



# Third Quarter 2018 Financial Results

October 25, 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.*

## **Non-GAAP Measures:**

*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. 3 Executive Summary

- Continue to work in a growing non-residential environment
  - Diluted EPS from continuing operations of \$1.36 vs. \$1.09 in Quarter 3 2017
  - Revenues increased 8.5% to \$2.05 billion
  - Operating income as a percentage of revenues was 5.5%
- U.S. Electrical Construction and Facilities Services segment revenues increased by \$28.1 million vs. Quarter 3 2017 and operating margin was 7.1%
- U.S. Mechanical Construction and Facilities Services segment revenues increased by \$12.2 million vs. Quarter 3 2017 and operating margin was 7.6%



## 2018 Qtr. 3 Executive Summary

- U.S. Building Services segment revenues increased by \$36.6 million vs. Quarter 3 2017 and operating margin expanded to 6.2% from 6.0%
- U.S. Industrial Services segment revenues increased by \$68.8 million vs. Quarter 3 2017 and operating margin was 3.8%
- U.K. Building Services segment revenues increased by \$14.7 million vs. Quarter 3 2017 and operating margin expanded to 4.4% from 4.0%



## 2018 Qtr. 3 Executive Summary

- Diverse Remaining Performance Obligations (RPO) of \$3.97 billion, up 8.1% compared to Quarter 2 2018
 

	Sept. 2018 vs. June 2018
– U.S. RPO UP \$300 million or 8.5%	
➤ Domestic Construction UP	\$326M ↑ 10.8%
➤ U.S. Building Services Segment DOWN	\$(18M) ↓ -3.9%
➤ U.S. Industrial Services Segment DOWN	\$(8M) ↓ -9.7%
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➤ Private Sector UP (Commercial, Hospitality & Gaming, Industrial / Manufacturing and Short Duration Projects)	\$391M ↑ 18.8%
➤ Public Sector DOWN (Transportation, Water / Wastewater, Institutional, Healthcare)	\$(94)M ↓ -5.9%
  
- Balance sheet remains strong and liquid, including \$353.9 million of cash

## 2018 – Qtr. 3 Financial Results Highlights

- Revenues increased 8.5% quarter-over-quarter to \$2.05 billion

(\$ Millions) (Unaudited)	Qtr. 3 2018	Change from Qtr. 3 2017	
		\$	%
U.S. Electrical Construction & Facilities Services	\$ 486.0	\$ 28.1	6.1%
U.S. Mechanical Construction & Facilities Services	772.3	12.2	1.6%
<b>Sub-Total</b>	<b>1,258.3</b>	<b>40.3</b>	<b>3.3%</b>
U.S. Building Services	473.7	36.6	8.4%
U.S. Industrial Services	214.5	68.8	47.2%
<b>Total U.S. Operations</b>	<b>1,946.5</b>	<b>145.7</b>	<b>8.1%</b>
U.K. Building Services	100.5	14.7	17.1%
<b>Total EMCOR</b>	<b>\$ 2,047.0</b>	<b>\$ 160.4</b>	<b>8.5%</b>



## 2018 – Qtr. 3 Financial Results Highlights

- SG&A expenses increased to \$197.3 million or 9.6% of revenues vs. \$189.0 million or 10.0% of revenues for Qtr. 3 2017
- Operating income of \$111.8 million or 5.5% of revenues includes:

(Unaudited)	<b>For the Three Months Ended September 30,</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
– U.S. Electrical Construction and Facilities Services of \$34.5 million: \$12.1 million or 26.0% decrease	7.1%	10.2%
– U.S. Mechanical Construction and Facilities Services of \$58.7 million: \$1.2 million or 2.1% increase	7.6%	7.6%
<b>Total U.S. Construction</b>	<b>7.4%</b>	<b>8.5%</b>
– U.S. Building Services of \$29.3 million: \$3.3 million or 12.6% increase	6.2%	6.0%
– U.S. Industrial Services of \$8.2 million: \$13.0 million increase	3.8%	-3.3%
– U.K. Building Services of \$4.5 million: \$1.0 million or 29.4% increase	4.4%	4.0%
<b>Total EMCOR Operating Margin</b>	<b>5.5%</b>	<b>5.6%</b>



## Key Financial Data – Income Statement

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

	For the Three Months Ended September 30,		Variance	
	2018	2017	\$	%
Revenues	\$ 2,047,049	\$ 1,886,691	\$ 160,358	8.5%
Gross Profit	309,339 15.1%	295,070 15.6%	14,269	4.8%
Selling, General and Administrative Expenses	197,334	188,980	8,354	4.4%
Restructuring Expenses	229	46	183	N/M
Operating Income	\$ 111,776 5.5%	\$ 106,044 5.6%	\$ 5,732	5.4%
Diluted Earnings per Common Share from Continuing Operations	\$ 1.36	\$ 1.09	\$ 0.27	24.8%

- Qtr. 3 2018 income tax rate 27.1%, Qtr. 3 2017 income tax rate 37.3%
- Qtr. 3 2018 cash provided by operations of \$98.5 million

# Key Financial Data – Income Statement

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

	For the Nine Months Ended September 30,		Variance	
	2018	2017	\$	%
Revenues	\$ 5,901,323	\$ 5,674,360	\$ 226,963	4.0%
Gross Profit	869,302 14.7%	835,911 14.7%	33,391	4.0%
Selling, General and Administrative Expenses	578,266	554,112	24,154	4.4%
Restructuring Expenses	693	954	(261)	N/M
Impairment Loss on Identifiable Intangible Assets	907	-	907	N/M
Operating Income	\$ 289,436 4.9%	\$ 280,845 4.9%	\$ 8,591	3.1%
Diluted Earnings per Common Share from Continuing Operations	\$ 3.52	\$ 2.93	\$ 0.59	20.1%
Non-GAAP Operating Income Excluding:				
- Impairment Loss on Identifiable Intangible Assets	\$ 290,343 4.9%	\$ 280,845 4.9%	\$ 9,498	3.4%
Non-GAAP Diluted Earnings per Common Share from Continuing Operations Excluding:				
- Impairment Loss on Identifiable Intangible Assets	\$ 3.54	\$ 2.93	\$ 0.61	20.8%

## Key Financial Data – Balance Sheet

(\$ Thousands)

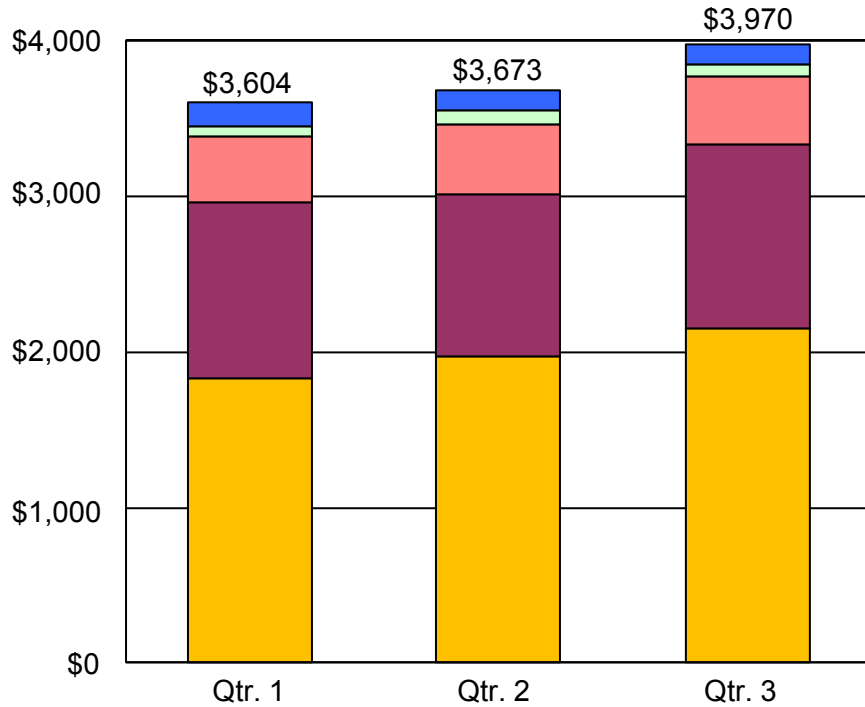
	(Unaudited) <b>09/30/18</b>	<b>12/31/17</b>
Cash	\$ 353,912	\$ 467,430
Working Capital	\$ 734,624	\$ 633,557
Goodwill	\$ 978,243	\$ 964,893
Identifiable Intangible Assets, Net	\$ 471,447	\$ 495,036
Total Debt	\$ 299,338	\$ 310,150
Stockholders' Equity	\$ 1,779,126	\$ 1,674,117
Total Debt / Total Capitalization	14.4%	15.6%



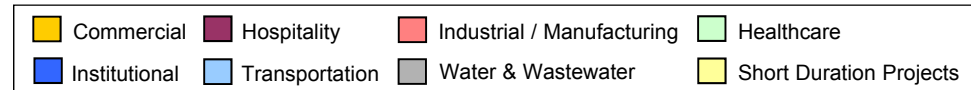
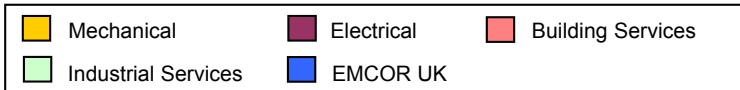
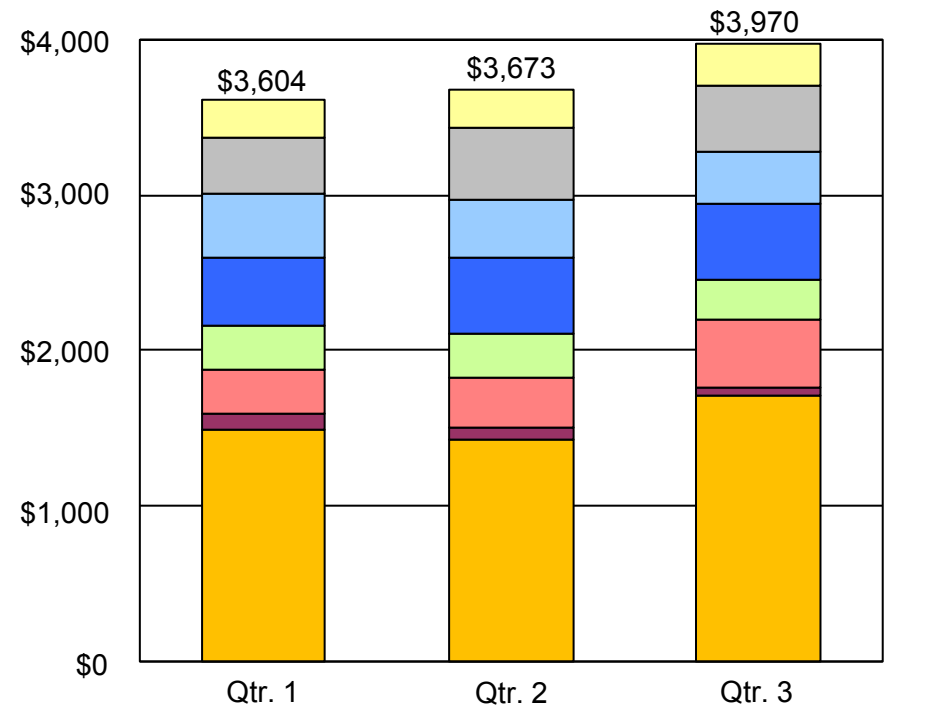
# 2018 Remaining Performance Obligations

- Diverse Remaining Performance Obligations (RPO) of \$3.97 billion

By Segment (\$ Millions) (Unaudited)



By Market Sector (\$ Millions) (Unaudited)



## 2018 Year End Outlook

- Non-residential construction market is growing at mid-single digit rate
- Building Services benefiting from continued growth in retrofit and energy savings projects, as well as a favorable mix of work
- Industrial Services:
  - We expect strengthening in downstream maintenance market in Qtr. 4 and into 2019 as customer spending improves
- Strong and liquid balance sheet



## 2018 Guidance

Revenues

~\$7.9 Billion

Non-GAAP Diluted EPS  
from Continuing Operations

\$4.75 – \$4.90 \*

\* Excludes non-cash impairment loss



Build. Power. Service. Protect.