# CORRECTING and REPLACING Primoris Services Corporation Announces 2015 Fourth Quarter and Full Year Financial Results

Feb 25, 2016

### Board of Directors Declares $0.055 Per Share Cash Dividend

### Financial Highlights

- 2015 Q4 revenues of $497.1 million, compared to 2014 Q4 revenues of $487.6 million
- 2015 Q4 net income attributable to Primoris of $12.6 million, compared to 2014 Q4 net income attributable to Primoris of $8.9 million
- 2015 revenues of $1,929 million, compared to 2014 revenues of $2,086 million
- 2015 net income attributable to Primoris of $36.9 million, compared to 2014 net income attributable to Primoris of $63.2 million
- A total backlog of $2.1 billion at December 31, 2015
  - A 4.8% increase over 2014's year-end backlog and
  - A 1.9% sequential quarterly increase over third quarter 2015's backlog
- A cash balance of $161 million at December 31, 2015
- A record tangible net worth of $322.6 million at December 31, 2015, a 9% increase over tangible net worth at December 31, 2014.

DALLAS--(BUSINESS WIRE)-- In Condensed Consolidated Statements of Income table, Three Months Ended December 31, 2015 Net Income should read $12,708 instead of $(12,708).

The corrected release reads:

## PRIMORIS SERVICES CORPORATION ANNOUNCES 2015 FOURTH QUARTER AND FULL YEAR FINANCIAL RESULTS

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  - A 1.9% sequential quarterly increase over third quarter 2015's backlog
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**Primoris Services Corporation** (NASDAQ GS:PRIM) ("Primoris" or "Company") today announced financial results for its fourth quarter and year ended December 31, 2015.

The Company also announced that on February 22, 2016, its Board of Directors declared a $0.055 per share cash dividend to stockholders of record on March 31, 2016, payable on or about April 15, 2016.

David King, President and Chief Executive Officer of Primoris, commented, "We have finished a year during which the headline news seemed to foretell doom for part of our industry. I am pleased that Primoris is proving that our strategic business model, with a focus on diverse end markets, can weather the storm. We remained profitable in each quarter, and we ended the year in a strong financial position, with a cash balance at twelve month highs and a backlog of $2.1 billion."

Mr. King continued, "I see multiple avenues of growth for Primoris in 2016, which will allow us to generate better financial results. We remain confident of a mid-year start to projects in the large diameter pipeline market, kicking off a multi-year expansion cycle delivering natural gas to utility customers along the East Coast. The industrial, power, LNG, and heavy civil markets all have opportunities for organic growth in the year. Our Master Service Agreements ("MSAs") in the distribution market will continue to provide a dependable and growing base of business. Primoris's opportunities for new awards continue to expand, and we believe we can grow our bottom line in 2016 while at the same time increasing our backlog."

## 2015 FOURTH QUARTER RESULTS OVERVIEW

Revenues in the fourth quarter 2015 increased by $9.5 million, or 2.0%, to $497.1 million from $487.6 million for the same period in 2014. The increased revenues were mainly due to increases in the East and West Construction services segments. Gross profit for the fourth quarter 2015

increased by $14.1 million, or 28.2%, to $63.7 million from $49.6 million for the same period in 2014. The increase in gross profit was due to improved margins in both the East and West Construction Services segments.

SEGMENT RESULTS

- West Construction Services ("West segment") – The West segment includes the underground and industrial operations and construction services performed by ARB, ARB Structures, Rockford, Q3C, and Vadnais. Most of the entities perform work primarily in California; however, Rockford operates throughout the United States and Q3C operates in Colorado and the upper Midwest United States. The segment also includes the operations of the Blythe, Wilmington and Carlsbad joint ventures.
- East Construction Services ("East segment") – The East segment includes the James Construction Group ("JCG") Heavy Civil division, the JCG Infrastructure and Maintenance ("I&M") division, BW Primoris, and Cardinal Contractors, located primarily in the southeastern United States and in the Gulf Coast region of the United States.
- Energy ("Energy segment") – The Energy segment businesses are located primarily in the southeastern United States, the Gulf Coast region and the upper Midwest region of the United States. The segment includes the PES pipeline and gas facility construction and maintenance operations, the PES Industrial division, and the newly acquired Aevenia, Surber, and Ram-Fab operations. Additionally, the segment includes the OnQuest, Inc. and OnQuestCanada, ULC operations for the design and installation of liquefied natural gas ("LNG") facilities and high-performance furnaces and heaters for the oil refining, petrochemical and power generation industries.

Segment Revenues

(in thousands, except %)

| | For the three months ended December 31, | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Unaudited | | Unaudited | |
| | | % of | | % of |

| Segment | Revenue | Total Revenue | Revenue | Total Revenue |
|---|---|---|---|---|
| West | $ 228,828 | 46.0% | $ 216,270 | 44.4% |
| East | 149,952 | 30.2% | 128,951 | 26.4% |
| Energy | 118,365 | 23.8% | 142,371 | 29.2% |
| Total | $ 497,145 | 100.0% | $ 487,592 | 100.0% |

Segment Gross Profit

(in thousands, except %)

| | For the three months ended December 31, | | | |
|---|---|---|---|---|
| | 2015 Unaudited | | 2014 Unaudited | |
| Segment | Gross Profit | % of Segment Revenue | Gross Profit | % of Segment Revenue |
| West | $ 38,536 | 16.8% | $ 27,745 | 12.8% |
| East | 8,901 | 5.9% | 1,154 | 0.9% |
| Energy | 16,288 | 13.8% | 20,717 | 14.6% |
| Total | $ 63,725 | 12.8% | $ 49,616 | 10.2% |

**West Segment**: Revenues in the West segment increased by $12.6 million in the fourth quarter 2015 compared to the fourth quarter 2014, as increases at ARB, ARB Structures and Q3C totaling $39.9 million more than offset a decrease of $30.0 million at Rockford. Gross profit for the West segment increased by $10.8 million in the fourth quarter 2015 compared to the fourth quarter 2014, primarily due to the increased revenues for the higher margin utility work and an increase at Rockford. As a substantial amount of Rockford's prior year fourth quarter revenues were from a project in a loss position, gross profit increased even with the substantial decline in revenue.

**East Segment**: Revenues in the East segment increased by $21.0 million in the fourth quarter 2015 compared to the fourth quarter 2014, driven primarily by an increase at the JCG I&M division from work at a major petrochemical project in Southern Louisiana. The gross profit for the East segment increased by $7.7 million in the quarter, primarily due to the increased revenues and improved profitability in the JCG I&M division.

**Energy Segment:** Revenuesin the Energy segment decreased by $24.0 million in the fourth quarter 2015 compared to the fourth quarter 2014, driven primarily by decreases at the Saxon division of Primoris Energy Services and at OnQuest, as neither business unit was able to replace large projects that were active in the fourth quarter of 2014. The gross profit for Energy decreased by $4.4 million in the quarter, mainly due to the decline in revenues.

## OTHER INCOME STATEMENT INFORMATION

Selling, general and administrative expenses ("SG&A") were $41.3 million, or 8.3% of revenues for the 2015 fourth quarter, compared to $33.2 million, or 6.8% of revenues for the 2014 fourth quarter. The increase in SG&A for the quarter is due primarily to increased personnel expense and increased professional fees.

Operating income for the 2015 fourth quarter was $22.5 million, or 4.5% of total revenues, compared to $16.5 million, or 3.4% of total revenues, for the same period last year.

Net non-operating items in the 2015 fourth quarter resulted in expenses of $1.0 million, compared to $1.6 million in net expenses in the 2014 fourth quarter.

The provision for income taxes for the 2015 fourth quarter was $8.8 million, for an effective tax rate on income attributable to Primoris of 41.2%, compared to $5.8 million, for an effective tax rate on income attributable to Primoris of 39.5%, in the 2014 fourth quarter.

Net income attributable to Primoris for the 2015 fourth quarter was $12.6 million, or $0.24 per diluted share, compared to net income attributable to Primoris of $8.9 million, or $0.17 per diluted share, in the same period in 2014.

Fully diluted weighted average shares outstanding for the 2015 fourth quarter increased slightly to 51.82 million from 51.71 million in the fourth quarter of 2014. The increase in shares was due to shares issued to certain senior managers and executives as part of the Primoris Long-Term Retention Plan and as compensation to the non-employee members of the Board of Directors.

## 2015 FULL YEAR RESULTS OVERVIEW

### Segment Revenues

(in thousands, except %)

| | For the twelve months ended December 31, | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Unaudited | | Unaudited | |
| Segment | Revenue | % of Total Revenue | Revenue | % of Total Revenue |
| West | $ 913,626 | 47.4% | $ 964,093 | 46.2% |
| East | 612,174 | 31.7% | 489,926 | 23.5% |
| Energy | 403,615 | 20.9% | 632,175 | 30.3% |
| Total | $ 1,929,415 | 100.0% | $ 2,086,194 | 100.0% |

Segment Gross Profit

(in thousands, except %)

| Segment | For the twelve months ended December 31, | | | |
|---|---|---|---|---|
| | 2015 Unaudited | | 2014 Unaudited | |
| | Gross Profit | % of Segment Revenue | Gross Profit | % of Segment Revenue |
| West | $ 130,255 | 14.3% | $ 143,468 | 14.9% |
| East | 42,523 | 6.9% | 25,749 | 5.3% |
| Energy | 47,095 | 11.7% | 66,823 | 10.6% |
| Total | $ 219,873 | 11.4% | $ 236,040 | 11.3% |

OTHER FINANCIAL INFORMATION

Primoris's balance sheet at December 31, 2015, included cash and cash equivalents of $161.1 million, working capital of $270.7 million, total debt and capital leases of $275.3 million and stockholders' equity of $483.5 million. Primoris's tangible net worth at December 31, 2015, was $322.6 million.

Based on expected start dates for current projects in backlog, anticipated levels of customer maintenance, MSA spending, and new project awards, and given the recent uncertainty caused by the energy markets, the Company estimates that for the four quarters ending December 31, 2016, net income attributable to Primoris will be between $1.15 and $1.30 per fully diluted share.

## BACKLOG

Backlog at December 31, 2015 (in millions)

| Segment | Fixed Backlog | MSA Backlog | Total Backlog | Expected Next Four Quarters Total Backlog Revenue Recognition |
|---|---|---|---|---|
| West | $ 577 | $ 500 | $ 1,077 | 86% |
| East | 752 | 4 | 756 | 52% |
| Energy | 188 | 67 | 255 | 99% |
| Total | $ 1,517 | $ 571 | $ 2,088 | |

At December 31, 2015, Fixed Backlog was $1.52 billion, compared to $1.55 billion at December 31, 2014. During 2015, more than $1.3 billion of revenues was recognized from Fixed Backlog.

At December 31, 2015, MSA Backlog was $571 million, compared to $445 million at December 31, 2014. During 2015, approximately $565 million of revenues was recognized from MSA projects. MSA Backlog represents estimated MSA revenues for the next four quarters.

Total Backlog at December 31, 2015, was $2.09 billion, compared to $1.99 billion at December 31, 2014.

Backlog, including estimated MSA revenues, should not be considered a comprehensive indicator of future revenues. There is a certain percentage of total revenues, from projects such as cost reimbursable and time-and-materials projects, that do not flow through backlog. Any project may still be cancelled at the convenience of our customers.

## CONFERENCE CALL

David King, President and Chief Executive Officer, and Peter J. Moerbeek, Executive Vice President and Chief Financial Officer, will host a conference call today, Thursday, February 25, 2016, at 11:00 am Eastern Time / 10:00 am Central Time to discuss the results.

Interested parties may participate in the call by dialing:

- (877) 407-8293 (Domestic)
- (201) 689-8349 (International)

If you are unable to participate in the live call, a replay may be accessed by dialing (877) 660-6853, conference ID 13623801, and will be available for approximately two weeks. The conference call will also be broadcast live over the Internet and can be accessed and replayed through the Investor Relations section of Primoris' website at www.prim.com. Once at the Investor Relations section, please click on "Events & Presentations".

## ABOUT PRIMORIS

Founded in 1960, Primoris, through various subsidiaries, has grown to become one of the largest construction service enterprises in the United States. Serving diverse end markets, Primoris provides a wide range of construction, fabrication, maintenance, replacement, water and wastewater, and engineering services to major public utilities, petrochemical companies, energy companies, municipalities, and other customers. The Company's national footprint extends from Florida, along the Gulf Coast, through California, into the Pacific Northwest and Canada. For additional information, please visit www.prim.com.

## FORWARD LOOKING STATEMENTS

This press release contains certain forward-looking statements, including with regard to the Company's future performance. Words such as "estimated," "believes," "expects," "projects," "may," and "future" or similar expressions are intended to identify forward-looking statements. Forward-looking statements inherently involve known and unknown risks, uncertainties, and other factors, including without limitation, those described in this press release and those detailed in the "Risk Factors" section and other portions of our Annual Report on Form 10-K for the period ended December 31, 2014, as updated through the Quarterly Report on Form 10-Q for the period ended September 30, 2015, and other filings with the Securities and Exchange Commission. Given these uncertainties, you should not place undue reliance on forward-looking statements. Primoris does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Amounts)

(Unaudited)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | $ 497,145 | $487,592 | $1,929,415 | $2,086,194 |
| Cost of revenue | 433,420 | 437,976 | 1,709,542 | 1,850,154 |
| Gross profit | 63,725 | 49,616 | 219,873 | 236,040 |
| Selling, general and administrative expenses | 41,252 | 33,161 | 152,104 | 132,248 |
| Operating income | 22,473 | 16,455 | 67,769 | 103,792 |
| Other income (expense): | | | | |
| Income from non-consolidated entities | - | - | - | 5,250 |
| Foreign exchange gain (loss) | (338) | 300 | (763) | 374 |
| Other income (expense) | 1,451 | (115) | 1,723 | (743) |
| Interest income | 34 | 8 | 56 | 88 |
| Interest expense | (2,125) | (1,791) | (7,688) | (6,433) |

| | | | | |
|---|---|---|---|---|
| Income before provision for income taxes | 21,495 | 14,857 | 61,097 | 102,328 |
| Provision for income taxes | (8,787) | (5,833) | (23,946) | (38,646) |
| Net income | $ 12,708 | $ 9,024 | $ 37,151 | $ 63,682 |
| Net income attributable to noncontrolling interests | (153) | (94) | (279) | (526) |
| Net income attributable to Primoris | $ 12,555 | $ 8,930 | $ 36,872 | $ 63,156 |
| **Earnings per share:** | | | | |
| Basic: | $ 0.24 | $ 0.17 | $ 0.71 | $ 1.22 |
| Diluted: | $ 0.24 | $ 0.17 | $ 0.71 | $ 1.22 |
| **Weighted average common shares outstanding:** | | | | |
| Basic | 51,676 | 51,561 | 51,647 | 51,607 |
| Diluted | 51,825 | 51,710 | 51,798 | 51,747 |

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Amounts)

(Unaudited)

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 161,122 | $ 139,465 |
| Short-term investments | - | 30,992 |
| Customer retention deposits and restricted cash | 2,598 | 481 |
| Accounts receivable, net | 320,588 | 337,382 |
| Costs and estimated earnings in excess of billings | 116,455 | 68,654 |
| Inventory and uninstalled contract materials | 67,796 | 58,116 |
| Prepaid expenses and other current assets | 18,265 | 31,720 |
| Total current assets | 686,824 | 666,810 |
| Property and equipment, net | 283,545 | 271,431 |
| Deferred tax assets - long-term | 1,075 | - |
| Intangible assets, net | 36,438 | 39,581 |
| Goodwill | 124,161 | 119,410 |
| Other long-term assets | 211 | 400 |
| Total assets | $ 1,132,254 | $1,097,632 |

| | | |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 124,450 | $ 128,793 |
| Billings in excess of costs and estimated earnings | 139,875 | 158,595 |
| Accrued expenses and other current liabilities | 93,596 | 83,401 |
| Dividends payable | 2,842 | 2,062 |
| Current portion of capital leases | 974 | 1,650 |
| Current portion of long-term debt | 54,436 | 38,909 |
| Current portion of contingent earnout liabilities | - | 5,901 |
| Total current liabilities | 416,173 | 419,311 |
| Long-term capital leases, net of current portion | 22 | 657 |
| Long-term debt, net of current portion | 219,853 | 204,029 |
| Deferred tax liabilities - long-term | - | 5,929 |
| Long-term contingent earnout liabilities, net of current portion | - | 1,021 |
| Other long-term liabilities | 12,741 | 12,899 |
| Total liabilities | 648,789 | 643,846 |
| Stockholders' equity | | |
| Common stock | 5 | 5 |
| Additional paid-in capital | 163,344 | 160,186 |
| Retained earnings | 319,899 | 293,628 |
| Noncontrolling interests | 217 | (33) |

| | | |
|---|---|---|
| Total stockholders' equity | 483,465 | 453,786 |
| Total liabilities and stockholders' equity | $ 1,132,254 | $1,097,632 |

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

| | Twelve Months Ended December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net income | $ 37,151 | $ 63,682 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 58,408 | 50,918 |
| Amortization of intangible assets | 6,793 | 7,504 |
| Goodwill & intangible asset impairment | 401 | - |
| Stock—based compensation expense | 1,050 | 934 |
| Gain on sale of property and equipment | (2,116) | (1,895) |
| (Income) from non-consolidated entities | - | (5,264) |
| Net deferred tax liabilities (assets) | (7,004) | 8,970 |
| Changes in assets and liabilities: | | |
| Customer retention deposits and restricted cash | (2,117) | 4,823 |

| | | |
|---|---|---|
| Accounts receivable | 19,528 | (29,659) |
| Costs and estimated earnings in excess of billings | (47,499) | (11,508) |
| Other current assets | 4,949 | (25,767) |
| Other long-term assets | 189 | 72 |
| Accounts payable | (5,086) | 921 |
| Billings in excess of costs and estimated earnings | (19,619) | (14,770) |
| Contingent earnout liabilities | (6,722) | (4,145) |
| Accrued expenses and other current liabilities | 11,729 | (7,354) |
| Other long-term liabilities | (1,658) | (1,361) |
| Net cash provided by operating activities | 48,377 | 36,101 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (67,097) | (87,954) |
| Proceeds from sale of property and equipment | 9,889 | 5,814 |
| Purchase of short-term investments | - | (33,770) |
| Sale of short-term investments | 30,992 | 21,464 |
| Cash received for the sale of Alvah minority interest | - | 6,439 |
| Cash paid for acquisitions | (22,302) | (14,596) |
| Net cash used in investing activities | (48,518) | (102,603) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 75,278 | 58,519 |
| Repayment of capital leases | (1,336) | (3,276) |
| Repayment of long-term debt | (43,927) | (35,107) |

| | | |
|---|---|---|
| Proceeds from issuance of common stock purchased under a long-term incentive plan | 1,621 | 1,671 |
| Cash distribution to non-controlling interest holder | (29) | (1,590) |
| Repurchase of Common Stock | - | (2,844) |
| Dividends paid | (9,809) | (7,483) |
| Net cash provided by financing activities | 21,798 | 9,890 |
| Net change in cash and cash equivalents | 21,657 | (56,612) |
| Cash and cash equivalents at beginning of the period | 139,465 | 196,077 |
| Cash and cash equivalents at end of the period | $ 161,122 | $ 139,465 |

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