

EMCOR GROUP INC
Form 10-Q
July 28, 2016
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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 June 30, 2016

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 11-2125338
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification Number)

301 Merritt Seven 06851-1092
Norwalk, Connecticut
(Address of Principal Executive Offices) (Zip Code)
(203) 849-7800
(Registrant's Telephone Number, Including Area 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 July 25, 2016: 60,799,915 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)

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$443,019	\$ 486,831
Accounts receivable, net	1,448,323	1,359,862
Costs and estimated earnings in excess of billings on uncompleted contracts	139,906	117,734
Inventories	41,946	37,545
Prepaid expenses and other	68,714	64,140
Total current assets	2,141,908	2,066,112
Investments, notes and other long-term receivables	7,668	8,359
Property, plant and equipment, net	128,376	122,018
Goodwill	979,339	843,170
Identifiable intangible assets, net	510,723	472,834
Other assets	32,352	30,164
Total assets	\$3,800,366	\$ 3,542,657
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	\$17,354	\$ 17,541
Accounts payable	450,646	488,251
Billings in excess of costs and estimated earnings on uncompleted contracts	465,135	429,235
Accrued payroll and benefits	268,710	268,033
Other accrued expenses and liabilities	190,816	209,361
Total current liabilities	1,392,661	1,412,421
Borrowings under revolving credit facility	220,000	—
Long-term debt and capital lease obligations	289,841	297,559
Other long-term obligations	361,365	352,621
Total liabilities	2,263,867	2,062,601
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, 61,448,855 and 61,727,709 shares issued, respectively	614	617
Capital surplus	107,849	130,369
Accumulated other comprehensive loss	(76,801)	(76,953)
Retained earnings	1,513,863	1,432,980
Treasury stock, at cost 659,841 shares	(10,302)	(10,302)
Total EMCOR Group, Inc. stockholders' equity	1,535,223	1,476,711
Noncontrolling interests	1,276	3,345
Total equity	1,536,499	1,480,056
Total liabilities and equity	\$3,800,366	\$ 3,542,657

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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenues	\$1,933,416	\$1,652,585	\$3,678,386	\$3,241,772
Cost of sales	1,658,675	1,413,058	3,180,537	2,785,316
Gross profit	274,741	239,527	497,849	456,456
Selling, general and administrative expenses	181,811	161,391	349,213	322,982
Restructuring expenses	641	433	732	441
Operating income	92,289	77,703	147,904	133,033
Interest expense	(3,118)	(2,208)	(5,494)	(4,424)
Interest income	192	182	357	358
Income from continuing operations before income taxes	89,363	75,677	142,767	128,967
Income tax provision	32,911	28,727	51,880	48,952
Income from continuing operations	56,452	46,950	90,887	80,015
Loss from discontinued operation, net of income taxes	(1,097)	(114)	(1,178)	(469)
Net income including noncontrolling interests	55,355	46,836	89,709	79,546
Less: Net loss attributable to noncontrolling interests	25	13	19	152
Net income attributable to EMCOR Group, Inc.	\$55,380	\$46,849	\$89,728	\$79,698
Basic earnings (loss) per common share:				
From continuing operations attributable to EMCOR Group, Inc. common stockholders	\$0.93	\$0.75	\$1.49	\$1.27
From discontinued operation	(0.02)	(0.00)	(0.02)	(0.01)
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.91	\$0.75	\$1.47	\$1.26
Diluted earnings (loss) per common share:				
From continuing operations attributable to EMCOR Group, Inc. common stockholders	\$0.92	\$0.74	\$1.48	\$1.26
From discontinued operation	(0.02)	(0.00)	(0.02)	(0.01)
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.90	\$0.74	\$1.46	\$1.25
Dividends declared per common share	\$0.08	\$0.08	\$0.16	\$0.16

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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income including noncontrolling interests	\$55,355	\$46,836	\$89,709	\$79,546
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(754)	(369)	(801)	(188)
Post retirement plans, amortization of actuarial loss included in net income ⁽¹⁾	476	550	953	1,092
Other comprehensive (loss) income	(278)	181	152	904
Comprehensive income	55,077	47,017	89,861	80,450
Less: Comprehensive loss attributable to noncontrolling interests	25	13	19	152
Comprehensive income attributable to EMCOR Group, Inc.	\$55,102	\$47,030	\$89,880	\$80,602

⁽¹⁾ Net of tax of \$0.1 million and \$0.2 million for the three months ended June 30, 2016 and 2015, respectively, and net of tax of \$0.3 million and \$0.3 million for the six months ended June 30, 2016 and 2015, 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)

	Six months ended	
	June 30,	
	2016	2015
Cash flows - operating activities:		
Net income including noncontrolling interests	\$89,709	\$79,546
Depreciation and amortization	19,265	17,942
Amortization of identifiable intangible assets	20,011	18,951
Provision for doubtful accounts	4,478	477
Deferred income taxes	1,734	1,406
Excess tax benefits from share-based compensation	(1,818)	(1,038)
Equity income from unconsolidated entities	(160)	(1,034)
Other non-cash items	5,565	5,237
Distributions from unconsolidated entities	863	3,316
Changes in operating assets and liabilities, excluding the effect of businesses acquired	(91,862)	(130,869)
Net cash provided by (used in) operating activities	47,785	(6,066)
Cash flows - investing activities:		
Payments for acquisitions of businesses, net of cash acquired	(232,283)	(1,176)
Proceeds from sale of property, plant and equipment	909	2,569
Purchase of property, plant and equipment	(18,950)	(15,793)
Net cash used in investing activities	(250,324)	(14,400)
Cash flows - financing activities:		
Proceeds from revolving credit facility	220,000	—
Repayments of long-term debt	(8,756)	(8,758)
Repayments of capital lease obligations	(816)	(1,330)
Dividends paid to stockholders	(9,734)	(10,054)
Repurchase of common stock	(34,074)	(21,148)
Proceeds from exercise of stock options	144	1,368
Payments to satisfy minimum tax withholding	(4,111)	(3,790)
Issuance of common stock under employee stock purchase plan	2,383	2,051
Payments for contingent consideration arrangements	—	(403)
Distributions to noncontrolling interests	(2,050)	(9,750)
Excess tax benefits from share-based compensation	—	1,038
Net cash provided by (used in) financing activities	162,986	(50,776)
Effect of exchange rate changes on cash and cash equivalents	(4,259)	35
Decrease in cash and cash equivalents	(43,812)	(71,207)
Cash and cash equivalents at beginning of year	486,831	432,056
Cash and cash equivalents at end of period	\$443,019	\$360,849
Supplemental cash flow information:		
Cash paid for:		
Interest	\$4,662	\$3,682
Income taxes	\$69,555	\$47,899
Non-cash financing activities:		
Assets acquired under capital lease obligations	\$1,402	\$950

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	Common stock	Capital surplus	Accumulated other comprehensive (loss) income (1)	Retained earnings	Treasury stock	Noncontrolling interests
Balance, December 31, 2014	\$1,429,387	\$636	\$227,885	\$ (83,197)	\$1,280,991	\$(10,302)	\$ 13,374
Net income including noncontrolling interests	79,546	—	—	—	79,698	—	(152)
Other comprehensive income	904	—	—	904	—	—	—
Common stock issued under share-based compensation plans (2)	2,340	3	2,337	—	—	—	—
Tax withholding for common stock issued under share-based compensation plans	(3,790)	—	(3,790)	—	—	—	—
Common stock issued under employee stock purchase plan	2,051	—	2,051	—	—	—	—
Common stock dividends	(10,054)	—	111	—	(10,165)	—	—
Repurchase of common stock	(21,148)	(5)	(21,143)	—	—	—	—
Distributions to noncontrolling interests	(9,750)	—	—	—	—	—	(9,750)
Share-based compensation expense	4,801	—	4,801	—	—	—	—
Balance, June 30, 2015	\$1,474,287	\$634	\$212,252	\$ (82,293)	\$1,350,524	\$(10,302)	\$ 3,472
Balance, December 31, 2015	\$1,480,056	\$617	\$130,369	\$ (76,953)	\$1,432,980	\$(10,302)	\$ 3,345
Net income including noncontrolling interests	89,709	—	—	—	89,728	—	(19)
Other comprehensive income	152	—	—	152	—	—	—
Common stock issued under share-based compensation plans (3)	1,135	3	141	—	991	—	—
Tax withholding for common stock issued under share-based compensation plans	(4,111)	—	(4,111)	—	—	—	—
Common stock issued under employee stock purchase plan	2,383	—	2,383	—	—	—	—
Common stock dividends	(9,734)	—	102	—	(9,836)	—	—
Repurchase of common stock	(26,076)	(6)	(26,070)	—	—	—	—
Distributions to noncontrolling interests	(2,050)	—	—	—	—	—	(2,050)
Share-based compensation expense	5,035	—	5,035	—	—	—	—
Balance, June 30, 2016	\$1,536,499	\$614	\$107,849	\$ (76,801)	\$1,513,863	\$(10,302)	\$ 1,276

(1) Represents cumulative foreign currency translation adjustments and post retirement liability adjustments.

- (2) Includes the tax benefit associated with share-based compensation of \$1.0 million for the six months ended June 30, 2015.
- (3) Includes a \$1.0 million adjustment to retained earnings to recognize net operating loss carryforwards attributable to excess tax benefits on stock compensation upon the adoption of Accounting Standards Update No. 2016-09. See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Consequently, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. References to the “Company,” “EMCOR,” “we,” “us,” “our” and similar words refer to EMCOR Group, Inc. and its consolidated subsidiaries unless the context indicates otherwise. Readers of this report should refer to the consolidated financial statements and the notes thereto included in our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission. In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of a normal recurring nature) necessary to present fairly our financial position and the results of our operations. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016.

NOTE 2 New Accounting Pronouncements

In March 2016, we adopted the accounting pronouncement issued by the Financial Accounting Standards Board (“FASB”) to update guidance on how companies account for certain aspects of share-based payments to employees. This pronouncement is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. This guidance requires all income tax effects of awards to be recognized in the income statement when the awards vest or are settled and changes the presentation of excess tax benefits on the statement of cash flows. We adopted these provisions on a prospective basis. In addition, this pronouncement changes guidance on: (a) accounting for forfeitures of share-based awards and (b) employers’ accounting for an employee’s use of shares to satisfy the employer’s statutory income tax withholding obligation. As a result of the adoption, we recorded an adjustment to retained earnings of \$1.0 million to recognize net operating loss carryforwards, net of a valuation allowance, attributable to excess tax benefits on stock compensation that had not been previously recognized to additional paid in capital. The adoption of this pronouncement did not have a material impact on our financial position and/or results of operations.

In February 2016, an accounting pronouncement was issued by the FASB to replace existing lease accounting guidance. This pronouncement is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for most leases. Expenses associated with leases will continue to be recognized in a manner similar to current accounting guidance. This pronouncement is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The adoption is required to be applied on a modified retrospective basis for each prior reporting period presented. We have not yet determined the effect that the adoption of this pronouncement may have on our financial position and/or results of operations.

On January 1, 2016, we adopted the accounting pronouncement issued by the FASB which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The adoption of this pronouncement did not have a material impact on our financial position and/or results of operations.

On January 1, 2016, we adopted the accounting pronouncement issued by the FASB to update the guidance related to the presentation of debt issuance costs. This guidance requires debt issuance costs, related to a recognized debt liability, be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability rather than being presented as an asset. We adopted this pronouncement on a retrospective basis, and the adoption did not have a material impact on our financial position and/or results of operations.

In November 2015, an accounting pronouncement was issued by the FASB to simplify the presentation of deferred income taxes within the balance sheet. This pronouncement eliminates the requirement that deferred tax assets and liabilities are presented as current or noncurrent based on the nature of the underlying assets and liabilities. Instead, the pronouncement requires all deferred tax assets and liabilities, including valuation allowances, be classified as

noncurrent. This pronouncement is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. We intend to adopt this pronouncement on January 1, 2017, and the adoption will not have a material impact on our financial position and/or results of operations.

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 2 New Accounting Pronouncements - (Continued)

In May 2014, an accounting pronouncement was issued by the FASB to clarify existing guidance on revenue recognition. This guidance includes the required steps to achieve the core principle that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This pronouncement is effective for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted. The guidance permits the use of one of two retrospective transition methods. We have not yet selected a transition method nor have we determined the effect that the adoption of the pronouncement may have on our financial position and/or results of operations.

NOTE 3 Acquisitions of Businesses

On April 15, 2016, we completed the acquisition of Ardent Services, L.L.C. and Rabalais Constructors, LLC (collectively, "Ardent"). This acquisition has been included in our United States electrical construction and facilities services segment. Ardent provides electrical and instrumentation services to the energy infrastructure market in North America, and this acquisition further strengthens our position in electrical construction and services and broadens our capabilities across the industrial and energy sectors, especially in the Gulf Coast, Midwest and Western regions of the United States. Under the terms of the transaction, we acquired 100% of Ardent's equity interests for total consideration of \$201.4 million. In connection with the acquisition of Ardent, we acquired working capital of \$36.5 million and other net assets of \$3.9 million and have preliminarily ascribed \$119.5 million to goodwill and \$41.5 million to identifiable intangible assets. Goodwill is calculated as the excess of the consideration transferred over the net assets acquired and represents the future economic benefits expected from this strategic acquisition. We expect that \$99.7 million of the acquired goodwill will be deductible for tax purposes. The weighted average amortization period for the identifiable intangible assets is approximately 13.5 years.

On April 1, 2016, we acquired a company for an immaterial amount. This company provides mobile mechanical services within the Southeastern region of the United States, and its results have been included in our United States building services segment.

On June 1, 2015, we acquired a company for an immaterial amount. This company primarily provides mechanical construction services, and its results have been included in our United States mechanical construction and facilities services segment.

The purchase price allocations for the businesses acquired in 2016 are still preliminary and subject to change during their respective measurement periods. The acquisition of these businesses was accounted for by the acquisition method, and the prices paid for them have been allocated to their respective assets and liabilities, based upon the estimated fair value of their assets and liabilities at the dates of their respective acquisitions.

NOTE 4 Disposition of Assets

Due to a historical pattern of losses in the construction operations of our United Kingdom segment and our negative assessment of construction market conditions in the United Kingdom for the foreseeable future, we announced during the quarter ended June 30, 2013 our decision to withdraw from the construction market in the United Kingdom. During the third quarter of 2014, we ceased construction operations in the United Kingdom. The results of the construction operations of our United Kingdom segment for all periods are presented in our Condensed Consolidated Financial Statements as discontinued operations.

The results of discontinued operations are as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Revenues	\$5	\$84	\$68	\$360
Loss from discontinued operation, net of income taxes	\$(1,097)	\$(114)	\$(1,178)	\$(469)

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Diluted loss per share from discontinued operation \$(0.02) \$(0.00) \$(0.02) \$(0.01)

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 4 Disposition of Assets - (Continued)

Included in the Condensed Consolidated Balance Sheets at June 30, 2016 and December 31, 2015 are the following major classes of assets and liabilities associated with the discontinued operation (in thousands):

	June 30, December 31,	
	2016	2015
Assets of discontinued operation:		
Current assets	\$ 2,033	\$ 2,525
Liabilities of discontinued operation:		
Current liabilities	\$ 3,690	\$ 4,407

At June 30, 2016, the assets and liabilities of the discontinued operation consisted of accounts receivable, contract retentions and contract warranty obligations that are expected to be collected or fulfilled in the ordinary course of business. Additionally at June 30, 2016, there remained \$0.2 million of obligations related to employee severance and the termination of leased facilities, which are expected to be paid in 2016. The settlement of the remaining assets and liabilities may result in additional income and/or expenses. Such income and/or expenses are expected to be immaterial and will be reflected as discontinued operations as incurred.

NOTE 5 Earnings Per Share

Calculation of Basic and Diluted Earnings (Loss) per Common Share

The following tables summarize our calculation of Basic and Diluted Earnings (Loss) per Common Share ("EPS") for the three and six months ended June 30, 2016 and 2015 (in thousands, except share and per share data):

	For the three months ended June 30,	
	2016	2015
Numerator:		
Income from continuing operations attributable to EMCOR Group, Inc. common stockholders	\$56,477	\$ 46,963
Loss from discontinued operation, net of income taxes	(1,097)	(114)
Net income attributable to EMCOR Group, Inc. common stockholders	\$55,380	\$ 46,849
Denominator:		
Weighted average shares outstanding used to compute basic earnings (loss) per common share	60,808,502	62,809,699
Effect of dilutive securities—Share-based awards	395,719	520,554
Shares used to compute diluted earnings (loss) per common share	61,204,221	63,330,253
Basic earnings (loss) per common share:		
From continuing operations attributable to EMCOR Group, Inc. common stockholders	\$0.93	\$ 0.75
From discontinued operation	\$(0.02)	\$(0.00)
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.91	\$ 0.75
Diluted earnings (loss) per common share:		
From continuing operations attributable to EMCOR Group, Inc. common stockholders	\$0.92	\$ 0.74
From discontinued operation	\$(0.02)	\$(0.00)
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.90	\$ 0.74

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 5 Earnings Per Share - (Continued)

	For the six months ended June 30,	
	2016	2015
Numerator:		
Income from continuing operations attributable to EMCOR Group, Inc. common stockholders	\$90,906	\$ 80,167
Loss from discontinued operation, net of income taxes	(1,178)	(469)
Net income attributable to EMCOR Group, Inc. common stockholders	\$89,728	\$ 79,698
Denominator:		
Weighted average shares outstanding used to compute basic earnings (loss) per common share	60,854,786	62,932,295
Effect of dilutive securities—Share-based awards	421,497	536,327
Shares used to compute diluted earnings (loss) per common share	61,276,278	63,468,622
Basic earnings (loss) per common share:		
From continuing operations attributable to EMCOR Group, Inc. common stockholders	\$1.49	\$ 1.27
From discontinued operation	\$(0.02)	\$(0.01)
Net income attributable to EMCOR Group, Inc. common stockholders	\$1.47	\$ 1.26
Diluted earnings (loss) per common share:		
From continuing operations attributable to EMCOR Group, Inc. common stockholders	\$1.48	\$ 1.26
From discontinued operation	\$(0.02)	\$(0.01)
Net income attributable to EMCOR Group, Inc. common stockholders	\$1.46	\$ 1.25

There were no anti-dilutive restricted stock units for the three and six months ended June 30, 2016. The number of outstanding restricted stock units that were excluded from the computation of diluted EPS for the three and six months ended June 30, 2015 because they would be anti-dilutive were zero and 35,625, respectively.

NOTE 6 Inventories

Inventories in the accompanying Condensed Consolidated Balance Sheets consisted of the following amounts (in thousands):

	June 30, December 31,	
	2016	2015
Raw materials and construction materials	\$22,360	\$ 23,239
Work in process	19,586	14,306
	\$41,946	\$ 37,545

NOTE 7 Debt

Debt in the accompanying Condensed Consolidated Balance Sheets consisted of the following amounts (in thousands):

	June 30,	December 31,
	2016	2015
Revolving credit facility	\$220,000	\$ —
Term loan	306,250	315,000
Unamortized debt issuance costs	(3,159)	(3,813)
Capitalized lease obligations	4,066	3,869
Other	38	44
	527,195	315,100

Less: current maturities	17,354	17,541
	\$509,841	\$ 297,559

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 7 Debt - (Continued)

Credit Facilities

Until November 25, 2013, we had a revolving credit agreement (the "2011 Credit Agreement"), as amended, which provided for a revolving credit facility of \$750.0 million. The 2011 Credit Agreement was effective November 21, 2011. Effective November 25, 2013, we amended and restated the 2011 Credit Agreement to provide for a \$750.0 million revolving credit facility (the "2013 Revolving Credit Facility") and a \$350.0 million term loan (the "Term Loan") (collectively referred to as the "2013 Credit Agreement") expiring November 25, 2018. The proceeds of the Term Loan were used to repay amounts drawn under the 2011 Credit Agreement. We may increase the 2013 Revolving Credit Facility to \$1.05 billion if additional lenders are identified and/or existing lenders are willing to increase their current commitments. We may allocate up to \$250.0 million of available capacity under the 2013 Revolving Credit Facility to letters of credit for our account or for the account of any of our subsidiaries. Obligations under the 2013 Credit Agreement are guaranteed by most of our direct and indirect subsidiaries and are secured by substantially all of our assets and most of the assets of most of our subsidiaries. The 2013 Credit Agreement contains various covenants providing for, among other things, maintenance of certain financial ratios and certain limitations on payment of dividends, common stock repurchases, investments, acquisitions, indebtedness and capital expenditures. We were in compliance with all such covenants as of June 30, 2016 and December 31, 2015. A commitment fee is payable on the average daily unused amount of the 2013 Revolving Credit Facility, which ranges from 0.20% to 0.30%, based on certain financial tests. The fee was 0.20% of the unused amount as of June 30, 2016. Borrowings under the 2013 Credit Agreement bear interest at (1) a rate which is the prime commercial lending rate announced by Bank of Montreal from time to time (3.50% at June 30, 2016) plus 0.25% to 0.75%, based on certain financial tests or (2) United States dollar LIBOR (0.47% at June 30, 2016) plus 1.25% to 1.75%, based on certain financial tests. The interest rate in effect at June 30, 2016 was 1.72%. Fees for letters of credit issued under the 2013 Revolving Credit Facility range from 1.25% to 1.75% of the respective face amounts of outstanding letters of credit and are computed based on certain financial tests. We capitalized approximately \$3.0 million of debt issuance costs associated with the 2013 Credit Agreement. This amount is being amortized over the life of the agreement and is included as part of interest expense. We are required to make principal payments on the Term Loan in installments on the last day of March, June, September and December of each year, which commenced with the calendar quarter ended March 31, 2014, in the amount of \$4.4 million, with a payment of all unpaid principal and interest due on November 25, 2018. As of June 30, 2016 and December 31, 2015, the balance of the Term Loan was \$306.3 million and \$315.0 million, respectively. As of June 30, 2016 and December 31, 2015, we had approximately \$109.6 million and \$99.0 million of letters of credit outstanding, respectively. We had borrowings of \$220.0 million outstanding under the 2013 Revolving Credit Facility as of June 30, 2016. There were no borrowings outstanding under the 2013 Revolving Credit Facility as of December 31, 2015.

NOTE 8 Fair Value Measurements

We use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, which gives the highest priority to quoted prices in active markets, is comprised of the following three levels:

Level 1 – Unadjusted quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs, other than Level 1 inputs. Level 2 inputs would typically include quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the measurement and unobservable.

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2016 and December 31, 2015 (in thousands):

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Asset Category	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents ⁽¹⁾	\$443,019	\$ —	—	—\$443,019
Restricted cash ⁽²⁾	3,319	—	—	3,319
Deferred compensation plan assets ⁽³⁾	11,368	—	—	11,368
Total	\$457,706	\$ —	—	—\$457,706

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 8 Fair Value Measurements - (Continued)

Asset Category	Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents ⁽¹⁾	\$486,831	\$ —	\$ —	—\$486,831
Restricted cash ⁽²⁾	4,232	—	—	4,232
Deferred compensation plan assets ⁽³⁾	7,497	—	—	7,497
Total	\$498,560	\$ —	\$ —	—\$498,560

Cash and cash equivalents include money market funds with original maturity dates of three months or less, which (1) are Level 1 assets. At June 30, 2016 and December 31, 2015, we had \$155.4 million and \$151.4 million, respectively, in money market funds.

(2) Restricted cash is classified as "Prepaid expenses and other" in the Condensed Consolidated Balance Sheets.

(3) Deferred compensation plan assets are classified as "Other assets" in the Condensed Consolidated Balance Sheets. We believe that the carrying values of our financial instruments, which include accounts receivable and other financing commitments, approximate their fair values due primarily to their short-term maturities and low risk of counterparty default. The carrying value of our debt associated with the 2013 Credit Agreement approximates its fair value due to the variable rate on such debt.

NOTE 9 Income Taxes

For the three months ended June 30, 2016 and 2015, our income tax provision from continuing operations was \$32.9 million and \$28.7 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 37.5% and 37.8%, respectively. The actual income tax rates on income from continuing operations, less amounts attributable to noncontrolling interests, for the three months ended June 30, 2016 and 2015, inclusive of discrete items, were 36.8% and 38.0%, respectively. For the six months ended June 30, 2016 and 2015, our income tax provision from continuing operations was \$51.9 million and \$49.0 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 37.6% and 37.8%, respectively. The actual income tax rates on income from continuing operations, less amounts attributable to noncontrolling interests, for the six months ended June 30, 2016 and 2015, inclusive of discrete items, were 36.3% and 37.9%, respectively. The increase in the 2016 income tax provision was primarily due to increased income from continuing operations. The decreases in the 2016 actual income tax rates on income from continuing operations were primarily due to \$1.8 million of tax benefits recognized upon the issuance of common stock under share-based compensation plans.

As of June 30, 2016 and December 31, 2015, the amount of unrecognized income tax benefits for each period was \$4.8 million (of which \$3.0 million, if recognized, would favorably affect our effective income tax rate).

We report interest expense related to unrecognized income tax benefits in the income tax provision. As of June 30, 2016 and December 31, 2015, we had approximately \$0.5 million and \$0.4 million of accrued interest related to unrecognized income tax benefits included as a liability in the Condensed Consolidated Balance Sheets, respectively. For each of the three months ended June 30, 2016 and 2015, less than \$0.1 million of interest expense was recognized. For each of the six months ended June 30, 2016 and 2015, less than \$0.1 million of interest expense was recognized. It is reasonably possible that approximately \$4.1 million of unrecognized income tax benefits at June 30, 2016, primarily relating to uncertain tax positions attributable to tax return filing positions, will significantly decrease in the next twelve months as a result of estimated settlements with taxing authorities and the expiration of applicable statutes of limitations.

We file income tax returns with the Internal Revenue Service and various state, local and foreign tax agencies. The Company is currently under examination by various taxing authorities for the years 2008 through 2014.

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 10 Common Stock

As of June 30, 2016 and December 31, 2015, there were 60,789,014 and 61,067,868 shares of our common stock outstanding, respectively.

During the three months ended June 30, 2016 and 2015, 107,939 and 102,562 shares of common stock, respectively, were issued primarily upon: (a) the satisfaction of required conditions under certain of our share-based compensation plans, (b) the exercise of stock options and (c) the purchase of common stock pursuant to our employee stock purchase plan. During the six months ended June 30, 2016 and 2015, 306,066 and 281,490 shares of common stock, respectively, were issued primarily upon: (a) the satisfaction of required conditions under certain of our share-based compensation plans, (b) the exercise of stock options and (c) the purchase of common stock pursuant to our employee stock purchase plan.

On September 26, 2011, our Board of Directors authorized us to repurchase up to \$100.0 million of our outstanding common stock. On December 5, 2013, October 23, 2014 and October 28, 2015, our Board of Directors authorized us to repurchase up to an additional \$100.0 million, \$250.0 million and \$200.0 million of our outstanding common stock, respectively. During 2016, we have repurchased approximately 0.6 million shares of our common stock for approximately \$26.1 million. Since the inception of the repurchase programs through June 30, 2016, we have repurchased 10.5 million shares of our common stock for approximately \$421.9 million. As of June 30, 2016, there remained authorization for us to repurchase approximately \$228.1 million of our shares. The repurchase programs do not obligate the Company to acquire any particular amount of common stock and may be suspended, recommenced or discontinued at any time or from time to time without prior notice. We may repurchase our shares from time to time to the extent permitted by securities laws and other legal requirements, including provisions in our credit agreement placing limitations on such repurchases. The repurchase programs have been and will be funded from our operations.

NOTE 11 Retirement Plans

Our United Kingdom subsidiary has a defined benefit pension plan covering all eligible employees (the "UK Plan"); however, no individual joining the company after October 31, 2001 may participate in the UK Plan. On May 31, 2010, we curtailed the future accrual of benefits for active employees under such plan.

Components of Net Periodic Pension Cost

The components of net periodic pension cost of the UK Plan for the three and six months ended June 30, 2016 and 2015 were as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Interest cost	\$2,696	\$2,915	\$5,381	\$5,780
Expected return on plan assets	(3,717)	(4,066)	(7,418)	(8,061)
Amortization of unrecognized loss	535	636	1,067	1,259
Net periodic pension cost	\$(486)	\$(515)	\$(970)	\$(1,022)

Employer Contributions

For the six months ended June 30, 2016, our United Kingdom subsidiary contributed approximately \$2.4 million to the UK Plan and anticipates contributing an additional \$2.5 million during the remainder of 2016.

NOTE 12 Commitments and Contingencies

Government Contracts

As a government contractor, we are subject to U.S. government audits and investigations relating to our operations, including claims for fines, penalties and compensatory and treble damages, and possible suspension or debarment from doing business with the government. Based on currently available information, we believe the outcome of ongoing government disputes and investigations will not have a material impact on our financial position, results of operations or liquidity.

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 12 Commitments and Contingencies - (Continued)

Legal Matters

One of our subsidiaries was a subcontractor to a mechanical contractor (“Mechanical Contractor”) on a construction project where an explosion occurred in 2010. An investigation of the matter could not determine who was responsible for the explosion. As a result of the explosion, lawsuits have been commenced against various parties, but, to date, no lawsuits have been commenced against our subsidiary with respect to personal injury or damage to property as a consequence of the explosion. However, the Mechanical Contractor has asserted claims, in the context of an arbitration proceeding against our subsidiary, alleging that our subsidiary is responsible for a portion of the damages for which the Mechanical Contractor may be liable as a result of: (a) personal injury suffered by individuals as a result of the explosion and (b) the Mechanical Contractor’s legal fees and associated management costs in defending against any and all such claims. In the most recent filing with the arbitrator, the Mechanical Contractor has stated claims against our subsidiary for alleged violations of the Connecticut and Massachusetts Unfair and Deceptive Trade Practices Acts in the ongoing arbitration proceeding. Further, the general contractor (as assignee of the Mechanical Contractor) on the construction project, and for whom the Mechanical Contractor worked, has alleged that our subsidiary is responsible for losses asserted by the owner of the project and/or the general contractor because of delays in completion of the project and for damages to the owner’s property. We believe, and have been advised by counsel, that we have a number of meritorious defenses to all such matters. We believe that the ultimate outcome of such matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity. Notwithstanding our assessment of the final impact of this matter, we are not able to estimate with any certainty the amount of loss, if any, which would be associated with an adverse resolution.

We are involved in several other proceedings in which damages and claims have been asserted against us. Other potential claims may exist that have not yet been asserted against us. We believe that we have a number of valid defenses to such proceedings and claims and intend to vigorously defend ourselves. We do not believe that any such matters will have a material adverse effect on our financial position, results of operations or liquidity. Litigation is subject to many uncertainties and the outcome of litigation is not predictable with assurance. It is possible that some litigation matters for which reserves have not been established could be decided unfavorably to us, and that any such unfavorable decisions could have a material adverse effect on our financial position, results of operations or liquidity.

Restructuring expenses

Restructuring expenses, primarily relating to employee severance obligations, were \$0.6 million and \$0.7 million for the three and six months ended June 30, 2016, respectively, and \$0.4 million for the three and six months ended June 30, 2015. As of June 30, 2016, the balance of these restructuring obligations yet to be paid was \$0.3 million, the majority of which is expected to be paid during 2016. No material expenses in connection with restructuring from continuing operations are expected to be incurred during the remainder of 2016.

The changes in restructuring activity by reportable segments during the six months ended June 30, 2016 and 2015 were as follows (in thousands):

	United States electrical construction and facilities services segment	United States mechanical construction and facilities services segment	United States building services segment	Total
Balance at December 31, 2014	\$ 255	\$ 26	\$ —	\$ 281
Charges	(106)	6	541	441
Payments	(149)	(32)	—	(181)
Balance at June 30, 2015	\$ —	\$ —	\$ 541	\$ 541
Balance at December 31, 2015	\$ —	\$ —	\$ 81	\$ 81
Charges	—	198	534	732

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Payments	—	(52)	(434)	(486)
Balance at June 30, 2016	\$ —	\$ 146		\$ 181		\$ 327	

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 13 Segment Information

We have the following reportable segments which provide services associated with the design, integration, installation, start-up, operation and maintenance of various systems: (a) United States electrical construction and facilities services (involving systems for electrical power transmission and distribution; premises electrical and lighting systems; low-voltage systems, such as fire alarm, security and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration and clean-room process ventilation; fire protection; plumbing, process and high-purity piping; controls and filtration; water and wastewater treatment; central plant heating and cooling; cranes and rigging; millwrighting; and steel fabrication, erection and welding); (c) United States building services; (d) United States industrial services; and (e) United Kingdom building services. The "United States building services" and "United Kingdom building services" segments principally consist of those operations which provide a portfolio of services needed to support the operation and maintenance of our customers' facilities, including commercial and government site-based operations and maintenance; facility maintenance and services, including reception, security and catering services; outage services to utilities and industrial plants; military base operations support services; mobile maintenance and services; floor care and janitorial services; landscaping, lot sweeping and snow removal; facilities management; vendor management; call center services; installation and support for building systems; program development, management and maintenance for energy systems; technical consulting and diagnostic services; infrastructure and building projects for federal, state and local governmental agencies and bodies; and small modification and retrofit projects, which services are not generally related to customers' construction programs. The segment "United States industrial services" principally consists of those operations which provide industrial maintenance and services, mainly for refineries and petrochemical plants, including on-site repairs, maintenance and service of heat exchangers, towers, vessels and piping; design, manufacturing, repair and hydro blast cleaning of shell and tube heat exchangers and related equipment; refinery turnaround planning and engineering services; specialty welding services; overhaul and maintenance of critical process units in refineries and petrochemical plants; and specialty technical services for refineries and petrochemical plants.

The following tables present information about industry segments and geographic areas for the three and six months ended June 30, 2016 and 2015 (in thousands):

	For the three months ended June 30,	
	2016	2015
Revenues from unrelated entities:		
United States electrical construction and facilities services	\$420,632	\$346,202
United States mechanical construction and facilities services	629,895	554,003
United States building services	458,797	435,627
United States industrial services	333,508	225,168
Total United States operations	1,842,832	1,561,000
United Kingdom building services	90,584	91,585
Total worldwide operations	\$1,933,416	\$1,652,585
Total revenues:		
United States electrical construction and facilities services	\$430,101	\$347,448
United States mechanical construction and facilities services	633,118	557,815
United States building services	472,110	448,990
United States industrial services	333,752	225,575
Less intersegment revenues	(26,249)	(18,828)
Total United States operations	1,842,832	1,561,000

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United Kingdom building services	90,584	91,585
Total worldwide operations	\$1,933,416	\$1,652,585

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 13 Segment Information - (Continued)

	For the six months ended June 30,	
	2016	2015
Revenues from unrelated entities:		
United States electrical construction and facilities services	\$768,921	\$665,196
United States mechanical construction and facilities services	1,241,785	1,065,029
United States building services	898,448	875,119
United States industrial services	591,012	457,893
Total United States operations	3,500,166	3,063,237
United Kingdom building services	178,220	178,535
Total worldwide operations	\$3,678,386	\$3,241,772
Total revenues:		
United States electrical construction and facilities services	\$784,205	\$667,686
United States mechanical construction and facilities services	1,248,350	1,071,182
United States building services	924,445	898,718
United States industrial services	591,622	458,891
Less intersegment revenues	(48,456)	(33,240)
Total United States operations	3,500,166	3,063,237
United Kingdom building services	178,220	178,535
Total worldwide operations	\$3,678,386	\$3,241,772
	For the three months ended June 30,	
	2016	2015
Operating income (loss):		
United States electrical construction and facilities services	\$23,011	\$25,277
United States mechanical construction and facilities services	38,180	32,364
United States building services	18,291	17,939
United States industrial services	33,148	17,415
Total United States operations	112,630	92,995
United Kingdom building services	3,258	2,834
Corporate administration	(22,958)	(17,693)
Restructuring expenses	(641)	(433)
Total worldwide operations	92,289	77,703
Other corporate items:		
Interest expense	(3,118)	(2,208)
Interest income	192	182
Income from continuing operations before income taxes	\$89,363	\$75,677

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 13 Segment Information - (Continued)

	For the six months ended June 30,	
	2016	2015
Operating income (loss):		
United States electrical construction and facilities services	\$39,718	\$41,951
United States mechanical construction and facilities services	62,057	53,265
United States building services	32,193	38,917
United States industrial services	52,014	30,248
Total United States operations	185,982	164,381
United Kingdom building services	6,569	5,212
Corporate administration	(43,915)	(36,119)
Restructuring expenses	(732)	(441)
Total worldwide operations	147,904	133,033
Other corporate items:		
Interest expense	(5,494)	(4,424)
Interest income	357	358
Income from continuing operations before income taxes	\$142,767	\$128,967
	June 30,	December 31,
	2016	2015
Total assets:		
United States electrical construction and facilities services	\$597,231	\$372,525
United States mechanical construction and facilities services	876,681	894,366
United States building services	795,623	721,653
United States industrial services	927,469	883,338
Total United States operations	3,197,004	2,871,882
United Kingdom building services	115,448	133,782
Corporate administration	487,914	536,993
Total worldwide operations	\$3,800,366	\$3,542,657

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We are one of the largest electrical and mechanical construction and facilities services firms in the United States. In addition, we provide a number of building services and industrial services. Our services are provided to a broad range of commercial, industrial, utility and institutional customers through approximately 70 operating subsidiaries and joint venture entities. Our offices are located in the United States and the United Kingdom.

Due to a historical pattern of losses in the construction operations of our United Kingdom segment and our negative assessment of construction market conditions in the United Kingdom for the foreseeable future, we announced during the quarter ended June 30, 2013 our decision to withdraw from the construction market in the United Kingdom.

During the third quarter of 2014, we ceased construction operations in the United Kingdom. The results of the construction operations of our United Kingdom segment for all periods are presented in our Condensed Consolidated Financial Statements as discontinued operations. The segment formerly named the United Kingdom construction and building services segment has been renamed the United Kingdom building services segment.

Impact of Acquisitions

In order to provide a more meaningful period-over-period discussion of our operating results, we may discuss amounts generated or incurred (revenues, gross profit, selling, general and administrative expenses and operating income) from companies acquired. The amounts discussed reflect the acquired companies' operating results in the current reported period only for the time period these entities were not owned by EMCOR in the comparable prior reported period.

Overview

The following table presents selected financial data for the three months ended June 30, 2016 and 2015 (in thousands, except percentages and per share data):

	For the three months ended	
	June 30,	
	2016	2015
Revenues	\$1,933,416	\$1,652,585
Revenues increase from prior year	17.0	% 6.4
Restructuring expenses	\$641	\$433
Operating income	\$92,289	\$77,703
Operating income as a percentage of revenues	4.8	% 4.7
Net income attributable to EMCOR Group, Inc.	\$55,380	\$46,849
Diluted earnings per common share from continuing operations	\$0.92	\$0.74

The results of our operations for the 2016 second quarter set new company records in terms of revenues, operating income, net income attributable to EMCOR Group, Inc. and diluted earnings per common share from continuing operations for a second quarter. Revenues increased within all of our reportable segments, except for our United Kingdom building services segment. The increase in revenues was attributable to: (a) our domestic construction segments, due to increased activity within the majority of our market sectors, (b) our United States industrial services segment, due to increased demand for specialty services offerings within our field services operations, and (c) our United States building services segment, due to higher volume within its mobile mechanical services, energy services and site-based commercial services operations. The decrease in revenues from our United Kingdom building services segment was due to the effect of unfavorable exchange rates for the British pound versus the United States dollar.

Operating income increased within all of our reportable segments, except for our United States electrical construction and facilities services segment. Our operating income was favorably impacted by: (a) our United States industrial services segment, as a result of large project activity within our field services operations, (b) our United States mechanical construction and facilities services segment, resulting from: (i) increased revenues due to higher levels of work within nearly all of our market sectors and (ii) the favorable settlement of a claim by us against the former shareholder of a company we had previously acquired, and (c) our United Kingdom building services segment, as a result of improved performance within its commercial market sector. The decrease in operating income within our United States electrical construction and facilities services segment was primarily due to the impact of a \$10.5 million loss incurred on a transportation project in the Northeastern United States, as a result of productivity issues

attributable to unfavorable job-site conditions for which we will seek recovery. Corporate administration operating loss increased as a result of: (a) \$2.8 million of transaction costs associated with the acquisition of Ardent Services, L.L.C. and Rabalais

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Constructors, LLC (collectively, “Ardent”) in April 2016 and (b) an increase in employment costs, such as incentive compensation, partially due to higher projected annual operating results than in the same prior year period. Our operating margin (operating income as a percentage of revenues) for the three months ended June 30, 2016 was 4.8% compared to operating margin of 4.7% for the three months ended June 30, 2015. Operating margin increases within our United States industrial services segment, our United Kingdom building services segment and our United States mechanical construction and facilities services segment were offset by decreases in operating margin within our United States electrical construction and facilities services segment and our United States building services segment. Companies acquired in 2016, which are reported in our United States electrical construction and facilities services segment and our United States building services segment, generated incremental revenues of \$63.4 million and operating income of \$4.7 million, net of \$1.1 million of amortization expense associated with identifiable intangible assets. Companies acquired in 2015, which are reported in our United States mechanical construction and facilities services segment, generated incremental revenues of \$14.0 million and operating income of \$0.6 million, net of \$0.2 million of amortization expense associated with identifiable intangible assets.

Operating Segments

We have the following reportable segments which provide services associated with the design, integration, installation, start-up, operation and maintenance of various systems: (a) United States electrical construction and facilities services (involving systems for electrical power transmission and distribution; premises electrical and lighting systems; low-voltage systems, such as fire alarm, security and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration and clean-room process ventilation; fire protection; plumbing, process and high-purity piping; controls and filtration; water and wastewater treatment; central plant heating and cooling; cranes and rigging; millwrighting; and steel fabrication, erection and welding); (c) United States building services; (d) United States industrial services; and (e) United Kingdom building services. The “United States building services” and “United Kingdom building services” segments principally consist of those operations which provide a portfolio of services needed to support the operation and maintenance of our customers’ facilities, including commercial and government site-based operations and maintenance; facility maintenance and services, including reception, security and catering services; outage services to utilities and industrial plants; military base operations support services; mobile maintenance and services; floor care and janitorial services; landscaping, lot sweeping and snow removal; facilities management; vendor management; call center services; installation and support for building systems; program development, management and maintenance for energy systems; technical consulting and diagnostic services; infrastructure and building projects for federal, state and local governmental agencies and bodies; and small modification and retrofit projects, which services are not generally related to customers' construction programs. The segment “United States industrial services” principally consists of those operations which provide industrial maintenance and services, mainly for refineries and petrochemical plants, including on-site repairs, maintenance and service of heat exchangers, towers, vessels and piping; design, manufacturing, repair and hydro blast cleaning of shell and tube heat exchangers and related equipment; refinery turnaround planning and engineering services; specialty welding services; overhaul and maintenance of critical process units in refineries and petrochemical plants; and specialty technical services for refineries and petrochemical plants.

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Results of Operations

Revenues

The following tables present our operating segment revenues from unrelated entities and their respective percentages of total revenues (in thousands, except for percentages):

	For the three months ended June 30,			
	2016	% of Total	2015	% of Total
Revenues:				
United States electrical construction and facilities services	\$420,632	22 %	\$346,202	21 %
United States mechanical construction and facilities services	629,895	33 %	554,003	34 %
United States building services	458,797	24 %	435,627	26 %
United States industrial services	333,508	17 %	225,168	14 %
Total United States operations	1,842,832	95 %	1,561,000	94 %
United Kingdom building services	90,584	5 %	91,585	6 %
Total worldwide operations	\$1,933,416	100%	\$1,652,585	100%
	For the six months ended June 30,			
	2016	% of Total	2015	% of Total
Revenues:				
United States electrical construction and facilities services	\$768,921	21 %	\$665,196	21 %
United States mechanical construction and facilities services	1,241,785	34 %	1,065,029	33 %
United States building services	898,448	24 %	875,119	27 %
United States industrial services	591,012	16 %	457,893	14 %
Total United States operations	3,500,166	95 %	3,063,237	94 %
United Kingdom building services	178,220	5 %	178,535	6 %
Total worldwide operations	\$3,678,386	100%	\$3,241,772	100%

As described below in more detail, our revenues for the three months ended June 30, 2016 increased to \$1.93 billion compared to \$1.65 billion for the three months ended June 30, 2015, and our revenues for the six months ended June 30, 2016 increased to \$3.68 billion compared to \$3.24 billion for the six months ended June 30, 2015. The increase in revenues for both periods was primarily attributable to: (a) increased revenues from both of our domestic construction segments and (b) increased demand for our industrial field services within our United States industrial services segment.

Revenues of our United States electrical construction and facilities services segment were \$420.6 million and \$768.9 million for the three and six months ended June 30, 2016, respectively, compared to revenues of \$346.2 million and \$665.2 million for the three and six months ended June 30, 2015, respectively. Excluding the acquisition of Ardent, the increase in revenues for both periods was primarily attributable to an increase in revenues from commercial, transportation, manufacturing and hospitality construction projects, partially offset by a decrease in revenues from healthcare and water and wastewater construction projects. The results for the three and six months ended June 30, 2016 included \$48.3 million of revenues generated by Ardent.

Our United States mechanical construction and facilities services segment revenues for the three months ended June 30, 2016 were \$629.9 million, a \$75.9 million increase compared to revenues of \$554.0 million for the three months ended June 30, 2015. Revenues of this segment for the six months ended June 30, 2016 were \$1,241.8 million, a \$176.8 million increase compared to revenues of \$1,065.0 million for the six months ended June 30, 2015. The increase in revenues for both periods was primarily attributable to an increase in revenues from manufacturing, water and wastewater, hospitality, transportation and institutional construction projects, partially offset by a decline in revenues from healthcare construction projects. The results for the three and six months ended June 30, 2016 included \$14.0 million and \$28.4 million, respectively, of revenues generated by companies acquired in 2015.

Revenues of our United States building services segment for the three months ended June 30, 2016 increased by \$23.2 million compared to the three months ended June 30, 2015, and revenues for the six months ended June 30, 2016 increased by \$23.3 million compared to the six months ended June 30, 2015. The increase in revenues for both periods was primarily attributable

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to increased revenues from: (a) our mobile mechanical services operations, inclusive of \$15.1 million of revenues generated by a company acquired in the second quarter of 2016, (b) our energy services operations, as a result of several new contract awards, and (c) our commercial site-based services operations, as a result of growth within their current contract portfolio. These increases were partially offset by a decrease in revenues from our government site-based services operations as a result of the loss of certain contracts not renewed pursuant to rebid.

Revenues of our United States industrial services segment for the three months ended June 30, 2016 increased by \$108.3 million compared to the three months ended June 30, 2015, and revenues for the six months ended June 30, 2016 increased by \$133.1 million compared to the six months ended June 30, 2015. The increase in revenues for both periods was due to increased demand for specialty services offerings within our field services operations, including large project activity. In addition, revenues for the six months ended June 30, 2015 were negatively impacted by a nationwide strike by union employees of certain major oil refineries which led to the loss and deferral of certain turnaround projects. The increase in revenues from our field services operations was partially offset by a decrease in revenues from our shop services operations due to lower demand for new heat exchangers as a result of volatility in crude oil prices that has led to a curtailment in capital spending from most large integrated oil companies.

Our United Kingdom building services segment revenues were \$90.6 million for the three months ended June 30, 2016 compared to revenues of \$91.6 million for the three months ended June 30, 2015, and revenues were \$178.2 million for the six months ended June 30, 2016 compared to revenues of \$178.5 million for the six months ended June 30, 2015. This segment's revenues decreased by \$6.2 million and \$11.3 million for the three and six months ended June 30, 2016, respectively, related to the effect of unfavorable exchange rates for the British pound versus the United States dollar resulting from the decision by the United Kingdom to exit the European Union, partially offset by an increase in contract activity within the commercial and transportation market sectors.

Backlog

The following table presents our operating segment backlog from unrelated entities and their respective percentages of total backlog (in thousands, except for percentages):

	June 30, 2016	% of Total	December 31, 2015	% of Total	June 30, 2015	% of Total
Backlog:						
United States electrical construction and facilities services	\$1,096,872	29 %	\$1,145,791	30 %	\$1,130,634	31 %
United States mechanical construction and facilities services	1,747,593	46 %	1,683,501	45 %	1,522,587	42 %
United States building services	762,463	20 %	762,196	20 %	723,790	20 %
United States industrial services	56,722	1 %	54,578	1 %	84,930	2 %
Total United States operations	3,663,650	96 %	3,646,066	97 %	3,461,941	96 %
United Kingdom building services	145,835	4 %	125,097	3 %	162,527	4 %
Total worldwide operations	\$3,809,485	100 %	\$3,771,163	100 %	\$3,624,468	100 %

Our backlog at June 30, 2016 was \$3.81 billion compared to \$3.77 billion at December 31, 2015 and \$3.62 billion at June 30, 2015. The increase in backlog at June 30, 2016 compared to backlog at December 31, 2015 was primarily attributable to an increase in backlog from all of our reportable segments, except for our United States electrical construction and facilities services segment. Backlog increases with awards of new contracts and decreases as we perform work on existing contracts. Backlog is not a term recognized under United States generally accepted accounting principles; however, it is a common measurement used in our industry. We include a project within our backlog at such time as a contract is awarded and agreement on contract terms has been reached. Backlog includes unrecognized revenues to be realized from uncompleted construction contracts plus unrecognized revenues expected to be realized over the remaining term of services contracts. However, we do not include in backlog contracts for which we are paid on a time and material basis and a fixed amount cannot be determined, and if the remaining term of a services contract exceeds 12 months, the unrecognized revenues attributable to such contract included in backlog are limited to only the next 12 months of revenues provided for in the contract award. Our backlog also includes amounts related to services contracts for which a fixed price contract value is not assigned when a reasonable estimate of total revenues can be made from budgeted amounts agreed to with our customer. Our backlog is comprised of: (a) original contract amounts, (b) change orders for which we have received written confirmations from our customers, (c)

pending change orders for which we expect to receive confirmations in the ordinary course of business and (d) claim amounts that we have made against customers for which we have determined we have a legal basis under existing contractual arrangements and as to which we consider recovery to be probable. Such claim amounts were immaterial for all periods presented. Our backlog does not include anticipated revenues from unconsolidated joint

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ventures or variable interest entities and anticipated revenues from pass-through costs on contracts for which we are acting in the capacity of an agent and which are reported on the net basis. We believe our backlog is firm, although many contracts are subject to cancellation at the election of our customers. Historically, cancellations have not had a material adverse effect on us.

Cost of sales and Gross profit

The following table presents our cost of sales, gross profit (revenues less cost of sales) and gross profit margin (gross profit as a percentage of revenues) (in thousands, except for percentages):

	For the three months ended		For the six months ended		
	June 30, 2016	2015	June 30, 2016	2015	
Cost of sales	\$1,658,675	\$1,413,058	\$3,180,537	\$2,785,316	
Gross profit	\$274,741	\$239,527	\$497,849	\$456,456	
Gross profit, as a percentage of revenues	14.2	% 14.5	% 13.5	% 14.1	%

Our gross profit increased by \$35.2 million for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. Gross profit increased by \$41.4 million for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. The increase in gross profit for the three months ended June 30, 2016 was attributable to increases in gross profit within all of our reportable segments, except for our United Kingdom building services segment. The increase in gross profit for the six months ended June 30, 2016 was attributable to increases in gross profit within all of our reportable segments, except for our United States building services segment. The increase in gross profit for both periods was primarily attributable to an increase in revenues. Our gross profit margin was 14.2% and 14.5% for the three months ended June 30, 2016 and 2015, respectively. Gross profit margin was 13.5% and 14.1% for the six months ended June 30, 2016 and 2015, respectively. The decrease in gross profit margin for both periods was partially attributable to a \$10.5 million loss incurred on a transportation construction project in the Northeastern United States within our United States electrical construction and facilities services segment, resulting in a 0.5% and a 0.3% negative impact on the Company's gross profit margin for the three and six months ended June 30, 2016, respectively.

Selling, general and administrative expenses

The following table presents our selling, general and administrative expenses and SG&A margin (selling, general and administrative expenses as a percentage of revenues) (in thousands, except for percentages):

	For the three months ended		For the six months ended		
	June 30, 2016	2015	June 30, 2016	2015	
Selling, general and administrative expenses	\$181,811	\$161,391	\$349,213	\$322,982	
Selling, general and administrative expenses, as a percentage of revenues	9.4	% 9.8	% 9.5	% 10.0	%

Our selling, general and administrative expenses for the three months ended June 30, 2016 increased by \$20.4 million to \$181.8 million compared to \$161.4 million for the three months ended June 30, 2015. Selling, general and administrative expenses for the six months ended June 30, 2016 increased by \$26.2 million to \$349.2 million compared to \$323.0 million for the six months ended June 30, 2015. Selling, general and administrative expenses as a percentage of revenues were 9.4% and 9.5% for the three and six months ended June 30, 2016, respectively, compared to 9.8% and 10.0% for the three and six months ended June 30, 2015, respectively. The increase in selling, general and administrative expenses was due to higher employee related costs such as incentive compensation and salaries, as well as certain other costs including legal and professional fees and the provision for doubtful accounts. Increased incentive compensation was principally due to higher projected annual operating results than in the same prior year period, which resulted in increased accruals for certain of our incentive compensation plans. The increase in salaries was attributable to an increase in headcount due to higher revenues than in the same prior year period, as well as cost of living adjustments and merit pay increases. The increase in professional fees for the three and six months ended June 30, 2016 included \$2.8 million and \$3.8 million, respectively, of transaction costs associated with the acquisition

of Ardent in April 2016. Additionally, the increase in selling, general and administrative expenses for the three and six months ended June 30, 2016 included \$9.3 million and \$10.2 million, respectively, of expenses directly related to companies acquired in 2016 and 2015, including amortization expense attributable to identifiable intangible assets of \$1.1 million and \$1.3 million, respectively. The decrease in SG&A margin for both periods was partially attributable to an increase in revenues without commensurate increases in our overhead cost structure.

ended June 30, 2015, respectively. Operating margin was 4.8% and 4.0% for the three and six months ended June 30, 2016, respectively, compared to 4.7% and 4.1% for the three and six months ended June 30, 2015, respectively.

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Operating income of our United States electrical construction and facilities services segment for the three and six months ended June 30, 2016 was \$23.0 million and \$39.7 million, respectively, compared to operating income of \$25.3 million and \$42.0 million for the three and six months ended June 30, 2015, respectively. The decrease in operating income and operating margin for the three months ended June 30, 2016 was attributable to a loss incurred on a transportation construction project in the Northeastern United States, as a result of productivity issues attributable to unfavorable job-site conditions for which we will seek recovery, resulting in a 2.3% negative impact on the segment's operating margin for the second quarter of 2016. This project is expected to be completed by the end of 2016. The decrease in operating income and operating margin for the six months ended June 30, 2016 was also due to losses incurred on two additional transportation construction projects in the first quarter of 2016. The losses for both periods were partially offset by an increase in gross profit from commercial and hospitality construction projects. Ardent contributed operating income of \$3.9 million, net of \$0.6 million of amortization expense associated with identifiable intangible assets, for the three and six months ended June 30, 2016.

Our United States mechanical construction and facilities services segment operating income for the three months ended June 30, 2016 was \$38.2 million, a \$5.8 million increase compared to operating income of \$32.4 million for the three months ended June 30, 2015. Operating income for the six months ended June 30, 2016 was \$62.1 million, an \$8.8 million increase compared to operating income of \$53.3 million for the six months ended June 30, 2015. The increase in operating income for both periods was attributable to an increase in gross profit from manufacturing, commercial, healthcare and hospitality construction projects. The results for the three and six months ended June 30, 2016 included the receipt of \$2.0 million from the former owner of a company we had previously acquired as a result of a settlement of a claim by us under the acquisition agreement. Companies acquired in 2015 generated operating income of \$0.6 million and \$1.3 million, net of \$0.2 million and \$0.4 million of amortization expense associated with identifiable intangible assets, for the three and six months ended June 30, 2016, respectively. The increase in operating margin for the three months ended June 30, 2016 was attributable to a decrease in the ratio of selling, general and administrative expenses to revenues.

Operating income of our United States building services segment for the three months ended June 30, 2016 increased by \$0.4 million compared to operating income for the three months ended June 30, 2015, and its operating income for the six months ended June 30, 2016 decreased by \$6.7 million compared to the six months ended June 30, 2015. The increase in operating income for the three months ended June 30, 2016 was attributable to: (a) the acquisition of a company during the second quarter of 2016, within our mobile mechanical services operations, which generated operating income of \$0.8 million, net of \$0.5 million of amortization expense associated with identifiable intangible assets, and (b) a reduction in selling, general and administrative expenses within our commercial site-based services operations, as a result of a decrease in employee related costs such as salaries and incentive compensation, partially due to a reduction in headcount. The decrease in operating income for the six months ended June 30, 2016 was attributable to: (a) an increase in selling, general and administrative expenses due to: (i) an increase in headcount, primarily within our mobile mechanical services operations as a result of increased volume, (ii) cost of living adjustments and merit pay increases and (iii) an increase in the provision for doubtful accounts, (b) lower operating income within our commercial site-based services operations, partially as a result of a reduction in snow removal activities due to less snowfall in areas where our contracts are based on a per snow event basis, and (c) a decrease in operating income within our government site-based services operations. In addition, operating income for the six months ended June 30, 2015 included the impact of \$3.0 million of gross profit recognized upon the favorable settlement of a claim by us against the former owner of a company we previously acquired. The decrease in operating margin for the six months ended June 30, 2016 was attributable to a decrease in gross profit margin and an increase in the ratio of selling, general and administrative expenses to revenues, primarily as a result of the items discussed above. Operating income of our United States industrial services segment for the three months ended June 30, 2016 increased by \$15.7 million compared to operating income for the three months ended June 30, 2015, and its operating income for the six months ended June 30, 2016 increased by \$21.8 million compared to the six months ended June 30, 2015. The increase in operating income for both periods was attributable to an increase in gross profit from specialty services offerings within our field services operations, including large project activity. In addition, this segment's results for the first half of 2015 were negatively impacted by a nationwide strike by union employees of certain major

oil refineries, which led to the loss and deferral of certain turnaround projects. The increase in operating income for both periods was partially offset by a decrease in gross profit from our shop services operations due to lower demand for new heat exchangers as a result of volatility in crude oil prices that has led to a curtailment in capital spending. The increase in operating margin for both periods was attributable to a decrease in the ratio of selling, general and administrative expenses to revenues due to an increase in revenues without commensurate increases in our overhead cost structure.

Our United Kingdom building services segment operating income was \$3.3 million and \$6.6 million for the three and six months ended June 30, 2016, respectively, compared to operating income of \$2.8 million and \$5.2 million for the three and six months ended June 30, 2015, respectively. The increase in operating income for the three and six months ended June 30, 2016 was primarily attributable to an increase in gross profit from project activity within the commercial market, partially as a result of several contract awards won in 2015, partially offset by decreases of \$0.3 million and \$0.4 million, respectively, relating to the effect of unfavorable exchange rates for the British pound versus the United States dollar. The increase in operating margin for

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both 2016 periods was attributable to an increase in gross profit margin and a decrease in the ratio of selling, general and administrative expenses to revenues.

Our corporate administration operating loss for the three months ended June 30, 2016 was \$23.0 million compared to \$17.7 million for the three months ended June 30, 2015. Our corporate administration operating loss for the six months ended June 30, 2016 was \$43.9 million compared to \$36.1 million for the six months ended June 30, 2015.

The increase in expenses for the three and six months ended June 30, 2016 was primarily due to: (a) \$2.8 million and \$3.8 million, respectively, of transaction costs associated with the acquisition of Ardent in April 2016, (b) an increase in employment costs, such as incentive compensation, partially due to higher projected annual operating results than in the same prior year period, and (c) an increase in legal costs.

Interest expense for the three months ended June 30, 2016 and 2015 was \$3.1 million and \$2.2 million, respectively.

Interest expense for the six months ended June 30, 2016 and 2015 was \$5.5 million and \$4.4 million, respectively.

The increase in interest expense for both periods was due to outstanding borrowings on the revolving credit facility in 2016. Interest income for each of the three months ended June 30, 2016 and 2015 was \$0.2 million. Interest income for each of the six months ended June 30, 2016 and 2015 was \$0.4 million.

For the three months ended June 30, 2016 and 2015, our income tax provision from continuing operations was \$32.9 million and \$28.7 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 37.5% and 37.8%, respectively. The actual income tax rates on income from continuing operations, less amounts attributable to noncontrolling interests, for the three months ended June 30, 2016 and 2015, inclusive of discrete items, were 36.8% and 38.0%, respectively. For the six months ended June 30, 2016 and 2015, our income tax provision from continuing operations was \$51.9 million and \$49.0 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 37.6% and 37.8%, respectively. The actual income tax rates on income from continuing operations, less amounts attributable to noncontrolling interests, for the six months ended June 30, 2016 and 2015, inclusive of discrete items, were 36.3% and 37.9%, respectively. The increase in the 2016 income tax provision was primarily due to increased income from continuing operations. The decreases in the 2016 actual income tax rates on income from continuing operations were primarily due to \$1.8 million of tax benefits recognized upon the issuance of common stock under share-based compensation plans.

Discontinued operations

Due to a historical pattern of losses in the construction operations of our United Kingdom segment and our negative assessment of construction market conditions in the United Kingdom for the foreseeable future, we announced during the quarter ended June 30, 2013 our decision to withdraw from the construction market in the United Kingdom.

During the third quarter of 2014, we ceased construction operations in the United Kingdom. The results of the construction operations of our United Kingdom segment for all periods are presented in our Condensed Consolidated Financial Statements as discontinued operations.

Liquidity and Capital Resources

The following table presents our net cash provided by (used in) operating activities, investing activities and financing activities (in thousands):

	For the six months ended June 30,	
	2016	2015
Net cash provided by (used in) operating activities	\$47,785	\$(6,066)
Net cash used in investing activities	\$(250,324)	\$(14,400)
Net cash provided by (used in) financing activities	\$162,986	\$(50,776)
Effect of exchange rate changes on cash and cash equivalents	\$(4,259)	\$35

Our consolidated cash balance decreased by approximately \$43.8 million from \$486.8 million at December 31, 2015 to \$443.0 million at June 30, 2016. Net cash provided by operating activities for the six months ended June 30, 2016 was \$47.8 million compared to net cash used in operating activities of \$6.1 million for the six months ended June 30, 2015. The increase in cash provided by operating activities was primarily due to a \$32.4 million increase in net

over-billings related to the timing of customer billings and payments, a \$27.3 million decrease in our accounts receivable balances and a \$14.5 million decrease in inventories, partially offset by a \$21.7 million increase in income taxes paid. Net cash used in investing activities was \$250.3 million for the six months ended June 30, 2016 compared to net cash used in investing activities of \$14.4 million for the six months ended June 30, 2015. The increase in net cash used in investing activities was primarily due to the increase in payments for acquisitions of businesses and property, plant and equipment. Net cash provided by financing activities for the six months ended June 30, 2016 increased by approximately \$213.8 million compared to the six months ended June 30, 2015. The increase in net cash provided by financing activities was primarily due to borrowings of \$220.0 million under our revolving credit facility and a

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decrease in distributions to noncontrolling interests, partially offset by an increase in funds used for the repurchase of common stock. Cash flows from discontinued operations were immaterial and are not expected to significantly affect future liquidity.

The following is a summary of material contractual obligations and other commercial commitments (in millions):

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Revolving credit facility (including interest at 1.72%) ⁽¹⁾	\$ 229.2	\$3.8	\$225.4	\$—	\$—
Term loan (including interest currently at 1.72%) ⁽¹⁾	318.3	22.7	295.6	—	—
Capital lease obligations	4.3	1.3	1.9	1.1	—
Operating leases	264.9	61.8	94.6	57.6	50.9
Open purchase obligations ⁽²⁾	1,017.7	795.1	205.5	17.1	—
Other long-term obligations, including current portion ⁽³⁾	381.4	45.1	326.0	10.3	—
Liabilities related to uncertain income tax positions ⁽⁴⁾	5.3	4.6	—	—	0.7
Total Contractual Obligations	\$ 2,221.1	\$934.4	\$1,149.0	\$86.1	\$51.6

Other Commercial Commitments	Total Committed	Amount of Commitment Expiration by Period			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Letters of credit	\$ 109.9	\$108.7	\$1.2	\$—	\$—

On November 25, 2013, we entered into a \$750.0 million revolving credit facility (the "2013 Revolving Credit Facility") and a \$350.0 million term loan (the "Term Loan") (collectively referred to as the "2013 Credit Agreement"). The proceeds of the Term Loan were used to repay amounts drawn under our prior credit agreement.

As of June 30, 2016, the amount outstanding under the Term Loan was \$306.3 million. As of June 30, 2016, there were borrowings outstanding of \$220.0 million under the 2013 Revolving Credit Facility.

Represents open purchase orders for material and subcontracting costs related to construction and services contracts. These purchase orders are not reflected in EMCOR's Condensed Consolidated Balance Sheets and should not impact future cash flows, as amounts should be recovered through customer billings.

Represents primarily insurance related liabilities and liabilities for deferred income taxes, incentive compensation and deferred compensation, classified as other long-term liabilities in the Condensed Consolidated Balance Sheets. Cash payments for insurance and deferred compensation related liabilities may be payable beyond three years, but it is not practical to estimate these payments; therefore, these liabilities are reflected in the 1-3 years payment

period. We provide funding to our post retirement plans based on at least the minimum funding required by applicable regulations. In determining the minimum required funding, we utilize current actuarial assumptions and exchange rates to forecast estimates of amounts that may be payable for up to five years in the future. In our judgment, minimum funding estimates beyond a five year time horizon cannot be reliably estimated and, therefore, have not been included in the table.

(4)Includes \$0.5 million of accrued interest.

Until November 25, 2013, we had a revolving credit agreement (the "2011 Credit Agreement"), as amended, which provided for a revolving credit facility of \$750.0 million. The 2011 Credit Agreement was effective November 21, 2011. Effective November 25, 2013, we amended and restated the 2011 Credit Agreement to provide for a \$750.0 million revolving credit facility (the "2013 Revolving Credit Facility") and a \$350.0 million term loan (the "Term Loan") (collectively referred to as the "2013 Credit Agreement") expiring November 25, 2018. The proceeds of the Term Loan were used to repay amounts drawn under the 2011 Credit Agreement. We may increase the 2013

Revolving Credit Facility to \$1.05 billion if additional lenders are identified and/or existing lenders are willing to increase their current commitments. We may allocate up to \$250.0 million of available capacity under the 2013 Revolving Credit Facility to letters of credit for our account or for the account of any of our subsidiaries. Obligations under the 2013 Credit Agreement are guaranteed by most of our direct and indirect subsidiaries and are secured by substantially all of our assets and most of the assets of most of our subsidiaries. The 2013 Credit Agreement contains various covenants providing for, among other things, maintenance of certain financial ratios and certain limitations on payment of dividends, common stock repurchases, investments, acquisitions, indebtedness and capital expenditures. We were in compliance with all such covenants as of June 30, 2016 and December 31, 2015. A commitment fee is payable on the average daily unused amount of the 2013 Revolving Credit Facility, which ranges from 0.20% to 0.30%, based on certain financial tests. The fee was 0.20% of the unused amount as of June 30, 2016. Borrowings under the 2013 Credit Agreement bear interest at (1) a rate which is the prime commercial lending rate announced by Bank of Montreal from time to time (3.50% at June 30, 2016) plus 0.25% to 0.75%, based on certain financial tests or (2) United States dollar LIBOR (0.47% at June 30, 2016) plus 1.25% to 1.75%, based on certain financial tests. The interest rate in effect at June 30, 2016 was 1.72%. Fees for letters of credit issued under the 2013 Revolving Credit Facility range from 1.25% to 1.75% of the respective face amounts of outstanding letters of credit and are computed based on certain financial tests.

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We capitalized approximately \$3.0 million of debt issuance costs associated with the 2013 Credit Agreement. This amount is being amortized over the life of the agreement and is included as part of interest expense. We are required to make principal payments on the Term Loan in installments on the last day of March, June, September and December of each year, which commenced with the calendar quarter ended March 31, 2014, in the amount of \$4.4 million, with a payment of all unpaid principal and interest due on November 25, 2018. As of June 30, 2016 and December 31, 2015, the balance of the Term Loan was \$306.3 million and \$315.0 million, respectively. As of June 30, 2016 and December 31, 2015, we had approximately \$109.6 million and \$99.0 million of letters of credit outstanding, respectively. We had borrowings of \$220.0 million outstanding under the 2013 Revolving Credit Facility as of June 30, 2016. There were no borrowings outstanding under the 2013 Revolving Credit Facility at December 31, 2015.

The terms of our construction contracts frequently require that we obtain from surety companies (“Surety Companies”) and provide to our customers payment and performance bonds (“Surety Bonds”) as a condition to the award of such contracts. The Surety Bonds secure our payment and performance obligations under such contracts, and we have agreed to indemnify the Surety Companies for amounts, if any, paid by them in respect of Surety Bonds issued on our behalf. In addition, at the request of labor unions representing certain of our employees, Surety Bonds are sometimes provided to secure obligations for wages and benefits payable to or for such employees. Public sector contracts require Surety Bonds more frequently than private sector contracts, and accordingly, our bonding requirements typically increase as the amount of public sector work increases. As of June 30, 2016, based on the percentage-of-completion of our projects covered by Surety Bonds, our aggregate estimated exposure, assuming defaults on all our then existing contractual obligations, was approximately \$1.1 billion. Surety Bonds are issued by Surety Companies in return for premiums, which vary depending on the size and type of bond.

From time to time, we discuss with our current and other Surety Bond providers the amounts of Surety Bonds that may be available to us based on our financial strength and the absence of any default by us on any Surety Bond issued on our behalf and believe those amounts are currently adequate for our needs. However, if we experience changes in our bonding relationships or if there are adverse changes in the surety industry, we may seek to satisfy certain customer requests for Surety Bonds by posting other forms of collateral in lieu of Surety Bonds such as letters of credit, parent company guarantees or cash, seeking to convince customers to forego the requirement for Surety Bonds, by increasing our activities in our business segments that rarely require Surety Bonds such as our building and industrial services segments, and/or by refraining from bidding for certain projects that require Surety Bonds. There can be no assurance that we would be able to effectuate alternatives to providing Surety Bonds to our customers or to obtain, on favorable terms, sufficient additional work that does not require Surety Bonds. Accordingly, if we were to experience a reduction in the availability of Surety Bonds, we could experience a material adverse effect on our financial position, results of operations and/or cash flows.

In the ordinary course of business, we, at times, guarantee obligations of our subsidiaries under certain contracts. Generally, we are liable under such an arrangement only if our subsidiary fails to perform its obligations under the contract. Historically, we have not incurred any substantial liabilities as a consequence of these guarantees.

We do not have any other material financial guarantees or off-balance sheet arrangements other than those disclosed herein.

We are a party to lawsuits and other proceedings in which other parties seek to recover from us amounts ranging from a few thousand dollars to over \$10.0 million. We do not believe that any such matters will have a material adverse effect on our financial position, results of operations or liquidity.

On September 26, 2011, our Board of Directors authorized us to repurchase up to \$100.0 million of our outstanding common stock. On December 5, 2013, October 23, 2014 and October 28, 2015, our Board of Directors authorized us to repurchase up to an additional \$100.0 million, \$250.0 million and \$200.0 million of our outstanding common stock, respectively. During 2016, we have repurchased approximately 0.6 million shares of our common stock for approximately \$26.1 million. Since the inception of the repurchase programs through June 30, 2016, we have repurchased 10.5 million shares of our common stock for approximately \$421.9 million. As of June 30, 2016, there remained authorization for us to repurchase approximately \$228.1 million of our shares. The repurchase programs do not obligate the Company to acquire any particular amount of common stock and may be suspended, recommenced or

discontinued at any time or from time to time without prior notice. We may repurchase our shares from time to time to the extent permitted by securities laws and other legal requirements, including provisions in our credit agreement placing limitations on such repurchases. The repurchase programs have been and will be funded from our operations. We have paid quarterly dividends since October 25, 2011. We expect that such quarterly dividends will be paid in the foreseeable future. Prior to October 25, 2011, no cash dividends had been paid on the Company's common stock. We currently pay a regular quarterly dividend of \$0.08 per share. Our 2013 Credit Agreement places limitations on the payment of dividends on our common stock. However, we do not believe that the terms of such agreement currently materially limit our ability to pay a quarterly dividend of \$0.08 per share for the foreseeable future. The payment of dividends has been and will be funded from our operations.

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Our primary source of liquidity has been, and is expected to continue to be, cash generated by operating activities. We also maintain our 2013 Revolving Credit Facility that may be utilized, among other things, to meet short-term liquidity needs in the event cash generated by operating activities is insufficient or to enable us to seize opportunities to participate in joint ventures or to make acquisitions that may require access to cash on short notice or for any other reason. Negative macroeconomic trends may have an adverse effect on liquidity. During economic downturns, there have been typically fewer small discretionary projects from the private sector, and our competitors have aggressively bid larger long-term infrastructure and public sector contracts. Short-term liquidity is also impacted by the type and length of construction contracts in place and large turnaround activities in our United States industrial services segment that are billed in arrears pursuant to contractual terms that are standard within the industry. Performance of long duration contracts typically requires greater amounts of working capital. While we strive to maintain a net over-billed position with our customers, there can be no assurance that a net over-billed position can be maintained. Our net over-billings, defined as the balance sheet accounts “Billings in excess of costs and estimated earnings on uncompleted contracts” less “Cost and estimated earnings in excess of billings on uncompleted contracts”, were \$325.2 million and \$311.5 million as of June 30, 2016 and December 31, 2015, respectively.

Long-term liquidity requirements can be expected to be met initially through cash generated from operating activities and our 2013 Revolving Credit Facility. Based upon our current credit ratings and financial position, we can reasonably expect to be able to incur long-term debt to fund acquisitions. Over the long term, our primary revenue risk factor continues to be the level of demand for non-residential construction services and for building and industrial services, which is influenced by macroeconomic trends including interest rates and governmental economic policy. In addition, our ability to perform work is critical to meeting long-term liquidity requirements.

We believe that our current cash balances and our borrowing capacity available under our 2013 Revolving Credit Facility or other forms of financing available to us through borrowings, combined with cash expected to be generated from operations, will be sufficient to provide short-term and foreseeable long-term liquidity and meet our expected capital expenditure requirements.

Certain Insurance Matters

As of June 30, 2016 and December 31, 2015, we utilized approximately \$109.2 million and \$97.8 million, respectively, of letters of credit obtained under our 2013 Revolving Credit Facility as collateral for our insurance obligations.

New Accounting Pronouncements

We review new accounting standards to determine the expected financial impact, if any, that the adoption of such standards will have. See Part I. Item 1, "Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 2, New Accounting Pronouncements", for further information regarding new accounting standards, including the anticipated dates of adoption and the effects on our consolidated financial position, results of operations or liquidity.

Application of Critical Accounting Policies

Our condensed consolidated financial statements are based on the application of significant accounting policies, which require management to make significant estimates and assumptions. Our significant accounting policies are described in Note 2 – Summary of Significant Accounting Policies of the notes to consolidated financial statements included in Item 8 of our annual report on Form 10-K for the year ended December 31, 2015. We believe that some of the more critical judgment areas in the application of accounting policies that affect our financial condition and results of operations are the impact of changes in the estimates and judgments pertaining to: (a) revenue recognition from (i) long-term construction contracts for which the percentage-of-completion method of accounting is used and (ii) services contracts; (b) collectibility or valuation of accounts receivable; (c) insurance liabilities; (d) income taxes; and (e) goodwill and identifiable intangible assets.

Revenue Recognition for Long-term Construction Contracts and Services Contracts

We believe our most critical accounting policy is revenue recognition from long-term construction contracts for which we use the percentage-of-completion method of accounting. Percentage-of-completion accounting is the prescribed method of accounting for long-term contracts in accordance with Accounting Standard Codification (“ASC”) Topic 605-35, “Revenue Recognition – Construction-Type and Production-Type Contracts”, and, accordingly, is the method used for revenue recognition within our industry. Percentage-of-completion is measured principally by the percentage

of costs incurred to date for each contract to the estimated total costs for such contract at completion. Certain of our electrical contracting business units measure percentage-of-completion by the percentage of labor costs incurred to date for each contract to the estimated total labor costs for such contract. Pre-contract costs from our construction projects are generally expensed as incurred. Application of percentage-of-completion accounting results in the recognition of costs and estimated earnings in excess of billings on uncompleted contracts in the Condensed

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Consolidated Balance Sheets. Costs and estimated earnings in excess of billings on uncompleted contracts reflected in the Condensed Consolidated Balance Sheets arise when revenues have been recognized but the amounts cannot be billed under the terms of contracts. Such amounts are recoverable from customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract. Costs and estimated earnings in excess of billings on uncompleted contracts also include amounts we seek or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). Such amounts are recorded at estimated net realizable value and take into account factors that may affect our ability to bill and ultimately collect unbilled revenues. The profit associated with claim amounts is not recognized until the claim has been settled and payment has been received. We did not recognize any material amounts associated with claim settlements during the periods presented. Due to uncertainties inherent in estimates employed in applying percentage-of-completion accounting, estimates may be revised as project work progresses. Application of percentage-of-completion accounting requires that the impact of revised estimates be reported prospectively in the condensed consolidated financial statements. In addition to revenue recognition for long-term construction contracts, we recognize revenues from the performance of services for maintenance, repair and retrofit work consistent with the performance of services, which are generally on a pro-rata basis over the life of the contractual arrangement. Expenses related to all services arrangements are recognized as incurred. Revenues related to the engineering, manufacturing and repairing of shell and tube heat exchangers are recognized when the product is shipped and all other revenue recognition criteria have been met. Costs related to this work are included in inventory until the product is shipped. Provisions for the entirety of estimated losses on uncompleted contracts are made in the period in which such losses are determined. During the second quarter of 2016, we incurred a loss of \$10.5 million on a transportation project within the United States electrical construction and facilities services segment as a result of productivity issues attributable to unfavorable job-site conditions. There were no other significant losses recognized during the three and six months ended June 30, 2016 and 2015.

Accounts Receivable

We are required to estimate the collectibility of accounts receivable. A considerable amount of judgment is required in assessing the likelihood of realization of receivables. Relevant assessment factors include the creditworthiness of the customer, our prior collection history with the customer and related aging of the past due balances. At June 30, 2016 and December 31, 2015, our accounts receivable of \$1,448.3 million and \$1,359.9 million, respectively, included allowances for doubtful accounts of \$16.5 million and \$11.2 million, respectively. The increase in our allowance for doubtful accounts was due to an increase in our provision for doubtful accounts, partially offset by the write-off of previously reserved for accounts receivable. Specific accounts receivable are evaluated when we believe a customer may not be able to meet its financial obligations due to deterioration of its financial condition or its credit ratings. The allowance for doubtful accounts requirements are based on the best facts available and are re-evaluated and adjusted on a regular basis as additional information is received.

Insurance Liabilities

We have loss payment deductibles for certain workers' compensation, automobile liability, general liability and property claims, have self-insured retentions for certain other casualty claims and are self-insured for employee-related healthcare claims. Losses are recorded based upon estimates of our liability for claims incurred and for claims incurred but not reported. The liabilities are derived from known facts, historical trends and industry averages utilizing the assistance of an actuary to determine the best estimate for the majority of these obligations. We believe the liabilities recognized on our balance sheets for these obligations are adequate. However, such obligations are difficult to assess and estimate due to numerous factors, including severity of injury, determination of liability in proportion to other parties, timely reporting of occurrences and effectiveness of safety and risk management programs. Therefore, if our actual experience differs from the assumptions and estimates used for recording the liabilities, adjustments may be required and will be recorded in the period that the experience becomes known. Our estimated insurance liabilities for workers' compensation, automobile liability, general liability and property claims increased by \$6.5 million for the six months ended June 30, 2016 compared to the year ended December 31, 2015, primarily due to higher revenues, including the impact of acquired companies. If our estimated insurance liabilities for workers'

compensation, automobile liability, general liability and property claims had increased by 10%, it would have resulted in \$15.1 million of additional expense for the six months ended June 30, 2016.

Income Taxes

We had net deferred income tax liabilities at June 30, 2016 and December 31, 2015 of \$131.9 million and \$120.6 million, respectively, primarily resulting from differences between the carrying value and income tax basis of certain identifiable intangible assets and depreciable fixed assets, which will impact our taxable income in future periods. Included within these net deferred income tax liabilities are deferred income tax assets. A valuation allowance is required when it is more likely than not that all or a portion of a deferred income tax asset will not be realized. As of June 30, 2016 and December 31, 2015, the total valuation

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allowance on deferred income tax assets, related to state net operating carryforwards, was approximately \$1.7 million and \$0.8 million, respectively.

Goodwill and Identifiable Intangible Assets

As of June 30, 2016, we had \$979.3 million and \$510.7 million, respectively, of goodwill and net identifiable intangible assets (primarily consisting of our contract backlog, developed technology/vendor network, customer relationships, non-competition agreements and trade names), primarily arising out of the acquisition of companies. As of December 31, 2015, goodwill and net identifiable intangible assets were \$843.2 million and \$472.8 million, respectively. The changes to goodwill since December 31, 2015 were related to the acquisition of two companies in 2016 and a purchase price adjustment related to an acquisition made in 2015. The determination of related estimated useful lives for identifiable intangible assets and whether those assets are impaired involves significant judgments based upon short and long-term projections of future performance. These forecasts reflect assumptions regarding the ability to successfully integrate acquired companies, as well as macroeconomic conditions. ASC Topic 350, "Intangibles – Goodwill and Other" ("ASC 350") requires goodwill and other identifiable intangible assets with indefinite useful lives not be amortized, but instead tested at least annually for impairment (which we test each October 1, absent any impairment indicators), and be written down if impaired. ASC 350 requires that goodwill be allocated to its respective reporting unit and that identifiable intangible assets with finite lives be amortized over their useful lives. We test for impairment of our goodwill at the reporting unit level. Our reporting units are consistent with the reportable segments identified in Note 13, "Segment Information", of the notes to condensed consolidated financial statements. In assessing whether our goodwill is impaired, we utilize the two-step process as prescribed by ASC 350. The first step of this test compares the fair value of the reporting unit, determined based upon discounted estimated future cash flows, to the carrying amount, including goodwill. If the fair value exceeds the carrying amount, no further analysis is required and no impairment loss is recognized. If the carrying amount of the reporting unit exceeds the fair value, the goodwill of the reporting unit is potentially impaired and step two of the goodwill impairment test would need to be performed to measure the amount of an impairment loss, if any. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit's goodwill with the carrying amount of the goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss in the amount of the excess is recognized and charged to operations. No impairment of our goodwill was recognized during the three and six months ended June 30, 2016 and 2015.

As of June 30, 2016, we had \$979.3 million of goodwill on our balance sheet and, of this amount, 39.3% relates to our United States industrial services segment, 25.0% relates to our United States building services segment, 23.1% relates to our United States mechanical construction and facilities services segment and 12.6% relates to our United States electrical construction and facilities services segment. As of the date of our latest impairment test, October 1, 2015, the carrying values of our United States industrial services segment, our United States building services segment, our United States mechanical construction and facilities services segment and our United States electrical construction and facilities services segment were approximately \$725.5 million, \$445.1 million, \$249.5 million and \$62.9 million, respectively. The fair values of our United States industrial services segment, our United States building services segment, our United States mechanical construction and facilities services segment and our United States electrical construction and facilities services segment exceeded their carrying values by approximately \$52.5 million, \$291.2 million, \$773.2 million, and \$661.7 million, respectively. The weighted average cost of capital used in testing goodwill for impairment was 11.1%, 11.1% and 11.0% for our domestic construction segments, our United States building services segment and our United States industrial services segment, respectively. The perpetual growth rate used was 2.7% for all of our domestic segments.

We also test for the impairment of trade names that are not subject to amortization by calculating the fair value using the "relief from royalty payments" methodology. This approach involves two steps: (a) estimating reasonable royalty rates for each trade name and (b) applying these royalty rates to a net revenue stream and discounting the resulting cash flows to determine fair value. This fair value is then compared with the carrying value of each trade name. If the carrying amount of the trade name is greater than the implied fair value of the trade name, an impairment in the amount of the excess is recognized and charged to operations. No impairment of our trade names was recognized during the three and six months ended June 30, 2016 and 2015.

In addition, we review for the impairment of other identifiable intangible assets that are being amortized whenever facts and circumstances indicate that their carrying values may not be fully recoverable. This test compares their carrying values to the undiscounted pre-tax cash flows expected to result from the use of the assets. If the assets are impaired, the assets are written down to their fair values, generally determined based on their future discounted cash flows. No impairment of our other identifiable intangible assets was recognized during the three and six months ended June 30, 2016 and 2015.

We have certain businesses, particularly within our United States industrial services segment, whose results are highly impacted by the demand for some of our offerings within the industrial and oil and gas markets. Future performance of this segment, along with a continued evaluation of the conditions of its end user markets, will be important to ongoing impairment assessments.

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Should this segment's actual results suffer a decline or expected future results be revised downward, the risk of goodwill impairment or impairment of other identifiable intangible assets would increase.

Our development of the present value of future cash flow projections used in impairment testing is based upon assumptions and estimates by management from reviews of our operating results, business plans, anticipated growth rates and margins, and weighted average cost of capital, among others. Those assumptions and estimates can change in future periods, and other factors used in assessing fair value are outside the control of management, such as interest rates. There can be no assurance that estimates and assumptions made for purposes of our goodwill and identifiable asset impairment testing will prove to be accurate predictions of the future. If our assumptions regarding future business performance or anticipated growth rates and/or margins are not achieved, or there is a rise in interest rates, we may be required to record goodwill and/or identifiable asset impairment charges in future periods.

Although we have not yet conducted our October 1, 2016 goodwill and other impairment tests, there have been no impairments recognized through the first half of 2016. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such a charge would be material.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We have not used any derivative financial instruments during the six months ended June 30, 2016, including trading or speculating on changes in interest rates or commodity prices of materials used in our business.

We are exposed to market risk for changes in interest rates for borrowings under the 2013 Credit Agreement, which provides for a revolving credit facility and a term loan. Borrowings under the 2013 Credit Agreement bear interest at variable rates. As of June 30, 2016, there were borrowings of \$220.0 million outstanding under the 2013 Revolving Credit Facility and the balance of the Term Loan was \$306.3 million. This instrument bears interest at (1) a rate which is the prime commercial lending rate announced by Bank of Montreal from time to time (3.50% at June 30, 2016) plus 0.25% to 0.75% based on certain financial tests or (2) United States dollar LIBOR (0.47% at June 30, 2016) plus 1.25% to 1.75% based on certain financial tests. The interest rate in effect at June 30, 2016 was 1.72%. Based on the \$526.3 million borrowings outstanding under the 2013 Credit Agreement, if overall interest rates were to increase by 25 basis points, interest expense, net of income taxes, would increase by approximately \$0.8 million in the next twelve months. Conversely, if overall interest rates were to decrease by 25 basis points, interest expense, net of income taxes, would decrease by approximately \$0.8 million in the next twelve months. Fees for letters of credit issued under the 2013 Revolving Credit Facility range from 1.25% to 1.75% of the respective face amounts of outstanding letters of credit and are computed based on certain financial tests. The 2013 Credit Agreement expires on November 25, 2018. There is no guarantee that we will be able to renew the 2013 Credit Agreement at its expiration.

We are also exposed to construction market risk and its potential related impact on accounts receivable or costs and estimated earnings in excess of billings on uncompleted contracts. The amounts recorded may be at risk if our customers' ability to pay these obligations is negatively impacted by economic conditions. We continually monitor the creditworthiness of our customers and maintain on-going discussions with customers regarding contract status with respect to change orders and billing terms. Therefore, we believe we take appropriate action to manage market and other risks, but there is no assurance that we will be able to reasonably identify all risks with respect to collectibility of these assets. See also the previous discussions of Revenue Recognition from Long-term Construction Contracts and Services Contracts and Accounts Receivable under the heading, "Application of Critical Accounting Policies" in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Amounts invested in our foreign operations are translated into U.S. dollars at the exchange rates in effect at the end of the period. The resulting translation adjustments are recorded as accumulated other comprehensive (loss) income, a component of equity, in the Condensed Consolidated Balance Sheets. We believe the exposure to the effects that fluctuating foreign currencies may have on our consolidated results of operations is limited because the foreign operations primarily invoice customers and collect obligations in their respective local currencies. Additionally, expenses associated with these transactions are generally contracted and paid for in their same local currencies.

In addition, we are exposed to market risk of fluctuations in certain commodity prices of materials, such as copper and steel, which are used as components of supplies or materials utilized in our construction, building services and industrial services operations. We are also exposed to increases in energy prices, particularly as they relate to gasoline prices for our fleet of over 9,500 vehicles. While we believe we can increase our contract prices to adjust for some

price increases in commodities, there can be no assurance that such price increases, if they were to occur, would be recoverable. Additionally, our fixed price contracts do not allow us to adjust our prices and, as a result, increases in material or fuel costs could reduce our profitability with respect to projects in progress.

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ITEM 4. CONTROLS AND PROCEDURES.

Based on an evaluation of our disclosure controls and procedures (as required by Rule 13a-15(b) of the Securities Exchange Act of 1934), our President and Chief Executive Officer, Anthony J. Guzzi, and our Executive Vice President and Chief Financial Officer, Mark A. Pompa, have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) are effective as of the end of the period covered by this report.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the fiscal quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. – OTHER INFORMATION.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table summarizes repurchases of our common stock made by us during the quarter ended June 30, 2016:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan or Programs
April 1, 2016 to April 30, 2016	None	None	None	\$228,063,746
May 1, 2016 to May 31, 2016	None	None	None	\$228,063,746
June 1, 2016 to June 30 2016	None	None	None	\$228,063,746

(1) On September 26, 2011, our Board of Directors authorized us to repurchase up to \$100.0 million of our outstanding common stock. On December 5, 2013, October 23, 2014 and October 28, 2015, our Board of Directors authorized us to repurchase up to an additional \$100.0 million, \$250.0 million and \$200.0 million of our outstanding common stock, respectively. As of June 30, 2016, there remained authorization for us to repurchase approximately \$228.1 million of our shares. No shares have been repurchased by us since the programs have been announced other than pursuant to these publicly announced programs. We may repurchase our shares from time to time as permitted by securities laws and other legal requirements.

ITEM 6. EXHIBITS.

For the list of exhibits, see the Exhibit Index immediately following the signature page hereof, which Exhibit Index is incorporated herein by reference.

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SIGNATURES

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 thereunto duly authorized.

Date: July 28, 2016

EMCOR GROUP, INC.
(Registrant)

BY: /s/ ANTHONY J. GUZZI
Anthony J. Guzzi
President and
Chief Executive Officer
(Principal Executive Officer)

BY: /s/ MARK A. POMPA
Mark A. Pompa
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
2(a-1)	Purchase Agreement dated as of February 11, 2002 by and among Comfort Systems USA, Inc. and EMCOR-CSI Holding Co.	Exhibit 2.1 to EMCOR Group, Inc.'s ("EMCOR") Report on Form 8-K dated February 14, 2002
2(a-2)	Purchase and Sale Agreement dated as of August 20, 2007 between FR X Ohmstede Holdings LLC and EMCOR Group, Inc.	Exhibit 2.1 to EMCOR's Report on Form 8-K (Date of Report August 20, 2007)
2(a-3)	Purchase and Sale Agreement, dated as of June 17, 2013 by and among Texas Turnaround LLC, a Delaware limited liability company, Altair Strickland Group, Inc., a Texas corporation, Rep Holdings LLC, a Texas limited liability company, ASG Key Employee LLC, a Texas limited liability company, Repcon Key Employee LLC, a Texas limited liability company, Gulfstar MBII, Ltd., a Texas limited partnership, The Trustee of the James T. Robinson and Diana J. Robinson 2010 Irrevocable Trust, The Trustee of the Steven Rothbauer 2012 Descendant's Trust, The Co-Trustees of the Patia Strickland 2012 Descendant's Trust, The Co-Trustees of the Carter Strickland 2012 Descendant's Trust, and The Co-Trustees of the Walton 2012 Grandchildren's Trust (collectively, "Sellers") and EMCOR Group, Inc.	Exhibit 2.1 to EMCOR's Report on Form 8-K (Date of Report June 17, 2013)
3(a-1)	Restated Certificate of Incorporation of EMCOR filed December 15, 1994	Exhibit 3(a-5) to EMCOR's Registration Statement on Form 10 as originally filed March 17, 1995 ("Form 10")
3(a-2)	Amendment dated November 28, 1995 to the Restated Certificate of Incorporation of EMCOR	Exhibit 3(a-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 1995 ("1995 Form 10-K")
3(a-3)	Amendment dated February 12, 1998 to the Restated Certificate of Incorporation of EMCOR	Exhibit 3(a-3) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 1997 ("1997 Form 10-K")
3(a-4)	Amendment dated January 27, 2006 to the Restated Certificate of Incorporation of EMCOR	Exhibit 3(a-4) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2005 ("2005 Form 10-K")

3(a-5)	Amendment dated September 18, 2007 to the Restated Certificate of Incorporation of EMCOR	Exhibit A to EMCOR's Proxy Statement dated August 17, 2007 for Special Meeting of Stockholders held September 18, 2007
3(b)	Amended and Restated By-Laws	Exhibit 3(b) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 1998 ("1998 Form 10-K")
3(c)	Amendment of Article I, Section 6(c) and Section 6(j) of the Amended and Restated By-Laws	Exhibit 3.1 to EMCOR's Report on Form 8-K (Date of Report December 5, 2013)
4(a)	Fourth Amended and Restated Credit Agreement dated as of November 25, 2013 by and among EMCOR Group, Inc. and a subsidiary and Bank of Montreal, as Agent and the lenders listed on the signature pages thereof (the "Credit Agreement")	Exhibit 4(a) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2013 ("2013 Form 10-K")
4(b)	Fourth Amended and Restated Security Agreement dated as of November 25, 2013 among EMCOR, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent	Exhibit 4(b) to 2013 Form 10-K
4(c)	Fourth Amended and Restated Pledge Agreement dated as of November 25, 2013 among EMCOR, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent	Exhibit 4(c) to 2013 Form 10-K
4(d)	Third Amended and Restated Guaranty Agreement dated as of November 25, 2013 by certain of EMCOR's U.S. subsidiaries in favor of Bank of Montreal, as Agent	Exhibit 4(d) to 2013 Form 10-K

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EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
10(a)	Form of Severance Agreement (“Severance Agreement”) between EMCOR and each of Sheldon I. Cammaker, R. Kevin Matz and Mark A. Pompa	Exhibit 10.1 to the April 2005 Form 8-K
10(b)	Form of Amendment to Severance Agreement between EMCOR and each of Sheldon I. Cammaker, R. Kevin Matz and Mark A. Pompa	Exhibit 10(c) to EMCOR’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (“March 2007 Form 10-Q”)
10(c)	Letter Agreement dated October 12, 2004 between Anthony Guzzi and EMCOR (the “Guzzi Letter Agreement”)	Exhibit 10.1 to EMCOR’s Report on Form 8-K (Date of Report October 12, 2004)
10(d)	Form of Confidentiality Agreement between Anthony Guzzi and EMCOR	Exhibit C to the Guzzi Letter Agreement
10(e)	Form of Indemnification Agreement between EMCOR and each of its officers and directors	Exhibit F to the Guzzi Letter Agreement
10(f-1)	Severance Agreement (“Guzzi Severance Agreement”) dated October 25, 2004 between Anthony Guzzi and EMCOR	Exhibit D to the Guzzi Letter Agreement
10(f-2)	Amendment to Guzzi Severance Agreement	Exhibit 10(g-2) to the March 2007 Form 10-Q
10(g-1)	Continuity Agreement dated as of June 22, 1998 between Sheldon I. Cammaker and EMCOR (“Cammaker Continuity Agreement”)	Exhibit 10(c) to the June 1998 Form 10-Q
10(g-2)	Amendment dated as of May 4, 1999 to Cammaker Continuity Agreement	Exhibit 10(i) to the June 1999 Form 10-Q
10(g-3)	Amendment dated as of March 1, 2007 to Cammaker Continuity Agreement	Exhibit 10(m-3) to the March 2007 Form 10-Q
10(h-1)	Continuity Agreement dated as of June 22, 1998 between R. Kevin Matz and EMCOR (“Matz Continuity Agreement”)	Exhibit 10(f) to the June 1998 Form 10-Q
10(h-2)	Amendment dated as of May 4, 1999 to Matz Continuity Agreement	Exhibit 10(m) to the June 1999 Form 10-Q
10(h-3)	Amendment dated as of January 1, 2002 to Matz Continuity Agreement	Exhibit 10(o-3) to EMCOR’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (“March 2002 Form 10-Q”)
10(h-4)	Amendment dated as of March 1, 2007 to Matz Continuity Agreement	Exhibit 10(n-4) to the March 2007 Form 10-Q
10(i-1)	Continuity Agreement dated as of June 22, 1998 between Mark A. Pompa and EMCOR (“Pompa Continuity Agreement”)	Exhibit 10(g) to the June 1998 Form 10-Q
10(i-2)	Amendment dated as of May 4, 1999 to Pompa Continuity Agreement	Exhibit 10(n) to the June 1999 Form 10-Q
10(i-3)	Amendment dated as of January 1, 2002 to Pompa Continuity Agreement	Exhibit 10(p-3) to the March 2002 Form 10-Q
10(i-4)	Amendment dated as of March 1, 2007 to Pompa Continuity Agreement	Exhibit 10(o-4) to the March 2007 Form 10-Q
10(j-1)	Change of Control Agreement dated as of October 25, 2004 between Anthony Guzzi (“Guzzi”) and EMCOR (“Guzzi Continuity Agreement”)	Exhibit E to the Guzzi Letter Agreement

10(j-2) Amendment dated as of March 1, 2007 to Guzzi
Continuity Agreement

Exhibit 10(p-2) to the March 2007 Form 10-Q

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EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
10(j-3)	Amendment to Continuity Agreements and Severance Agreements with Sheldon I. Cammaker, Anthony J. Guzzi, R. Kevin Matz and Mark A. Pompa	Exhibit 10(q) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2008 ("2008 Form 10-K")
10(k-1)	Amendment dated as of March 29, 2010 to Severance Agreement with Sheldon I. Cammaker, Anthony J. Guzzi, R. Kevin Matz and Mark A. Pompa	Exhibit 10.1 to Form 8-K (Date of Report March 29, 2010) ("March 2010 Form 8-K")
10(k-2)	Third Amendment to Severance Agreement dated June 4, 2015 between EMCOR and Sheldon I. Cammaker	Exhibit 10(k-2) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 ("June 2015 Form 10-Q")
10(l-1)	EMCOR Group, Inc. Long-Term Incentive Plan ("LTIP")	Exhibit 10 to Form 8-K (Date of Report December 15, 2005)
10(l-2)	First Amendment to LTIP and updated Schedule A to LTIP	Exhibit 10(s-2) to 2008 Form 10-K
10(l-3)	Second Amendment to LTIP	Exhibit 10.2 to March 2010 Form 8-K
10(l-4)	Third Amendment to LTIP	Exhibit 10(q-4) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 ("March 2012 Form 10-Q")
10(l-5)	Fourth Amendment to LTIP	Exhibit 10(l-5) to EMCOR's Quarterly Report on Form 10Q for the quarter ended March 31, 2014
10(l-6)	Form of Certificate Representing Stock Units issued under LTIP	Exhibit 10(t-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2007 ("2007 Form 10-K")
10(l-7)	Fifth Amendment to LTIP	Exhibit 10(l-7) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2015 ("2015 Form 10-K")
10(l-8)	Sixth Amendment to LTIP	Exhibit 10(l-8) to 2015 Form 10-K
10(m)	Key Executive Incentive Bonus Plan, as amended and restated	Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held June 13, 2013
10(n-1)	2007 Incentive Plan	Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held June 20, 2007
10(n-2)	Form of Option Agreement under 2007 Incentive Plan between EMCOR and each non-employee director electing to receive options as part of annual retainer	Exhibit 10(h)(h-3) to 2007 Form 10-K
10(o-1)	Amended and Restated 2010 Incentive Plan	Exhibit 10(q-1) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015
10(o-2)	Form of Option Agreement under 2010 Incentive Plan between EMCOR and each non-employee director with respect to grant of options upon re-election at June 11, 2010 Annual Meeting of Stockholders	Exhibit 10(i)(i-2) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010
10(o-3)	Form of Option Agreement under 2010 Incentive Plan, as amended, between EMCOR and each non-employee director electing to receive options as part of annual retainer	Exhibit 10(q)(q) to 2011 Form 10-K

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10(p)	EMCOR Group, Inc. Employee Stock Purchase Plan	Exhibit C to EMCOR's Proxy Statement for its Annual Meeting held June 18, 2008
10(q)	Director Award Program Adopted May 13, 2011, as amended and restated December 14, 2011	Exhibit 10(n)(n) to 2011 Form 10-K
10(r)	Amendment to Option Agreements	Exhibit 10(r)(r) to 2011 Form 10-K
10(s)	Form of Non-LTIP Stock Unit Certificate	Exhibit 10(p)(p) to the March 31, 2012 Form 10-Q

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EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
10(t)	Form of Director Restricted Stock Unit Agreement	Exhibit 10(k)(k) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 ("June 2012 Form 10-Q")
10(u)	Director Award Program, as Amended and Restated December 16, 2014	Exhibit 10(z) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2014 ("2014 Form 10-K")
10(v)	EMCOR Group, Inc. Voluntary Deferral Plan	Exhibit 10(e)(e) to 2012 Form 10-K
10(w)	First Amendment to EMCOR Group, Inc. Voluntary Deferral Plan	Exhibit 10(e)(e) to 2013 Form 10-K
10(x)	Form of Executive Restricted Stock Unit Agreement	Exhibit 10(f)(f) to 2012 Form 10-K
10(y)	Restricted Stock Unit Award Agreement dated October 23, 2013 between EMCOR and Stephen W. Bershad	Exhibit 10(g)(g) to 2013 Form 10-K
10(z)	Restricted Stock Unit Award Agreement dated June 11, 2014 between EMCOR and Stephen W. Bershad	Exhibit 10(g)(g) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 ("June 2014 Form 10-Q")
10(a)(a)	Restricted Stock Unit Award Agreement dated June 11, 2015 between EMCOR and Stephen W. Bershad	Exhibit 10(f)(f) to the June 30, 2015 Form 10-Q
10(b)(b)	Restricted Stock Unit Award Agreement dated October 29, 2015 between EMCOR and Steven B. Schwarzwaelder	Exhibit 10.1 to Form 8-K (Date of Report October 30, 2015)
10(c)(c)	Restricted Stock Unit Award Agreement dated June 2, 2016 between EMCOR and Stephen W. Bershad	Filed herewith
10(d)(d)	Executive Compensation Recoupment Policy	Exhibit 10(h)(h) to 2015 Form 10-K
11	Computation of Basic EPS and Diluted EPS for the three and six months ended June 30, 2016 and 2015	Note 5 of the Notes to the Condensed Consolidated Financial Statements
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Anthony J. Guzzi, the President and Chief Executive Officer	Filed herewith
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Mark A. Pompa, the Executive Vice President and Chief Financial Officer	Filed herewith
32.1		Furnished

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	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the President and Chief Executive Officer	
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Executive Vice President and Chief Financial Officer	Furnished
95	Information concerning mine safety violations or other regulatory matters	Exhibit 95 to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016
101	The following materials from EMCOR Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Equity and (vi) the Notes to Condensed Consolidated Financial Statements.	Filed