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EMCOR GROUP INC
Form 8-K
October 23, 2003

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) October 23, 2003

EMCOR GROUP, INC.

(Exact name of registrant as specified in its charter)

| | | |
|----------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------|
| Delaware ----- (State or other jurisdiction of incorporation or organization) | 0-2315 ----- (Commission File Number) | 11-2125338 ----- (I.R.S. Employer Identification No.) |
|----------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------|

| | |
|------------------------------------------------------------------------------------------------------|---------------------|
| 301 Merritt Seven Corporate Park Norwalk, Connecticut (Address of principal executive offices) | 06851 (Zip code) |
|------------------------------------------------------------------------------------------------------|---------------------|

(Registrant's telephone number, including area code) 203-849-7800

Item 7. Financial Statements and Exhibits

(c) Exhibits.

| Exhibit No. | Description of Exhibit |
|-------------|--------------------------------------|
| 99.1 | Press Release dated October 23, 2003 |

Item 12 Results of Operations and Financial Condition

On October 23, 2003, EMCOR Group, Inc. issued a press release disclosing the results of operations for the fiscal 2003 third quarter ended September 30, 2003. A copy of this press release is attached as Exhibit 99.1.

EXHIBIT INDEX

| Exhibit No. ----- | Description ----- |
|----------------------|-------------------------------------------|
| 99.1 | Press release issued by EMCOR Group, Inc. |

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on October 23, 2003

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.

By: /s/ Frank T. MacInnis

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

Date: October 23, 2003

Exhibit 99.1

EMCOR GROUP, INC. REPORTS 2003 THIRD QUARTER RESULTS -- \$0.42 per diluted share in line with recent guidance --

NORWALK, CONNECTICUT, October 23, 2003 - EMCOR Group, Inc. (NYSE: EME) today reported results for the third quarter and nine months ended September 30, 2003 that were consistent with recently announced guidance.

Net income for the third quarter of 2003 was \$6.5 million, or \$0.42 per diluted share, compared with net income of \$19.5 million, or \$1.26 per diluted share, in the 2002 third quarter. For the third quarter of 2003, revenues were \$1.16 billion, an increase of 10.0% over revenues of \$1.05 billion in the third quarter of last year, due primarily to the acquisition of Consolidated Engineering Services, Inc. ("CES") in December 2002. On an organic basis, revenues were approximately equal to those for the year ago period.

Operating income in the third quarter of 2003 was \$13.5 million, compared with operating income of \$35.9 million in the third quarter of 2002. As a percentage of revenues, 2003 third quarter operating income was 1.2% versus 3.4% in the year ago period.

Selling, General and Administrative expenses ("SG&A") for the 2003 third quarter were \$104.7 million or 9.0% of revenues, compared with \$93.4 million, or 8.9% of revenues, in the third quarter of 2002. The increase was principally attributable to the inclusion of CES in the Company's results for the third quarter of 2003. Excluding CES, SG&A in the third quarter of 2003 was \$87.4 million or 8.3% of revenues. For the second quarter of 2003, SG&A was \$106.6 million or 9.3% of revenues.

At September 30, 2003, the Company's contract backlog was \$3.11 billion, an increase of approximately 9.1% versus backlog of \$2.85 billion on September 30, 2002 and virtually level with contract backlog on June 30, 2003. Organic growth of the Company's contract backlog versus the year ago period was approximately 3.6%.

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EMCOR Announces 2003 Third Quarter Results

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As expected, the Company's 2003 third quarter results demonstrate continued solid revenue growth reflecting the Company's position as a market leader. The decline in profit margins was a result of an unusually high proportion of public sector work, a reduced level of higher margin private sector, discretionary and small project work, increased competition, unfavorable contract performance on certain construction projects, and market conditions attributable to the recession not favorable to construction project closeouts. Additionally, EMCOR's UK operations experienced slower than anticipated profitability recovery in its markets. Somewhat offsetting these factors was continued strong performance by the Company's facilities services operations, including those within CES, which continued to meet its performance targets.

For the first nine months of 2003, net income was \$18.0 million, or \$1.16 per diluted share, compared with net income of \$41.6 million, or \$2.69 per diluted share, in the first nine months of 2002. Revenues for the 2003 nine month period were \$3.36 billion versus \$2.85 billion in the same period a year ago, representing growth of 18.0%. Organic revenue growth in the 2003 nine month period was 3.2%.

For the first nine months of 2003, the Company reported operating income of \$37.8 million, compared with operating income of \$75.3 million in the year ago period. As a percentage of revenues, operating income for the first nine months of 2003 was 1.1%, compared with 2.6% last year.

Frank T. MacInnis, Chairman and CEO of EMCOR Group, commented, "Our third quarter results came in as anticipated, reflecting a variety of factors affecting our business. In light of the conditions we've faced, we have worked to further reduce our cost structure, and as a result we were able to decrease SG&A as a percentage of revenues on a sequential basis, and also below year ago organic base levels."

Mr. MacInnis continued, "The third quarter also marked the continued strong performance of our facilities services business, which as expected is providing a higher margin, counter-cyclical balance to our traditional business lines. The acquisition of CES, in particular, has worked out well as the former CES companies contributed \$104.8 million in revenues and \$4.7 million in operating income to the Company's results in the 2003 third quarter."

Based on current market conditions, EMCOR Group expects revenues in the fourth quarter of 2003 to be between \$1.1 billion and \$1.2 billion and diluted earnings per share to be between \$0.51 and \$0.56; this would result in revenues for the 2003 full year period of between \$4.5 billion and \$4.6 billion and diluted earnings per share of between \$1.67 and \$1.72. Additionally, the Company reiterated that, based on its existing contract backlog, reports from subsidiary managers, and opportunities in

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its facilities service businesses, it looks for "baseline" EBIT performance in 2004 at about 2% of revenues, with a significant likelihood of enhanced performance if private sector capital spending strengthens as predicted by many economists. The anticipated "baseline" level of performance would reflect EPS growth of at least 40% in 2004 over expected 2003 levels.

Mr. MacInnis concluded, "Going forward, we remain committed to fostering the growth of our facilities services business as illustrated by the alliance agreement we recently announced with Siemens Building Technologies while maintaining strict control over operating costs across the Company. Further, by exercising increased selectivity in choosing projects we undertake, we will manage our backlog toward increased profitability and will ensure the retention of sufficient contracting capacity to participate in the inevitable upswing in spending by our private sector customers."

EMCOR Group, Inc. is a worldwide leader in mechanical and electrical construction services and facilities services. This press release and other press releases may be viewed at the Company's Web site at www.emcorgroup.com.

EMCOR Group's third quarter conference call will be available live via Internet broadcast today, Thursday, October 23, at 10:30 AM Eastern Time. You can access the live call through the Home Page of the Company's Web site at www.emcorgroup.com.

This release may include "forward looking statements." These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, general economic and business conditions, business opportunities that may be presented to and pursued by the Company and other factors, many of which are beyond the control of the Company. Actual results may differ materially from those anticipated in the 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, | |
|---------------------------------------------|------|
| ----- | |
| 2003 | 2002 |
| ---- | ---- |

For

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| | | | |
|---------------------------------------------------------|-------------|-------------|--------|
| Revenues | \$1,157,588 | \$1,052,285 | \$3,36 |
| Cost of sales | 1,039,382 | 923,052 | 3,00 |
| | ----- | ----- | ----- |
| Gross profit | 118,206 | 129,233 | 35 |
| Selling, general and administrative expenses | 104,671 | 93,375 | 32 |
| | ----- | ----- | ----- |
| Operating income | 13,535 | 35,858 | 3 |
| Interest expense, net | 1,987 | 1,073 | |
| | ----- | ----- | ----- |
| Income before taxes | 11,548 | 34,785 | 3 |
| Income tax provision | 5,080 | 15,306 | 1 |
| | ----- | ----- | ----- |
| Net income | \$ 6,468 | \$ 19,479 | \$ 1 |
| | ===== | ===== | ===== |
| Basic earnings per share | \$ 0.43 | \$ 1.31 | \$ |
| | ===== | ===== | ===== |
| Diluted earnings per share | \$ 0.42 | \$ 1.26 | \$ |
| | ===== | ===== | ===== |
| Weighted average shares of Common Stock outstanding: | | | |
| Basic | 15,003,737 | 14,905,849 | 14,97 |
| Diluted | 15,461,106 | 15,465,967 | 15,47 |

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

| | September 30, 2003 (Unaudited) | December 31, 2002 |
|--------------------------------------------------------------------------------|--------------------------------------|----------------------|
| | ----- | ----- |
| ASSETS | | |
| Cash and cash equivalents | \$ 82,162 | \$ 93,103 |
| Accounts receivable, net | 1,012,911 | 964,968 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 272,969 | 235,809 |
| Inventories | 11,876 | 12,271 |
| Prepaid expenses and other | 35,423 | 28,784 |
| | ----- | ----- |
| Total current assets | 1,415,341 | 1,334,935 |
| Investments, notes, and other long-term receivables | 29,008 | 24,642 |
| Property, plant & equipment, net | 68,363 | 70,750 |
| Goodwill | 293,538 | 290,412 |
| Identifiable intangible assets, net | 11,561 | 13,845 |
| Other assets | 20,824 | 23,907 |
| | ----- | ----- |
| Total assets | \$1,838,635 | \$1,758,491 |
| | ===== | ===== |

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| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
|--------------------------------------------------------------------------------|-------------|-------------|
| Current liabilities: | | |
| Borrowings under working capital credit line | \$ 194,979 | \$ 112,000 |
| Current maturities of long-term debt and capital lease obligations | 544 | 22,276 |
| Accounts payable | 389,270 | 409,562 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 372,714 | 363,092 |
| Accrued payroll and benefits | 138,266 | 159,416 |
| Other accrued expenses and liabilities | 131,870 | 113,529 |
| | ----- | ----- |
| Total current liabilities | 1,227,643 | 1,179,875 |
| Long-term debt and capital lease obligations | 622 | 905 |
| Other long-term obligations | 94,367 | 87,841 |
| Total stockholders' equity | 516,003 | 489,870 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$1,838,635 | \$1,758,491 |
| | ===== | ===== |

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