



# Second Quarter 2018 Financial Results

July 26, 2018



# Forward-Looking Statements and Non-GAAP Financial Disclosures

## **Forward Looking Statements:**

*This material and related presentation contain certain forward-looking statements within the meaning of the Private Securities Reform Act of 1995. Any such comments speak only as of this date and EMCOR assumes no obligation to update any such forward-looking statements. These forward-looking statements may include statements regarding anticipated future operating and financial performance, the nature and impact of our remaining performance obligations, our ability to pursue acquisitions, our ability to return capital to shareholders, market opportunities, market growth, and customer trends. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Accordingly these statements are no guarantee of future performance. Such risk and uncertainties include, but are not limited to, adverse effects of general economic conditions, changes in the political environment, changes in the specific markets for EMCOR's services, adverse business conditions, availability of adequate levels of surety bonding, increased competition, unfavorable labor productivity and mix of business. Certain of the risk factors associated with EMCOR's business are also discussed in Part I, Item 1A "Risk Factors," of the Company's 2017 Form 10-K and in other reports filed from time to time with the Securities and Exchange Commission and available at [www.sec.gov](http://www.sec.gov) and [www.emcorgroup.com](http://www.emcorgroup.com). Such risk factors should be taken into account in evaluating any forward-looking statements.*

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*This material and related presentation also include certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles (GAAP). Any non-GAAP financial measures presented are not, and should not be viewed as, substitutes for financial measures required by GAAP, have no standardized meaning prescribed by GAAP and may not be comparable to the calculation of similar measures of other companies.*



## EMCOR Participants

- Tony Guzzi Chairman, 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



## 2018 Qtr. 2 Executive Summary

- Strong performance in Quarter 2
  - Diluted EPS from continuing operations of \$1.21 vs. \$0.95 in Quarter 2 2017
  - Revenues increased to \$1.95 billion
  - Operating income as a percentage of revenues was 5.1%
- Strong performance in the U.S. Electrical and Mechanical Construction and Facilities Services segments primarily attributable to excellent execution of industrial, hospitality and commercial construction projects



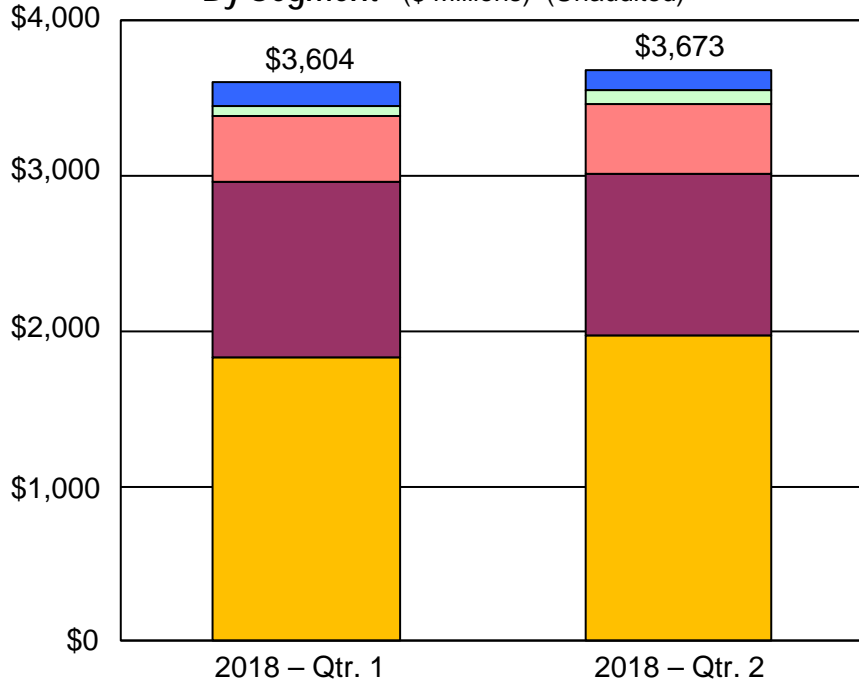
## 2018 Qtr. 2 Executive Summary

- U.S. Building Services segment benefited from strong performance in government operations and energy services
- U.K. Building Services segment had strong organic revenue growth based on new contract awards and small project execution
- U.S. Industrial Services segment had a difficult quarter. Expect to see resumption of normal demand in the second half of 2018 as mix and opportunities have improved

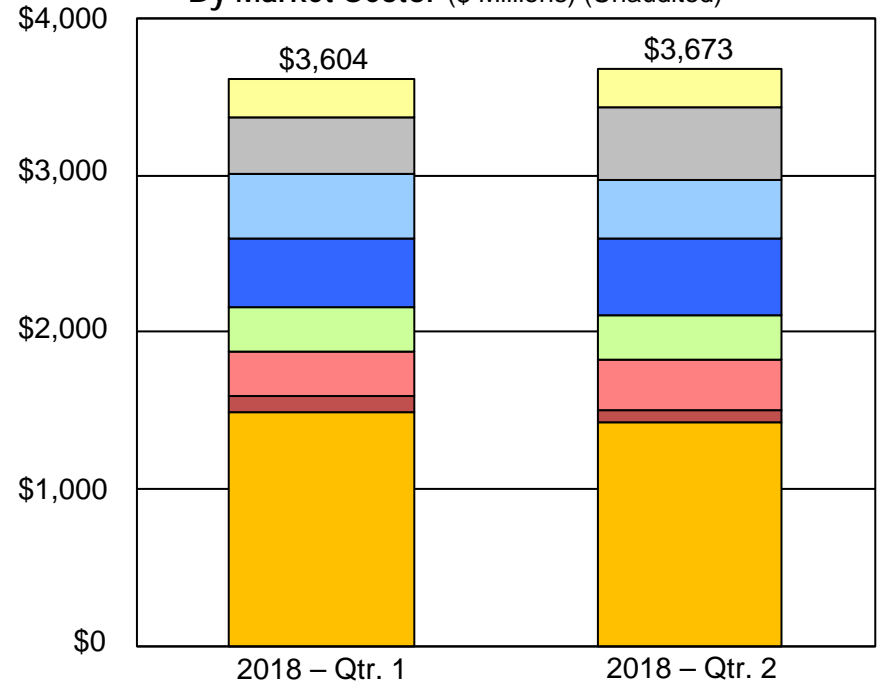
# 2018 Qtr. 2 Executive Summary

- Diverse Remaining Performance Obligations (RPO) of \$3.67 billion

By Segment (\$ Millions) (Unaudited)



By Market Sector (\$ Millions) (Unaudited)



■ Mechanical   
 ■ Electrical   
 ■ Building Services  
■ Industrial Services   
 ■ EMCOR UK

■ Commercial   
 ■ Hospitality   
 ■ Industrial / Manufacturing   
 ■ Healthcare  
■ Institutional   
 ■ Transportation   
 ■ Water & Wastewater   
 ■ Short Duration Projects

- Balance sheet remains strong and liquid, including \$306.6 million of cash
- Qtr. 2 2018 cash provided by operations of \$26.4 million

## 2018 – Qtr. 2 Financial Results Highlights

- Revenues increased 3.1% quarter-over-quarter to \$1.95 billion

(\$ Millions) (Unaudited)	Qtr. 2 2018	Change from Qtr. 2 2017	
		\$	%
U.S. Electrical Construction & Facilities Services	\$ 479.5	\$ 30.3	6.7%
U.S. Mechanical Construction & Facilities Services	740.7	(1.1)	-0.2%
<b>Sub-Total</b>	<b>1,220.2</b>	<b>29.2</b>	<b>2.4%</b>
U.S. Building Services	461.0	22.7	5.2%
U.S. Industrial Services	167.2	(20.3)	-10.8%
<b>Total U.S. Operations</b>	<b>1,848.4</b>	<b>31.6</b>	<b>1.7%</b>
U.K. Building Services	105.5	26.3	33.3%
<b>Total EMCOR</b>	<b>\$ 1,953.9</b>	<b>\$ 57.9</b>	<b>3.1%</b>



## 2018 – Qtr. 2 Financial Results Highlights

- SG&A expenses increased to \$189.9 million or 9.7% of revenues vs. \$181.7 million or 9.6% of revenues for Qtr. 2 2017
- Operating income of \$99.7 million or 5.1% of revenues includes:

(Unaudited)	For the Three Months Ended June 30,	
	<u>2018</u>	<u>2017</u>
– U.S. Electrical Construction and Facilities Services of \$36.0 million: \$3.9 million or 12.0% increase	7.5%	7.1%
– U.S. Mechanical Construction and Facilities Services of \$57.6 million: \$4.5 million or 8.5% increase	7.8%	7.2%
<b>Total U.S. Construction</b>	<b>7.7%</b>	<b>7.2%</b>
– U.S. Building Services of \$22.4 million: \$2.2 million or 10.8% increase	4.9%	4.6%
– U.S. Industrial Services of \$1.1 million: \$(3.3) million or 75.6% decrease	0.6%	2.3%
– U.K. Building Services of \$4.6 million: \$1.6 million or 52.5% increase	4.4%	3.8%
<b>Total EMCOR Operating Margin</b>	<b>5.1%</b>	<b>4.9%</b>



# Key Financial Data – Income Statement

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

	For the Three Months Ended June 30,		Variance	
	2018	2017	\$	%
Revenues	\$ 1,953,886	\$ 1,895,937	\$ 57,949	3.1%
Gross Profit	290,844 14.9%	274,501 14.5%	16,343	6.0%
Selling, General and Administrative Expenses	189,907	181,745	8,162	4.5%
Restructuring Expenses	374	343	31	N/M
Impairment Loss on Identifiable Intangible Assets	907	-	907	N/M
Operating Income	\$ 99,656 5.1%	\$ 92,413 4.9%	\$ 7,243	7.8%
Diluted Earnings per Common Share from Continuing Operations	\$ 1.21	\$ 0.95	\$ 0.26	27.4%
Non-GAAP Operating Income Excluding:				
- Impairment Loss on Identifiable Intangible Assets	\$ 100,563 5.1%	\$ 92,413 4.9%	\$ 8,150	8.8%
Non-GAAP Diluted Earnings per Common Share from Continuing Operations Excluding:				
- Impairment Loss on Identifiable Intangible Assets	\$ 1.23	\$ 0.95	\$ 0.28	29.5%

- Qtr. 2 2018 income tax rate 27.2%, Qtr. 2 2017 income tax rate 36.8%

# Key Financial Data – Income Statement

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

	For the Six Months Ended June 30,		Variance	
	2018	2017	\$	%
Revenues	\$ 3,854,274	\$ 3,787,669	\$ 66,605	1.8%
Gross Profit	559,963 14.5%	540,841 14.3%	19,122	3.5%
Selling, General and Administrative Expenses	380,932	365,132	15,800	4.3%
Restructuring Expenses	464	908	(444)	N/M
Impairment Loss on Identifiable Intangible Assets	907	-	907	N/M
Operating Income	\$ 177,660 4.6%	\$ 174,801 4.6%	\$ 2,859	1.6%
Diluted Earnings per Common Share from Continuing Operations	\$ 2.15	\$ 1.84	\$ 0.31	16.8%
Non-GAAP Operating Income Excluding:				
- Impairment Loss on Identifiable Intangible Assets	\$ 178,567 4.6%	\$ 174,801 4.6%	\$ 3,766	2.2%
Non-GAAP Diluted Earnings per Common Share from Continuing Operations Excluding:				
- Impairment Loss on Identifiable Intangible Assets	\$ 2.17	\$ 1.84	\$ 0.33	17.9%

# Key Financial Data – Balance Sheet

(\$ Thousands)

	(Unaudited) <b>06/30/18</b>	<b>12/31/17</b>
Cash	\$ 306,624	\$ 467,430
Working Capital	\$ 685,293	\$ 633,557
Goodwill	\$ 978,303	\$ 964,893
Identifiable Intangible Assets, Net	\$ 481,577	\$ 495,036
Total Debt	\$ 303,117	\$ 310,150
Stockholders' Equity	\$ 1,735,133	\$ 1,674,117
Total Debt / Total Capitalization	14.9%	15.6%



## 2018 Outlook

- Non-residential construction market expected to grow mid-single digits
- Building Services benefiting from continued growth in retrofit and energy savings projects
- Industrial Services:
  - Expect strengthening in downstream maintenance market in the second half of 2018 and into 2019 as normal demand pattern resumes
- Strong and liquid balance sheet



## 2018 Guidance

Revenues ~\$7.8 Billion

Diluted EPS from  
Continuing Operations \$4.40 – \$4.80

- Assuming effective annual income tax rate of approximately 28%





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