

DYCOM INDUSTRIES INC

BUY				HOLD			SELL						HOLD	RATING SINCE	10/22/2018	
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+		E	E-	F
Annual Dividend Rate NA				Annual Dividend Yield NA			Beta 1.42			Market Capitalization \$2.3 Billion			52-Week Range \$65.82-\$123.99		Price as of 11/15/2018 \$73.26	

 Sector: **Industrials** | Sub-Industry: **Construction & Engineering** | Source: **S&P**

DY BUSINESS DESCRIPTION

Dycom Industries, Inc. provides specialty contracting services in the United States and Canada.

STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	-1.44	-14.80	-3.62

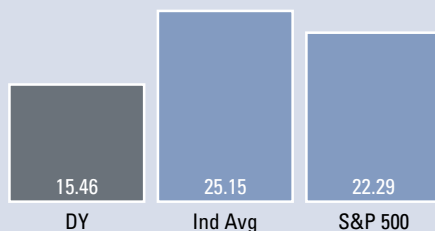
GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	-6.57	0.80	16.99
Net Income	69.28	-3.71	40.45
EPS	67.56	-2.67	44.84

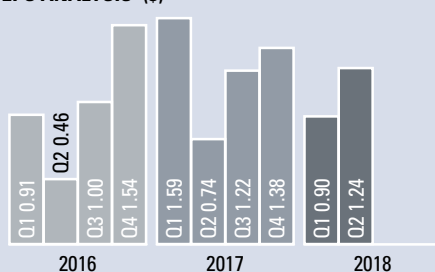
RETURN ON EQUITY (%)

	DY	Ind Avg	S&P 500
Q2 2018	20.87	9.43	14.82
Q2 2017	25.55	11.02	13.41
Q2 2016	17.79	6.86	11.79

P/E COMPARISON



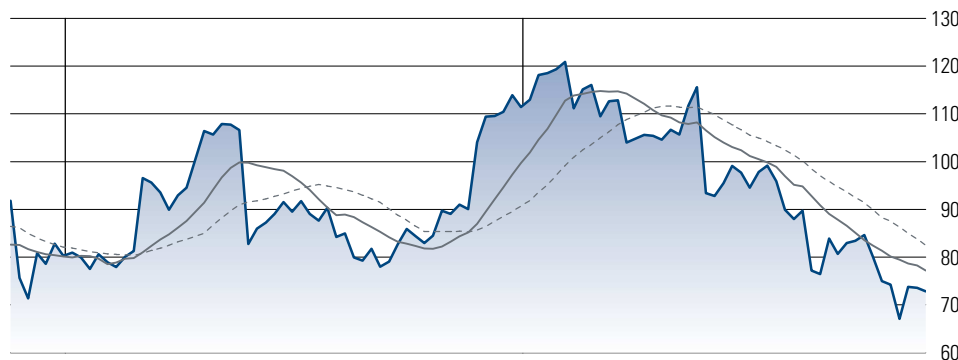
EPS ANALYSIS' (\$)



NA = not available NM = not meaningful

1 Compustat fiscal year convention is used for all fundamental data items.

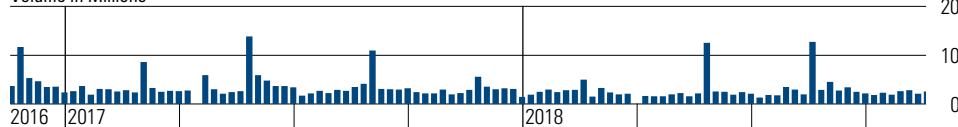
Weekly Price: (US\$) | SMA (50) — SMA (100) --- 1 Year | 2 Years



Rating History



Volume in Millions



COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

RECOMMENDATION

We rate DYCOM INDUSTRIES INC (DY) a HOLD. The primary factors that have impacted our rating are mixed - some indicating strength, some showing weaknesses, with little evidence to justify the expectation of either a positive or negative performance for this stock relative to most other stocks. The company's strengths can be seen in multiple areas, such as its increase in net income, growth in earnings per share and notable return on equity. However, as a counter to these strengths, we also find weaknesses including weak operating cash flow, poor profit margins and a generally disappointing performance in the stock itself.

HIGHLIGHTS

The net income growth from the same quarter one year ago has significantly exceeded that of the S&P 500 and the Construction & Engineering industry. The net income increased by 69.3% when compared to the same quarter one year prior, rising from \$23.66 million to \$40.06 million.

The revenue fell significantly faster than the industry average of 24.2%. Since the same quarter one year prior, revenues slightly dropped by 6.6%. The declining revenue has not hurt the company's bottom line, with increasing earnings per share.

The gross profit margin for DYCOM INDUSTRIES INC is rather low; currently it is at 17.48%. It has decreased from the same quarter the previous year. Regardless of the weak results of the gross profit margin, the net profit margin of 6.11% is above that of the industry average.

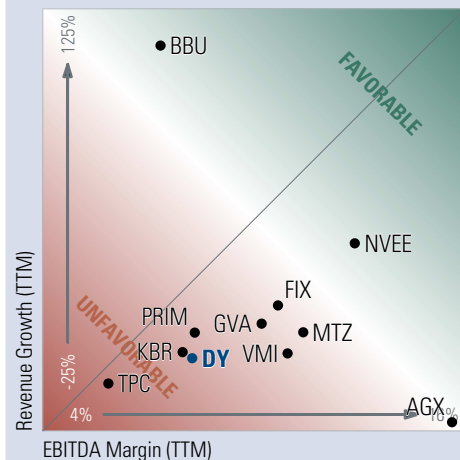
Net operating cash flow has declined marginally to \$103.71 million or 1.93% when compared to the same quarter last year. In conjunction, when comparing current results to the industry average, DYCOM INDUSTRIES INC has marginally lower results.

Sector: Industrials | Construction & Engineering | Source: S&P

Annual Dividend Rate NA	Annual Dividend Yield NA	Beta 1.42	Market Capitalization \$2.3 Billion	52-Week Range \$65.82-\$123.99	Price as of 11/15/2018 \$73.26
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PEER GROUP ANALYSIS

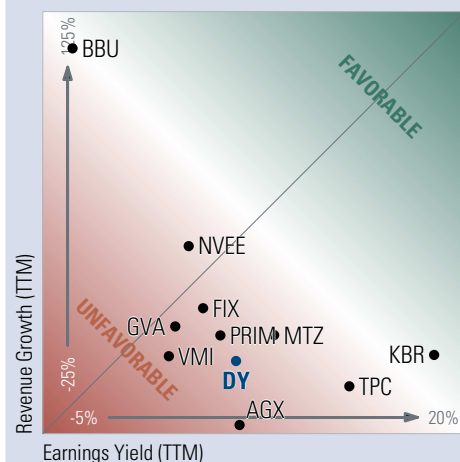
REVENUE GROWTH AND EBITDA MARGIN*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$684.1 Million and \$3.7 Billion. Companies with NA or NM values do not appear.

*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -22% and 111.9%. Companies with NA or NM values do not appear.

INDUSTRY ANALYSIS

The Construction & Engineering industry includes firms that design, manufacture and install products for the residential & commercial construction and automotive markets. The industry is cyclical in nature, driven by the overall health of the US economy. The level of new construction, renovation and re-sales of houses, interest rate environment, labor costs and the cost of raw materials are predominant factors influencing growth.

The US real estate market witnessed dramatic expansion, which translated into radical growth for the building products industry. The strength of the residential market led to a robust M&A environment. However, since the market collapsed, building activity slowed and the industry was sent into turmoil. Nevertheless, worldwide demand for building products is still strong, led by growth in emerging economies and the U.S. real estate market is slowly recovering.

Existing home sales in the US plummeted as the sub-prime mortgage crisis dragged down the value and demand for housing. After rising for many years, prices of existing houses that witnessed a sharp decline since the beginning of 2007, a bottoming in 2010, have modestly rebounded. The combination of a slowly improving economy and tight credit has resulted in existing home sales continuing to slowly recover. These factors significantly influence building products demand.

New home starts and permits also slowed considerably during the real estate recession. Excess office and retail space weaken demand for new non-residential construction.

International demand for engineering remains steady, enabling companies with exposure to foreign markets to withstand the effects of the US housing market. Building products sub-sectors face challenges from high shipping costs and timely delivery of products. However, volatility in the housing market, tepid consumer spending and uncertainty in the US economy are bound to effect spending in the home improvement and auto markets in the foreseeable future. Also, any rise in the cost of raw materials, driven by higher energy prices or labor costs, would likely hurt profit margins.

PEER GROUP: Construction & Engineering

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
DY	DYCOM INDUSTRIES INC	73.26	2,288	15.46	2,977.87	151.34
NVEE	NV5 GLOBAL INC	73.66	919	27.38	383.79	29.33
TPC	TUTOR PERINI CORP	17.60	880	7.59	4,540.81	117.28
AGX	ARGAN INC	43.94	684	15.00	680.56	46.06
MTZ	MASTEC INC	46.45	3,655	11.47	6,573.25	331.63
VMI	VALMONT INDUSTRIES INC	130.09	2,873	40.40	2,774.76	73.08
KBR	KBR INC	19.89	2,802	5.49	4,520.00	513.00
BBU	BROOKFIELD BUSINESS PRTNR LP	37.22	2,463	NM	35,338.00	-75.00
GVA	GRANITE CONSTRUCTION INC	52.10	2,443	34.97	3,227.36	68.64
FIX	COMFORT SYSTEMS USA INC	56.11	2,084	22.18	2,055.59	95.29
PRIM	PRIMORIS SERVICES CORP	23.65	1,211	18.05	2,640.83	67.62

The peer group comparison is based on Major Construction & Engineering companies of comparable size.

Sector: Industrials | Construction & Engineering | Source: S&P

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COMPANY DESCRIPTION

Dycom Industries, Inc. provides specialty contracting services in the United States and Canada. The company offers various specialty contracting services, including program management, engineering, construction, maintenance, and installation services, such as placement and splicing of fiber, copper, and coaxial cables to telecommunications providers. It also provides tower construction, lines and antenna installation, and foundation and equipment pad construction for wireless carriers, as well as equipment installation and material fabrication, and site testing services; and installs and maintains customer premise equipment, such as digital video recorders, set top boxes, and modems for cable television system operators. In addition, the company offers construction and maintenance services for electric and gas utilities, and other customers; and underground facility locating services, such as locating telephone, cable television, power, water, sewer, and gas lines for various utility companies, including telecommunication providers. Dycom Industries, Inc. was founded in 1969 and is based in Palm Beach Gardens, Florida.

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STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of DY shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
Growth	4.0 out of 5 stars	★	★	★	★	☆
Measures the growth of both the company's income statement and cash flow. On this factor, DY has a growth score better than 70% of the stocks we rate.		weak				strong
Total Return	1.5 out of 5 stars	★	☆	☆	☆	☆
Measures the historical price movement of the stock. The stock performance of this company has beaten 20% of the companies we cover.		weak				strong
Efficiency	4.5 out of 5 stars	★	★	★	★	☆
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 80% of the companies we review.		weak				strong
Price volatility	1.5 out of 5 stars	★	☆	☆	☆	☆
Measures the volatility of the company's stock price historically. The stock is less volatile than 20% of the stocks we monitor.		weak				strong
Solvency	3.5 out of 5 stars	★	★	★	☆	☆
Measures the solvency of the company based on several ratios. The company is more solvent than 60% of the companies we analyze.		weak				strong
Income	0.5 out of 5 stars	☆	☆	☆	☆	☆
Measures dividend yield and payouts to shareholders. This company pays no dividends.		weak				strong

THE STREET RATINGS RESEARCH METHODOLOGY

TheStreet Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

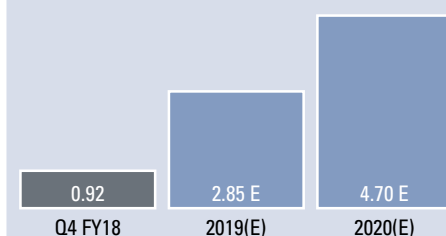
Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

Sector: Industrials | Construction & Engineering | Source: S&P

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Consensus EPS Estimates² (\$)

IBES consensus estimates are provided by Thomson Financial



INCOME STATEMENT

	Q2 FY18	Q2 FY17
Net Sales (\$mil)	655.13	701.13
EBITDA (\$mil)	54.13	81.57
EBIT (\$mil)	11.73	45.86
Net Income (\$mil)	40.06	23.66

BALANCE SHEET

	Q2 FY18	Q2 FY17
Cash & Equiv. (\$mil)	84.03	29.49
Total Assets (\$mil)	1,840.96	1,766.44
Total Debt (\$mil)	760.31	759.39
Equity (\$mil)	725.00	615.07

PROFITABILITY

	Q2 FY18	Q2 FY17
Gross Profit Margin	17.48%	19.93%
EBITDA Margin	8.26%	11.63%
Operating Margin	1.79%	6.54%
Sales Turnover	1.62	1.67
Return on Assets	8.22%	8.89%
Return on Equity	20.87%	25.55%

DEBT

	Q2 FY18	Q2 FY17
Current Ratio	3.49	3.38
Debt/Capital	0.51	0.55
Interest Expense	9.85	9.18
Interest Coverage	1.19	5.00

SHARE DATA

	Q2 FY18	Q2 FY17
Shares outstanding (mil)	31	31
Div / share	0.00	0.00
EPS	1.24	0.74
Book value / share	23.25	19.58
Institutional Own %	NA	NA
Avg Daily Volume	484,557	740,050

² Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

FINANCIAL ANALYSIS

DYCOM INDUSTRIES INC's gross profit margin for the second quarter of its fiscal year 2018 has decreased when compared to the same period a year ago. Even though sales decreased, the net income has increased. DYCOM INDUSTRIES INC has strong liquidity. Currently, the Quick Ratio is 1.66 which shows the ability to cover short-term cash needs. The company's liquidity has increased from the same period last year.

During the same period, stockholders' equity ("net worth") has increased by 17.87% from the same quarter last year. The key liquidity measurements indicate that the company is unlikely to face financial difficulties in the near future.

STOCKS TO BUY: TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit www.TheStreetRatings.com.

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RATINGS HISTORY

Our rating for DYCOM INDUSTRIES INC was recently downgraded from Buy to Hold on 10/22/2018. As of 11/15/2018, the stock was trading at a price of \$73.26 which is 40.9% below its 52-week high of \$123.99 and 11.3% above its 52-week low of \$65.82.

2 Year Chart



MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
10/22/18	\$73.39	Downgrade	Buy	Hold
11/15/16	\$90.61	No Change	Buy	Buy

Price reflects the closing price as of the date listed, if available

RATINGS DEFINITIONS & DISTRIBUTION OF THE STREET RATINGS

(as of 11/15/2018)

40.71% Buy - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

33.80% Hold - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

25.49% Sell - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

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VALUATION

HOLD. This stock's P/E ratio indicates a discount compared to an average of 25.15 for the Construction & Engineering industry and a discount compared to the S&P 500 average of 22.29. For additional comparison, its price-to-book ratio of 3.15 indicates valuation on par with the S&P 500 average of 3.19 and a premium versus the industry average of 2.05. The current price-to-sales ratio is well below the S&P 500 average, but above the industry average.

Price/Earnings	1	2	3	4	5

DY 15.46 **Peers 25.15**

- Discount. A lower P/E ratio than its peers can signify a less expensive stock or lower growth expectations.
- DY is trading at a significant discount to its peers.

Price/Projected Earnings	1	2	3	4	5

DY 15.59 **Peers 17.76**

- Premium. A higher price-to-projected earnings ratio than its peers can signify a more expensive stock or higher future growth expectations.
- DY is trading at a significant premium to its peers.

Price/Book	1	2	3	4	5

DY 3.15 **Peers 2.05**

- Premium. A higher price-to-book ratio makes a stock less attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- DY is trading at a significant premium to its peers.

Price/Sales	1	2	3	4	5

DY 0.77 **Peers 0.65**

- Premium. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- DY is trading at a premium to its industry on this measurement.

Price/CashFlow	1	2	3	4	5

DY 6.45 **Peers 39.03**

- Discount. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- DY is trading at a significant discount to its peers.

Price to Earnings/Growth	1	2	3	4	5

DY NM **Peers 0.87**

- Neutral. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- DY's negative PEG ratio makes this valuation measure meaningless.

Earnings Growth	1	2	3	4	5

DY -2.67 **Peers 58.25**

- Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- However, DY is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth	1	2	3	4	5

DY 0.80 **Peers 17.25**

- Lower. A sales growth rate that trails the industry implies that a company is losing market share.
- DY significantly trails its peers on the basis of sales growth

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