



# Quarter Three 2019 Financial Results

October 29, 2019



# Forward-Looking Statements and Non-GAAP Financial Disclosures

## **Forward Looking Statements:**

*This material and related presentation contain certain forward-looking statements. Any such comments speak only as of this date and EMCOR assumes no obligation to update any such forward-looking statements, unless required by law. 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 risks 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 2018 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.*

## **Non-GAAP Measures:**

*This material and related presentation include certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles (GAAP). Reconciliations of those non-GAAP financial measures to the most directly comparable GAAP financial measures are included in this presentation. The Company uses these non-GAAP measures as key performance indicators for the purpose of evaluating performance internally. We also believe that these non-GAAP measures provide investors with useful information with respect to our on-going operations. 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 & Treasurer
- Maxine Mauricio                      SVP & General Counsel
- Kevin Matz                      EVP, Shared Services

## 2019 Qtr. 3 Executive Summary

- Strong performance continues in Quarter 3
  - Record Qtr. 3 diluted EPS from continuing operations of \$1.45 vs. \$1.36 in Qtr. 3 2018
  - Record Qtr. 3 revenues of \$2.29 billion, 11.8% increase year-over-year
  - Operating income as a percentage of revenues was 5.1%
  - Total Remaining Performance Obligations (RPO) increased \$65 million or 1.65% from Qtr. 3 2018
- Third quarter revenue increased in all domestic segments quarter-over-quarter

## 2019 Qtr. 3 Executive Summary

- U.S. Electrical Construction and Facilities Services segment revenues increased by \$68.7 million vs. Qtr. 3 2018 with an operating margin of 6.1%
- U.S. Mechanical Construction and Facilities Services segment revenues increased by \$109.7 million vs. Qtr. 3 2018 with an operating margin of 7.0%
- U.S. Building Services segment revenues increased by \$58.4 million vs. Qtr. 3 2018 with an operating margin of 6.6%
- U.S. Industrial Services segment revenues increased by \$6.8 million vs. Qtr. 3 2018 with an operating margin of 2.4%
- U.K. Building Services segment revenues decreased by \$2.9 million vs. Qtr. 3 2018 with an operating margin of 4.9%



## 2019 Qtr. 3 Executive Summary

- Diverse RPO of \$4.04 billion, up 1.65% compared to Qtr. 3 2018

- U.S. RPO UP \$71 million or 1.9%

- Domestic Construction DOWNS

Sept. 2019  
vs.  
Sept. 2018

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\$(27)M ↓  
-0.8%

- U.S. Building Services Segment UP

\$110M ↑  
25.4%

- U.S. Industrial Services Segment DOWNS

\$(12)M ↓  
-12.5%

- Private Sector Flat (Commercial, Hospitality & Gaming, Industrial / Manufacturing and Short Duration Projects)

\$(1)M ↔  
N/M

- Public Sector UP (Transportation, Water / Wastewater, Institutional, Healthcare)

\$66M ↑  
4.4%

- Balance sheet remains strong and liquid, including \$368 million of cash

## 2019 – Qtr. 3 Financial Results Highlights

- Revenues increased 11.8% quarter-over-quarter to \$2.29 billion

(\$ Millions) (Unaudited)	Qtr. 3 2019	Change from Qtr. 3 2018	
		\$	%
U.S. Electrical Construction & Facilities Services	\$ 554.6	\$ 68.7	14.1%
U.S. Mechanical Construction & Facilities Services	869.2	109.7	14.4%
<b>Total U.S. Construction</b>	<b>1,423.8</b>	<b>178.4</b>	<b>14.3%</b>
U.S. Building Services	532.1	58.4	12.3%
U.S. Industrial Services	234.2	6.8	3.0%
<b>Total U.S. Operations</b>	<b>2,190.1</b>	<b>243.6</b>	<b>12.5%</b>
U.K. Building Services	97.6	(2.9)	-2.9%
<b>Total EMCOR</b>	<b>\$ 2,287.7</b>	<b>\$ 240.7</b>	<b>11.8%</b>



## 2019 – Qtr. 3 Financial Results Highlights

- SG&A expenses increased to \$220.1 million or 9.6% of revenues vs. \$197.3 million or 9.6% of revenues for Qtr. 3 2018
- Operating income was \$115.7 million or 5.1% of revenues

(Unaudited)	Operating Margin For the Quarter Ended September 30,	
	<u>2019</u>	<u>2018</u>
– U.S. Electrical Construction and Facilities Services of \$33.6 million: \$0.8 million or 2.4% decrease	6.1%	7.1%
– U.S. Mechanical Construction and Facilities Services of \$61.2 million: \$2.0 million or 3.3% increase	7.0%	7.8%
<b>Total U.S. Construction</b>	<b>6.7%</b>	<b>7.5%</b>
– U.S. Building Services of \$35.1 million: \$5.7 million or 19.6% increase	6.6%	6.2%
– U.S. Industrial Services of \$5.6 million: \$2.1 million or 27.2% decrease	2.4%	3.4%
– U.K. Building Services of \$4.8 million: \$0.3 million or 6.7% increase	4.9%	4.4%
<b>Total EMCOR</b>	<b>5.1%</b>	<b>5.5%</b>



## Key Financial Data – Income Statement

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

	For the Quarter Ended September 30,		Variance	
	2019	2018	\$	%
Revenues	\$ 2,287,741	\$ 2,047,049	\$ 240,692	11.8%
Gross Profit	335,987 14.7%	309,339 15.1%	26,648	8.6%
Selling, General and Administrative Expenses	220,119	197,334	22,785	11.5%
Restructuring Expenses	119	229	(110)	N/M
Operating Income	\$ 115,749 5.1%	\$ 111,776 5.5%	\$ 3,973	3.6%
Diluted Earnings per Common Share from Continuing Operations	\$ 1.45	\$ 1.36	\$ 0.09	6.6%

- Qtr. 3 2019 income tax rate 27.9%
- Qtr. 3 2019 cash provided by operations of \$219.1 million

## Key Financial Data – Income Statement

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

	For the Nine Months Ended September 30,		Variance	
	2019	2018	\$	%
Revenues	\$ 6,770,671	\$ 5,901,323	\$ 869,348	14.7%
Gross Profit	991,121 14.6%	869,302 14.7%	121,819	14.0%
Selling, General and Administrative Expenses	652,536	578,266	74,270	12.8%
Restructuring Expenses	567	693	(126)	N/M
Impairment Loss on Identifiable Intangible Assets	-	907	(907)	N/M
Operating Income	\$ 338,018 5.0%	\$ 289,436 4.9%	\$ 48,582	16.8%
Diluted Earnings per Common Share from Continuing Operations	\$ 4.22	\$ 3.52	\$ 0.70	19.9%
Non-GAAP Operating Income Excluding:				
- Impairment Loss on Identifiable Intangible Assets	\$ 338,018 5.0%	\$ 290,343 4.9%	\$ 47,675	16.4%
Non-GAAP Diluted Earnings per Common Share from Continuing Operations Excluding:				
- Impairment Loss on Identifiable Intangible Assets	\$ 4.22	\$ 3.54	\$ 0.68	19.2%

## Key Financial Data – Balance Sheet

(\$ Thousands) (Unaudited)

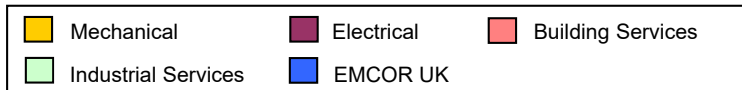
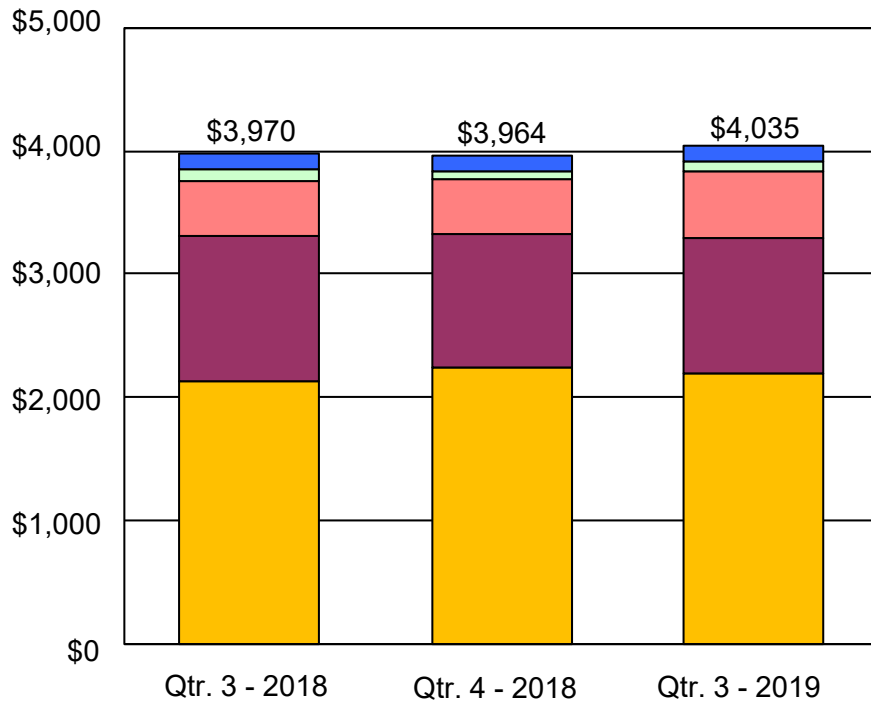
	<u>09/30/19</u>	<u>12/31/18</u>
Cash	\$ 368,073	\$ 363,907
Working Capital	\$ 764,739	\$ 651,809
Goodwill	\$ 1,019,590	\$ 990,887
Identifiable Intangible Assets, Net	\$ 482,785	\$ 488,286
Total Debt (excludes operating leases)	\$ 266,033	\$ 295,777
Stockholders' Equity	\$ 1,975,811	\$ 1,741,441
Total Debt / Total Capitalization	11.9%	14.5%



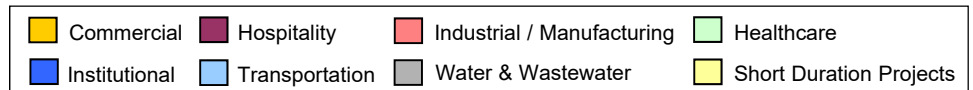
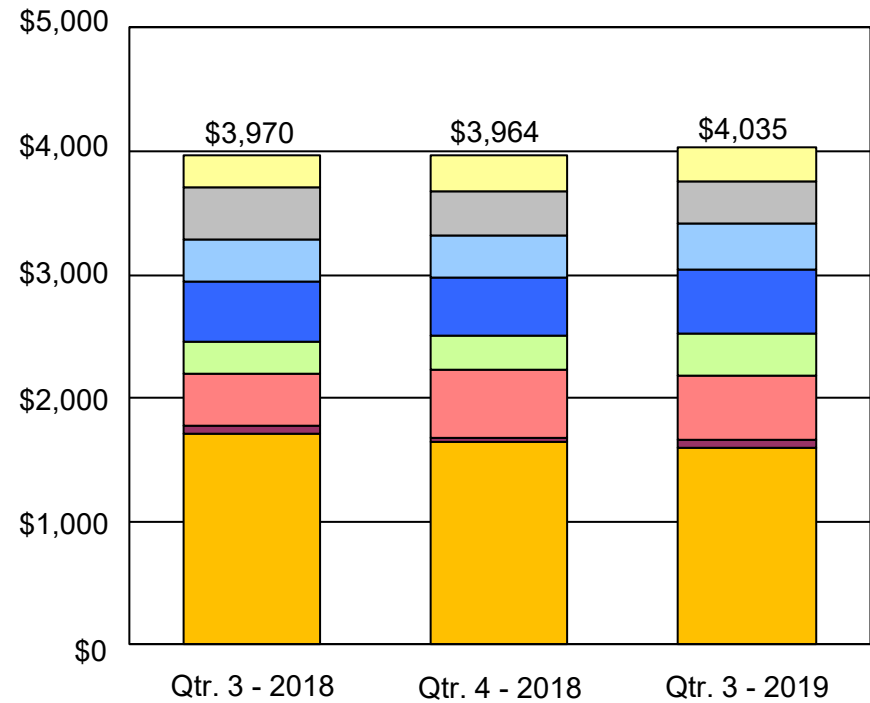
# Remaining Performance Obligations

- Diverse RPO of \$4.04 billion

**By Segment** (\$ Millions) (Unaudited)



**By Market Sector** (\$ Millions) (Unaudited)



## 2019 Outlook

- Non-residential construction market expected to grow mid-single digits
  - Expect continued strength in large data infrastructure projects
- Building Services benefiting from continued growth in retrofit and energy savings projects, as well as favorable mix of work
- Industrial Services:
  - Expect normal fall turnaround work
- U.K. will continue to respond to customers' maintenance and project needs
- Strong and liquid balance sheet



## 2019 Revised Guidance

Revenues

~ \$9.0 Billion

Diluted EPS from  
Continuing Operations

\$5.65 – \$5.75  
*(Was \$5.50 - \$5.75)*



Build. Power. Service. Protect.