



# Quarter Four 2016

February 23, 2017



## EMCOR Participants

- Tony Guzzi President & Chief Executive Officer
- Mark Pompa EVP & Chief Financial Officer
- Maxine Mauricio SVP & General Counsel
- Mava Heffler VP, Marketing & Communications
- Kevin Matz EVP, Shared Services

## 2016 Executive Summary

- Strong operating performance in 2016
  - OVERALL – record year for revenues, operating income and diluted earnings per share from continuing operations
  - Total revenues increased 12.4% to \$7.55 billion
  - Full year diluted EPS from continuing operations:
    - GAAP \$3.02
    - Proforma \$3.09
 } vs. \$2.72 in 2015
  - Total backlog increased \$132 million or 3.5%
  - Strong operating cash flow of \$264.6 million



## 2016 Executive Summary

- U.S. Electrical Construction and Facilities Services segment revenues increased by \$337.3 million vs. 2015 with operating margin of 6.0%, which included a large project loss of \$19.4 million
- U.S. Mechanical Construction and Facilities Services segment revenues increased by \$349.0 million vs. 2015 with operating margin of 5.0%, which included two large project losses totaling \$27.9 million
- U.S. Building Services segment revenues increased by \$52.5 million vs. 2015 with operating margin of 4.2%
- U.S. Industrial Services segment revenues increased by \$145.2 million vs. 2015 with operating margin of 7.3% vs. 6.1% in 2015
- U.K. Building Services segment revenues decreased by \$51.2 million vs. 2015 (\$41.0 million due to unfavorable exchange rates) with operating margin of 3.7% vs. 3.1% in 2015

## 2016 Executive Summary

- Diverse backlog of \$3.90 billion, up 3.5% compared to December 2015

- U.S. backlog UP \$107 million or 2.9%

|  | <u>Dec. 2016</u>     |
|--|----------------------|
| ➤ Domestic Construction UP   | \$215M ↑<br>7.6%     |
| ➤ U.S. Building Services Segment DOWN  | \$(103M) ↓<br>-13.5% |
| ➤ U.S. Industrial Services Segment DOWN  | \$(4M) ↓<br>-7.9%    |
| ➤ Private Sector UP (Commercial, Hospitality & Gaming, Industrial)               | \$115M ↑<br>6.5%     |
| ➤ Public Sector UP (Transportation, Water/Wastewater, Institutional, Healthcare) | \$15M ↑<br>0.7%      |

- Balance sheet remains strong and liquid, including \$464.6 million of cash

## 2016 – Qtr. 4 Financial Results Highlights

- Revenues increased 9.7% quarter-over-quarter to \$1.95 billion

| (\$ Millions) (Unaudited)                          | Qtr. 4<br>2016    | Change from<br>Qtr. 4 2015 |              |
|--|-------------------|----------------------------|--------------|
|  |                   | \$                         | %            |
| U.S. Electrical Construction & Facilities Services | \$ 476.9          | \$ 119.3                   | 33.4%        |
| U.S. Mechanical Construction & Facilities Services | 722.3             | 62.0                       | 9.4%         |
| <b>Sub-Total</b>                                   | <b>1,199.2</b>    | <b>181.3</b>               | <b>17.8%</b> |
| U.S. Building Services                             | 438.5             | 2.7                        | 0.6%         |
| U.S. Industrial Services                           | 237.3             | 15.0                       | 6.8%         |
| <b>Total U.S. Operations</b>                       | <b>1,875.0</b>    | <b>199.0</b>               | <b>11.9%</b> |
| U.K. Building Services                             | 75.0              | (26.9)                     | -26.4%       |
| <b>Total EMCOR</b>                                 | <b>\$ 1,950.0</b> | <b>\$ 172.1</b>            | <b>9.7%</b>  |



## 2016 – Qtr. 4 Financial Results Highlights

- SG&A expenses increased to \$194.9 million or 10.0% of revenues vs. \$168.5 million or 9.5% of revenues for Qtr. 4 2015
- Operating income of \$74.5 million or 3.8% of revenues includes:

(Unaudited)

|  | <b>For the Three Months<br/>Ended December 31,</b> |                    |
|--|--|--------------------|
|  | <b><u>2016</u></b>                                 | <b><u>2015</u></b> |
| – U.S. Electrical Construction and Facilities Services of \$31.1 million: \$16.4 million or 111.0% increase  | 6.5%   | 4.1%               |
| – U.S. Mechanical Construction and Facilities Services of \$32.2 million: \$(26.3) million or 44.9% decrease | 4.5%   | 8.9%               |
| <b>Total U.S. Construction</b>   | <b>5.3%</b>  | <b>7.2%</b>        |
| – U.S. Building Services of \$21.0 million: \$5.4 million or 34.8% increase                                  | 4.8%   | 3.6%               |
| – U.S. Industrial Services of \$11.2 million: \$(0.6) million or 5.4% decrease                               | 4.7%   | 5.3%               |
| – U.K. Building Services of \$2.8 million: \$(0.3) million or 9.1% decrease                                  | 3.7%   | 3.0%               |
| <b>Total EMCOR Operating Margin</b>  | <b>3.8%*</b>                                       | <b>4.7%</b>        |

\* Included within 2016 operating income is a \$2.4 million impairment loss on identifiable intangible assets

## 2016 – Qtr. 4 Financial Results Highlights

| Operating Income Reconciliation<br>(\$ Thousands) (Unaudited) | For the Three Months<br>Ended December 31, |           |
|---|--|-----------|
|   | 2016                                       | 2015      |
| GAAP Operating Income   | \$ 74,490                                  | \$ 84,083 |
| Impairment Loss on Identifiable Intangible Assets             | 2,428                                      | -         |
| Non-GAAP Operating Income                                     | \$ 76,918                                  | \$ 84,083 |
| Proforma Operating Margins:                                   | 3.9%                                       | 4.7%      |

- Qtr. 4 2016 cash provided by operations \$135.6 million



## Key Financial Data – Income Statement

(\$ Thousands, except per share information) (Unaudited)

|  | For the Three Months Ended<br>December 31, |                   | Variance   |        |
|--|--|-------------------|------------|--------|
|  | 2016                                       | 2015              | \$         | %      |
| Revenues   | \$ 1,949,964                               | \$ 1,777,826      | \$ 172,138 | 9.7%   |
| Gross Profit   | 271,969<br>13.9%                           | 252,621<br>14.2%  | 19,348     | 7.7%   |
| Selling, General and Administrative Expenses                                     | 194,884                                    | 168,456           | 26,428     | 15.7%  |
| Restructuring Expenses   | 167  | 82                | 85         | N/M    |
| Impairment Loss on Identifiable Intangible Assets                                | 2,428                                      | -                 | 2,428      | N/M    |
| Operating Income   | \$ 74,490<br>3.8%                          | \$ 84,083<br>4.7% | \$ (9,593) | -11.4% |
| Diluted Earnings per Common Share from Continuing Operations                     | \$ 0.69                                    | \$ 0.80           | \$ (0.11)  | -13.8% |
| Non-GAAP Operating Income Excluding:   |  |                   |            |        |
| - Impairment Loss on Identifiable Intangible Assets in 2016                      | \$ 76,918                                  | \$ 84,083         | \$ (7,165) | -8.5%  |
| Non-GAAP Diluted Earnings per Common Share from Continuing Operations Excluding: |  |                   |            |        |
| - Impairment Loss on Identifiable Intangible Assets in 2016                      | \$ 0.72                                    | \$ 0.80           | \$ (0.08)  | -10.0% |

## 2016 Financial Results Highlights

- Revenues up \$832.8 million or 12.4% to \$7.55 billion

| (\$ Millions)                                      | <u>2016</u>       | <u>Change from 2015</u> |              |
|--|-------------------|-------------------------|--------------|
|  |                   | <u>\$</u>               | <u>%</u>     |
| U.S. Electrical Construction & Facilities Services | \$ 1,704.4        | \$ 337.3                | 24.7%        |
| U.S. Mechanical Construction & Facilities Services | 2,661.8           | 349.0                   | 15.1%        |
| <b>Sub-Total</b>                                   | 4,366.2           | 686.3                   | 18.6%        |
| U.S. Building Services                             | 1,791.8           | 52.5                    | 3.0%         |
| U.S. Industrial Services                           | 1,067.3           | 145.2                   | 15.8%        |
| <b>Total U.S. Operations</b>                       | <b>7,225.3</b>    | <b>884.0</b>            | <b>13.9%</b> |
| U.K. Building Services                             | 326.2             | (51.2)                  | -13.6%       |
| <b>Total EMCOR</b>                                 | <b>\$ 7,551.5</b> | <b>\$ 832.8</b>         | <b>12.4%</b> |

## 2016 Financial Results Highlights

|   |   |                    |
|---|---|--------------------|
| ■ SG&A expenses increased to \$725.5 million or 9.6% of revenues vs. \$656.6 million or 9.8% of revenues for 2015 |   |                    |
| ■ Operating income of \$308.5 million or 4.1% of revenues includes:   |   |                    |
|   | <b>For the Twelve Months<br/>Ended December 31,</b> |                    |
|   | <b><u>2016</u></b>                                  | <b><u>2015</u></b> |
| – U.S. Electrical Construction and Facilities Services of \$101.8 million: \$19.5 million or 23.8% increase       | 6.0%  | 6.0%               |
| – U.S. Mechanical Construction and Facilities Services of \$133.7 million: \$(4.9) million or 3.6% decrease       | 5.0%  | 6.0%               |
| <b>Total U.S. Construction</b>  | <b>5.4%</b>   | <b>6.0%</b>        |
| – U.S. Building Services of \$75.8 million: \$5.2 million or 7.4% increase  | 4.2%  | 4.1%               |
| – U.S. Industrial Services of \$77.8 million: \$21.4 million or 37.9% increase                                    | 7.3%  | 6.1%               |
| – U.K. Building Services of \$11.9 million: \$0.3 million or 2.7% increase  | 3.7%  | 3.1%               |
| <b>Total EMCOR Operating Margin</b>   | <b>4.1%*</b>  | <b>4.3%</b>        |

\* Included within 2016 operating income is a \$2.4 million impairment loss on identifiable intangible assets

## 2016 Financial Results Highlights

| Operating Income Reconciliation<br>(\$ Thousands) (Unaudited) | For the Twelve Months<br>Ended December 31, |            |
|---|---|------------|
|   | 2016  | 2015       |
| GAAP Operating Income   | \$ 308,458                                  | \$ 287,082 |
| Transaction Expenses Related to the Acquisition of<br>Ardent  | 3,838                                       | -          |
| Impairment Loss on Identifiable Intangible Assets             | 2,428                                       | -          |
| Non-GAAP Operating Income                                     | \$ 314,724                                  | \$ 287,082 |
| Proforma Operating Margins:                                   | 4.2%  | 4.3%       |

- 2016 income tax rate – 37.5%, 2015 income tax rate – 38.1%



## Key Financial Data – Income Statement

(\$ Thousands, except per share information)

|  | For the Twelve Months Ended<br>December 31, |                    | Variance   |       |
|--|---|--------------------|------------|-------|
|  | 2016  | 2015               | \$         | %     |
| Revenues   | \$ 7,551,524                                | \$ 6,718,726       | \$ 832,798 | 12.4% |
| Gross Profit   | 1,037,862<br>13.7%                          | 944,479<br>14.1%   | 93,383     | 9.9%  |
| Selling, General and Administrative Expenses                                     | 725,538                                     | 656,573            | 68,965     | 10.5% |
| Restructuring Expenses   | 1,438                                       | 824                | 614        | N/M   |
| Impairment Loss on Identifiable Intangible Assets                                | 2,428                                       | -                  | 2,428      | N/M   |
| Operating Income   | \$ 308,458<br>4.1%                          | \$ 287,082<br>4.3% | \$ 21,376  | 7.4%  |
| Diluted Earnings per Common Share from Continuing Operations                     | \$ 3.02                                     | \$ 2.72            | \$ 0.30    | 11.0% |
| Non-GAAP Operating Income Excluding:   |   |                    |            |       |
| - Transaction Expenses Related to the Acquisition of Ardent in 2016              |   |                    |            |       |
| - Impairment Loss on Identifiable Intangible Assets in 2016                      | \$ 314,724                                  | \$ 287,082         | \$ 27,642  | 9.6%  |
| Non-GAAP Diluted Earnings per Common Share from Continuing Operations Excluding: |   |                    |            |       |
| - Transaction Expenses Related to the Acquisition of Ardent in 2016              |   |                    |            |       |
| - Impairment Loss on Identifiable Intangible Assets in 2016                      | \$ 3.09                                     | \$ 2.72            | \$ 0.37    | 13.6% |

## Key Financial Data – Balance Sheet

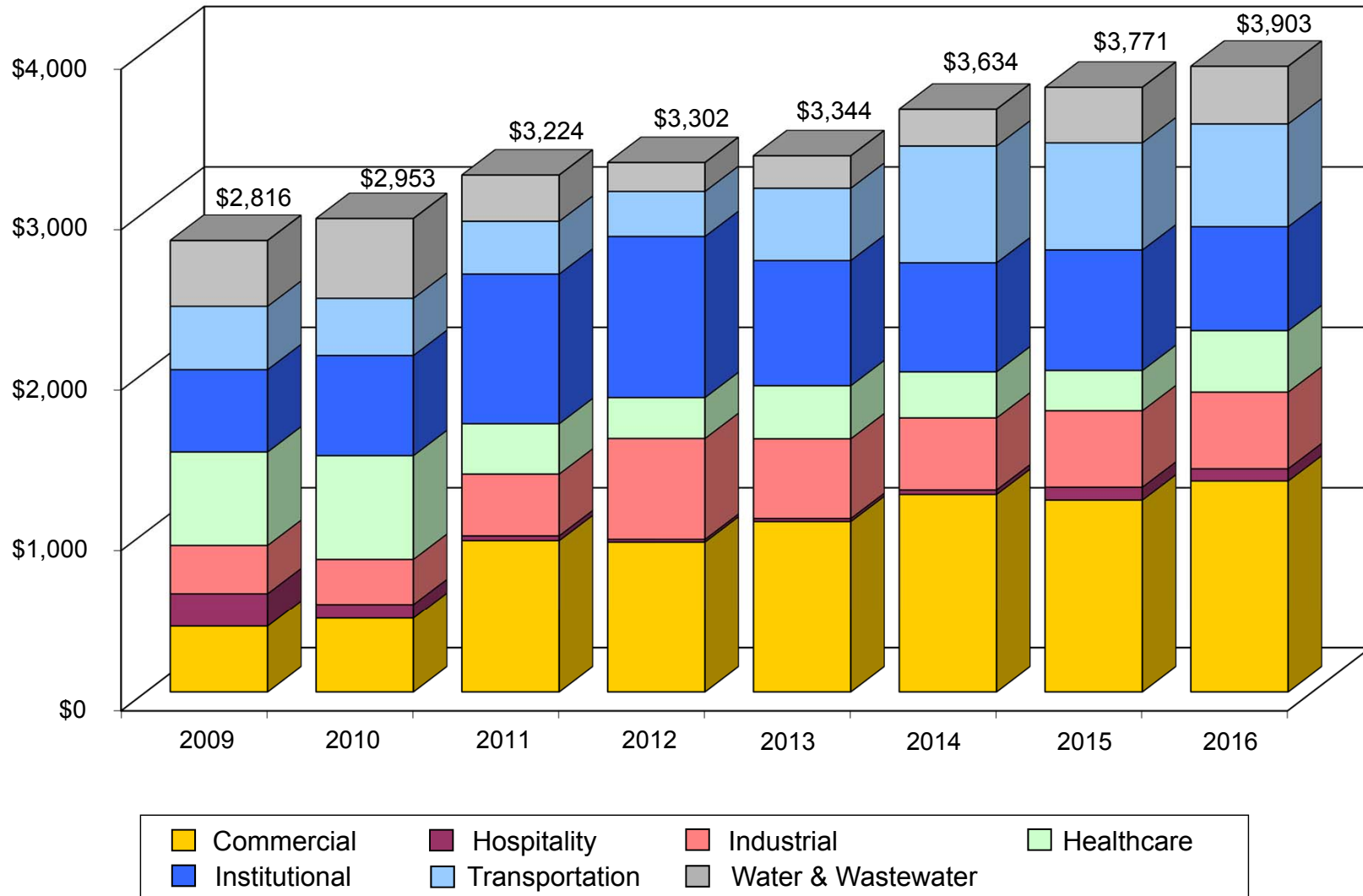
(\$ Thousands)

|                                     | <u>12/31/16</u> | <u>12/31/15</u> |
|-------------------------------------|-----------------|-----------------|
| Cash                                | \$ 464,617      | \$ 486,831      |
| Working Capital                     | \$ 699,073      | \$ 653,691      |
| Goodwill                            | \$ 979,628      | \$ 843,170      |
| Identifiable Intangible Assets, Net | \$ 487,398      | \$ 472,834      |
| Total Debt                          | \$ 423,326      | \$ 315,100      |
| Stockholders' Equity                | \$ 1,537,942    | \$ 1,480,056    |
| Total Debt / Total Capitalization   | 21.6%           | 17.6%           |



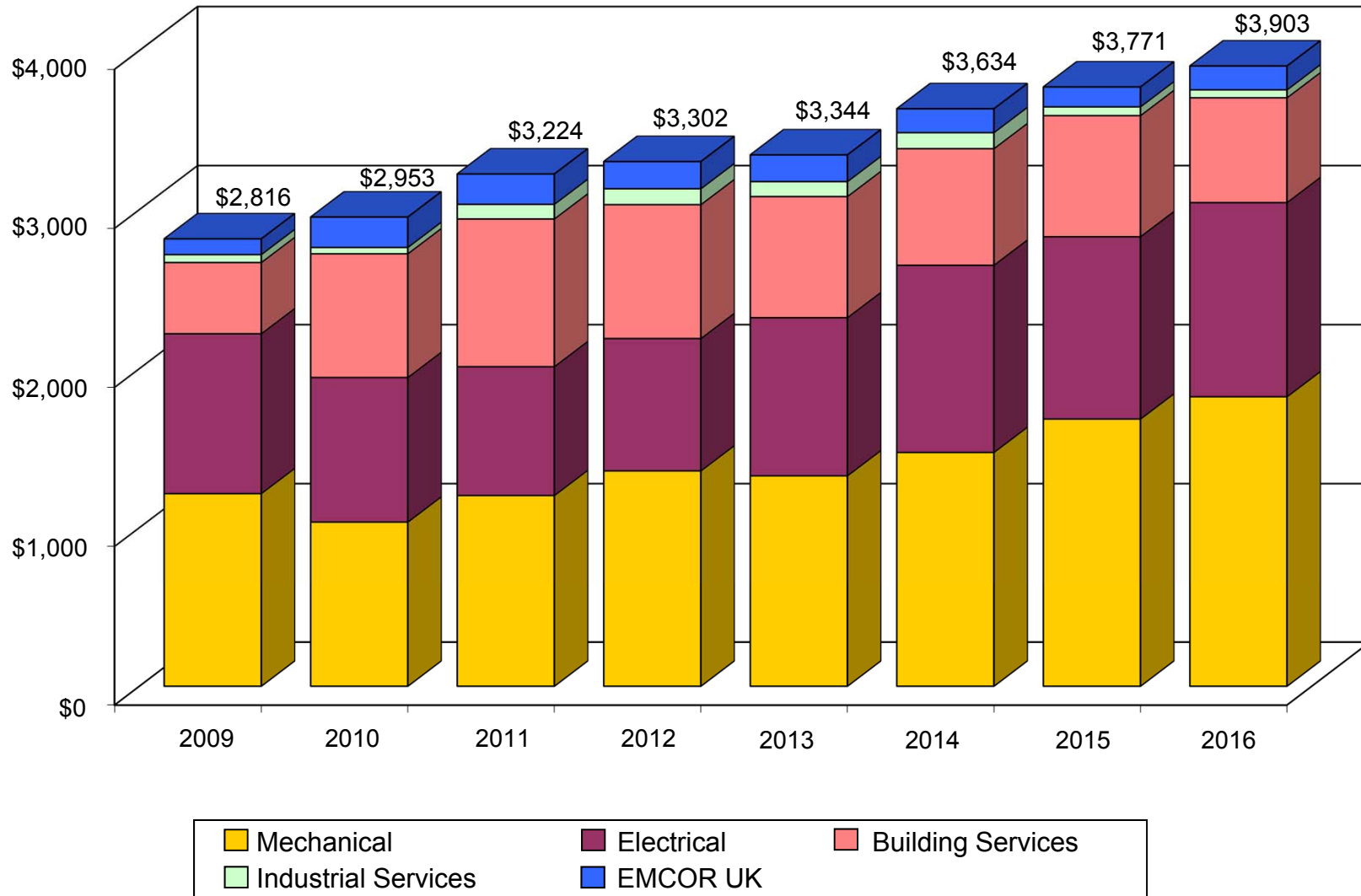
# Backlog by Market Sector

(\$ Millions)



# Backlog by Segment

(\$ Millions)





## 2017 Outlook

- Non-residential construction market expected to grow mid-single digits
- Backlog growth positive for Domestic Construction
- Building Services will benefit from continued growth in retrofit and energy savings projects
- Industrial Services:
  - Expect good Spring turnaround season
  - Continued headwinds in “new build” heat exchanger fabrication
- Strong and liquid balance sheet



## 2017 Guidance

|   |                               |
|---|-------------------------------|
| Revenues                                  | \$7.5 Billion – \$7.6 Billion |
| Diluted EPS from<br>Continuing Operations | \$3.10 – \$3.50               |



Build. Power. Service. Protect.