



Quarter Four 2018 Financial Results

February 21, 2019



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 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 and 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). 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 historical 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
- Maxine Mauricio SVP & General Counsel
- Kevin Matz EVP, Shared Services



2018 Executive Summary

- Record operating performance in 2018
 - Record year for revenues, operating income, net income and diluted earnings per share from continuing operations
 - Total revenues increased 5.8% to \$8.13 billion
 - Full year diluted EPS from continuing operations:

	<u>2018</u>	<u>2017</u>	<u>\$ Δ</u>	<u>% Δ</u>
➤ GAAP	\$4.89	\$3.83	\$1.06	27.7%
➤ Non-GAAP	\$4.91	\$4.06	\$0.85	20.9%
 - Strong operating cash flow of \$271.0 million
- Total Remaining Performance Obligations (RPO) increased \$360.5 million or 10% from 3/31/18

2018 Executive Summary

- U.S. Electrical Construction and Facilities Services segment revenues increased by \$124.7 million vs. 2017 with an operating margin of 7.1%
- U.S. Mechanical Construction and Facilities Services segment revenues increased by \$56.5 million vs. 2017 with an operating margin of 7.3%
- U.S. Building Services segment revenues increased by \$121.8 million vs. 2017 with an operating margin of 5.0%
- U.S. Industrial Services segment revenues increased by \$66.5 million vs. 2017 with an operating margin of 3.3%
- U.K. Building Services segment revenues increased by \$74.1 million vs. 2017 with an operating margin of 3.8%

2018 Executive Summary

- Diverse RPO of \$3.96 billion, up 10.0% compared to Quarter 1 2018

	Dec. 2018 vs. Mar. 2018
– U.S. RPO UP \$389 million or 11.3%	
➤ Domestic Construction UP	\$375M 12.7% ↑
➤ U.S. Building Services Segment UP	\$11M 2.6% ↑
➤ U.S. Industrial Services Segment UP	\$3M 4.8% ↑
➤ Private Sector UP (Commercial, Hospitality & Gaming, Industrial / Manufacturing and Short Duration Projects)	\$410M 19.3% ↑
➤ Public Sector DOWN (Transportation, Water / Wastewater, Institutional, Healthcare)	\$(49)M -2.8% ↓

- Balance sheet remains strong and liquid, including \$363.9 million of cash

2018 – Qtr. 4 Financial Results Highlights

- Revenues increased 10.8% quarter-over-quarter to \$2.23 billion

(\$ Millions) (Unaudited)	Qtr. 4 2018	Change from Qtr. 4 2017	
		\$	%
U.S. Electrical Construction & Facilities Services	\$ 534.0	\$ 54.6	11.4%
U.S. Mechanical Construction & Facilities Services	808.5	17.7	2.2%
Total U.S. Construction	1,342.5	72.3	5.7%
U.S. Building Services	486.0	47.7	10.9%
U.S. Industrial Services	298.9	91.4	44.1%
Total U.S. Operations	2,127.4	211.4	11.0%
U.K. Building Services	101.9	5.3	5.4%
Total EMCOR	\$ 2,229.3	\$ 216.7	10.8%



2018 – Qtr. 4 Financial Results Highlights

- SG&A expenses increased to \$220.9 million or 9.9% of revenues vs. \$204.6 million or 10.2% of revenues for Qtr. 4 2017
- Operating income of \$113.6 million or 5.1% of revenues

(Unaudited)	Operating Margin For the Quarter Ended December 31,	
	2018	2017
– U.S. Electrical Construction and Facilities Services of \$33.1 million: \$(7.1) million or 17.7% decrease	6.2%	8.4%
– U.S. Mechanical Construction and Facilities Services of \$63.5 million: \$2.1 million or 3.5% increase	7.9%	7.8%
Total U.S. Construction	7.2%	8.0%
– U.S. Building Services of \$25.0 million: \$3.8 million or 18.0% increase	5.1%	4.8%
– U.S. Industrial Services of \$15.5 million: \$12.9 million or 515.3% increase	5.2%	1.2%
– U.K. Building Services of \$3.1 million: \$(2.1) million or 40.6% decrease	3.0%	5.4%
Total EMCOR Operating Margin	5.1%	2.4%
Non-GAAP Operating Margin *	5.1%	5.3%

* Excludes impairment loss on goodwill and identifiable intangible assets of \$57.8 million in 2017

2018 – Qtr. 4 Financial Results Highlights

Operating Income Reconciliation (\$ Thousands) (Unaudited)	For the Quarter Ended December 31,	
	2018	2017
GAAP Operating Income	\$ 113,647	\$ 48,057
Impairment Loss on Goodwill and Identifiable Intangible Assets	-	57,819
Non-GAAP Operating Income	\$ 113,647	\$ 105,876
Non-GAAP Operating Margin	5.1%	5.3%

- Qtr. 4 2018 cash provided by operations of \$205.1 million

Key Financial Data – Income Statement

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

	For the Quarter Ended December 31,		Variance	
	2018	2017	\$	%
Revenues	\$ 2,229,308	\$ 2,012,639	\$ 216,669	10.8%
Gross Profit	336,151 15.1%	311,101 15.5%	25,050	8.1%
Selling, General and Administrative Expenses	220,891	204,602	16,289	8.0%
Restructuring Expenses	1,613	623	990	N/M
Impairment Loss on Goodwill and Identifiable Intangible Assets	-	57,819	(57,819)	N/M
Operating Income	\$ 113,647 5.1%	\$ 48,057 2.4%	\$ 65,590	136.5%
Diluted Earnings per Common Share from Continuing Operations	\$ 1.38	\$ 0.90	\$ 0.48	53.3%
Non-GAAP Operating Income Excluding:				
- Impairment Loss on Goodwill and Identifiable Intangible Assets in 2017	\$ 113,647	\$ 105,876	\$ 7,771	7.3%
Non-GAAP Diluted Earnings per Common Share from Continuing Operations Excluding:				
- Impairment Loss on Goodwill and Identifiable Intangible Assets in 2017				
- Impact of Change in Tax Rate on Net Deferred Tax Liability Balance in 2017	\$ 1.38	\$ 1.13	\$ 0.25	22.1%

2018 Financial Results Highlights

- Revenues up \$443.6 million or 5.8% to \$8.13 billion

(\$ Millions)	2018	Change from 2017	
		\$	%
U.S. Electrical Construction & Facilities Services	\$ 1,954.3	\$ 124.7	6.8%
U.S. Mechanical Construction & Facilities Services	3,020.3	56.5	1.9%
Total U.S. Construction	4,974.6	181.2	3.8%
U.S. Building Services	1,875.5	121.8	6.9%
U.S. Industrial Services	865.6	66.5	8.3%
Total U.S. Operations	7,715.7	369.5	5.0%
U.K. Building Services	414.9	74.1	21.8%
Total EMCOR	\$ 8,130.6	\$ 443.6	5.8%



2018 Financial Results Highlights

- SG&A expenses increased to \$799.2 million or 9.8% of revenues vs. \$758.7 million or 9.9% of revenues for 2017
- Operating income of \$403.1 million or 5.0% of revenues

	Operating Margin For the Year Ended December 31,	
	2018	2017
– U.S. Electrical Construction and Facilities Services of \$139.4 million: \$(10.6) million or 7.0% decrease	7.1%	8.2%
– U.S. Mechanical Construction and Facilities Services of \$219.4 million: \$7.0 million or 3.3% increase	7.3%	7.2%
Total U.S. Construction	7.2%	7.6%
– U.S. Building Services of \$93.8 million: \$12.1 million or 14.8% increase	5.0%	4.7%
– U.S. Industrial Services of \$28.2 million: \$9.1 million or 47.6% increase	3.3%	2.4%
– U.K. Building Services of \$15.9 million: \$3.0 million or 23.4% increase	3.8%	3.8%
Total EMCOR Operating Margin	5.0%	4.3%
Non-GAAP Operating Margin *	5.0%	5.0%

* Excludes impairment loss on goodwill and identifiable intangible assets of \$0.9 million in 2018 and \$57.8 million in 2017

2018 Financial Results Highlights

Operating Income Reconciliation (\$ Thousands) (Unaudited)	For the Year Ended December 31,	
	2018	2017
GAAP Operating Income	\$403,083	\$328,902
Impairment Loss on Goodwill and Identifiable Intangible Assets	907	57,819
Non-GAAP Operating Income	\$403,990	\$386,721
Non-GAAP Operating Margin	5.0%	5.0%

Key Financial Data – Income Statement

(\$ Thousands, except per share information)

	For the Year Ended December 31,		Variance	
	2018	2017	\$	%
Revenues	\$ 8,130,631	\$ 7,686,999	\$ 443,632	5.8%
Gross Profit	1,205,453 14.8%	1,147,012 14.9%	58,441	5.1%
Selling, General and Administrative Expenses	799,157	758,714	40,443	5.3%
Restructuring Expenses	2,306	1,577	729	N/M
Impairment Loss on Goodwill and Identifiable Intangible Assets	907	57,819	(56,912)	N/M
Operating Income	\$ 403,083 5.0%	\$ 328,902 4.3%	\$ 74,181	22.6%
Diluted Earnings per Common Share from Continuing Operations	\$ 4.89	\$ 3.83	\$ 1.06	27.7%
Non-GAAP Operating Income Excluding:				
- Impairment Loss on Goodwill and Identifiable Intangible Assets	\$ 403,990	\$ 386,721	\$ 17,269	4.5%
Non-GAAP Diluted Earnings per Common Share from Continuing Operations Excluding:				
- Impairment Loss on Goodwill and Identifiable Intangible Assets				
- Impact of Change in Tax Rate on Net Deferred Tax Liability Balance in 2017	\$ 4.91	\$ 4.06	\$ 0.85	20.9%

Key Financial Data – Balance Sheet

(\$ Thousands)

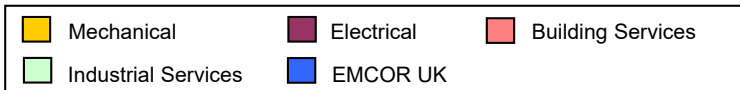
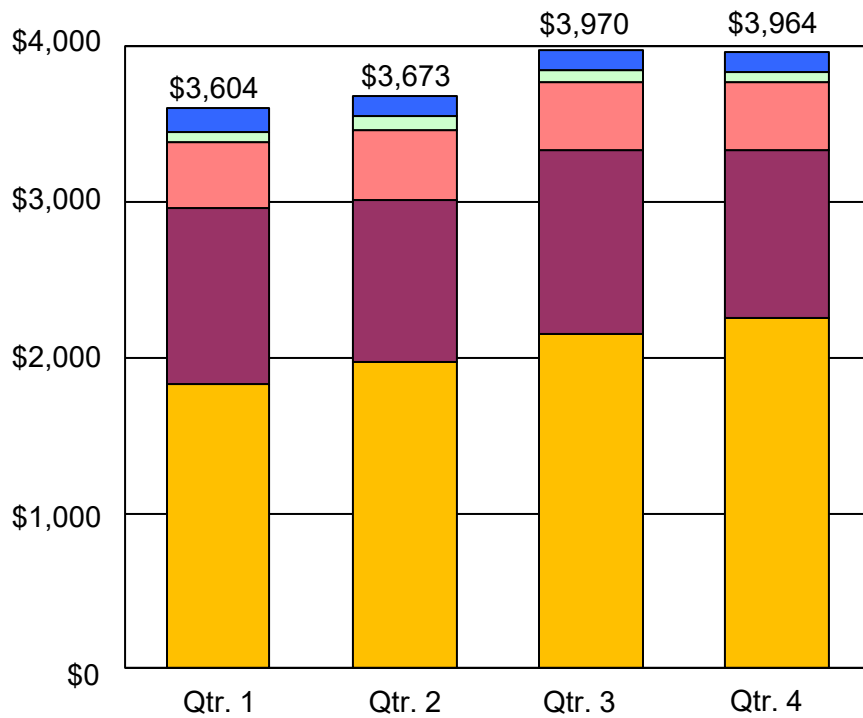
	<u>12/31/18</u>	<u>12/31/17</u>
Cash	\$ 363,907	\$ 467,430
Working Capital	\$ 651,809	\$ 633,557
Goodwill	\$ 990,887	\$ 964,893
Identifiable Intangible Assets, Net	\$ 488,286	\$ 495,036
Total Debt	\$ 295,777	\$ 310,150
Stockholders' Equity	\$ 1,741,441	\$ 1,674,117
Total Debt / Total Capitalization	14.5%	15.6%



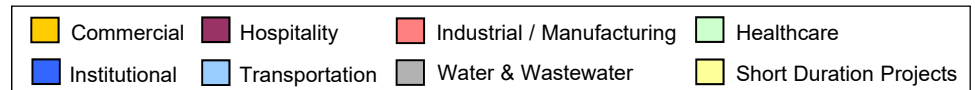
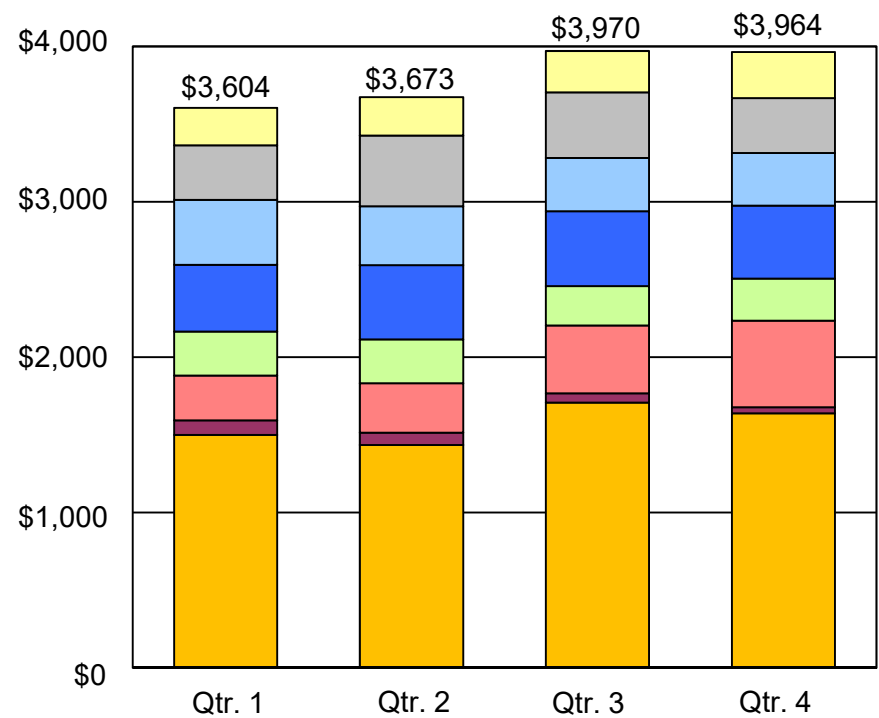
2018 Remaining Performance Obligations

- Diverse RPO of \$3.96 billion

By Segment (\$ Millions)



By Market Sector (\$ Millions) (Unaudited)



2019 Outlook

- Non-residential construction market expected to grow mid-single digits
- Building Services benefiting from continued growth in retrofit and energy savings projects, as well as favorable mix of work
- Industrial Services:
 - Customer spending patterns returning to normal trends as downstream market continues to improve
 - Expect good spring turnaround season and greater visibility as year progresses
- Strong and liquid balance sheet

2019 Guidance

Revenues	\$8.3 Billion – \$8.4 Billion
Diluted EPS from Continuing Operations	\$4.70 – \$5.40



Build. Power. Service. Protect.