Quanta Services (PWR)

Updated August 28th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$382	**5 Year CAGR Estimate:**	1.6%	**Market Cap:**	$57 B
Fair Value Price:	$213	**5 Year Growth Estimate:**	14.0%	**Ex-Dividend Date[1]:**	9/30/2025
% Fair Value:	179%	**5 Year Valuation Multiple Estimate:**	-11.0%	**Dividend Payment Date:**	10/9/2025
Dividend Yield:	0.1%	**5 Year Price Target**	$410	**Years Of Dividend Growth:**	7
Dividend Risk Score:	A	**Sector:** Industrials		**Rating:**	Hold

Overview & Current Events

Quanta Services is a leading specialized contracting services company, which delivers comprehensive solutions to the utility, renewable energy, communications, pipeline and energy industries. The company designs, installs, repairs and maintains energy and communications infrastructure throughout the U.S., Canada, Australia and some other international markets. In 2024, it generated 80% of its revenues from utilities and renewable energy developers. It was formerly known as Fabal Construction and changed its name to Quanta Services in 1997. It is headquartered in Houston, Texas, and has a market capitalization of $57 billion.

Quanta Services self-performs at least 80% of the work of its projects, thus mitigating execution risk. Thanks to the largely non-discretionary nature of its projects across multiple markets, it enjoys reliable and predictable cash flows.

In late July, Quanta Services reported (7/31/25) financial results for the second quarter of fiscal 2025. It posted double-digit growth in revenues and earnings and reported all-time high backlog of $35.8 billion thanks to strong demand from developers of renewable energy projects, which will help North America execute its energy transition. The company grew its revenue 21% over the prior year's quarter and its adjusted earnings-per-share 31%, from $1.90 to $2.48, beating the analysts' consensus by $0.03. Thanks to its sustained business momentum, Quanta Services has not missed the analysts' estimates for 24 consecutive quarters. It also provided strong guidance for 2025, expecting double-digit growth of EBITDA, and raised its guidance for earnings-per-share from $10.05-$10.65 to $10.28-$10.88. We have thus raised our forecast from $10.35 to $10.65.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.59	$1.26	$2.00	$1.90	$2.73	$3.07	$3.34	$6.34	$7.16	$8.97	***$10.65***	***$20.51***
DPS	---	---	---	$0.04	$0.17	$0.21	$0.25	$0.29	$0.33	$0.37	***$0.40***	***$0.62***
Shares[2]	195	157	157	154	148	145	148	148	149	151	***152***	***155***

Quanta Services is leveraged to favorable secular megatrends, such as utility grid modernization, renewable energy generation and integration, electric vehicles and electrification. This is clearly reflected in the outstanding performance record of the company. Since 2010, Quanta Services has grown its revenues and its earnings per share at an average annual rate of 14% and 18%, respectively. Even better, there is ample room for growth for several more years thanks to a fast-growing addressable market, as the global energy transition is just in its early phases. In addition, management should be praised for not relying solely on sales growth. It has managed to enhance adjusted EBITDA margin from 7.6% in 2016 to 9.5% now and expects further improvement in the upcoming years. Overall, thanks to the strong execution record of Quanta Services and its exciting growth prospects, we expect the company to grow its earnings-per-share by 14% per year on average over the next five years. As a side note, Quanta Services may exceed even these high expectations, but we find it prudent not to assume a higher growth rate in order to have a margin of safety.

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[1] Estimated date.

[2] In millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.4	19.8	17.8	18.1	13.7	15.1	29.3	20.2	24.9	30.0	***35.9***	***20.0***
Avg. Yld.	---	---	---	0.1%	0.5%	0.5%	0.3%	0.2%	0.2%	0.1%	***0.1%***	***0.2%***

Quanta Services has traded at an average price-to-earnings ratio of 20.0 over the last decade. Thanks to its accelerated business performance and its exciting growth potential, the stock is currently trading at a 10-year high price-to-earnings ratio of 35.9. The stock will probably maintain its huge premium as long as the company keeps thriving. However, we find it prudent to assume a fair earnings multiple of 20.0, in line with the 10-year average of the stock, to have a margin of safety whenever the company faces an unexpected headwind, such as a recession. If the stock reverts to its historical valuation level over the next five years, it will incur an -11.0% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	2%	6%	7%	7%	5%	5%	4%	***4%***	***3%***

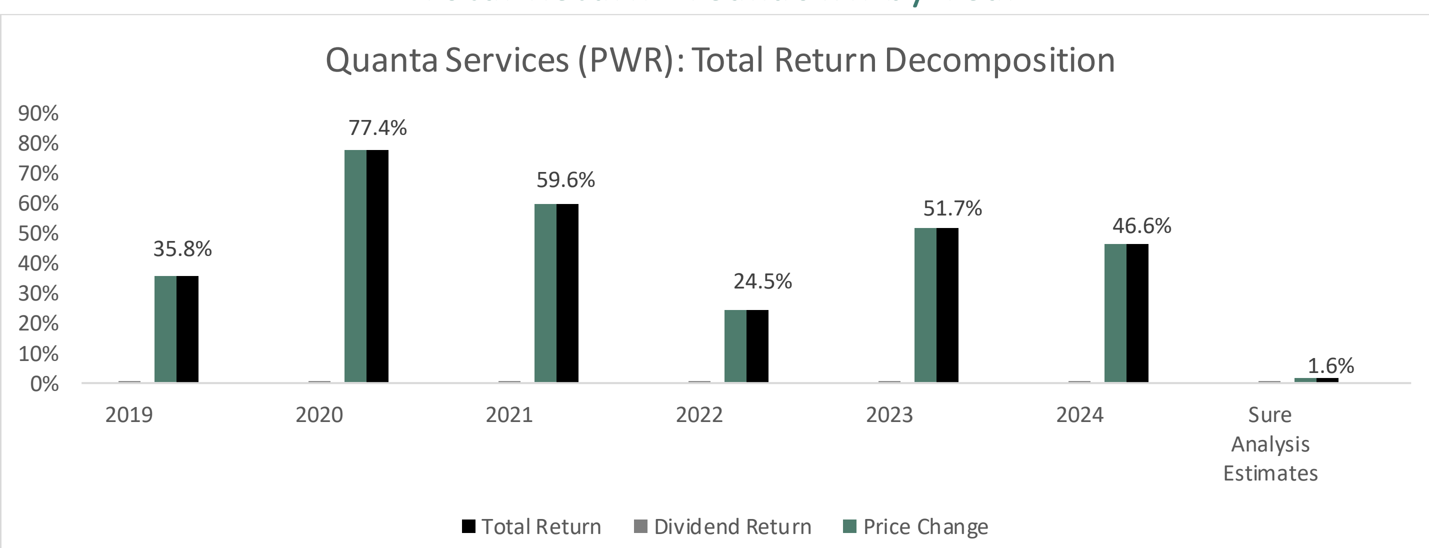
Quanta Services enjoys significant competitive advantages. It is the largest and preferred employer for skilled workforce and a recognized leader in energy projects. It also enjoys recurring cash flows thanks to the long-term nature of its projects and its business relationships. The company has generated more than 85% of its revenues from repeatable activity in the last two years. It also has a rock-solid balance sheet. It has a strong interest coverage ratio of 7.2 and net debt of $4.8 billion, which is only 8% of the market cap of the stock and approximately 3 times the annual earnings. This is a testament to the strength of the business model of Quanta Services.

The negligible dividend yield (0.1%) should not deter investors, as it has proved far more profitable for the company (and its shareholders) to reinvest earnings in its fast-growing business.

Final Thoughts & Recommendation

Quanta Services is thriving and has exciting growth prospects for the next several years. It has also proved essentially immune to tariffs. The stock could offer a 1.6% average annual return over the next five years thanks to 14.0% growth of earnings-per-share and its 0.1% dividend, partly offset by an -11.0% valuation drag. It thus receives a hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	7,572	7,651	9,466	11,171	12,112	11,203	12,980	17,074	20,882	23,673
Gross Profit	924	1,014	1,242	1,480	1,600	1,661	1,953	2,529	2,937	3,511
Gross Margin	12.2%	13.3%	13.1%	13.2%	13.2%	14.8%	15.0%	14.8%	14.1%	14.8%
SG&A Exp.	593	653	778	858	956	975	1,156	1,337	1,555	1,825
D&A Exp.	198	202	216	247	280	302	421	645	614	742
Operating Profit	296	329	432	578	582	609	632	838	1,093	1,303
Operating Margin	3.9%	4.3%	4.6%	5.2%	4.8%	5.4%	4.9%	4.9%	5.2%	5.5%
Net Profit	311	198	315	293	402	446	486	491	745	905
Net Margin	4.1%	2.6%	3.3%	2.6%	3.3%	4.0%	3.7%	2.9%	3.6%	3.8%
Free Cash Flow	441	177	127	51	264	855	197	703	1,141	1,477
Income Tax	97	107	36	162	165	119	131	192	219	285

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,214	5,354	6,480	7,076	8,332	8,398	12,855	13,464	16,237	18,684
Cash & Equivalents	129	112	138	79	165	185	229	429	1,290	742
Acc. Receivable	1,621	1,500	1,985	2,355	2,748	2,716	3,400	3,675	4,411	5,171
Goodwill & Int.	1,758	1,790	2,132	2,180	2,436	2,557	5,330	5,045	5,408	7,177
Total Liabilities	2,126	2,011	2,685	3,470	4,278	4,049	7,738	8,066	9,954	11,354
Accounts Payable	452	530	633	787	799	798	1,251	1,302	2,028	2,096
Long-Term Debt	482	361	672	1,106	1,367	1,189	3,754	3,730	4,199	4,162
Total Equity	3,085	3,339	3,792	3,604	4,050	4,344	5,112	5,383	6,272	7,318
LTD Ratio	0.16	0.11	0.18	0.31	0.34	0.27	0.73	0.69	0.67	0.57

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.4%	3.8%	5.3%	4.3%	5.2%	5.3%	4.6%	3.7%	5.0%	5.2%
Return on Equity	8.2%	6.2%	8.8%	7.9%	10.5%	10.6%	10.3%	9.3%	12.7%	13.3%
Shares Out.	195	157	157	154	148	145	148	148	149	150
Revenue/Share	38.81	48.65	60.24	72.44	82.10	77.13	89.29	115.37	140.32	157.76
FCF/Share	2.26	1.13	0.81	0.33	1.79	5.89	1.35	4.75	7.67	9.84

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.