

Founded in 1969 in Palm Beach Gardens, Florida, Dycom Industries Inc. provides specialty-contracting services in the United States and Canada. These specialty contracting services include engineering, construction, maintenance, and installation for telecommunications providers. They provide services for telecommunication, gas, electric, and cable television. The company also offers underground facility location services.

BUY

Current Price:	\$93.31
Target Price:	\$133.15
Market Cap:	2.93B
Beta:	1.54
52 week range:	65.79-98.47
Average Volume:	451,149
WACC:	9.6%
EBITDA Margin LTM:	13.9%
D/E ratio:	0.3



Thesis: Dycom is on a hot streak and has continued to beat earnings. The stock has been able to create significant value for its investor through its ability to create new opportunities in a growing industry. 2016 was a great year for Dycom and the company shows that they are on their way to finish 2017 on a positive note as well. A positive earning call for Q3 could potentially spike the stock price like it did when they beat Q2 earnings. For the long run, Dycom has been able to lock down major players such as AT&T and CenturyLink to service their switch from 4G LTE to 5G. According to the CEO, Steven Nielson, Dycom is expected to increase wireless revenues significantly over the next few years. In comparison with competitors, Dycom has been able to create more value for their investors. Dycom has been able to increase revenue growth, EBITDA growth, NI growth, and ROE better than their competitors.

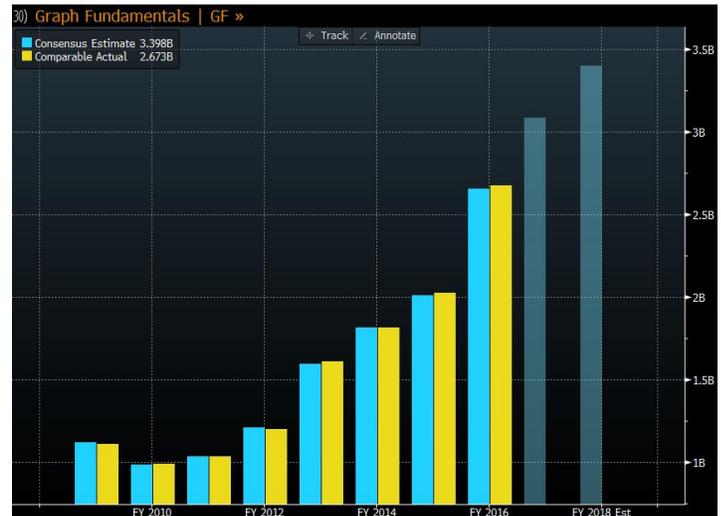
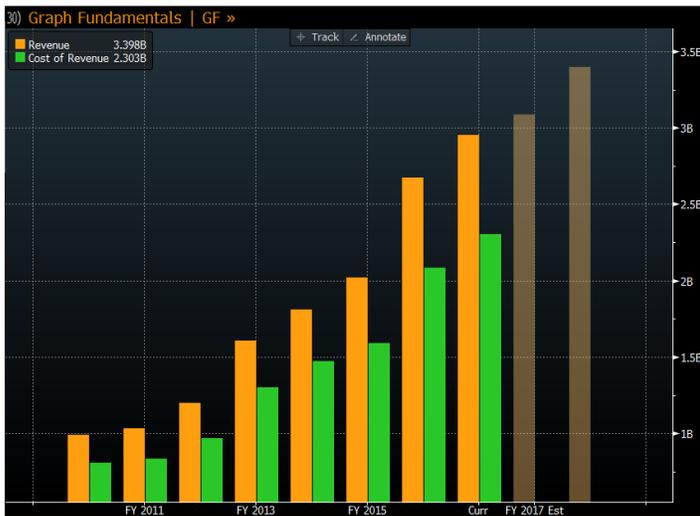
Catalysts:

- Short Term (within the year): Positive Q3 Earnings
- Mid Term (1-2 years): Transition from 4G LTE to 5G will increase wireless revenue
- Long Term (3+): A consistently growing industry will support company growth for years to come. Trump's corporate tax cuts will bount well for Dycom for the next four years



Earnings Performance:

Dycom Industries (DY) beat analysts' forecast estimates for Q2 2017 earnings. Their earnings of \$0.82 a share beat out Zacks Consensus Estimate of \$0.69. Another successful earning call continued the company's hot streak and the stock saw a sharp spike because of it. Revenues increased from \$2022.3M in 2015 to \$2672.5 in 2016 a 32% increase and revenues have also increased 122% in the last 5 years. DY's earnings per share has also been impressive. EPS has increased \$1.74 to \$4.02 in the last year and has increased 373% in the last five years. Their recent earnings success has increased shareholders' wealth over the last few years. In regards to margins. The company has also been successful in consistently finding ways to lower costs. EBITDA margins increased from 12.4% to 13.9%. Gross margins also increased from 21.2% to 22%. In regards to future earnings, analysts are optimistic the company can continue its hot streak. Investors are hopeful in another spike due to a successful earnings call.



4G LTE to 5G:

Three of Dycom's largest customers, AT&T, CenturyLink, and Comcast, are all beginning to roll out their 1 Gbps FTTH to 5G. Dycom's responsibilities are and will be to provide project management, engineering and design, aerial and underground construction and fulfillment services for the deployments of 1 Gbps. Currently, AT&T announced they have 4 million people connected to its

FTTH network and is ahead of its goal to reach 12.5 million locations. CenturyLink and Comcast are both just as aggressive in expanding and increasing the speed of their network. Dycom's top 5 customers make up 76.2% of their revenue so this increase in business will see significant growth in the company. Mr. Steven E. Nielson, CEO of Dycom, told investors the expansion of 5G will increase its wireless

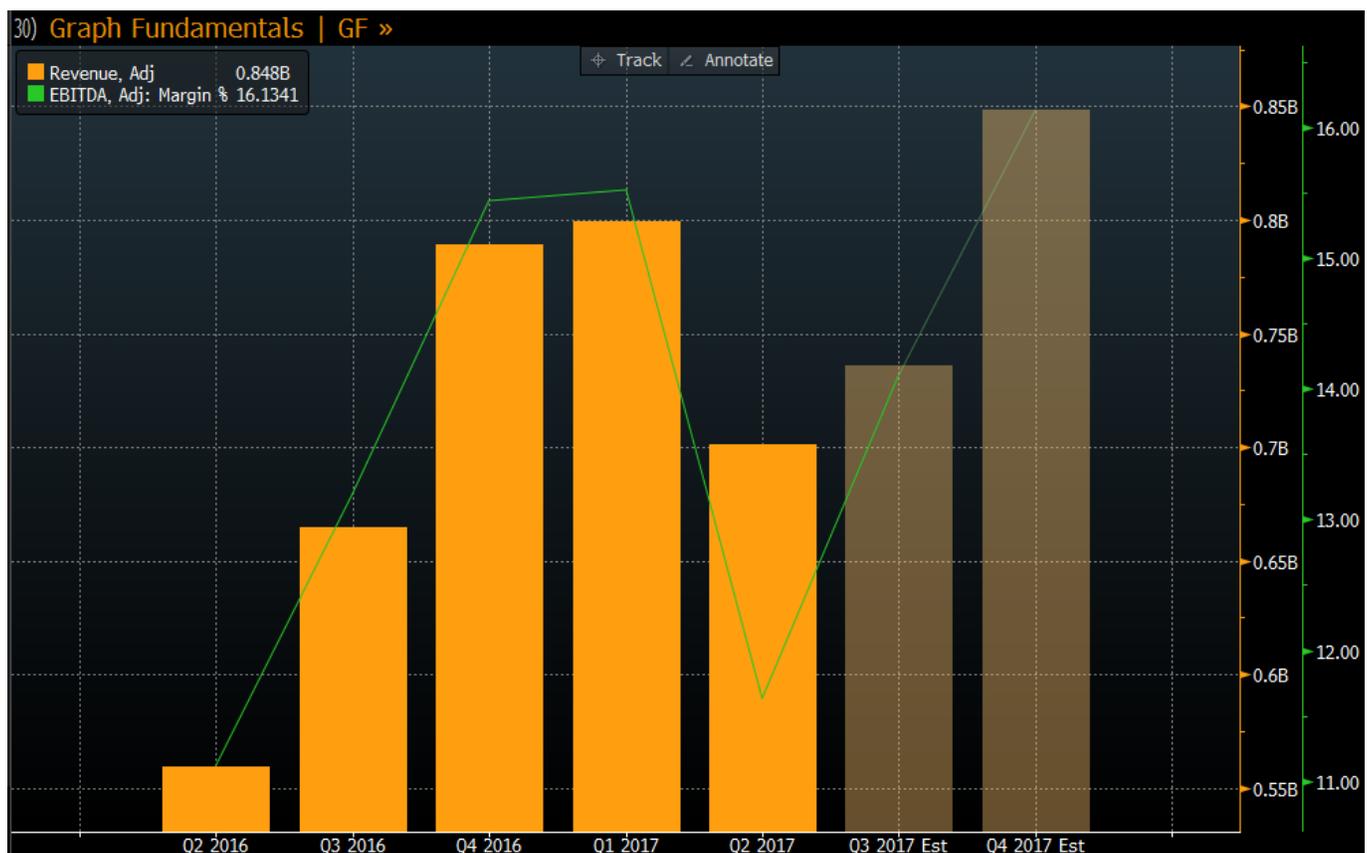
Exhibit A



revenue potential for the next few years. Exhibit A shows how revenue from telecommunications has increased significantly due to the introduction and demand for new technology. In 2016, revenue from telecommunications rose to \$2,424M making up 90.7% of their revenue.

Q3 Earning Results:

Investors expect another successful quarter from Dycom. If numbers are met, DY could see another spike in price, similar to what it did after it Q2 release. Revenue in quarter 3 is expected to grow 10.7% to \$735.7M. Forecasters also believe the company will have the ability to increase gross margins to 22% in comparison to the 19.9% in Q2. EBITDA margins are also expected increase from 11.6% to 14.1%. EPS are also expected to increase from 0.71 to 1.19. After the Q2 earnings spike the stock has not seen much movement, this leads me to believe that the market hasn't reacted to the positive forecasts for the company. Due to the increased demand in the telecommunication services, Dycom should be able to make Q3 earnings, which may cause a spike in price for investors. Q3 earning will be released on 5/23/2017.



Beating Competitors:

As discussed earlier, Dycom has tremendous growth opportunities presently and ahead of them. Dycom is taking advantage of the new opportunities in the market. Because of this, they are growing at a faster rate than any of their competitors. Dycom's customers are some of the biggest players in the telecommunication industry. These include AT&T, CenturyLink, Comcast, and Google. As these company's

expand, this means more revenue growth for Dycom. Out of the 10 competitors sampled, the median sales growth is 6.06% for the last twelve months. Dycom is not only significantly beating the competitor median, but leading the group at 29.03%. As you can see in exhibit B, Dycom has been able to decrease their costs better than almost all of their competitors in the last twelve months. This is key indicator that Dycom is able to create more profit than their competitors. They are also to return more on equity, invested capital, and assets than their competitors.

Exhibit B

Name (BICS Best Fit)	Sales Growth (%)	EBITDA Growth (%)	Net Income Growth (%)	Return on Equity	Return on Invested Capital	Return on Assets
Median	6.06%	1.58%	0.53%	7.00%	5.73%	3.45%
100) DYCOM INDUSTRIES INC	29.03%	35.09%	41.29%	25.54%	12.85%	9.21%
101) AMERICAN TOWER CORP	21.25%	16.58%	24.92%	17.92%	6.26%	3.31%
102) CROWN CASTLE INTL CORP	7.02%	4.11%	-20.71%	6.01%	5.13%	1.99%
103) SBA COMMUNICATIONS C...	-0.33%	-0.95%	--	--	3.34%	1.07%
104) MASTECH INC	22.01%	25.91%	131.25%	13.98%	8.26%	4.65%
105) PRIMORIS SERVICES CORP	3.50%	-8.28%	-27.89%	5.94%	4.63%	2.53%
106) FLUOR CORP	5.09%	-6.42%	-25.06%	14.23%	10.86%	5.17%
107) MYR GROUP INC/DELAWARE	7.61%	-29.27%	-19.67%	7.00%	6.57%	3.78%
108) KBR INC	-16.25%	-63.59%	--	-2.63%	-0.67%	-0.63%
109) QUANTA SERVICES INC	1.04%	9.60%	20.72%	5.90%	5.20%	3.59%

Management:

Dycom is led by their CEO, Steven Nielsen. Nielsen has been with the company since 1996 when he served as the company's COO. His guidance and vision has led the company to new opportunities and growth in the company. Nielson is hopeful the deployment of 1 Gbps will increase wireless revenue for the next few years. His drive for growth has led to the impressive numbers shown through the company's earning calls. As for now management is not a concern for the company in the near future.

Ownership:

A number of hedge funds and institutional investors have changed their positions on DY. Since January 8th, 2017, The number of buyers has increased 28.82% and the amount of sellers has decreased 30,73%. Advisors Asset Management Inc. has increased its position in DY 0.6% in the third quarter. Alpine Woods Capital Investors LLC, Geneva Advisors LLC, Intrust Bank NA, and Baird Financial Group Inc. amongst others have all increased positions in the third quarter as well.

Compare Current Stats Against		01/08/17	
Institutional - Based on Current Filings			
51) Institutional	01/08/17	Curr	Change
11) % of Shares Held	111.64	128.01	+16.37
12) % of Float Held	116.55	133.59	+17.04
13) # of Institutions	460	434	-5.65%
14) # of Buyers	118	152	+28.81%
15) # of Sellers	192	133	-30.73%
16) # of New Buyers	92	72	-21.74%
17) # of Selloffs	67	85	+26.87%
18) % Chg in Inst Positions	+4.33	+5.66	+1.33

Conclusion:

Due to the catalysts discussed, DY seems like it has the potential to be a serious growth stock for the next few years. They are growing at a faster rate than any of their current competitors. They have serious opportunities to grow their wireless service revenues due to the switch from 4G LTE to 5G. They have locked in customers such as AT&T, Comcast, and CenturyLink, just to name a few. The industry they find themselves in is a forever-growing market and will allow Dycom to continue to grow as a company. If everything falls into place they should be able to reach their target price of \$133.15.

Current Price	\$93.31
Intrinsic Value	\$116.45
Target Price	\$133.15
Target 1 Yr Return	42.69%

Dycom Industries, Inc. (DY)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Michael Capozzi
4/13/2017

Current Price: **\$93.31**
Dividend Yield: **0.0%**

Intrinsic Value: **\$116.45**
Target Price: **\$133.15**

Target 1 year Return: **42.69%**
Probability of Price Increase: **99.6%**



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

General Information	
Sector	Industrials
Industry	Construction and Engineering
Last Guidance	November 3, 2015
Next earnings date	May 18, 2017
Estimated Country Risk Premium	6.25%
Effective Tax rate	25%
Effective Operating Tax rate	23%

Market Data	
Market Capitalization	\$2,931.98
Daily volume (mil)	0.45
Shares outstanding (mil)	31.42
Diluted shares outstanding (mil)	32.35
% shares held by institutions	73%
% shares held by investments Managers	81%
% shares held by hedge funds	25%
% shares held by insiders	4.46%
Short interest	24.25%
Days to cover short interest	12.73
52 week high	\$98.47
52-week low	\$65.79
Levered Beta	1.31
Volatility	40.44%

Past Earning Surprises		
Quarter ending	Revenue	EBITDA
1/23/2016	1.91%	-10.16%
4/23/2016	9.86%	9.92%
7/30/2016	1.21%	-3.10%
10/29/2016	-1.10%	-5.68%
1/28/2017	4.65%	0.58%
Mean	3.31%	-1.69%
Standard error	1.9%	3.4%

Peers	
MasTec, Inc.	
Primoris Services Corporation	
KBR, Inc.	
Granite Construction Incorporated	
EMCOR Group, Inc.	
Tetra Tech, Inc.	
Quanta Services, Inc.	
AECOM	



Management	
Nielsen, Steven	Chairman, Chief Executive Of
DeFerrari, H.	Chief Financial Officer, Sen
Estes, Timothy	Chief Operating Officer and
Vilsoet, Richard	Vice President, General Coun
Dickens, Kimberly	Chief Human Resources Office
Roach, Rebecca	Chief Accounting Officer and

Position	
Chairman, Chief Executive Of	8.42% per annum over 5y
Chief Financial Officer, Sen	12.45% per annum over 5y
Chief Operating Officer and	7.92% per annum over 5y
Vice President, General Coun	6.69% per annum over 5y
Chief Human Resources Office	9.49% per annum over 1y
Chief Accounting Officer and	N/M

Total compensations growth	
8.42% per annum over 5y	3.96% per annum over 5y
12.45% per annum over 5y	3.96% per annum over 5y
7.92% per annum over 5y	3.96% per annum over 5y
6.69% per annum over 5y	3.96% per annum over 5y
9.49% per annum over 1y	47.18% per annum over 1y
N/M	N/M

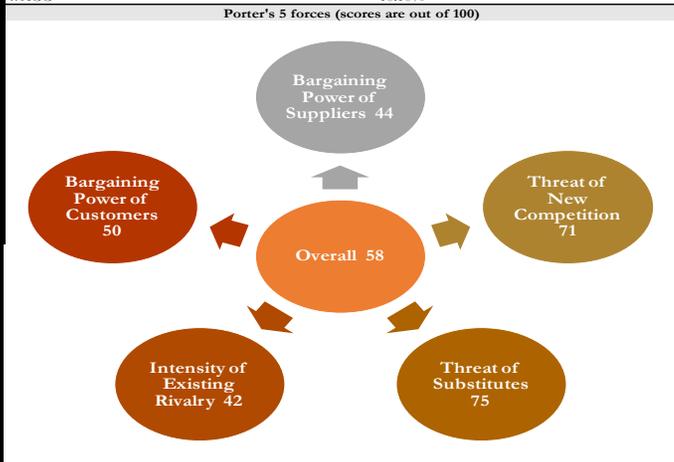
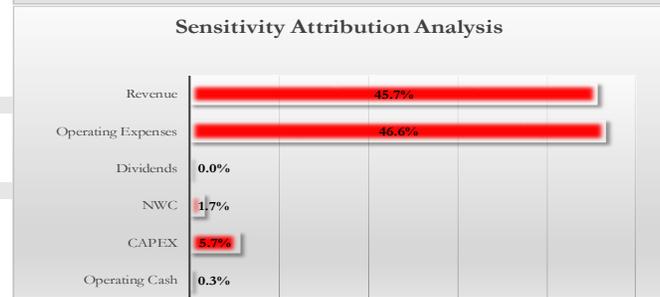
Total return to shareholders	
8.42% per annum over 5y	3.96% per annum over 5y
12.45% per annum over 5y	3.96% per annum over 5y
7.92% per annum over 5y	3.96% per annum over 5y
6.69% per annum over 5y	3.96% per annum over 5y
9.49% per annum over 1y	47.18% per annum over 1y
N/M	N/M

Profitability	
ROIC	22.3%
NOPAT Margin	10%
Revenue/Invested Capital	2.34
ROE	85.5%
Adjusted net margin	8%
Revenue/Adjusted Book Value	10.34

Invested Funds	
Total Cash/Total Capital	1.5%
Estimated Operating Cash/Total Capital	1.5%
Non-cash working Capital/Total Capital	31.1%
Invested Capital/Total Capital	74.8%

Capital Structure	
Total Debt/Common Equity (LTM)	0.43
Cost of Existing Debt	5.12%
Estimated Cost of new Borrowing	5.03%
CGFS Risk Rating	C
Unlevered Beta (LTM)	1.05
WACC	10.10%

DY (LTM)		DY (5 years historical average)		Industry (LTM)	
20.45%	8.73%	20.45%	8.73%	8.73%	8.73%
8.25%	3.4%	8.25%	3.4%	3.4%	3.4%
2.48	2.54	2.48	2.54	2.54	2.54
55.27%	9.42%	55.27%	9.42%	9.42%	9.42%
6.93%	3.2%	6.93%	3.2%	3.2%	3.2%
7.97	2.94	7.97	2.94	2.94	2.94
1.6%	20%	1.6%	20%	20%	20%
1.6%	N/A	1.6%	N/A	N/A	N/A
30.1%	11%	30.1%	11%	11%	11%
71.5%	75%	71.5%	75%	75%	75%
0.52	0.12	0.52	0.12	0.12	0.12
6.64%	3.73%	6.64%	3.73%	3.73%	3.73%
4.79%	3.73%	4.79%	3.73%	3.73%	3.73%
CC	C	CC	C	C	C
1.07	1.21	1.07	1.21	1.21	1.21
10.95%	11.37%	10.95%	11.37%	11.37%	11.37%



Period	Revenue growth	Invested Capital	Net Claims	Price per share
Base Year	29.0%	\$549.78	\$1,334.63	\$114.64
1/28/2018	10.8%	\$751.15	\$1,137.03	\$130.92
1/28/2019	10.3%	\$934.45	\$921.12	\$148.67
1/28/2020	9.6%	\$1,059.84	\$650.19	\$167.56
1/28/2021	8.9%	\$1,259.85	\$352.64	\$187.59
1/28/2022	8.2%	\$1,477.47	\$17.41	\$208.83
1/28/2023	7.5%	\$1,606.72	-\$360.46	\$231.38
1/28/2024	6.8%	\$1,778.87	-\$801.44	\$255.82
1/28/2025	6.1%	\$1,929.95	-\$1,203.97	\$278.99
1/28/2026	5.4%	\$2,092.53	-\$1,639.64	\$303.08
1/28/2027	4.7%	\$2,255.88	-\$2,107.16	\$328.05
Continuing Period	4.0%			

Period	Revenue growth	Invested Capital	Net Claims	Price per share
Base Year	29.0%	\$549.78	\$1,334.63	\$114.64
1/28/2018	10.8%	\$751.15	\$1,137.03	\$130.92
1/28/2019	10.3%	\$934.45	\$921.12	\$148.67
1/28/2020	9.6%	\$1,059.84	\$650.19	\$167.56
1/28/2021	8.9%	\$1,259.85	\$352.64	\$187.59
1/28/2022	8.2%	\$1,477.47	\$17.41	\$208.83
1/28/2023	7.5%	\$1,606.72	-\$360.46	\$231.38
1/28/2024	6.8%	\$1,778.87	-\$801.44	\$255.82
1/28/2025	6.1%	\$1,929.95	-\$1,203.97	\$278.99
1/28/2026	5.4%	\$2,092.53	-\$1,639.64	\$303.08
1/28/2027	4.7%	\$2,255.88	-\$2,107.16	\$328.05
Continuing Period	4.0%			