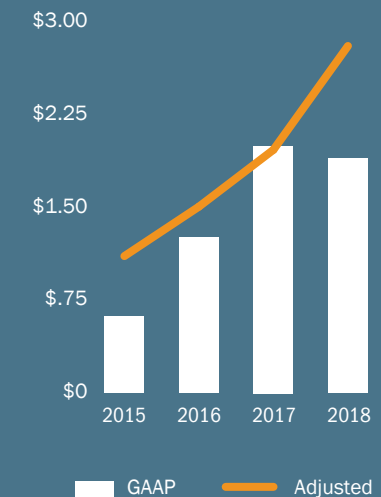


Employee Count



GAAP and Adjusted Diluted Earnings Per Share⁽²⁾

From Continuing Operations
Years Ended December 31



Change in Man Hours, Year Over Year



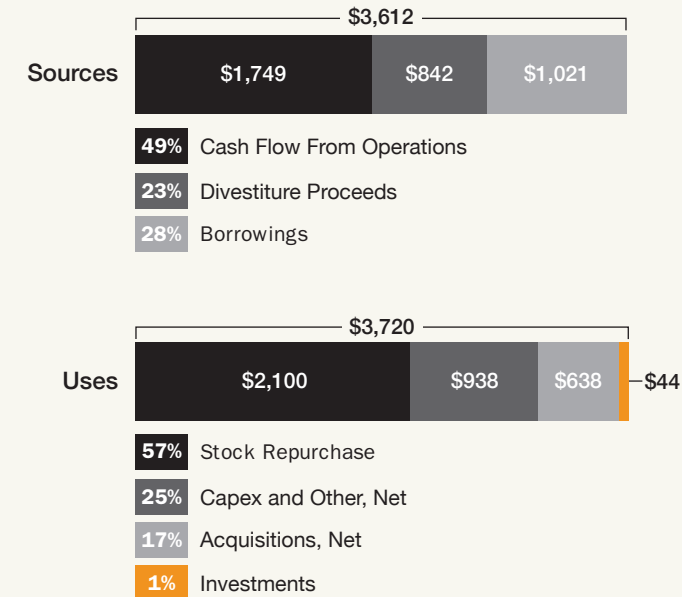
⁽¹⁾ A reconciliation of Adjusted EBITDA (a non-GAAP measure) to net income from continuing operations attributable to common stock (the most directly comparable GAAP measure) is set forth herein.
⁽²⁾ A reconciliation of GAAP and Adjusted Diluted Earnings Per Share (a non-GAAP measure) is set forth herein.

Flexible & Disciplined Capital Deployment



Quanta has a strong reputation for delivering execution excellence in the field. We deliver the same commitment to executing company strategy by maintaining a strong balance sheet and allocating capital in a flexible but disciplined manner, which we believe is a competitive edge.

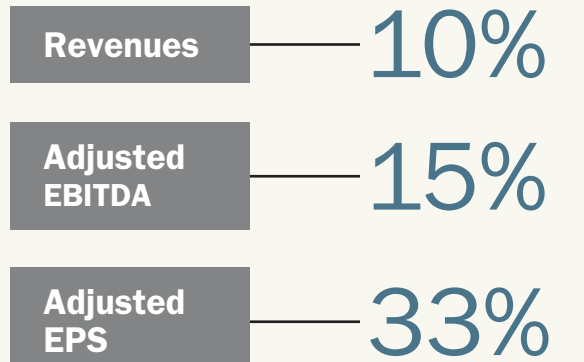
2015 – 2018 Sources & Uses of Cash (\$ in millions)



Commitment to Stockholder Value

In 2018, Quanta acquired approximately \$451 million of our common stock. Since mid-2014, Quanta has repurchased approximately \$2.2 billion, or approximately 40%, of our then outstanding diluted shares, utilizing several separate stock repurchase authorizations. Additionally, we declared an initial quarterly cash dividend in December 2018, the first in Quanta's history. These actions demonstrate our continued confidence in the stability of Quanta's base business, long-term growth prospects, solid financial position and commitment to enhancing stockholder value.

3-YEAR CAGR



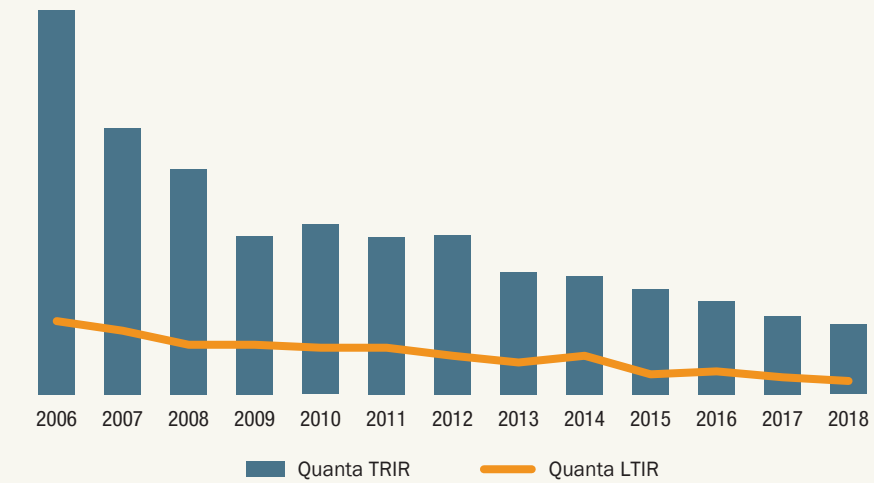
Safety



Quanta strives to lead the industry in safety, in both results and initiatives. In 2018, we again lowered our incident rates, which continue to remain superior to industry averages. Additionally, we continue to expand our AED program as our crew count grows, and have deployed more than 7,300 defibrillators. This initiative has saved 24 lives so far, many of whom were citizens in proximity to Quanta worksites where our employees were able to assist. People are at the core of who we are, and we continue to invest in industry-leading safety and training programs to ensure our employees get home safely to their families every night.

OSHA Frequency Rates by Calendar Year

As of December 31, 2018



The safety of everyone who comes in contact with a Quanta project or service operation is, and will always be, our number-one priority.



Industry-Leading Training Initiatives

Quanta trained more than 5,000 employees during 2018.

For many years, we believe Quanta has maintained the largest and most skilled craft workforce in our industry. Our training programs elevate Quanta's workforce at all levels. Over the past five years, Quanta has incrementally invested more than \$100 million to build the most advanced training facilities and curricula across the markets we serve. Our programs range from preparing the next generation of craft personnel as they come into the workforce, to training the field leadership who will be charged with managing Quanta projects and instilling a culture of safety.

Quanta Advanced Training Center

The state-of-the-art Quanta Advanced Training Center is located at the Lazy Q Ranch in La Grange, Texas. On our 2,300-acre campus, employees receive hands-on instruction from master trainers in an environment modeled after real-world job sites, focusing on safety, skill development and certifications.

Northwest Lineman College

Acquired by Quanta in 2018, NLC is the leading educational and training institution for the electric power industry, instructing thousands of individuals every year. It is the largest organization that trains across the full lifespan of a line worker's career, from pre-apprenticeship through experienced line workers. Quanta expanded NLC's curricula in 2018 to include instruction related to our natural gas distribution and communications business lines.

Industry Partners

Quanta has multiple partnerships with unions and trade associations to bolster our training programs. Across these partnerships, we share best practices and new developments in education and training programming, with the goal of elevating competency and safety across our industry.

Sam Houston State University Partnership

In 2016, Quanta began a partnership with SHSU to establish a business relationship and workforce development program. In addition to classroom instruction, the program gives students hands-on experience at the Quanta Advanced Training Center and summer internship opportunities. This partnership helps students develop skills and gives Quanta access to potential future leaders.

Aviation Training

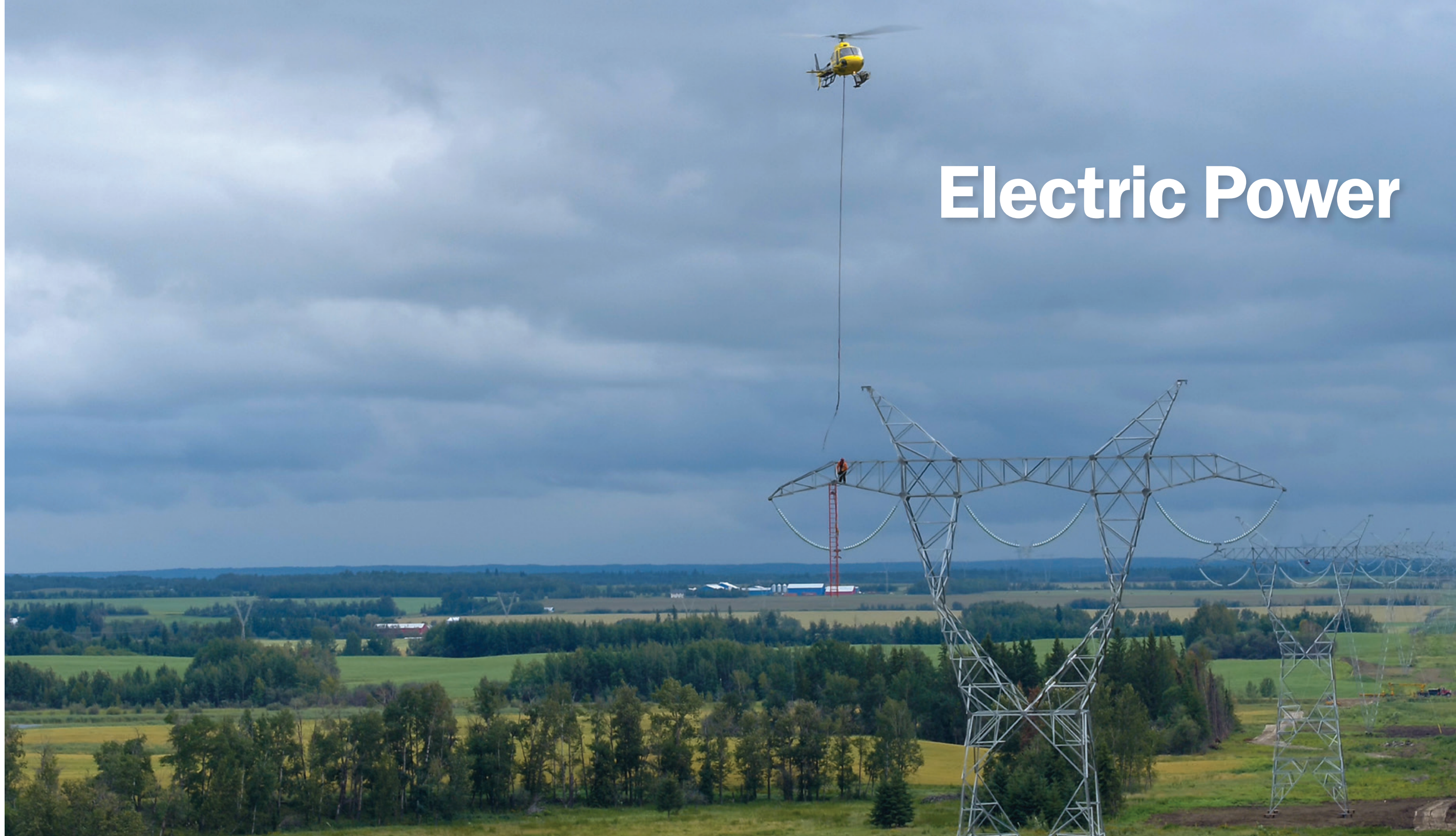
Quanta has created the electric industry's only aviation training program that develops helicopter and aviation skills in a real-world work environment. This approach allows us to develop specialized skills for highly critical operations, so when our people arrive on a live project site, they do their jobs with utmost confidence and safety.





“The Fort McMurray West Transmission Project is an example of what happens when companies work together as true partners, tackling a large job with many challenges, harsh weather conditions and a variety of needed services. Our incredible team, along with the indigenous communities, contributed to the success of the project. This is only one venture in an ongoing collaboration between ATCO and Quanta Services that will continue to provide world-class execution on infrastructure projects.”

Wayne Stensby
Managing Director, Electricity
ATCO



Electric Power

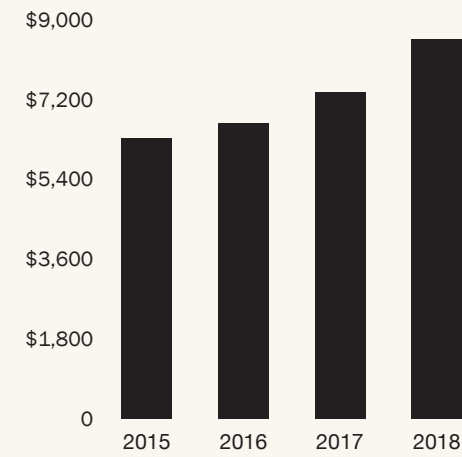
Electric Power operations continued to excel from both a top line and margin perspective.

In 2018, Quanta’s Electric Power Infrastructure Services segment achieved double-digit revenue growth and increased margins. We continued to grow our base business and executed well on larger projects to build upon that base. We also made substantial progress on the Fort McMurray West 500 kV Transmission Project in Alberta, Canada – the largest single project in Quanta’s history.

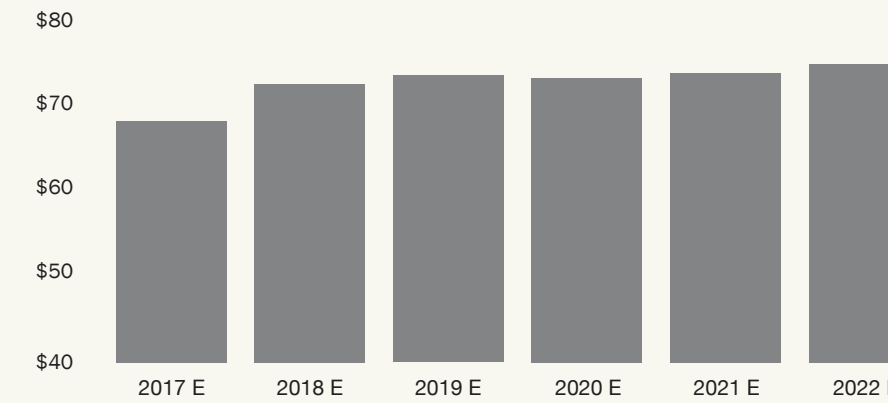
Electric Power Long-Term Outlook

There is significant need to modernize North America's electric power infrastructure, and continued investment growth is expected over the coming years. Our utility customers continue to deploy capital into multi-year electric transmission and distribution programs for grid modernization and reliability. They are accommodating a changing fuel generation mix towards natural gas and renewables, replacing aging infrastructure and strengthening systems for resiliency and to support long-term economic growth. These programs are multi-decade modernization initiatives intended to create robust and reliable delivery systems for the future.

Backlog
Years Ended December 31
(\$ in millions)



Est. North American Transmission & Distribution Spending
(\$ in billions)



Source: The C Three Group

Over the past twenty years, many utilities have evolved into advanced integrated utilities and their needs have changed. Quanta has evolved with them. No other company has the scope, scale and capabilities to deliver on the vast range of customer needs like we do.



Deployed 5,500+ Team Members for Emergency Response



In 2018, we deployed more than 5,500 line workers to support our customers' power restoration efforts in the aftermath of several severe weather events throughout the United States and wildfires in California. This was in addition to the many workers we deployed throughout the year to help customers get the power back on after smaller weather events occurred that did not make the national news.



Pipeline & Industrial



Building out our foundation to serve the broader needs of our customers.

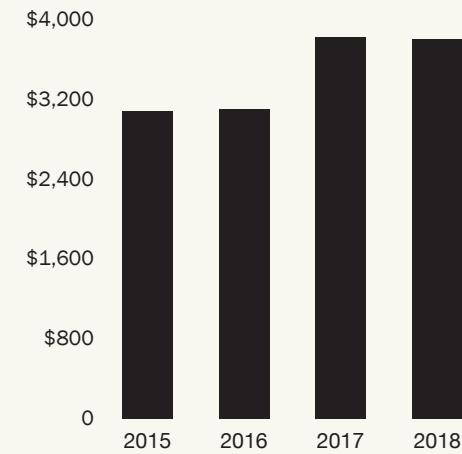
From large- and small-diameter pipelines to natural gas distribution systems and pipeline facilities, Quanta remains the largest pipeline solutions provider in North America. On this foundation we have further enhanced our market reach with an array of industrial services. As a result, we have changed the name of this segment to better represent the diversity of our offerings. In 2018, our industrial, pipeline integrity and gas distribution services led the growth of our base business activity, and this segment experienced strong revenue growth overall.

Pipeline Infrastructure Long-Term Outlook

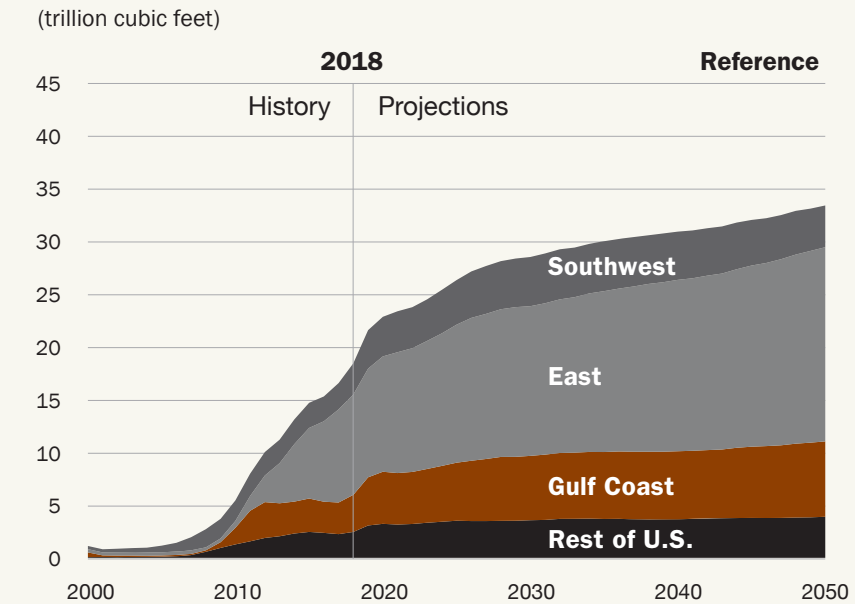
The increasing development of low-cost hydrocarbon resources is driving demand for pipeline and related infrastructure and providing growth opportunities for Quanta.

The shale revolution in North America continues to reshape the global energy market and provide near- and long-term opportunities for Quanta's business. The United States is now the largest producer of oil and natural gas in the world and for the first time has become a net exporter of these resources. This change has happened fairly quickly, but the infrastructure required to transport, store and process all of this new production has not kept pace with growth.

Backlog
Years Ended December 31
(\$ in millions)

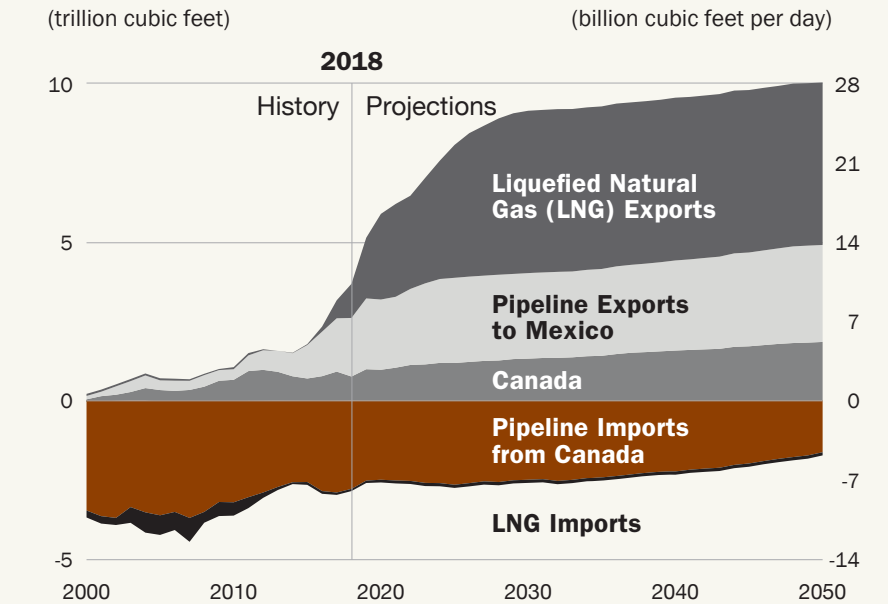


Dry Shale Gas Production by Region



Source: U.S. Energy Information Administration

Growing LNG Export Will Require New Pipelines



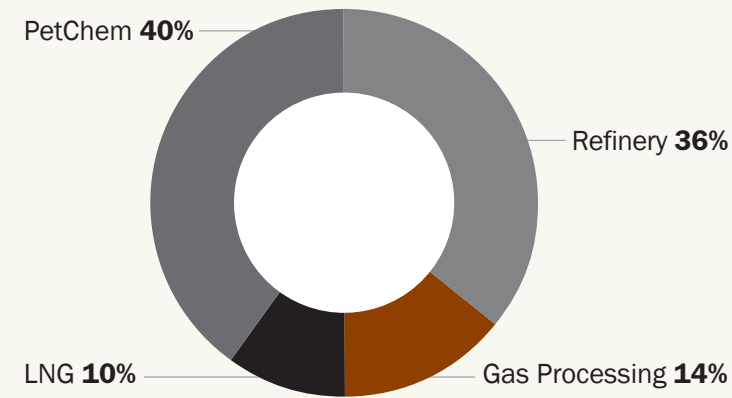
Source: U.S. Energy Information Administration



Industrial Services Long-Term Outlook

Our 2017 acquisition of Stronghold gave Quanta a fantastic group of companies, strong leadership team and a well-positioned platform to expand and grow our industrial services business. We are focused on delivering the critical-path and complementary solutions that refinery and petrochemical customers absolutely must have to keep their operations running safely and efficiently. Serving industrial customers in this way advances our strategy to continually strengthen our foundation of ongoing base business.

Projected North American Downstream Maintenance Spending 2018 – 2022: \$105 Billion



Source: Douglas-Westwood

Quanta’s industrial services operations had a record year in 2018 and are well-positioned for continued growth. These operations are a strong contributor to our strategy to grow our repeatable and sustainable services activity.





Communications

We are gaining momentum serving the dynamic communications industry.

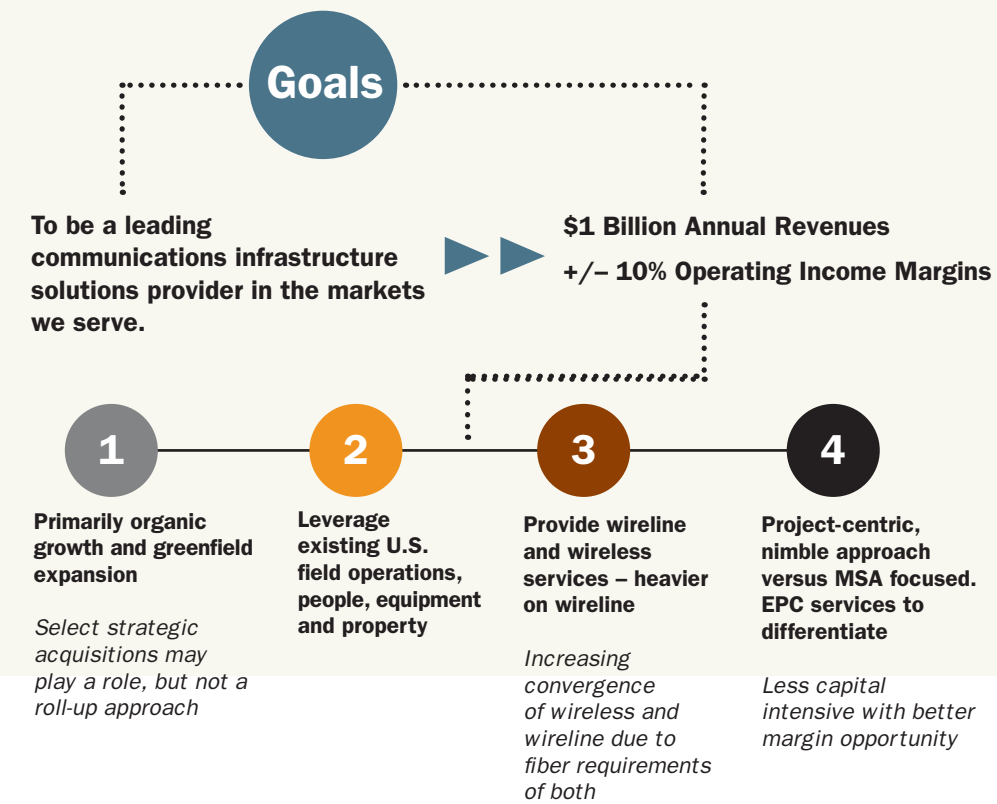
Quanta reentered the U.S. communications infrastructure services market in 2017. In 2018 we added 13 new customers, which more than doubled our U.S. customer count and contributed to a 20% increase in overall communications infrastructure services backlog. Those achievements validate our focus on selecting the right projects and executing well for our customers. While our focus is to grow our operations organically, we opportunistically acquired two quality companies in 2018 to strategically bolster key regional markets.

Communications Long-Term Outlook

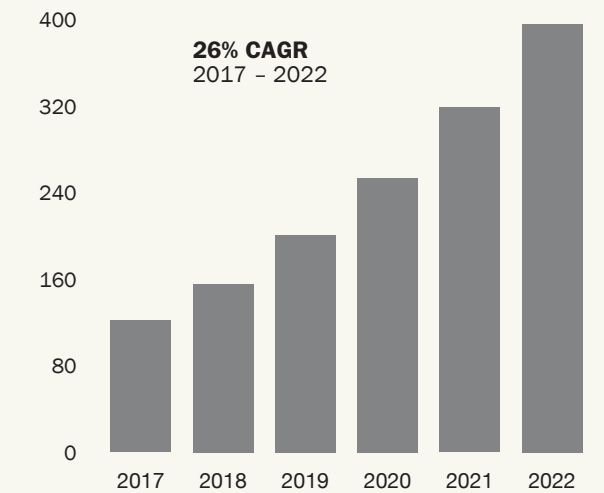
We continued to reestablish our U.S. operations and expand our presence in 2018. With a solid roster of new clients and strong backlog in place, we believe we have the momentum to grow our communications operations into a \$1 billion annual revenue business in the medium-term. Our solid execution is allowing us to gain traction and more deeply collaborate with customers.

The communications industry is pushing fiber deeper into their networks and closer to the consumer. New 5G wireless technologies and services require significant fiber backhaul and dense cell site networks, which provide significant opportunity.

Goals and Growth Strategy



Global IP Traffic Growth, 2017 – 2022
(Exabytes per month)



Source: Cisco VNI Global IP Traffic Forecast



Our Corporate Responsibility

As a leading infrastructure solutions provider, our services support the safe and reliable delivery of electric power, energy and communications services to hundreds of millions of people. Given the extensive span of our employees, customers, suppliers and partners, we recognize the global reach of our business practices, and thus the important role of our corporate responsibility. We are committed to benefiting our employees, customers and stockholders, along with the communities we serve. Quanta believes responsible management, ethical principles and sustainable business practices are essential for long-term profitability and value creation.



Our Pillars and Commitments



Safety Always

Safety drives everything we do. We are committed to bringing our people home safely every night, which requires dedication to world-class training and safety initiatives. We push ourselves to think differently, to move beyond what industry standards require. This not only benefits our employees, but our industry and our customers. We hold ourselves to the Quanta Standard.



Employees – Our #1 Asset

We are a people industry. Quanta invests significant resources in industry-leading training initiatives to help our employees grow and advance in their careers. Our employee count has increased 60% since 2015, and we continue to prioritize the health and safety of our employees as a core value.



Diversity and Inclusion

At Quanta, we pride ourselves on being a family company. Our culture is about supporting an environment where employees from all walks of life can find purpose, flourish in their work and have an equal opportunity to succeed. We encourage and support ideas, innovation and advancement to attract and retain the best workforce in the industry. To that end, we continued to enhance our efforts by creating a Director of Diversity and Inclusion position, and hiring a person with significant experience for that role.



Customer Collaboration

Our customers operate in industries undergoing significant change, which presents them with both opportunities and challenges. Quanta collaborates with customers to develop solutions that support their efforts to capitalize on those opportunities while overcoming the challenges. We work hard to ensure that we meet our customers' needs so that they, in turn, can provide the greatest benefits to their customers. We evolve forward with them, making them better. When our customers are successful, we are successful. We are also committed to the highest standards of ethics, honesty and partnership.



Stockholder Value

We are focused on operating our business for the long-term and expect to continue to distinguish ourselves through safe execution and best-in-class field leadership. We will pursue opportunities to enhance Quanta's base business and leadership position in the industry and provide innovative solutions to our customers. We believe Quanta's scope and scale, unique operating model and entrepreneurial mindset are the foundation that will allow us to continue to generate long-term value for our stockholders.



Environmental and Social Responsibility

Most of the work we perform is outdoors. Quanta recognizes its responsibility to and the importance of being a responsible steward of the environment and minimizing our environmental impact. From everyday actions to major capital investments, we prioritize the environment around us as we make decisions. We strictly adhere to environmental rules and regulations while safely providing our services. In fact, Quanta has an industry-leading reputation for environmental stewardship and is often selected for the most environmentally sensitive projects as a result. We also care deeply about the communities in which we serve and are committed to giving back at the corporate and operating unit levels.

Our Community Partners



Quanta is a family company and we consider the communities where we live and work to be part of that family. We embrace a culture where each of us – and our company as a whole – can make a significant impact on each other and our communities. We search out and create long-term partnerships with nonprofit organizations that are truly making a difference. Quanta has volunteered time and committed financial resources to many of these organizations for many years. We remain committed to responsibly use the resources we have to make the world around us better. In 2018, we collectively donated millions of dollars to various nonprofit causes in North America.

Quanta Cares

Quanta Cares was established in the wake of Hurricane Harvey, in 2017, to help Quanta employees devastated by that storm. Employees' donations, matched by the company, raised \$1.3 million initially. The fund has continued to grow and benefit employees when impacted by natural tragedies.

Quanta Cares provides confidential, timely, short-term crisis relief for those employees in the Quanta Services family needing assistance with living expenses such as food, clothing, utilities, temporary housing, property repairs and other basic necessities. Many Quanta employees contribute to Quanta Cares and the program has assisted more than 50 employees in times of need.



Astros Community Leaders

The Astros Foundation is the official 501(c)(3) team charity of the Houston Astros. The foundation seeks to harness the passion of baseball fans to support youth baseball and softball programs, our nation's military, childhood cancer awareness and efforts to reduce homelessness. The cornerstone initiatives of the program align closely with Quanta's own – and include the Community Leaders program, the Astros MLB Youth Academy and the Astros RBI Program (reviving baseball in inner cities).



Junior Achievement

Since 2003, our partnership with Junior Achievement of Southeast Texas, with Duke Austin serving as an Executive Committee Board Member, has been based on a mutual commitment to excellence, benefiting the needs of future workforce entrants. As a presenting sponsor of the JA Inspire program, which focuses on closing the workplace skills talent gap, Quanta volunteers allow students to explore the world of work with industry professionals. This program has helped establish a bridge to future career success for more than 100,000 students in the Greater Houston area.



Child Advocates

Child Advocates mobilizes court-appointed volunteers to break the vicious cycle of child abuse. Quanta has worked with this organization since 1999, supporting the organization by volunteering and with donations. This support has allowed Child Advocates to provide special activities and programs for the children to meet their unique needs and improve their quality of life.



The Next 20 Years...Even Better

Quanta has grown steadily and profitably for two decades because we have focused on getting better every year. Our markets are rapidly changing, and as we embark on our next 20 years, Quanta is focused on staying ahead of the curve to lead the industries we serve. We are on the cusp of world-changing advancements: self-driving cars, robotics, artificial intelligence, mega broadband, a changing energy mix. These developments will require a robust and interdependent infrastructure. With our world-class, ever-evolving service offerings and an experienced and energized leadership team at the helm, Quanta will be there to continue evolving forward with our customers, our employees, our partners and our stockholders.



Brand Evolution

After 20 years, we have modernized our Quanta logo – elevating our image to match the quality of our people, who are the heart of the company.

Executive Management



Earl C. "Duke" Austin, Jr.
President, Chief Executive Officer and Chief Operating Officer



Derrick Jensen
Chief Financial Officer



Paul Gregory
President, Pipeline and Industrial Division and Chief Strategy Officer



Jesse E. Morris
Executive Vice President – Finance and President – Infrastructure Solutions



Donald Wayne
Executive Vice President and General Counsel

With our world-class, ever-evolving offerings and an experienced and energized leadership team at the helm, Quanta will be there to continue evolving forward with our customers, making them better.



My Fellow Stockholders



2018 was another strong year. We continue to emphasize the strength of our workforce and our self-perform capabilities across strong end markets. We believe our investments in craft skilled labor will continue to pay dividends for many years, as demand for our base business work continues to drive our top and bottom lines and the large project bidding environment remains robust.

LETTER CONTINUES ►

Upon transitioning into the CEO role in March 2016, our five-year plan to create stockholder value included the following key elements:

- Focus on the base business to increase earnings stability;
- Improve margins in each segment;
- Generate \$1 billion of repeatable and sustainable adjusted EBITDA;
- Provide solutions to our customers through deep collaboration; and
- Create growth platforms through service line expansion in the utility, industrial and communications industries

We have grown revenues considerably over the last three years. But more importantly, we have increased profits faster than revenues during that time and improved our return on invested capital. Many of the goals we accomplished in 2018 moved us well down the path of achieving our five-year goals.

Numerous Accomplishments in 2018

Quanta accomplished a great deal in 2018, and while we are proud of these achievements, we remain focused on getting better. We continue to believe there is opportunity to create significant stockholder value as we execute on our strategic initiatives, which include continued margin expansion, adjusted EBITDA growth and improved return on invested capital. Some of our significant accomplishments in 2018 included the following:

- We increased adjusted EBITDA by 27% as compared to 2017, surpassing \$900 million for the first time in Quanta’s history;
- We ended the year with record backlog of approximately \$12.3 billion, which includes record twelve-month and total backlog for our electric power segment. This is noteworthy and demonstrates the strength of our core operations, considering we burned off significant backlog from the Fort McMurray West electric transmission project in 2018, the largest project in Quanta’s history.
- In response to several major severe weather events and wildfires in California during 2018, we deployed more than 5,500 line workers to support and assist multiple customers’ power restoration efforts.
- We continued to focus on positioning our base business for long-term profitable growth, as evidenced by 21% growth in master service agreement (MSA) revenues, in 2018. We accomplished this through new program agreements, increased MSA share and service line expansions with many existing customers.
- We ended 2018 with communications backlog of approximately \$760 million, a 20% increase from 2017. Our U.S. communications operations added 13 new customers, more than double the prior year, and we increased our penetration with a number of large communications providers. Importantly, our U.S. communications operations significantly improved their profitability in the fourth quarter of 2018, and we expect them to grow both top- and bottom-line results in 2019.
- We demonstrated our commitment to stockholder value and our confidence in Quanta’s prospects by acquiring \$451 million of our common stock during 2018, and declaring an initial quarterly common stock dividend in the fourth quarter of 2018, the first in Quanta’s history.

Well-Positioned in Large and Growing End Markets

Quanta’s end markets remain highly active, as evidenced by double-digit revenue growth in both of our segments in 2018, and we continue to believe we are in a multi-year growth cycle. While larger projects capture the headlines and generate excitement, smaller projects, maintenance services and everyday work drive much of our growth. We estimate this type of work grew more than 20% and accounted for approximately 80% of our revenues in 2018. Looking forward, we expect these services to remain robust and be the foundation of our business, and they currently account for approximately 90% of our revenue guidance in 2019.

We operate in a variety of large addressable markets, and in the aggregate, these markets account for more than \$100 billion dollars in annual spend. We believe opportunities within our end markets could grow capex and opex spending at a mid-single digit compound annual growth rate over the medium term, with opportunity for double-digit growth in some periods.

Quanta has strategically focused on diversifying its operations across services lines and geographies. This approach is designed to help mitigate many aspects of risk in our business, including customer, labor, project, permitting, geography, execution, and weather risks. We believe Quanta’s diversity, scope and scale and execution capabilities are unique in our space and set us apart both operationally and as an investment. We believe our portfolio of companies, services and geographic diversity position us to profitably grow over time and through various business cycles.

Business Model Evolution to Meet Changing Customer Needs

The traditional electric utility model has evolved over the past 20 years for many of our long-standing customers, from being heavily focused on fossil fuel-based electric power generation, to an advanced integrated utility model that has a heavy focus on electric transmission and distribution investment, an increasing focus on gas distribution and increasing ownership interest of pipeline infrastructure. Quanta has strategically evolved forward with our customers, meeting their needs and making them stronger. This has allowed us to collaborate with our customers and create unique solutions throughout the value chain.

Our utility customers continue to deploy capital into electric and gas transmission and distribution programs for grid modernization and reliability. Our utility customers are accommodating a changing fuel generation mix toward natural gas and renewables, replacing aging infrastructure and strengthening systems for resiliency and to support long-term economic growth. These programs are multi-decade modernization initiatives intended to create robust and reliable delivery systems for the future.

Quanta is embedded in the fabric of the North American utility industry and an important resource supporting our customers’ efforts to execute capital programs that are designed to benefit the rate payer. These dynamics should provide Quanta with a transparent and large regulated end market that is growing and resilient to economic uncertainty. In fact, more than 60% of Quanta’s revenue is directly tied to regulated electric and gas utility customers, which is repeatable, sustainable and core to our business.

Communications Infrastructure Services – A Growth Opportunity

Currently, our communications infrastructure services operations are reflected within our electric power segment. These operations, in particular our U.S.-based communications services, ended the year on a strong note, with revenues growing more than 50% in 2018 as compared to 2017. We expect our communications operations to generate approximately \$500 million in revenue in 2019 with mid-single digit operating income margins on a full-year basis. We continue to believe we have the opportunity to operate this business with a double-digit margin profile over time as we continue to scale our operations.

Pipeline and Industrial Services

Our pipeline and industrial operations grew strongly in 2018, driven by base business activity in our natural gas distribution, pipeline integrity and industrial services operations, as well as significantly greater larger pipeline project activity. We continue to optimize the segment and remain focused on improving its margin profile. Furthering these objectives, we have taken steps to exit certain oil-influenced operations and assets, which we believe will have a favorable impact on margins going forward. Our gas distribution and integrity operations expanded their margins in 2018 as organic investments during the prior year began to pay off. Further, our industrial services group had a record year in 2018 and is well-positioned for 2019 and beyond.

We anticipate activity levels for the larger pipeline project market to remain elevated for at least the next few years, as there is a need to move the record volumes of hydrocarbons being produced throughout North America to demand locations. Additionally, the potential for LNG export could extend this cycle, as LNG facilities are the largest consumers of natural gas and many would require new pipelines to feed their facilities.

Continued Commitment to Our Customers and Our People

We believe our industry-leading training and recruiting initiatives will ensure that we have the very best craft skilled labor and enhance our ability to collaborate with our customers on future workforce needs. This further differentiates us in the marketplace as a strategic solutions provider.

In 2018, we continued to lead the industry in safety, which we believe starts with training. We incrementally invested in our training efforts with the acquisition of Northwest Lineman College, or NLC. Since acquiring the college, we have complemented their lineman curriculum with new communications infrastructure and natural gas distribution services curricula, which is allowing us to place employees in the field faster and increase their productivity when they get there. In 2018, NLC and the Quanta Advanced Training Center at Lazy Q Ranch trained more than 5,000 Quanta employees through various programs.

Man hours worked increased 18% in 2018 to record levels, and we ended the year with 39,200 employees, an increase of approximately 20% over year-end 2017. Despite these significant increases, our incident rates continued to trend downward and remain well below the industry average. This is a credit to every employee in our organization and their diligence to own safety and drive continuous improvement throughout our company.

Ready for the Next Twenty Years – Let’s Go!

Quanta performed well operationally and against our strategic plan in 2018, which yielded record results. Our end markets are strengthening and our visibility into those markets is improving, and we continue to believe we are in a multi-year upcycle with opportunity for continued record backlog and results in 2019.

We expect our base business to continue to grow. We see opportunities for larger electric transmission and pipeline project opportunities to materialize this year. There are continued opportunities for multi-year alliance programs over the near and medium term, and we expect robust growth from our communications infrastructure services operations with improved profitability.

We are focused on operating the business for the long term and expect to continue to distinguish ourselves through safe execution and best-in-class field leadership. We will pursue opportunities to enhance Quanta’s base business and leadership position in the industry and provide innovative solutions to our customers. We believe Quanta’s diversity, unique operating model and entrepreneurial mindset is the foundation that will allow us to continue to generate long-term value for all of our stakeholders.

To close, we appreciate the ongoing support of our stockholders and your confidence in Quanta. Special recognition is owed to our family of Quanta employees, whose commitment to excellence resulted in another record year. As 2019 kicks off our third decade of operations, I believe it represents opportunity for the type of year that Quanta was originally founded for 20 years ago and establishes a new base against which we can measure ourselves. Let’s go!



Earl C. “Duke” Austin, Jr.

President, Chief Executive Officer
and Chief Operating Officer



Selected Financial Data

(In millions except per share information) As of and for the full years ended December 31,

SUMMARY BALANCE SHEET	2018	2017	SUMMARY INCOME STATEMENT	2018	2017
Total current assets	\$ 3,326	\$ 2,870	Revenues.....	\$ 11,171	\$ 9,466
Property and equipment, net.....	1,276	1,288	Operating income.....	\$ 540	\$ 379
Other assets, net	294	190	Net income attributable to common stock.....	\$ 293	\$ 315
Other intangible assets, net	280	263	Diluted earnings per share attributable		
Goodwill	1,900	1,869	to common stock	\$ 1.90	\$ 2.00
Total assets	<u>\$ 7,076</u>	<u>\$ 6,480</u>	Adjusted diluted earnings per share		
			attributable to common stock	\$ 2.81	\$ 1.97
Total current liabilities	\$ 1,806	\$ 1,492	Adjusted EBITDA.....	\$ 902	\$ 709
Long-term debt and notes payable, net.....	\$ 1,041	\$ 671			
Deferred income taxes	219	179	SUMMARY CASH FLOW DATA		
Insurance and other non-current liabilities	405	342	Net cash provided by operating activities.....	\$ 359	\$ 372
Total equity	3,605	3,796	Capital expenditures, net of proceeds		
Total liabilities and stockholders' equity	<u>\$ 7,076</u>	<u>\$ 6,480</u>	from sales	<u>262</u>	<u>221</u>
			Free cash flow ⁽¹⁾	<u>\$ 97</u>	<u>\$ 151</u>

⁽¹⁾ Free cash flow (a non-GAAP measure) is reconciled to net cash provided by operating activities (the most directly comparable GAAP measure).

Reconciliation of Non-GAAP Financial Measures

Adjusted diluted earnings per share from continuing operations attributable to common stock:

(In millions, except per share information) For the Years Ended December 31,

	2018	2017	2016	2015
Net income from continuing operations attributable to common stock (GAAP as reported)	\$ 293	\$ 315	\$ 199	\$ 120
Adjustments:				
Impact of Tax Cut and Jobs Act	33	(70)		
Income tax impact primarily related to entity restructuring and recapitalization efforts	2	(18)		
Change in fair value of contingent consideration liabilities	(11)	(5)		
Impact of income tax contingency releases	(8)	(7)	(20)	
Severance and restructuring charges	1		6	
Asset impairment charges	53	60	8	58
Impact of Alberta tax law change				5
Impact of tax benefit from realization of previously unrecognized deferred tax asset				(4)
Acquisition and integration costs	17	11	3	8
Income tax impact of adjustments	(19)	(24)	(4)	(16)
Adjusted net income from continuing operations attributable to common stock before certain non-cash adjustments	362	261	192	171
Non-cash stock based compensation	52	47	40	37
Amortization of intangibles	44	32	32	35
Income tax impact of non-cash adjustments	(25)	(29)	(26)	(26)
Adjusted net income from continuing operations attributable to common stock for adjusted diluted earnings per share from continuing operations	433	310	238	217
Calculation of weighted average shares for adjusted diluted earnings per share from continuing operations attributable to common stock:				
Weighted average shares outstanding for basic earnings per share	153	156	157	195
Effect of dilutive stock options	1	1	0	0
Weighted average shares outstanding for adjusted diluted earnings per share	<u>154</u>	<u>157</u>	<u>157</u>	<u>195</u>
Earnings Attributable to Common Stock:				
Diluted earnings per share from continuing operations	<u>\$ 1.90</u>	<u>\$ 2.00</u>	<u>\$ 1.26</u>	<u>\$ 0.62</u>
Adjusted diluted earnings per share from continuing operations	<u>\$ 2.81</u>	<u>\$ 1.97</u>	<u>\$ 1.51</u>	<u>\$ 1.11</u>

The non-GAAP measure of adjusted diluted earnings per share from continuing operations is provided to enable investors to evaluate performance excluding the effects of items that management believes impact the comparability of operating results between periods.

Reconciliation of EBITDA and Adjusted EBITDA

(In thousands) For the Years Ended December 31,

	2018	2017	2016	2015
Net income attributable to common stock (as defined by GAAP)	\$ 293,346	\$ 314,978	\$ 198,725	\$ 120,286
Interest expense	36,945	20,946	14,887	8,024
Interest income	(1,555)	(832)	(2,423)	(1,493)
Provision for income taxes	161,659	35,532	107,246	97,472
Amortization of intangible assets	43,994	32,205	31,685	34,848
Equity in losses of unconsolidated affiliates	52,867	10,945	979	466
Depreciation expense	202,519	183,808	170,240	162,845
EBITDA	\$ 789,775	\$ 597,582	\$ 521,339	\$ 422,448
Non-cash stock-based compensation	52,484	46,448	41,134	36,939
Acquisition and integration costs	17,233	10,579	3,053	7,966
Asset impairment charges	52,658	59,950	7,964	58,451
Change in fair value of contingent consideration liabilities	(11,248)	(5,171)		
Severance and restructuring charges	1,326		6,352	
Adjusted EBITDA	\$ 902,228	\$ 709,388	\$ 579,842	\$ 525,804
Consolidated Revenues	\$11,171,423	\$ 9,466,478	\$ 7,651,319	\$ 7,572,436
Adjusted EBITDA Margin	8.1%	7.5%	7.6%	6.9%

Remaining Performance Obligations and Backlog

As of December 31, 2018 (in millions)

This table presents Quanta's backlog by reportable segment and includes an estimate of the backlog amounts expected to be realized within 12 months of each balance sheet date.

	12 Month	Total
Electric Power Infrastructure Services		
Remaining performance obligations	\$ 2,094	\$ 3,046
Estimated orders under MSAs and short-term, non-fixed price contracts	2,468	5,500
Backlog	4,561	8,545
Pipeline and Industrial Infrastructure Services		
Remaining performance obligations	1,004	1,636
Estimated orders under MSAs and short-term, non-fixed price contracts	1,411	2,161
Backlog	2,415	3,797
Total		
Remaining performance obligations	3,097	4,682
Estimated orders under MSAs and short-term, non-fixed price contracts	3,879	7,661
Backlog	\$ 6,976	\$ 12,343

The non-GAAP measures of EBITDA and Adjusted EBITDA are provided to enable investors to evaluate performance excluding the effects of items that management believes impact the comparability of operating results between periods.

Quanta Operating Units

QUANTA SERVICES, INC. 2800 Post Oak Boulevard Suite 2600 Houston, Texas 77056-6175 Tel: 713.629.7600 quantaservices.com

Operating Unit	Number	Website	Operating Unit	Number	Website
Advanced Electric Systems, LLC	801-850-7150	advanced-elec.com	Northern Powerline Constructors, Inc.	907-344-3436	northernpowerline.com
Allteck Line Contractors, Inc.	604-857-6600	allteck.ca	NorthStar Energy Services, Inc.	281-452-2355	nse.com
Arnett & Burgess Pipeliners, Ltd.	403-265-0900	abpipeliners.com	Northstar Sharp's Foundation Specialists, Ltd.	780-955-2108	northstarsharps.com
Aspen Utility Company	281-578-1000		Northwest Lineman College	888-546-3967	lineman.edu
Banister Pipelines Constructors Corp.	780-955-7167	banister.ca	Nova Group, Inc.	707-265-1100	novagr.com
Brent Woodward, Inc.	541-504-5538	brentwoodwardinc.com	O.J. Pipelines Canada Corp.	780-955-3900	ojpipelines.com
Brink Constructors, Inc.	605-342-6966	brinkred.com	PAR Electrical Contractors, Inc.	816-474-9340	parelectric.com
Canadian Utility Construction Corp.	604-574-6640	canadianutility.com	Performance Energy Services, LLC	985-868-4895	pesllc.com
CAN-FER Utility Services, LLC	972-484-4344	can-fer.com	Phasor Engineering, Inc.	403-238-3695	phasorengineering.ca
Coe Drilling Pty, Ltd.	61 (0)7 3029 1300	coedrilling.com.au	Phoenix Power Group, Inc.	631-492-1803	phoenixpg.com
Conam Construction Co.	907-278-6600	conamco.com	Potelco, Inc.	253-863-0484	potelco.net
Consolidated Power Projects Australia Pty, Ltd.	08-8291-7800	conpower.com.au	Price Gregory International, Inc.	713-780-7500	pricegregory.com
Crux Subsurface, Inc.	509-892-9409	cruxsub.com	Probst Electric, Inc.	435-657-1955	probstelectric.com
Dacon Corp.	713-558-6600	dashiell.com	QPSE	918-858-7620	qpse.com
Dashiell Corp.	713-558-6600	dashiell.com	Quanta Energized Services U.S., LLC	713-629-7600	quantaenergized.com
DIGCO	281-833-2000	digco.com	Quanta Environmental	832-791-5252	quantaenv.com
DNR Pressure Welding	403-742-2859	dnrwelding.ca	Quanta Inline Devices, LLC	832-634-2800	q-inline.com
Domino High Voltage Supply	866-887-8617	dominohighvoltage.com	Quanta Services Latin America	305-821-1020	quantaservices.com
EHV Power ULC	888-799-6342	ehvpower.com	Quanta Subsurface	509-789-7747	quantasubsurface.com
Enscope Pty, Ltd.	61 8 6229 6500	enscope.com.au	Quanta Technology, LLC	919-334-3000	quanta-technology.com
G-Tek	450-628-4835	gtek.ca	Quanta Telecommunication Services, LLC	832-634-0010	quantatelcom.com
H.L. Chapman Pipeline Construction, Inc.	512-259-7662	hlchapman.com	Quanta Utility Engineering Services, Inc.	866-732-3460	ques.com
Hargrave Power, Inc.	214-308-6927	hargravepower.com	Realtime Utility Engineers, Inc.	800-297-1478	realtimutilityengineers.com
Haverfield Aviation, Inc.	717-334-1826	haverfield.com	RMS Holdings, LLC	780-955-3907	rmsweldingsystems.com
InfraSource, LLC	800-832-1517	infrasourceus.com	Service Electric Co.	423-265-3161	serviceelectricco.com
Intermountain Electric, Inc.	303-733-7248	imelect.com	Stronghold Companies	281-402-7656	thestrongholdcompanies.com
Irby Construction Co.	601-709-4729	irbyconstruction.com	Summit Line Construction, Inc.	435-657-0721	summitlineconstruction.com
J.C.R. Construction Co., Inc.	603-895-4062	jcrconstructionco.com	Sumter Utilities, Inc.	803-469-8585	sumter-utilities.com
J.W. Didado Electric, LLC	330-374-0070	jwdidado.com	T.G. Mercer Consulting Services, Inc.	817-489-7100	tgmrcer.com
JBT Electric, LLC	409-794-2722	jbtelctric.com	TC Infrastructure Services	780-467-1367	tcinfrastructure.com
Longfellow Drilling Services	641-336-2297	parelectric.com	The ComTran Group, Inc.	770-904-4444	comtrangroup.com
M.G. Dyess, Inc.	601-943-6663	mgdyess.com	The Ryan Company, Inc.	508-742-2500	ryancompany.net
M.J. Electric, LLC	906-774-8000	mjelectric.com	Underground Construction Co., Inc.	707-746-8800	undergroundconstruction.com
Mears Group, Inc.	800-632-7727	mears.net	Valard Construction, Ltd.	780-436-9876	valard.com
Nacap Pty, Ltd.	61-3 8848-1888	nacap.com.au	Valard Geomatics	780-436-9876	valardgeomatics.com
N.J. Construction Pty, Ltd.	61 (0)2 6232 9400	njconstruction.com.au	Valard Telecom	587-620-0201	valardtelecom.com
North Houston Pole Line, L.P.	713-691-3616	nhplc.com	Winco, Inc.	503-678-6060	wincoservices.com



Corporate Information

DIRECTORS

Earl C. “Duke” Austin, Jr.
*President, Chief Executive Officer and
 Chief Operating Officer, Quanta Services, Inc.*

Doyle N. Beneby ^{3,4}
*President and Chief Executive Officer,
 Midland Cogeneration Venture*

J. Michal Conaway ^{3,4}
*Consultant; Former Chief Financial Officer,
 Fluor Corporation*

Vincent D. Foster ^{1,4}
*Chairman of the Board and Former
 Chief Executive Officer,
 Main Street Capital Corporation*

Bernard Fried ^{1,2}
*Principal, BF Consulting; Former Chief
 Executive Officer, Plastikon Industries, Inc.*

Worthing F. Jackman ^{1,2}
*President,
 Waste Connections, Inc.*

David M. McClanahan
*Chairman of the Board, Quanta Services, Inc.;
 Former President and Chief Executive Officer,
 CenterPoint Energy, Inc.*

Margaret B. Shannon ^{2,3}
*Former Vice President and General Counsel,
 BJ Services Company*

Pat Wood, III ^{3,4}
*Principal, Wood3 Resources;
 Former Chairman, Federal Energy
 Regulatory Commission*

EXECUTIVE OFFICERS

Earl C. “Duke” Austin, Jr.
*President, Chief Executive Officer,
 Chief Operating Officer and Director*

Paul C. Gregory
*President – Pipeline and Industrial Division
 and Chief Strategy Officer*

Derrick A. Jensen
Chief Financial Officer

Jesse E. Morris
*Executive Vice President – Finance and
 President – Infrastructure Solutions*

Donald C. Wayne
Executive Vice President and General Counsel

Jerry K. Lemon
Chief Accounting Officer

Nicholas M. Grindstaff
Vice President – Finance and Treasurer

Dorothy Upperman
Vice President – Tax

NEW YORK STOCK EXCHANGE

Last year, our Annual CEO Certification, without qualifications, was timely submitted to the NYSE. Also, we have filed the certifications required under The Sarbanes-Oxley Act of 2002 as exhibits to our Form 10-K.

TRANSFER AGENT

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Ticker Symbol PWR

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- 1 Audit Committee
- 2 Compensation Committee
- 3 Governance and Nominating Committee
- 4 Investment Committee



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