DYCOM INDUSTRIES INC
Form 10-Q
May 26, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 29, 2017

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission File Number 001-10613
DYCOM INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Florida	59-1277135
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11780 US Highway 1, Suite 600, Palm Beach Gardens, FL	33408
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (561) 627-7171

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

There were 31,078,799 shares of common stock with a par value of $0.33 1/3 outstanding at May 24, 2017.

Dycom Industries, Inc.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.
DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

	April 29, 2017	July 30, 2016
ASSETS		
Current assets:		
Cash and equivalents	$19,357	$33,787
Accounts receivable, net	348,868	328,030
Costs and estimated earnings in excess of billings	440,895	376,972
Inventories	88,175	73,606
Deferred tax assets, net	22,614	22,733
Income tax receivable	6,258	—
Other current assets	24,070	16,106
Total current assets	950,237	851,234
Property and equipment, net	378,408	326,670
Goodwill	323,235	310,157
Intangible assets, net	189,851	197,879
Other	34,281	33,776
Total non-current assets	925,775	868,482
Total assets	$1,876,012	$1,719,716
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$119,334	$115,492
Current portion of debt	14,438	13,125
Billings in excess of costs and estimated earnings	14,885	19,557
Accrued insurance claims	40,242	36,844
Income taxes payable	651	15,307
Other accrued liabilities	99,331	122,302
Total current liabilities	288,881	322,627
Long-term debt	811,579	706,202
Accrued insurance claims	60,726	52,835
Deferred tax liabilities, net non-current	87,401	76,587
Other liabilities	4,687	4,178
Total liabilities	1,253,274	1,162,429
COMMITMENTS AND CONTINGENCIES, Note 16		
Stockholders' equity:		
Preferred stock, par value $1.00 per share: 1,000,000 shares authorized: no shares issued and outstanding	—	—
	10,360	10,473

Common stock, par value $0.33 1/3 per share: 150,000,000 shares authorized: 31,078,172 and 31,420,310 issued and outstanding, respectively		
Additional paid-in capital	5,218	10,208
Accumulated other comprehensive loss	(1,419)	(1,274)
Retained earnings	608,579	537,880
Total stockholders' equity	622,738	557,287
Total liabilities and stockholders' equity	$1,876,012	$1,719,716

See notes to the condensed consolidated financial statements.

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DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share amounts)
(Unaudited)

	For the Three Months Ended	
	April 29, 2017	April 23, 2016
REVENUES:		
Contract revenues	$786,338	$664,645
EXPENSES:		
Costs of earned revenues, excluding depreciation and amortization	621,475	520,408
General and administrative (including stock-based compensation expense of $4.9 million and $3.9 million, respectively)	61,317	56,519
Depreciation and amortization	37,411	31,583
Total	720,203	608,510
Interest expense, net	(9,382)	(8,007)
Other income, net	4,793	4,323
Income before income taxes	61,546	52,451
Provision (benefit) for income taxes:		
Current	25,519	14,842
Deferred	(2,769)	4,526
Total provision for income taxes	22,750	19,368
Net income	$38,796	$33,083
Earnings per common share:		
Basic earnings per common share	$1.24	$1.02
Diluted earnings per common share	$1.22	$1.00
Shares used in computing earnings per common share:		
Basic	31,357,124	32,433,560
Diluted	31,909,926	33,050,934

See notes to the condensed consolidated financial statements.

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DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share amounts)
(Unaudited)

	For the Nine Months Ended	
	April 29, 2017	April 23, 2016
REVENUES:		
Contract revenues	$2,286,693	$1,883,383
EXPENSES:		
Costs of earned revenues, excluding depreciation and amortization	1,797,836	1,477,671
General and administrative (including stock-based compensation expense of $15.9 million and $12.6 million, respectively)	179,712	155,003
Depreciation and amortization	107,662	88,930
Total	2,085,210	1,721,604
Interest expense, net	(27,629)	(25,010)
Loss on debt extinguishment	—	(16,260)
Other income, net	6,737	6,866
Income before income taxes	180,591	127,375
Provision for income taxes:		
Current	61,165	20,026
Deferred	5,917	27,969
Total provision for income taxes	67,082	47,995
Net income	$113,509	$79,380
Earnings per common share:		
Basic earnings per common share	$3.61	$2.43
Diluted earnings per common share	$3.54	$2.37
Shares used in computing earnings per common share:		
Basic	31,439,981	32,656,490
Diluted	32,091,091	33,486,515

See notes to the condensed consolidated financial statements.

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DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	April 29, 2017	April 23, 2016	April 29, 2017	April 23, 2016
Net income	$38,796	$33,083	$113,509	$79,380
Foreign currency translation (losses) gains, net of tax	(165)	447	(145)	91
Comprehensive income	$38,631	$33,530	$113,364	$79,471

See notes to the condensed consolidated financial statements.

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DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	For the Nine Months Ended	
	April 29, 2017	April 23, 2016
OPERATING ACTIVITIES:		
Net income	$113,509	$79,380
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisitions:		
Depreciation and amortization	107,662	88,930
Deferred income tax provision	5,917	27,969
Stock-based compensation	15,930	12,600
Bad debt expense, net	239	1,005
Gain on sale of fixed assets	(8,220)	(6,213)
Write-off of deferred financing fees and premium on long-term debt	—	2,017
Amortization of debt discount	13,111	10,119
Amortization of debt issuance costs and other	2,469	1,981
Excess tax benefit from share-based awards	(8,047)	(11,384)
Change in operating assets and liabilities:		
Accounts receivable, net	(12,056)	(29,667)
Costs and estimated earnings in excess of billings, net	(75,005)	(77,180)
Other current assets and inventory	(23,339)	(11,000)
Other assets	1,083	(2,867)
Income taxes receivable/payable	(12,696)	(10,622)
Accounts payable	(1,356)	6,827
Accrued liabilities, insurance claims, and other liabilities	(12,688)	(2,922)
Net cash provided by operating activities	106,513	78,973
INVESTING ACTIVITIES:		
Capital expenditures	(135,186)	(138,721)
Proceeds from sale of assets	10,087	6,432
Cash paid for acquisitions, net of cash acquired	(26,427)	(48,804)
Proceeds from acquisition working capital adjustment	1,825	—
Changes in restricted cash and other	265	(479)
Net cash used in investing activities	(149,436)	(181,572)
FINANCING ACTIVITIES:		
Proceeds from borrowings on senior credit agreement, including term loans	640,000	773,000
Principal payments on senior credit agreement, including term loans	(547,563)	(654,250)
Repurchases of common stock	(62,909)	(169,997)
Proceeds from issuance of 0.75% convertible senior notes due 2021	—	485,000
Proceeds from sale of warrants	—	74,690
Purchase of convertible note hedge	—	(115,818)
Principal payments for satisfaction and discharge of 7.125% senior subordinated notes	—	(277,500)
Debt issuance costs	(70)	(15,542)
Exercise of stock options	1,434	1,816

Restricted stock tax withholdings	(10,446)	(12,146)
Excess tax benefit from share-based awards	8,047	11,384
Net cash provided by financing activities	28,493	100,637
Net decrease in cash and equivalents	(14,430)	(1,962)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	33,787	21,289
CASH AND EQUIVALENTS AT END OF PERIOD	$19,357	$19,327

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DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in thousands)
(Unaudited)

	For the Nine Months Ended	
	April 29, 2017	April 23, 2016
SUPPLEMENTAL DISCLOSURE OF OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cash paid for interest	$13,015	$12,765
Cash paid for taxes, net	$74,501	$31,205
Purchases of capital assets included in accounts payable or other accrued liabilities at period end	$9,579	$7,120

See notes to the condensed consolidated financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Accounting Policies

Basis of Presentation

Dycom Industries, Inc. ("Dycom" or the "Company") is a leading provider of specialty contracting services throughout the United States and in Canada. The Company provides program management, engineering, construction, maintenance and installation services for telecommunications providers, underground facility locating services for various utilities, including telecommunications providers, and other construction and maintenance services for electric and gas utilities.

The accompanying unaudited condensed consolidated financial statements include the results of Dycom and its subsidiaries, all of which are wholly-owned. All intercompany accounts and transactions have been eliminated. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair statement of the results for the interim periods presented have been included. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. Operating results for the interim period are not necessarily indicative of the results expected for any other interim period or for the full fiscal year. These condensed consolidated financial statements and accompanying notes should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the Company's audited financial statements for the year ended July 30, 2016 included in the Company's Annual Report on Form 10-K for the year ended July 30, 2016, filed with the SEC on August 31, 2016.

Segment Information. The Company operates in one reportable segment. Its services are provided by its operating segments on a decentralized basis. Each operating segment consists of a subsidiary (or in certain instances, the combination of two or more subsidiaries). Management of the operating segments report to the Company's Chief Operating Officer who reports to the Chief Executive Officer, the chief operating decision maker. All of the Company's operating segments have been aggregated into one reportable segment based on their similar economic characteristics, nature of services and production processes, type of customers, and service distribution methods. The Company's operating segments provide services throughout the United States and in Canada. Revenues from services provided in Canada were not material during the three or nine months ended April 29, 2017 and April 23, 2016. Additionally, the Company had no material long-lived assets in Canada as of April 29, 2017 or July 30, 2016.

Accounting Period. The Company's fiscal year ends on the last Saturday in July. As a result, each fiscal year consists of either 52 weeks or 53 weeks of operations (with the additional week of operations occurring in the fourth quarter). Fiscal 2016 consisted of 53 weeks of operations and fiscal 2017 will consist of 52 weeks of operations.

Significant Accounting Policies & Estimates

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. These estimates are based on the Company's historical experience and management's understanding of current facts and circumstances. At the time they are made, the Company believes that such estimates are fair when considered in conjunction with the consolidated financial position and results of operations taken as a whole. However, actual results could differ materially from those estimates. There have been no material changes to the Company's significant accounting policies and critical accounting estimates described in the

Company’s Annual Report on Form 10-K for the year ended July 30, 2016.

Revenue Recognition. The Company performs a majority of its services under master service agreements and other agreements that contain customer-specified service requirements, such as discrete pricing for individual tasks. Revenue is recognized under these arrangements based on units-of-delivery as each unit is completed. The remainder of the Company’s services, representing less than 5% of its contract revenues during each of the nine months ended April 29, 2017 and April 23, 2016, are performed under contracts using the cost-to-cost measure of the percentage of completion method of accounting. Revenue is recognized under these arrangements based on the ratio of contract costs incurred to date to total estimated contract costs. For contracts using the cost-to-cost measure of the percentage of completion method of accounting, the Company accrues the entire amount of a contract loss at the time the loss is determined to be probable and can be reasonably estimated. During the nine months ended April 29, 2017 and April 23, 2016, there were no material impacts to the Company’s results of operations due to changes in contract estimates.

There were no material amounts of unapproved change orders or claims recognized during the nine months ended April 29, 2017 or April 23, 2016. The current asset “Costs and estimated earnings in excess of billings” represents revenues recognized in excess of amounts billed. The current liability “Billings in excess of costs and estimated earnings” represents billings in excess of revenues recognized.

Goodwill and Intangible Assets. The Company accounts for goodwill and other intangibles in accordance with ASC Topic 350, Intangibles - Goodwill and Other (“ASC Topic 350”). Goodwill and other indefinite-lived intangible assets are assessed annually for impairment as of the first day of the fourth fiscal quarter of each year, or more frequently if events occur that would indicate a potential reduction in the fair value of a reporting unit below its carrying value. The Company performs its annual impairment review of goodwill at the reporting unit level. Each of the Company’s operating segments with goodwill represents a reporting unit for the purpose of assessing impairment. If the Company determines the fair value of the reporting unit’s goodwill or other indefinite-lived intangible assets is less than their carrying value as a result of the tests, an impairment loss is recognized and reflected in operating income or loss in the consolidated statements of operations during the period incurred.

In accordance with ASC Topic 360, Impairment or Disposal of Long-Lived Assets, the Company reviews finite-lived intangible assets for impairment whenever an event occurs or circumstances change that indicates that the carrying amount of such assets may not be fully recoverable. Recoverability is determined based on an estimate of undiscounted future cash flows resulting from the use of an asset and its eventual disposition. Should an asset not be recoverable, an impairment loss is measured by comparing the fair value of the asset to its carrying value. If the Company determines the fair value of an asset is less than the carrying value, an impairment loss is recognized in operating income or loss in the consolidated statements of operations during the period incurred.

The Company uses judgment in assessing whether goodwill and intangible assets are impaired. Estimates of fair value are based on the Company’s projection of revenues, operating costs, and cash flows taking into consideration historical and anticipated future results, general economic and market conditions, as well as the impact of planned business or operational strategies. The Company determines the fair value of its reporting units using a weighting of fair values derived equally from the income approach and the market approach valuation methodologies. The income approach uses the discounted cash flow method and the market approach uses the guideline company method. Changes in the Company’s judgments and projections could result in significantly different estimates of fair value, potentially resulting in impairments of goodwill and other intangible assets. The inputs used for fair value measurements of the reporting units and other related indefinite-lived intangible assets are the lowest level (Level 3) inputs. See Note 7, Goodwill and Intangible Assets, for additional information regarding the Company’s annual assessment of goodwill and other indefinite-lived intangible assets and additional disclosure regarding recently acquired operations.

Other Assets. As of April 29, 2017 and July 30, 2016, other non-current assets consisted of deferred financing costs related to the Company’s revolving credit facility of $5.2 million and $6.4 million, respectively, insurance recoveries/receivables related to accrued claims of $8.9 million and $5.7 million, respectively, as well as other long-term deposits, prepaid discounts, and other non-current assets totaling $10.8 million and $12.7 million, respectively. Additionally, other non-current assets included $5.4 million and $5.0 million of restricted cash held as collateral in support of the Company’s insurance obligations as of April 29, 2017 and July 30, 2016, respectively. Changes in restricted cash are reported in cash flows used in investing activities in the condensed consolidated statements of cash flows. As of April 29, 2017 and July 30, 2016, other non-current assets also included $4.0 million for an investment in nonvoting senior units of a former customer, which is accounted for using the cost method.

Fair Value of Financial Instruments. The Company’s financial instruments primarily consist of cash and equivalents, restricted cash, accounts receivable, income taxes receivable and payable, accounts payable, certain accrued expenses, and long-term debt. The carrying amounts of these items approximate fair value due to their short maturity, except for certain of the Company’s outstanding long-term debt, which is based on observable market-based inputs (Level 2). See

Note 10, Debt, for further information regarding the fair value of such financial instruments. The Company's cash and equivalents are based on quoted market prices in active markets for identical assets (Level 1) as of April 29, 2017 and July 30, 2016. During the nine months ended April 29, 2017 and April 23, 2016, the Company had no material nonrecurring fair value measurements of assets or liabilities subsequent to their initial recognition.

Recently Issued Accounting Pronouncements

There have been no changes in the expected dates of adoption or estimated effects on the Company's consolidated financial statements of recently issued accounting pronouncements from those disclosed in the Company's Annual Report on Form 10-K

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for the year ended July 30, 2016 filed with the SEC on August 31, 2016. Accounting standards adopted during the period covered in this Quarterly Report on Form 10-Q and recently issued accounting pronouncements are discussed below.

Recently Adopted Accounting Standards

Business Combinations. In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). ASU 2015-16 replaces the requirement for an acquirer in a business combination to retrospectively adjust provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill when measurement period adjustments are identified. The new guidance requires an acquirer to recognize adjustments in the reporting period in which the adjustment amounts are determined. The acquirer must record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. Additionally, the acquirer must present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustments had been recognized as of the acquisition date. The Company adopted ASU 2015-16 during the first quarter of fiscal 2017 and it did not have a material effect on the Company's consolidated financial statements.

Accounting Standards Not Yet Adopted

Goodwill. In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment testing. An entity will no longer determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 will be effective for the Company in fiscal 2021 and interim reporting periods within that year. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company expects the adoption of this guidance will not have a material effect on the Company's consolidated financial statements.

Business Combinations. In January 2017, the FASB issued Accounting Standards Update No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). The amendments in this update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. ASU 2017-01 will be effective for the Company in fiscal 2019 and interim reporting periods within that year. Early adoption is permitted for transactions that have not been reported in financial statements that have been issued or made available for issuance. The Company expects the adoption of this guidance will not have a material effect on the Company's consolidated financial statements.

Revenue Recognition. In December 2016, the FASB issued Accounting Standards Update No. 2016-20, Technical Corrections and Improvements to Topic 606: Revenue from Contracts with Customers ("ASU 2016-20"). The amendments in this update affect certain aspects of the guidance issued in ASU 2014-09, including impairment testing of contract costs, contract loss provisions, and performance obligation disclosure. ASU 2016-08, 2016-10, ASU 2016-12, and 2016-20 must be adopted concurrently with ASU 2014-09. ASU 2014-09 will be effective for the Company beginning in fiscal 2019 and interim reporting periods within that year, using either the retrospective or cumulative effect transition method. The Company is currently evaluating the transition methods and the effect of the adoption of this guidance on the Company's consolidated financial statements.

Restricted Cash. In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18"). ASU 2016-18 is intended to reduce the diversity in practice regarding the classification and presentation of changes in restricted cash within the statement of cash flows. The amendments in this update require that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 will be effective for the Company in fiscal 2019 and interim reporting periods within that year. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company expects the adoption of this guidance will not have a material effect on the Company's consolidated financial statements.

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Income Taxes. In October 2016, the FASB issued Accounting Standards Update No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory (“ASU 2016-16”). ASU 2016-16 amends the current GAAP prohibition of recognizing current and deferred income taxes for intra-entity asset transfers until the asset has been sold to an outside party. The update requires an entity to recognize the income tax consequences of an intra-entity transfer for assets other than inventory when the transfer occurs. ASU 2016-16 will be effective for the Company in fiscal 2019 and interim reporting periods within that year. Early adoption is permitted as of the beginning of an interim or annual reporting period. The Company expects the adoption of this guidance will not have a material effect on the Company’s consolidated financial statements.

Statement of Cash Flows. In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 is intended to reduce the diversity in practice regarding the classification of certain transactions within the statement of cash flows. ASU 2016-15 will be effective for the Company in fiscal 2019 and interim reporting periods within that year. Early adoption is permitted as of the beginning of an interim or annual reporting period. The Company expects the adoption of this guidance will not have a material effect on the Company’s consolidated financial statements.

Stock Compensation - In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation - Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). ASU 2016-09 includes provisions intended to simplify accounting for share-based payment transactions including income tax consequences, classification of share-based awards as either equity or liabilities, and classification on the statement of cash flows. Under ASU 2016-09, all excess tax benefits (or tax deficiencies) will be recognized as income tax benefit (or expense) in the statement of operations. Additionally, when applying the treasury stock method for computing diluted earnings per share under ASU 2016-09 the assumed proceeds will not include any windfall tax benefits, which may result in a greater number of dilutive shares outstanding. Further, excess tax benefits will be classified along with other income tax cash flows as an operating activity. ASU 2016-09 also permits income tax withholding up to the maximum statutory tax rate in applicable jurisdictions as the threshold to qualify for equity classification. ASU 2016-09 will be effective for the Company in fiscal 2018 and interim reporting periods within that year. Early adoption is permitted as of the beginning of an interim or annual reporting period with all adjustments to be reflected as of the beginning of the fiscal year of adoption. The application of ASU 2016-09 will result in greater volatility in the effective tax rate in future periods.

2. Computation of Earnings per Common Share

The following table sets forth the computation of basic and diluted earnings per common share (dollars in thousands, except per share amounts):

	For the Three Months Ended		For the Nine Months Ended	
	April 29, 2017	April 23, 2016	April 29, 2017	April 23, 2016
Net income available to common stockholders (numerator)	$38,796	$ 33,083	$113,509	$ 79,380
Weighted-average number of common shares (denominator)	31,357,124	32,433,560	31,439,981	32,656,490
Basic earnings per common share	$1.24	$ 1.02	$3.61	$ 2.43
Weighted-average number of common shares	31,357,124	32,433,560	31,439,981	32,656,490
Potential shares of common stock arising from stock options, and unvested restricted share units	552,802	617,374	651,110	830,025

Total shares-diluted (denominator)	31,909,926	33,050,934	32,091,091	33,486,515
Diluted earnings per common share	$ 1.22	$ 1.00	$ 3.54	$ 2.37

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The weighted-average number of common shares outstanding used in the computation of diluted earnings per common share does not include the effect of the following instruments because their inclusion would have been anti-dilutive:

	For the Three Months Ended		For the Nine Months Ended	
	April 29, 2017	April 23, 2016	April 29, 2017	April 23, 2016
Stock-based awards	96,020	116,544	64,632	79,792
0.75% convertible senior notes due 2021	5,005,734	5,005,734	5,005,734	5,005,734
Warrants	5,005,734	5,005,734	5,005,734	5,005,734
Total anti-dilutive weighted shares excluded from the calculation of earnings per common share	10,107,488	10,128,012	10,076,100	10,091,260

Under the treasury stock method, the convertible senior notes will have a dilutive impact on earnings per common share if the Company’s average stock price for the period exceeds the conversion price for the convertible senior notes of $96.89 per share. The warrants will have a dilutive impact on earnings per common share if the Company’s average stock price for the period exceeds the warrant strike price of $130.43 per share. As the Company’s average stock price for the three and nine months ended April 29, 2017 was below the conversion price for the convertible senior notes and the strike price for the warrants, the underlying common shares were anti-dilutive as reflected above. See Note 10, Debt, for additional information related to the Company’s convertible senior notes and warrant transactions.

In connection with the offering of the convertible senior notes, the Company entered into convertible note hedge transactions with counterparties for the purpose of reducing the potential dilution to common stockholders from the conversion of the notes and offsetting any potential cash payments in excess of the principal amount of the notes. Prior to conversion, the convertible note hedge is not included for purposes of the calculation of earnings per common share as its effect would be anti-dilutive. Upon conversion, the convertible note hedge is expected to offset the dilutive effect of the convertible senior notes when the average stock price for the period is above $96.89 per share. See Note 10, Debt, for additional information related to the Company’s convertible note hedge.

3. Acquisitions

Fiscal 2017 - During March 2017, the Company acquired Texstar Enterprises, Inc. (“Texstar”) for $26.4 million, net of cash acquired. Texstar provides construction and maintenance services for telecommunications providers in the Southwest and Pacific Northwest regions of the United States. This acquisition expands the Company’s geographic presence within its existing customer base.

Fiscal 2016 - During August 2015, the Company acquired TelCom Construction, Inc. and an affiliate (together, “TelCom”). The purchase price was $48.8 million paid in cash. TelCom, based in Clearwater, Minnesota, provides construction and maintenance services for telecommunications providers throughout the United States. This acquisition expands the Company’s geographic presence within its existing customer base. During the fourth quarter of fiscal 2016, the Company acquired NextGen Telecom Services Group, Inc. (“NextGen”) for $5.6 million, net of cash acquired. NextGen provides construction and maintenance services for telecommunications providers in the Northeastern United States. Additionally, during July 2016, the Company acquired certain assets and assumed certain liabilities associated with the wireless network deployment and wireline operations of Goodman Networks Incorporated (“Goodman”) for a cash purchase price of $107.5 million, less an adjustment of approximately $6.6 million for working capital received below a target amount. The acquired operations provide wireless construction services in a number of markets, including Texas, Georgia, and Southern California. The acquisition reinforces the Company’s wireless construction resources and expands the Company’s geographic presence within its existing customer base.

Fiscal 2017 and 2016 Purchase Price Allocations

The purchase price allocation of TelCom was completed during the fourth quarter of fiscal 2016. Purchase price allocations of the Goodman, NextGen, and Texstar acquisitions are preliminary and will be completed when valuations for intangible assets and other amounts are finalized within the 12-month measurement period from the respective date of acquisition. In accordance with ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments, the Company will recognize any adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined. Additionally, the Company will record, in the same period’s financial statements in which adjustments are recorded, the effect on earnings of changes in depreciation, amortization,