

EMCOR GROUP INC
Form 10-Q
October 29, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission file number 1-8267

EMCOR GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of

Incorporation or Organization)

11-2125338

(I.R.S. Employer

Identification Number)

301 Merritt Seven

Norwalk, Connecticut

(Address of Principal Executive Offices)

(203) 849-7800

(Registrant's Telephone Number, Including Area Code)

06851-1092

(Zip Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last

Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

Applicable Only To Corporate Issuers

Number of shares of Common Stock outstanding as of the close of business on October 26, 2015: 62,723,966 shares.

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PART I. – FINANCIAL INFORMATION.

ITEM 1. FINANCIAL STATEMENTS.

EMCOR Group, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$445,400	\$ 432,056
Accounts receivable, net	1,333,823	1,234,187
Costs and estimated earnings in excess of billings on uncompleted contracts	128,828	103,201
Inventories	47,843	46,854
Prepaid expenses and other	59,252	70,305
Total current assets	2,015,146	1,886,603
Investments, notes and other long-term receivables	7,146	9,122
Property, plant and equipment, net	117,039	122,178
Goodwill	834,660	834,102
Identifiable intangible assets, net	474,240	502,060
Other assets	35,198	34,902
Total assets	\$3,483,429	\$ 3,388,967
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings under revolving credit facility	\$—	\$—
Current maturities of long-term debt and capital lease obligations	18,712	19,041
Accounts payable	423,260	460,478
Billings in excess of costs and estimated earnings on uncompleted contracts	389,727	368,555
Accrued payroll and benefits	264,788	245,854
Other accrued expenses and liabilities	212,743	189,489
Total current liabilities	1,309,230	1,283,417
Long-term debt and capital lease obligations	303,040	316,399
Other long-term obligations	356,990	359,764
Total liabilities	1,969,260	1,959,580
Equity:		
EMCOR Group, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, zero issued and outstanding	—	—
Common stock, \$0.01 par value, 200,000,000 shares authorized, 63,469,018 and 63,641,070 shares issued, respectively	635	636
Capital surplus	214,631	227,885
Accumulated other comprehensive loss	(81,629	) (83,197)
Retained earnings	1,386,977	1,280,991
Treasury stock, at cost 659,841 and 659,841 shares, respectively	(10,302	) (10,302)
Total EMCOR Group, Inc. stockholders' equity	1,510,312	1,416,013
Noncontrolling interests	3,857	13,374
Total equity	1,514,169	1,429,387
Total liabilities and equity	\$3,483,429	\$ 3,388,967

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share data)(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenues	\$1,699,128	\$1,566,711	\$4,940,900	\$4,710,169
Cost of sales	1,463,726	1,344,482	4,249,042	4,051,496
Gross profit	235,402	222,229	691,858	658,673
Selling, general and administrative expenses	165,135	159,983	488,117	454,243
Restructuring expenses	301	398	742	799
Gain on sale of building	—	11,749	—	11,749
Operating income	69,966	73,597	202,999	215,380
Interest expense	(2,226)	) (2,397)	) (6,650)	) (6,887)
Interest income	157	186	515	641
Income from continuing operations before income taxes	67,897	71,386	196,864	209,134
Income tax provision	25,720	23,998	74,672	75,428
Income from continuing operations	42,177	47,388	122,192	133,706
Loss from discontinued operation, net of income taxes	(270)	) (611)	) (739)	) (4,087)
Net income including noncontrolling interests	41,907	46,777	121,453	129,619
Less: Net income attributable to noncontrolling interests	(385)	) (1,753)	) (233)	) (3,421)
Net income attributable to EMCOR Group, Inc.	\$41,522	\$45,024	\$121,220	\$126,198
Basic earnings (loss) per common share:				
From continuing operations attributable to EMCOR Group, Inc. common stockholders	\$0.66	\$0.68	\$1.94	\$1.94
From discontinued operation	(0.00)	) (0.01)	) (0.01)	) (0.06)
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.66	\$0.67	\$1.93	\$1.88
Diluted earnings (loss) per common share:				
From continuing operations attributable to EMCOR Group, Inc. common stockholders	\$0.66	\$0.68	\$1.92	\$1.92
From discontinued operation	(0.00)	) (0.01)	) (0.01)	) (0.06)
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.66	\$0.67	\$1.91	\$1.86
Dividends declared per common share	\$0.08	\$0.08	\$0.24	\$0.24

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income including noncontrolling interests	\$41,907	\$46,777	\$121,453	\$129,619
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	110	(312)	(78)	(246)
Post retirement plans, amortization of actuarial loss included in net income ⁽¹⁾	554	449	1,646	1,345
Other comprehensive income	664	137	1,568	1,099
Comprehensive income	42,571	46,914	123,021	130,718
Less: Comprehensive income attributable to noncontrolling interests	(385)	(1,753)	(233)	(3,421)
Comprehensive income attributable to EMCOR Group, Inc.	\$42,186	\$45,161	\$122,788	\$127,297

Net of tax of \$0.2 million and \$0.1 million for the three months ended September 30, 2015 and 2014, respectively, (1) and net of tax of \$0.5 million and \$0.4 million for the nine months ended September 30, 2015 and 2014, respectively.

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)(Unaudited)

	Nine months ended September 30,	
	2015	2014
Cash flows - operating activities:		
Net income including noncontrolling interests	\$ 121,453	\$ 129,619
Depreciation and amortization	26,806	27,211
Amortization of identifiable intangible assets	28,391	28,497
Deferred income taxes	(3,598)	4,434
Loss on sale of subsidiary	—	608
Gain on sale of building	—	(11,749)
Excess tax benefits from share-based compensation	(1,306)	(5,886)
Equity income from unconsolidated entities	(1,634)	(1,349)
Other non-cash items	9,701	8,005
Distributions from unconsolidated entities	3,316	1,640
Changes in operating assets and liabilities, excluding the effect of businesses acquired	(87,548)	(72,036)
Net cash provided by operating activities	95,581	108,994
Cash flows - investing activities:		
Payments for acquisitions of businesses, net of cash acquired	(2,357)	—
Proceeds from sale of subsidiary	—	1,108
Proceeds from sale of building	—	11,885
Proceeds from sale of property, plant and equipment	2,921	3,138
Purchase of property, plant and equipment	(22,862)	(27,574)
Investments in and advances to unconsolidated entities and joint ventures	—	(1,865)
Net cash used in investing activities	(22,298)	(13,308)
Cash flows - financing activities:		
Repayments of long-term debt	(13,136)	(13,074)
Repayments of capital lease obligations	(2,190)	(1,272)
Dividends paid to stockholders	(15,078)	(16,109)
Repurchase of common stock	(21,148)	(76,395)
Proceeds from exercise of stock options	2,378	5,044
Payments to satisfy minimum tax withholding	(3,866)	(1,481)
Issuance of common stock under employee stock purchase plan	3,147	2,677
Payments for contingent consideration arrangements	(403)	—
Distributions to noncontrolling interests	(9,750)	(2,750)
Excess tax benefits from share-based compensation	1,306	5,886
Net cash used in financing activities	(58,740)	(97,474)
Effect of exchange rate changes on cash and cash equivalents	(1,199)	(579)
Increase (decrease) in cash and cash equivalents	13,344	(2,367)
Cash and cash equivalents at beginning of year	432,056	439,813
Cash and cash equivalents at end of period	\$ 445,400	\$ 437,446
Supplemental cash flow information:		
Cash paid for:		
Interest	\$ 5,539	\$ 5,606
Income taxes	\$ 72,277	\$ 60,276
Non-cash financing activities:		
Assets acquired under capital lease obligations	\$ 1,686	\$ 93

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)(Unaudited)