

EMCOR GROUP INC
Form 10-Q
April 29, 2014
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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 March 31, 2014

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 April 24, 2014: 67,281,608 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)

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$406,668	\$ 439,813
Accounts receivable, net	1,251,473	1,268,226
Costs and estimated earnings in excess of billings on uncompleted contracts	105,008	90,727
Inventories	50,332	52,123
Prepaid expenses and other	67,699	79,216
Total current assets	1,881,180	1,930,105
Investments, notes and other long-term receivables	6,567	6,799
Property, plant and equipment, net	122,456	123,414
Goodwill	834,102	834,825
Identifiable intangible assets, net	531,994	541,497
Other assets	31,217	29,275
Total assets	\$3,407,516	\$ 3,465,915
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings under revolving credit facility	\$—	\$ —
Current maturities of long-term debt and capital lease obligations	19,227	19,332
Accounts payable	426,799	487,738
Billings in excess of costs and estimated earnings on uncompleted contracts	371,877	381,295
Accrued payroll and benefits	199,887	237,779
Other accrued expenses and liabilities	184,624	172,599
Total current liabilities	1,202,414	1,298,743
Borrowings under revolving credit facility	—	—
Long-term debt and capital lease obligations	330,639	335,331
Other long-term obligations	347,949	352,215
Total liabilities	1,881,002	1,986,289
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, 68,006,975 and 67,627,359 shares issued, respectively	680	676
Capital surplus	418,645	408,083
Accumulated other comprehensive loss	(65,332)	(65,777)
Retained earnings	1,169,781	1,133,873
Treasury stock, at cost 659,841 and 730,841 shares, respectively	(10,302)	(10,590)
Total EMCOR Group, Inc. stockholders' equity	1,513,472	1,466,265
Noncontrolling interests	13,042	13,361
Total equity	1,526,514	1,479,626
Total liabilities and equity	\$3,407,516	\$ 3,465,915

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 March	
	31,	
	2014	2013
Revenues	\$1,599,385	\$1,568,401
Cost of sales	1,384,174	1,377,263
Gross profit	215,211	191,138
Selling, general and administrative expenses	144,928	138,510
Restructuring expenses	909	1,363
Operating income	69,374	51,265
Interest expense	(2,248) (1,862
Interest income	234	357
Income before income taxes	67,360	49,760
Income tax provision	25,518	19,042
Net income including noncontrolling interests	41,842	30,718
Less: Net income attributable to noncontrolling interests	(581) (551
Net income attributable to EMCOR Group, Inc.	\$41,261	\$30,167
Basic earnings per common share:		
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.61	\$0.45
Diluted earnings per common share:		
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.61	\$0.44
Dividends declared per common share	\$0.08	\$—
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	
	March 31,	
	2014	2013
Net income including noncontrolling interests	\$41,842	\$30,718
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	2	(74)
Post retirement plans, amortization of actuarial loss included in net income ⁽¹⁾	443	554
Other comprehensive income	445	480
Comprehensive income	42,287	31,198
Less: Comprehensive income attributable to noncontrolling interests	(581)	(551)
Comprehensive income attributable to EMCOR Group, Inc.	\$41,706	\$30,647

(1) Net of tax of \$0.1 million and \$0.2 million for the three months ended March 31, 2014 and 2013, 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)

	Three months ended March 31,	
	2014	2013
Cash flows - operating activities:		
Net income including noncontrolling interests	\$41,842	\$30,718
Depreciation and amortization	8,867	8,155
Amortization of identifiable intangible assets	9,504	6,336
Deferred income taxes	4,513	3,487
Loss on sale of subsidiary	596	—
Excess tax benefits from share-based compensation	(4,869)	(418)
Equity loss (income) from unconsolidated entities	460	(59)
Other non-cash items	1,038	1,779
Distributions from unconsolidated entities	72	600
Changes in operating assets and liabilities, excluding the effect of businesses acquired	(86,339)	(145,700)
Net cash used in operating activities	(24,316)	(95,102)
Cash flows - investing activities:		
Proceeds from sale of subsidiary	1,121	—
Proceeds from sale of property, plant and equipment	931	549
Purchase of property, plant and equipment	(8,073)	(7,005)
Investments in and advances to unconsolidated entities and joint ventures	(300)	—
Net cash used in investing activities	(6,321)	(6,456)
Cash flows - financing activities:		
Repayments of long-term debt	(4,377)	(2)
Repayments of capital lease obligations	(491)	(390)
Dividends paid to stockholders	(5,353)	—
Proceeds from exercise of stock options	3,974	1,714
Payments to satisfy minimum tax withholding	(1,481)	(927)
Issuance of common stock under employee stock purchase plan	866	671
Payments for contingent consideration arrangements	—	(537)
Distributions to noncontrolling interests	(900)	(1,050)
Excess tax benefits from share-based compensation	4,869	418
Net cash used in financing activities	(2,893)	(103)
Effect of exchange rate changes on cash and cash equivalents	385	(4,540)
Decrease in cash and cash equivalents	(33,145)	(106,201)
Cash and cash equivalents at beginning of year	439,813	605,303
Cash and cash equivalents at end of period	\$406,668	\$499,102
Supplemental cash flow information:		
Cash paid for:		
Interest	\$1,527	\$1,344
Income taxes	\$2,295	\$28,311
Non-cash financing activities:		
Assets acquired under capital lease obligations	\$50	\$169

See Notes to Condensed Consolidated Financial Statements.

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

	Total	EMCOR Group, Inc.		Stockholders Accumulated other comprehensive (loss) income (1)	Retained earnings	Treasury stock	Noncontrolling interests
		Common stock	Capital surplus				
Balance, January 1, 2013	\$ 1,357,179	\$680	\$416,104	\$(81,040)	\$1,022,239	\$(11,903)	\$ 11,099
Net income including noncontrolling interests	30,718	—	—	—	30,167	—	551
Other comprehensive income	480	—	—	480	—	—	—
Common stock issued under share-based compensation plans (2)	1,222	2	1,179	—	—	41	—
Common stock issued under employee stock purchase plan	671	—	671	—	—	—	—
Distributions to noncontrolling interests	(1,050)	—	—	—	—	—	(1,050)
Share-based compensation expense	2,265	—	2,265	—	—	—	—
Balance, March 31, 2013	\$ 1,391,485	\$682	\$420,219	\$(80,560)	\$1,052,406	\$(11,862)	\$ 10,600
Balance, January 1, 2014	\$ 1,479,626	\$676	\$408,083	\$(65,777)	\$1,133,873	\$(10,590)	\$ 13,361
Net income including noncontrolling interests	41,842	—	—	—	41,261	—	581
Other comprehensive income	445	—	—	445	—	—	—
Common stock issued under share-based compensation plans (2)	7,390	4	7,098	—	—	—	—