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EMCOR GROUP INC
Form 8-K
February 28, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported) February 28, 2005

EMCOR Group, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-2315
(Commission File Number)

11-2125338
(I.R.S. Employer Identification No.)

301 Merritt Seven, Norwalk, CT
(Address of Principal Executive Offices)

06851
(Zip Code)

(203) 849-7800
(Registrant's Telephone Number, Including Area Code)

N/A

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On February 28, 2005 EMCOR Group, Inc. issued a press release disclosing results of operations for the fiscal 2004 fourth quarter ended December 31, 2004. A copy of such press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

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

Item. 9.01 Financial Statements and Exhibits

(c) Exhibits

Exhibit Number	Description
99.1	Press Release issued by EMCOR Group, Inc. on February 28, 2005 disclosing results of operations for the fiscal 2004 fourth quarter ended December 31, 2004.

SIGNATURE

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

EMCOR Group, Inc.

By: /s/ Frank T. MacInnis

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

Dated: February 28, 2005

EMCOR GROUP, INC. REPORTS 2004 FOURTH QUARTER RESULTS

NORWALK, CONNECTICUT, February 28, 2004 - EMCOR Group, Inc. (NYSE: EME) today reported results for the fourth quarter and full-year period ended December 31, 2004.

Net income for the 2004 fourth quarter was \$10.6 million, or \$0.68 per diluted share, a significant increase when compared with net income of \$2.6 million, or \$0.17 per diluted share, in the 2003 fourth quarter. Revenues in the fourth quarter of 2004 totaled \$1.23 billion, compared with total revenues of \$1.17 billion a year ago, an increase of 5.0%.

Operating income in the fourth quarter of 2004 was \$23.3 million, or 1.9% of revenues, versus \$9.3 million, or 0.8% of revenues, a year ago, an increase of 151.1%. Selling, general and administrative expenses ("SG&A") in the fourth quarter of 2004 declined 9.9% to \$103.6 million from \$114.9 million in the fourth quarter of last year. SG&A as a percentage of revenues decreased to 8.4% in the fourth quarter of 2004 from 9.8% of revenues in the fourth quarter of 2003, reflecting the effect of the Company's cost reduction initiatives.

The Company's 2004 fourth quarter results include \$2.3 million in restructuring expenses, primarily related to its previously announced management realignment

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and related initiatives; there were no charges for restructuring expenses in the year ago quarter. The effective income tax rate applicable for the 2004 fourth quarter was 41% compared to 45% for the fourth quarter of 2003.

As of December 31, 2004, the Company's contract backlog totaled \$2.75 billion versus \$2.96 billion at September 30, 2004 and \$3.03 billion at December 31, 2003. EMCOR continues to actively manage its contract backlog, emphasizing strict criteria for project bidding and concerted efforts to shift the mix of projects toward higher-margin, private sector work.

For the 2004 full-year period, the Company reported net income of \$33.2 million, or \$2.13 per diluted share, an increase of 61.0% over net income of \$20.6 million, or \$1.33 per diluted share, in the same period a year ago. 2004 full-year revenues were \$4.75 billion versus revenues of \$4.53 billion in 2003, an increase of 4.7%.

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EMCOR Announces 2004 Fourth Quarter Results

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Operating income for the 2004 full-year period was \$42.1 million, or 0.9% of revenues, compared to operating income of \$47.1 million, or 1.0% of revenues in the year-ago period.

The Company's results for the 2004 full-year period include the following:

- o Restructuring expenses of approximately \$8.3 million, primarily related to the Company's previously announced management realignment and related initiatives.
- o A \$2.8 million gain on the sale of assets of the Delcommerce equipment rental services division of the Company's United Kingdom subsidiary as part of strategic changes in the UK market.
- o A \$1.8 million gain on the sale of the UK subsidiary's equity investment in a South African facilities management joint venture.
- o A benefit of approximately \$15.5 million related to income tax reserve adjustments.

Excluding the above items, which the Company believes better reflects year to year comparability, 2004 operating income would have increased \$0.5 million compared to 2003, and diluted earnings per share would have been \$1.37.

Frank T. MacInnis, Chairman and CEO of EMCOR Group, stated, "Our results confirmed our expectations that 2004 would be a transitional year for the Company, with a weaker than usual first half, followed by acceleration in the last six months of the year. We also noted that the rate of our earnings acceleration would depend upon the rate of the overall economic recovery. In the fourth quarter, we continued to see gradual improvement of demand in a number of our markets. Our Electrical business continued its strong performance for the full year, particularly in the transportation, financial services and healthcare markets, while our UK operations demonstrated significant improvement in financial performance in 2004 compared to 2003. We continued to gain ground in our Facilities Services business, which generated encouraging top line growth in the quarter and full-year periods."

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Mr. MacInnis added, "During the fourth quarter, we continued our long commitment to cost reduction. We initiated a number of programs in 2004 to accomplish this goal, and the results can be seen in the almost 10% drop in 2004 fourth quarter SG&A expense relative to last year, which drove a significant increase in operating margins for the quarter. As in the past, we remained focused on cash generation and had another excellent cash quarter, which enabled us to further improve our already strong balance sheet; our debt to total capitalization ratio is less than 13%."

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Mr. MacInnis continued, "We have entered 2005 with a sense of guarded optimism in the outlook for our business. The operating environment continues to improve at a measured pace, as evidenced by our fourth quarter performance, and we are encouraged by strong activity levels in other sectors of our industry that participate in the early part of the construction cycle. We expect that, as the cycle matures, we will experience a rebound in demand for the more profitable private sector work, and we will have ample capacity to meet that demand."

Mr. MacInnis concluded, "Given our contract backlog and continued project selectivity, we look for revenue in 2005 to be approximately \$4.4 billion to \$4.6 billion, compared to \$4.7 billion in 2004. Profitability this year should be enhanced by improved performance in our Mechanical segment combined with a better environment for the mobile services operations within our Facilities Services business. We see corresponding earnings per share in the \$2.00 to \$2.40 range, roughly a 46% increase at the low end of the range when compared to our 2004 results, after excluding 2004 restructuring expenses, asset sales and income tax reserve adjustments. While the trajectory of any economic cycle is difficult to predict, if growth in demand for our higher value-added services accelerates, we have sufficient capacity to deploy and drive our earnings growth at a faster pace."

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

EMCOR Group's fourth quarter conference call will be available live via Internet broadcast today, Monday, February 28, at 10:30 AM Eastern Time. You can access the live call through the Home Page of the Company's Web site at www.emcorgroup.com.

The conference call referenced above may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any such forward-looking statements will be based upon information available to EMCOR, and management's perception thereof, as of the date thereof. EMCOR assumes no obligation to update any such forward-looking statements. These forward-looking statements may include statements regarding market share growth, gross profit, project mix, projects with varying profit margins, and selling, general and administrative expenses. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Accordingly, any such statements are no guarantee of future performance. Such risk and uncertainties may include, but are not limited to, adverse effects of general economic conditions, changes in the political environment, changes in the specific markets for EMCOR's services, adverse business conditions, increased competition, unfavorable labor productivity, mix of business, and risks associated with foreign operations.

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Certain of the risks and factors associated with EMCOR's business are also discussed in EMCOR's 2004 Form 10-K and other reports filed by it from time to time with the Securities and Exchange Commission. Conference attendees and listeners should take the aforementioned risks and factors into account in evaluating any forward-looking statements.

-FINANCIAL TABLES FOLLOW-

EMCOR GROUP, INC.
FINANCIAL HIGHLIGHTS
(In thousands, except share and per share information)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended December 31, (Unaudited)		For the Year Ended December 31, (Unaudited)	
	2004 ----	2003 ----	2004 ----	2003 ----
Revenues	\$1,229,670	\$1,171,650	\$4,747,880	\$4,747,880
Cost of sales	1,100,423	1,047,446	4,300,978	4,300,978
	-----	-----	-----	-----
Gross profit	129,247	124,204	446,902	446,902
Selling, general and administrative expenses	103,580	114,913	399,338	399,338
Restructuring expenses	2,338	-	8,274	8,274
Gain on sale of assets	-	-	2,839	2,839
	-----	-----	-----	-----
Operating income	23,329	9,291	42,129	42,129
Interest expense, net	(1,447)	(2,605)	(6,997)	(6,997)
Gain on sale of equity investment	-	-	1,844	1,844
Minority interest	(3,814)	(1,905)	(3,814)	(3,814)
	-----	-----	-----	-----
Income before income taxes	18,068	4,781	33,162	33,162
Income tax provision (benefit)	7,489	2,157	(45)	(45)
	-----	-----	-----	-----
Net income	\$ 10,579	\$ 2,624	\$ 33,207	\$ 33,207
	=====	=====	=====	=====
Basic earnings per share	\$ 0.69	\$ 0.17	\$ 2.18	\$ 2.18
	=====	=====	=====	=====
Diluted earnings per share	\$ 0.68	\$ 0.17	\$ 2.13	\$ 2.13
	=====	=====	=====	=====
Weighted average shares of Common Stock outstanding:				
Basic	15,254,027	15,020,008	15,197,905	15,197,905
Diluted	15,611,261	15,431,124	15,566,737	15,566,737

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

	(Unaudited) December 31, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 70,404	\$ 78,260
Accounts receivable, net	1,071,937	1,009,170
Costs and estimated earnings in excess of billings on uncompleted contracts	239,143	249,393
Inventories	10,580	9,863
Prepaid expenses and other	30,267	42,470
	-----	-----
Total current assets	1,422,331	1,389,156
Investments, notes, and other long-term receivables	26,472	26,452
Property, plant & equipment, net	56,468	66,156
Goodwill	279,432	277,994
Identifiable intangible assets, net	18,782	22,226
Other assets	11,244	13,263
	-----	-----
Total assets	\$1,814,729 =====	\$1,795,247 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Borrowings under working capital credit line	\$ 80,000	\$ 139,400
Current maturities of long-term debt and capital lease obligations	806	367
Accounts payable	459,931	451,713
Billings in excess of costs and estimated earnings on uncompleted contracts	362,148	345,207
Accrued payroll and benefits	138,771	131,623
Other accrued expenses and liabilities	117,477	110,147
	-----	-----
Total current liabilities	1,159,133	1,178,457
Long-term debt and capital lease obligations	1,332	561
Other long-term obligations	91,903	94,873
Total stockholders' equity	562,361	521,356
	-----	-----
Total liabilities and stockholders' equity	\$1,814,729 =====	\$1,795,247 =====

EMCOR GROUP, INC.
COMPUTATION OF ADJUSTED CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except share and per share information)

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(Unaudited)

For the Year Ended December 31, 200

	As Reported	Adjustments (1)
Revenues	\$4,747,880	
Cost of sales	4,300,978	
Gross profit	446,902	
Selling, general and administrative expenses	399,338	
Restructuring expenses	8,274	(8,274)
Gain on sale of assets	2,839	(2,839)
Operating income	42,129	5,435
Interest expense (net)	(6,997)	
Gain on sale of equity investment	1,844	(1,844)
Minority interest	(3,814)	
Income before taxes	\$ 33,162	3,591
Income tax (benefit) provision	(45)	(15,451)
Net income	\$ 33,207	\$ (11,860)
Diluted earnings per share	\$ 2.13	
Outstanding shares - diluted	15,566,737	

(1) The adjustments reverse certain items, from the "as reported" consolidated statement of operations. The income tax adjustment is net of the reversal of tax reserves adjustments and the effect on income taxes related to the restructuring expenses, gain on sale of assets and gain on sale of equity investment.

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