

Edgar Filing: EMCOR GROUP INC - Form 8-K

EMCOR GROUP INC
Form 8-K
February 26, 2004

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 26, 2004

EMCOR GROUP, INC.

(Exact name of registrant as specified in its charter)

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

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

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

Item 7. Financial Statements and Exhibits

(c) Exhibits.

Exhibit No.	Description of Exhibit
99.1	Press Release dated February 26, 2004

Item 12 Results of Operations and Financial Condition

On February 26, 2004, EMCOR Group, Inc. issued a press release disclosing the results of operations for the fiscal year ended December 31, 2003. A copy of this press release is attached as Exhibit 99.1.

EXHIBIT INDEX

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

Edgar Filing: EMCOR GROUP INC - Form 8-K

on February 26, 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,
Chief Executive Officer and President

Date: February 26, 2004

Exhibit 99.1

EMCOR GROUP, INC. REPORTS 2003 FOURTH QUARTER RESULTS -- Expects Improved Earnings in 2004 --

NORWALK, CONNECTICUT, February 26, 2003 - EMCOR Group, Inc. (NYSE: EME) today reported results for the fourth quarter and year ended December 31, 2003.

For the fourth quarter of 2003, the Company reported net income of \$2.6 million, or \$0.17 per diluted share, compared with net income of \$21.3 million, or \$1.38 per diluted share, in the fourth quarter of 2002. Revenues in the 2003 fourth quarter were \$1.17 billion, versus \$1.12 billion, an increase of 4.7% versus the year ago period. The acquisition of Consolidated Engineering Services, Inc. ("CES") in December 2002 contributed \$86.1 million to revenues during the 2003 fourth quarter. Revenues declined 3.1% on an organic basis, reflecting increased selectivity by the Company in the construction projects it pursues.

Fourth quarter 2003 operating income was \$7.4 million, or 0.6% of revenues, versus operating income of \$39.1 million, or 3.5% of revenues in the year ago period. The Company's operating income for the 2003 fourth quarter includes an operating loss of \$11.9 million in EMCOR Group's UK-based operations. Of this loss, approximately \$5.8 million was related to a charge taken in connection with the financial deterioration of a significant customer during the fourth quarter.

Selling, General and Administrative expenses ("SG&A") for the fourth quarter of 2003 totaled \$116.8 million, or 10.0% of revenues, compared to SG&A of \$104.7 million, or 9.4% of revenues, in the fourth quarter of last year. The primary reason for the increase in SG&A is the inclusion of CES in EMCOR's 2003 fourth quarter results. For full year 2003, SG&A as a percentage of revenues was 9.6%; excluding acquisitions, SG&A as a percentage of revenues was 8.4% versus 8.9% in 2002.

As of December 31, 2003, the Company's contract backlog was \$3.03 billion, a 4.9% increase from backlog of \$2.89 billion at the end of 2002. Backlog levels continued to decline from a high of \$3.15 billion at the end of the 2003 second

Edgar Filing: EMCOR GROUP INC - Form 8-K

quarter, reflecting the continuing impact of actions being taken by the Company to conserve capacity to support more profitable private sector projects as they become available.

- MORE -

EMCOR Announces 2003 Fourth Quarter Results

Page 2

Frank T. MacInnis, Chairman and CEO of EMCOR Group, commented, "Fourth quarter profits reflected the continued effects of the recessionary economy on EMCOR operations. As anticipated, our margins were negatively affected by a higher than normal amount of public sector work and reduced demand for discretionary small project work in the private sector. However, our most serious disappointment was the performance of our UK subsidiary. Although we are pleased with the steps taken by our new UK management group to restructure their operations and improve project controls, I remain uneasy about the strength and profit potential of the UK market. Accordingly, EMCOR management will be considering various alternatives with respect to all or portions of the UK subsidiary in the coming months."

Net income for the 2003 full-year period was \$20.6 million, or \$1.33 per diluted share, versus \$62.9 million, or \$4.07 per diluted share, a year ago. Revenues for the 2003 full-year period were \$4.53 billion, 14.3% higher than revenues of \$3.97 billion in 2002. The CES acquisition contributed \$412.6 million in revenues to the Company's results for 2003. Organic revenue growth for 2003 was 1.5%.

For 2003, the Company reported operating income of \$45.2 million, compared with operating income of \$114.3 million in 2002. As a percentage of revenues, operating income for the 2003 full-year period was 1.0%, versus 2.9% a year ago.

Mr. MacInnis added, "During 2003, we took steps to position EMCOR Group for future growth and development. We are pleased with the performance of EMCOR Facilities Services and are optimistic about the outsourcing-driven leverage opportunities in its markets. The strength and liquidity of our year-end balance sheet, including a debt to capital ratio of 21%, enables us to work from a position of financial stability to take advantage of the gradual recovery of our private sector customer base.

"EMCOR's diverse business model enabled us to remain profitable during the recession years, despite a deterioration in our principal private sector markets, especially commercial construction. Entering 2004, our project backlog provides a strong revenue base, but at lower than historical margin levels due to a larger than normal percentage of public sector projects undertaken in 2002 and 2003. These projects will delay earnings growth in the first half of 2004, even though the Company expects renewed demand for its HVAC repair and maintenance services starting in the second quarter of 2004.

"Our long-term strategy has been to increase the proportion of our revenues that we derive from multi-year facilities service relationships, and 2004 will see continued progress towards that objective. We anticipate that our facilities services operations will grow, reflecting our heightened marketing and sales efforts and increasing demand for our site-based and mobile services and our remote monitoring capabilities. EMCOR is already providing facilities services to more than one billion square feet of commercial, institutional and industrial space, and we expect to be the beneficiaries of productivity-based outsourcing

Edgar Filing: EMCOR GROUP INC - Form 8-K

decisions by American manufacturing and commercial concerns."

- MORE -

EMCOR Announces 2003 Fourth Quarter Results

Page 3

The Company announced that, based on the current business environment, it expects 2004 revenues to be between \$4.3 and \$4.4 billion, reflecting the previously-announced "rightsizing" of several underperforming construction subsidiaries, balanced in part by an anticipated 10% to 15% growth rate in the Company's facilities services business. 2004 earnings per share on a diluted basis are expected to be between \$1.75 and \$2.35, before restructuring charges of approximately \$5.0 million attributable to management realignment and other initiatives. Major factors influencing earnings include the pace of economic recovery, its impact on the Company's core markets, and the growth rate of EMCOR's facilities services business.

Mr. MacInnis concluded, "Some of our companies are already seeing the effects of the improving economy, but we have yet to see any significant overall recovery in construction margins. Our continued selective approach to project acquisition will ensure that we can promptly respond to increased demand for our services, whenever it occurs. Our recently announced management realignment broadens and focuses our management team, and we will be taking the appropriate steps to address the poor performance of our UK operations. These efforts should provide solid profit improvement opportunities for EMCOR companies, particularly in the third and fourth quarters of 2004, with continued earnings acceleration in 2005 as new private sector capital projects are added to backlog and revenue."

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, Thursday, February 26, at 5:00 PM Eastern Time. You can access the live call through the Home Page of the Company's Web site at www.emcorgroup.com.

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

-FINANCIAL TABLES FOLLOW-

#

Edgar Filing: EMCOR GROUP INC - Form 8-K

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	(Unaudited)		For the Years Ended	
	For the Three Months Ended		December 31,	
	December 31,		December 31,	
	2003	2002	2003	2002
	----	----	----	----
Revenues	\$1,171,650	\$1,119,068	\$4,534,646	\$3,968,051
Cost of sales	1,047,446	975,269	4,052,192	3,485,417
Gross profit	124,204	143,799	482,454	482,634
Selling, general and administrative expenses	116,818	104,687	437,302	368,209
Operating income	7,386	39,112	45,152	114,425
Interest expense, net	2,605	998	8,236	2,099
Income before taxes	4,781	38,114	36,916	112,326
Income tax provision	2,157	16,770	16,295	49,424
Net income	2,624	\$ 21,344	\$ 20,621	\$ 62,902
	=====	=====	=====	=====
Basic earnings per share	\$ 0.17	\$ 1.43	\$ 1.38	\$ 4.23
	=====	=====	=====	=====
Diluted earnings per share	\$ 0.17	\$ 1.38	\$ 1.33	\$ 4.07
	=====	=====	=====	=====
Weighted average shares of Common Stock outstanding:				
Basic	15,020,008	14,908,164	14,986,079	14,876,906
Diluted	15,431,124	15,458,002	15,461,698	15,457,002

GE>

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

December 31,	December 31,
2003	2002
-----	-----

Edgar Filing: EMCOR GROUP INC - Form 8-K

ASSETS

Cash and cash equivalents	\$ 78,260	\$ 93,103
Accounts receivable, net	1,009,170	964,968
Costs and estimated earnings in excess of billings on uncompleted contracts	249,393	235,809
Inventories	9,863	12,271
Prepaid expenses and other	42,470	28,784
	-----	-----
Total current assets	1,389,156	1,334,935
Investments, notes, and other long-term receivables	26,452	24,642
Property, plant & equipment, net	66,156	70,750
Goodwill	277,994	290,412
Identifiable intangible assets, net	22,226	13,845
Other assets	13,263	23,907
	-----	-----
Total assets	\$1,795,247	\$1,758,491
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Borrowings under working capital credit line	\$ 139,400	\$ 112,000
Current maturities of long-term debt and capital lease obligations	367	22,276
Accounts payable	451,713	409,562
Billings in excess of costs and estimated earnings on uncompleted contracts	345,207	363,092
Accrued payroll and benefits	131,623	159,416
Other accrued expenses and liabilities	110,147	113,529
	-----	-----
Total current liabilities	1,178,457	1,179,875
Long-term debt and capital lease obligations	561	905
Other long-term obligations	94,873	87,841
Total stockholders' equity	521,356	489,870
	-----	-----
Total liabilities and stockholders' equity	\$1,795,247	\$1,758,491
	=====	=====

#