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Quanta Services, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Thank you. [Operator Instructions]. And our first question comes from the line Sanjay Shrestha from Lazard Capital Markets. Please go ahead.

Sanjay Shrestha - Lazard Capital Markets

Great. Good morning, guys. First of all, congratulations on a great quarter here, and terrific backlog. So, first, couple of quick question, you gave out a lot of details on the number, we are going to go back to transcript on that. But gross margin improved some 200 basis point on a pro forma basis. So, the question is, I know you guys don't disclose the gross margin or the margin profile in your backlog, but is it fair to say that its not the 14% jump in the back... 12-month backlog and 22% jump, but the margin profile of the project in your backlog has also gone up sort of similar to the gains that we've seen here on a year-over-year basis?

James H. Haddox - Chief Financial Officer

Yeah. I don't know that we could say that they've gone up 200 basis points Sanjay, but they are continuing... the margin and backlog is continuing to steadily increase as we, as old projects fall off and new projects come into backlog.

Sanjay Shrestha - Lazard Capital Markets

So... great. So, that's then continues despite the macro outlook and things of that nature, that's great. Another point here, you guys talked about two large projects, your decision in the near future. Can you talk about the... how long those projects are going to go forward and sort of the potential magnitude of how big they might be. Or if you don't want to be that precise, at least a sense of north of this size below this, can you just put some parameters around it?

John R. Wilson - President of Electric Power and Gas Division

Sanjay, this is John Wilson. Are you talking about the two projects that we have bid?

Sanjay Shrestha - Lazard Capital Markets

Correct.

John R. Wilson - President of Electric Power and Gas Division

Oh I would say one... both are more... approaching \$200 million of fees and at this point in time, we really wouldn't want to talk about customers or real locations at this point in time, but combined, you are looking at a pretty significant piece of transmission work that is out there.

Sanjay Shrestha - Lazard Capital Markets

Completely understand. And also one last question, then guys, so obviously the margins are getting better, backlogs growing and you guys are also intentionally getting out of the lower margin natural gas work, which is a reflective of the revenue growth year-over-year on a pro forma basis in Q4 and it's certainly not a reflection of the underlying strength in your electric power, the telecom side of the market. Just want to clarify that, correct?

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