

Edgar Filing: EMCOR GROUP INC - Form 8-K

EMCOR GROUP INC  
Form 8-K  
November 03, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported) November 2, 2010

EMCOR Group, Inc.

-----  
(Exact Name of Registrant as Specified in Its Charter)

Delaware

-----  
(State or Other Jurisdiction of Incorporation)

1-8267

11-2125338

-----  
(Commission File Number)

-----  
(I.R.S. Employer Identification No.)

301 Merritt Seven, Norwalk, CT

06851-1092

-----  
(Address of Principal Executive Offices)

-----  
(Zip Code)

(203) 849-7800

-----  
(Registrant's Telephone Number, Including Area Code)

N/A

-----  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On November 2, 2010, EMCOR Group, Inc. issued a press release disclosing

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results of operations for its fiscal 2010 third quarter ended September 30, 2010. A copy of such press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information contained in this Current Report on Form 8-K shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that Section, nor shall it be incorporated by reference into a filing under the Securities Act of 1933, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item. 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
99.1	Press Release issued by EMCOR Group, Inc. on November 2, 2010 disclosing results of operations for its fiscal 2010 third quarter ended September 30, 2010.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EMCOR Group, Inc.

Dated: November 3, 2010

By: /s/ Frank T. MacInnis

Frank T. MacInnis  
Chairman of the Board of  
Directors and Chief  
Executive Officer

Exhibit 99.1

FOR: EMCOR GROUP, INC.

CONTACT: R. Kevin Matz  
Executive Vice President  
Shared Services  
(203) 849-7938

FD  
Investors: Eric Boyriven / Alexandra Tramont  
(212) 850-5600

Linden Alschuler & Kaplan, Inc.  
Media: Suzanne Dawson / Cecile Fradkin  
212-575-4545

EMCOR GROUP, INC. REPORTS THIRD QUARTER 2010 RESULTS

- Adjusted EPS of \$0.45 excluding non-cash impairment charge; loss of \$(2.64) including \$226 million non-cash impairment charge -
- Company increases 2010 adjusted EPS guidance to \$1.78 to \$1.90;

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\$(1.36) to \$(1.24) including non-cash impairment charges  
and Qtr. 2 gain on sale -

NORWALK, CONNECTICUT, November 2, 2010 - EMCOR Group, Inc. (NYSE: EME) today reported results for the third quarter ended September 30, 2010.

The Company recorded a net loss for the 2010 third quarter of \$175.6 million, or \$(2.64) per diluted share. Excluding a non-cash impairment charge discussed below, adjusted net income was \$30.9 million, or \$0.45 per diluted share, compared to net income of \$40.0 million, or \$0.59 per diluted share, in the third quarter of 2009. Revenues in the third quarter of 2010 totaled \$1.28 billion, compared to \$1.37 billion in the third quarter a year ago.

During the third quarter of 2010, the Company concluded that impairment indicators existed within its United States facilities services segment based upon year to date results and recent forecasts. As a result, the Company performed applicable tests as prescribed by the accounting literature and recognized a pre-tax, non-cash impairment charge of \$226.2 million, or \$3.09 per diluted share after-tax. The impairment charge results primarily from the negative impact of recessionary trends in the refining industry on the revenues and operating margins of the industrial services operations in the Company's facilities services business, as well as continuing uncertainty about the pace and timing of improved demand for refined products. The impairment did not have any impact on the Company's compliance with its debt covenants or on its cash flows.

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Including the above-mentioned non-cash impairment charge and restructuring expenses of \$1.7 million, the operating loss for the third quarter of 2010 was \$174.4 million. Excluding the non-cash impairment charge, the Company's non-GAAP operating income for the third quarter of 2010 was \$51.8 million, or 4.1% of revenues. Operating income in the 2009 third quarter was \$67.3 million, or 4.9% of revenues, which included restructuring expenses of \$0.1 million.

For the third quarter of 2010, the Company's Canadian construction subsidiary recorded an operating loss of \$4.6 million primarily due to a write-down on a construction project. Excluding the impact of the write-down, operating income of the Canadian subsidiary was \$4.1 million for the third quarter of 2010, compared to operating income of \$4.5 million in the same period last year, reflecting good performance especially in the nuclear energy and healthcare sectors.

Please see the attached tables for a reconciliation of non-GAAP operating income, non-GAAP net income and non-GAAP diluted earnings per share to the comparable GAAP figures.

Selling, general and administrative expenses (SG&A) decreased 13.4% to \$119.5 million, or 9.4% of revenues, in the 2010 third quarter, from \$137.9 million, or 10.1% of revenues, in the year-ago period.

For the third quarter of 2010, net interest expense was \$2.5 million, compared to \$1.2 million in the third quarter of 2009, reflecting higher borrowing costs under the Company's new revolving credit facility.

Contract backlog as of September 30, 2010 was \$3.14 billion, largely unchanged from contract backlog of \$3.15 billion as of December 31, 2009 and June 30, 2010. Compared to 2009 year-end backlog, the Company's current backlog reflects growth in the healthcare, industrial and institutional sectors, which offset declines in the commercial, hospitality/gaming and transportation markets.

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Frank T. MacInnis, Chairman and CEO of EMCOR Group, commented, "We continue to be encouraged by the underlying results of our businesses through the third quarter, which largely reflected steady performance and solid operational execution. While the impairment charge taken during the quarter was required, it is the result of weak industry-wide conditions in the refining sector and not something specific to our operations, which we believe remain well positioned to take advantage of an upturn in that marketplace when it occurs."

Mr. MacInnis concluded, "While we continue to operate in a challenging economic environment, overall demand remains stable, driven by our strong backlog in the government and healthcare markets. We are committed to growing both organically through disciplined project bidding and solid execution, and through the continued pursuit of attractive acquisition targets, as evidenced by our recent acquisition of Harry Pepper & Associates. Although the pace of the eventual recovery in our markets is uncertain, our diverse business model provides a stable base through this economic slowdown while giving us the flexibility and confidence to take advantage of improving market conditions when they occur."

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For the first nine months of 2010, the Company reported a net loss of \$126.7 million, or \$(1.91) per diluted share. The net loss included the above-mentioned charges, as well as a \$19.9 million, or \$0.18 per diluted share after-tax, non-cash impairment charge in the 2010 second quarter, a pre-tax gain of \$7.9 million, or \$0.12 per diluted share after-tax, in the 2010 second quarter from the gain on the sale of the Company's equity interest in its Middle East venture to its venture partner, and restructuring expenses of \$2.5 million.

Excluding all non-cash impairment charges and the gain on sale, net income for the first nine months of 2010 was \$83.9 million, or \$1.23 per diluted share, compared to net income of \$121.6 million, or \$1.81 per diluted share for the first nine months of 2009. Net income for the first nine months of 2009 included \$4.2 million in restructuring expenses.

Revenues for the first nine months of 2010 were \$3.77 billion, compared to \$4.19 billion for the first nine months of 2009.

For the first nine months of 2010, the Company reported an operating loss of \$97.1 million, or (2.6)% of revenues. Excluding the non-cash impairment charges, the Company's non-GAAP operating income for the first nine months of 2010 was \$149.0 million, or 4.0% of revenues, compared to \$206.4 million, or 4.9% of revenues, in the comparable 2009 period. SG&A for the first nine months of 2010 was \$363.0 million, or 9.6% of revenues, compared to \$402.7 million, or 9.6% of revenues for the first nine months of 2009.

For the 2010 nine-month period, net interest expense was \$7.3 million, compared to \$2.2 million in the same year ago period, and as previously announced reflects the acceleration of expense for debt issuance costs associated with the repayment and termination of a term loan and the Company's 2005 revolving credit facility, increased borrowing costs under the Company's new revolving credit facility and decreased interest income on invested cash balances.

The Company noted that, based on the current size and mix of its contract backlog and assuming a continuation of existing market conditions, it continues to expect to generate revenues in 2010 of approximately \$5 billion and now expects adjusted earnings per share for 2010 of \$1.78 to \$1.90, before the above-mentioned impairments and gain on sale items, reflecting better than previously anticipated margin performance. Including the impairment charges and gain on sale items, the Company expects to generate diluted earnings per share of \$(1.36) to \$(1.24). Please see the attached tables for a reconciliation of non-GAAP diluted earnings per share to the comparable GAAP figures.

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EMCOR Group, Inc. is a Fortune 500(R) worldwide leader in mechanical and electrical construction services, energy infrastructure and facilities services. This press release and other press releases may be viewed at the Company's Web site at [www.emcorgroup.com](http://www.emcorgroup.com).

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EMCOR Group's third quarter conference call will be available live via internet broadcast today, Tuesday, November 2, at 10:30 AM Eastern Daylight Time. You can access the live call through the Home Page of the Company's Web site at [www.emcorgroup.com](http://www.emcorgroup.com).

This release may contain certain forward-looking statements within the meaning of the Private Securities Reform Act of 1995. Any such comments are based upon information available to EMCOR management and its perception thereof, as of this date, and EMCOR assumes no obligation to update any such forward-looking statements. These forward-looking statements may include statements regarding market opportunities, market share growth, gross profit, backlog mix, projects with varying profit margins, and selling, general and administrative expenses. 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 risks and factors associated with EMCOR's business are also discussed in the Company's 2009 Form 10-K, its Form 10-Q for the third quarter ended September 30, 2010, and in other reports filed from time to time with the Securities and Exchange Commission. All these risks and factors should be taken into account in evaluating any forward-looking statements.

- FINANCIAL TABLES FOLLOW -

EMCOR GROUP, INC.  
FINANCIAL HIGHLIGHTS  
(In thousands, except share and per share information)  
(Unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30,		For the Nine Months September 30,	
	2010	2009	2010	2009
Revenues	\$ 1,277,277	\$ 1,371,985	\$ 3,765,138	\$ 4,138,138
Cost of sales	1,104,349	1,166,740	3,250,695	3,500,000
Gross profit	172,928	205,245	514,443	638,138
Selling, general and administrative expenses	119,450	137,895	362,972	400,000
Restructuring expenses	1,715	90	2,512	--
Impairment loss on goodwill and identifiable intangible assets	226,152	--	246,081	--

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Operating (loss) income	(174,389)	67,260	(97,122)	2
Interest expense, net	2,537	1,159	7,301	
Gain on sale of equity investment	--	--	7,900	
	-----	-----	-----	-----
(Loss) income before income taxes	(176,926)	66,101	(96,523)	2
Income tax (benefit) provision	(2,362)	25,624	27,068	
	-----	-----	-----	-----
Net (loss) income including noncontrolling interests	(174,564)	40,477	(123,591)	1
Less: Net income attributable to noncontrolling interests	1,061	491	3,076	
	-----	-----	-----	-----
Net (loss) income attributable to EMCOR Group, Inc.	\$ (175,625)	\$ 39,986	\$ (126,667)	\$ 1
	=====	=====	=====	=====
Basic (loss) earnings per common share:	\$ (2.64)	\$ 0.61	\$ (1.91)	\$
	=====	=====	=====	=====
Diluted (loss) earnings per common share:	\$ (2.64)	\$ 0.59	\$ (1.91)	\$
	=====	=====	=====	=====
Weighted average shares of common stock outstanding:				
Basic	66,400,105	65,897,546	66,344,180	65,8
Diluted	66,400,105	67,551,619	66,344,180	67,2

EMCOR GROUP, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	September 30, 2010 (Unaudited)	December 31, 2009
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 641,111	\$ 726,975
Accounts receivable, net	1,053,355	1,057,171
Costs and estimated earnings in excess of billings on uncompleted contracts	114,592	90,049
Inventories	27,789	34,468
Prepaid expenses and other	52,623	68,702
	-----	-----
Total current assets	1,889,470	1,977,365
Investments, notes and other long-term receivables	5,749	19,287

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Property, plant & equipment, net	87,478	92,057
Goodwill	388,673	593,628
Identifiable intangible assets, net	223,995	264,522
Other assets	32,139	35,035
	-----	-----
Total assets	\$2,627,504	\$2,981,894
	=====	=====

LIABILITIES AND EQUITY

Current liabilities:

Borrowings under working capital credit line	\$ --	\$ --
Current maturities of long-term debt and capital lease obligations	305	45,100
Accounts payable	347,158	379,764
Billings in excess of costs and estimated earnings on uncompleted contracts	500,014	526,241
Accrued payroll and benefits	169,456	215,967
Other accrued expenses and liabilities	141,295	167,533
	-----	-----
Total current liabilities	1,158,228	1,334,605
Borrowings under working capital credit line	150,000	--
Long-term debt and capital lease obligations	53	150,251
Other long-term obligations	201,112	270,572
	-----	-----
Total liabilities	1,509,393	1,755,428
	-----	-----
Equity:		
Total EMCOR Group, Inc. stockholders' equity	1,108,340	1,218,071
Noncontrolling interests	9,771	8,395
	-----	-----
Total equity	1,118,111	1,226,466
	-----	-----
Total liabilities and equity	\$2,627,504	\$2,981,894
	=====	=====

EMCOR GROUP, INC.  
RECONCILIATION OF 2010 OPERATING (LOSS) INCOME  
(In thousands) (Unaudited)

In our press release, we provide actual 2010 third quarter and year-to-date September 30, 2010 operating (loss) income. The following table provides a reconciliation between 2010 operating income based on non-GAAP measures to the most direct comparable GAAP measures.

	For the Three Months Ended September 30, 2010	For the Nine Mo Ended September 30,
	-----	-----
GAAP operating loss	\$ (174,389)	\$ (97,122)
Impairment loss:	226,152	246,081
	-----	-----
Non-GAAP operating income, excluding impairment loss		

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on goodwill and identifiable intangible assets	\$ 51,763 =====	\$ 148,959 =====
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EMCOR GROUP, INC.  
RECONCILIATION OF 2010 NET (LOSS) INCOME  
(In thousands) (Unaudited)

In our press release, we provide actual 2010 third quarter and year-to-date September 30, 2010 net (loss) income attributable to EMCOR Group, Inc. The following table provides a reconciliation between 2010 net income attributable to EMCOR Group, Inc. based on non-GAAP measures to the most direct comparable GAAP measures.

	For the Three Months Ended September 30, 2010 -----	For the Nine Mo Ended September 30, -----
GAAP net loss attributable to EMCOR Group, Inc.	\$(175,625)	\$(126,667)
Impairment loss: (1)	206,539	218,495
Qtr. 2 gain on sale of equity investment (2)	-- -----	(7,900) -----
Non-GAAP net income attributable to EMCOR Group, Inc., excluding impairment loss on goodwill, identifiable intangible assets and gain on sale of equity investment	\$ 30,914 =====	\$ 83,928 =====

- (1) Amount is net of tax effect of \$19.6 million in the quarter and \$27.6 million in the nine-month period
- (2) Amount is net of tax effect which is zero due to the release of a valuation allowance related to capital loss carryforwards

EMCOR GROUP, INC.  
RECONCILIATION OF THREE AND NINE MONTH 2010 DILUTED (LOSS)  
EARNINGS PER SHARE FIGURES  
(Unaudited)

In our press release, we provide actual 2010 third quarter and year-to-date September 30, 2010 diluted (loss) earnings per share. The following table provides a reconciliation between 2010 EPS based on non-GAAP measures to the most direct comparable GAAP measures.

	For the Three Months Ended September 30, 2010 -----	For the Nine Mo Ended September 30, -----
GAAP diluted loss per common share	\$(2.64)	\$(1.91)



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Impairment loss: (1)	3.09	3.26
Qtr. 2 gain on sale of equity investment (2)	--	(0.12)
	-----	-----
Non-GAAP diluted earnings per common share, excluding impairment loss on goodwill, identifiable intangible assets and gain on sale of equity investment	\$ 0.45	\$ 1.23
	=====	=====

EMCOR GROUP, INC.  
RECONCILIATION OF 2010 DILUTED (LOSS) EARNINGS PER SHARE GUIDANCE  
(Unaudited)

In our press release, we provide 2010 diluted (loss) earnings per share range guidance with GAAP and non-GAAP measures. The following table provides a reconciliation between 2010 guidance based on non-GAAP measures to the most direct comparable GAAP measures.

GAAP 2010 diluted EPS GAAP guidance range	\$(1.36)	-		\$(1.24)
2010 year impairment loss (1)	3.26	-		3.26
2010 year gain on sale of equity investment (2)	(0.12)	-		(0.12)
	-----			-----
Non-GAAP 2010 diluted EPS guidance range, excluding impairment loss on goodwill, identifiable intangible assets and gain on sale of equity investment	\$ 1.78	-		\$ 1.90
	=====			=====

- (1) Amount is net of tax effect of \$19.6 million in the quarter and \$27.6 million in the nine-month period
- (2) Amount is net of tax effect which is zero due to the release of a valuation allowance related to capital loss carryforwards