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, 2021

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 Incorporation or Organization)	(I.R.S. Employer Identification Number)
301 Merritt Seven Norwalk, Connecticut	**06851-1092**
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	**EME**	**New York Stock Exchange**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 23, 2021: 53,753,699 shares.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They generally contain words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “may,” “can,” “could,” “might,” variations of such wording and other words or phrases of similar meaning. Forward-looking statements in this report include discussions of our future operating or financial performance and other forward-looking commentary regarding aspects of our business, including market share growth, gross profit, remaining performance obligations, project mix, projects with varying profit margins, selling, general and administrative expenses, and trends in our business and other characterizations of future events or circumstances, such as the effects of the COVID-19 pandemic. Each forward-looking statement included in this report is subject to risks and uncertainties, including those identified in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section, and other sections of this report, and in our Form 10-K for the year ended December 31, 2020, including, without limitation, the “Risk Factors” section of such Form 10-K. Such risks and uncertainties could cause actual results to differ materially from those that might be anticipated from, or projected or implied by, our forward-looking statements. The forward-looking statements contained in this report speak only as of the filing date of this report. We undertake no obligation to update any forward-looking statements. However, any further disclosures made on related subjects in our subsequent reports on Forms 10-K, 10-Q, and 8-K should be consulted. We caution investors not to place undue reliance on forward-looking statements, due to their inherent uncertainty.

PART I. – FINANCIAL INFORMATION.

ITEM 1. FINANCIAL STATEMENTS.

EMCOR Group, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	June 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 668,908	$ 902,867
Accounts receivable, less allowance for credit losses of $22,517 and $18,031, respectively	2,102,735	1,922,096
Contract assets	203,353	171,956
Inventories	64,713	53,338
Prepaid expenses and other	73,645	70,679
Total current assets	3,113,354	3,120,936
Property, plant and equipment, net	155,565	158,427
Operating lease right-of-use assets	250,405	242,155
Goodwill	868,819	851,783
Identifiable intangible assets, net	587,247	582,893
Other assets	157,780	107,646
Total assets	$ 5,133,170	$ 5,063,840
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt and finance lease liabilities	$ 16,589	$ 16,910
Accounts payable	635,803	671,886
Contract liabilities	769,959	722,252
Accrued payroll and benefits	421,767	450,955
Other accrued expenses and liabilities	243,270	247,597
Operating lease liabilities, current	55,722	53,632
Total current liabilities	2,143,110	2,163,232
Long-term debt and finance lease liabilities	259,653	259,619
Operating lease liabilities, long-term	211,483	205,362
Other long-term obligations	427,747	382,383
Total liabilities	3,041,993	3,010,596
Equity:		
EMCOR Group, Inc. stockholders' equity:		
Preferred stock, $0.10 par value, 1,000,000 shares authorized, zero issued and outstanding	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized, 60,698,427 and 60,571,140 shares issued, respectively	607	606
Capital surplus	53,204	47,464
Accumulated other comprehensive loss	(106,925)	(109,233)
Retained earnings	2,648,109	2,480,321
Treasury stock, at cost 6,951,075 and 5,815,240 shares, respectively	(504,520)	(366,490)
Total EMCOR Group, Inc. stockholders' equity	2,090,475	2,052,668
Noncontrolling interests	702	576
Total equity	2,091,177	2,053,244
Total liabilities and equity	$ 5,133,170	$ 5,063,840

See Notes to Consolidated Financial Statements.

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,	
	2021	2020	2021	2020
Revenues	$ 2,437,666	$ 2,014,021	$ 4,741,715	$ 4,313,853
Cost of sales	2,061,387	1,698,735	4,024,363	3,665,506
Gross profit	376,279	315,286	717,352	648,347
Selling, general and administrative expenses	242,921	205,174	466,990	432,171
Restructuring expenses	—	—	—	69
Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets	—	232,750	—	232,750
Operating income (loss)	133,358	(122,638)	250,362	(16,643)
Net periodic pension (cost) income	922	718	1,830	1,460
Interest expense, net	(1,316)	(2,110)	(2,679)	(4,598)
Income (loss) before income taxes	132,964	(124,030)	249,513	(19,781)
Income tax provision (benefit)	35,616	(40,341)	67,220	(11,757)
Net income (loss) including noncontrolling interests	97,348	(83,689)	182,293	(8,024)
Net (loss) income attributable to noncontrolling interests	(2)	—	169	—
Net income (loss) attributable to EMCOR Group, Inc.	$ 97,350	$ (83,689)	$ 182,124	$ (8,024)
Basic earnings (loss) per common share	$ 1.79	$ (1.52)	$ 3.34	$ (0.14)
Diluted earnings (loss) per common share	$ 1.78	$ (1.52)	$ 3.32	$ (0.14)
Dividends declared per common share	$ 0.13	$ 0.08	$ 0.26	$ 0.16

See Notes to Consolidated Financial Statements.

EMCOR Group, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net income (loss) including noncontrolling interests	$ 97,348	$ (83,689)	$ 182,293	$ (8,024)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	111	4	696	(2,980)
Post retirement plans, amortization of actuarial loss included in net income (loss) [1]	808	546	1,612	1,096
Other comprehensive income (loss)	919	550	2,308	(1,884)
Comprehensive income (loss)	98,267	(83,139)	184,601	(9,908)
Comprehensive (loss) income attributable to noncontrolling interests	(2)	—	169	—
Comprehensive income (loss) attributable to EMCOR Group, Inc.	$ 98,269	$ (83,139)	$ 184,432	$ (9,908)

(1) Net of tax of $0.2 million and $0.1 million for the three months ended June 30, 2021 and 2020, respectively, and net of tax of $0.4 million and $0.3 million for the six months ended June 30, 2021 and 2020, respectively.

See Notes to Consolidated Financial Statements.

EMCOR Group, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)(Unaudited)

	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flows - operating activities:		
Net income (loss) including noncontrolling interests	$ 182,293	$ (8,024)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	24,110	23,220
Amortization of identifiable intangible assets	30,996	29,404
Provision for credit losses	5,536	4,957
Deferred income taxes	(1,355)	(19,942)
Non-cash expense for impairment of goodwill, identifiable intangible assets, and other long-lived assets	—	232,750
Non-cash share-based compensation expense	5,850	5,960
Other reconciling items	(397)	868
Changes in operating assets and liabilities, excluding the effect of businesses acquired	(254,005)	7,550
Net cash (used in) provided by operating activities	(6,972)	276,743
Cash flows - investing activities:		
Payments for acquisitions of businesses, net of cash acquired	(55,846)	(3,194)
Proceeds from sale or disposal of property, plant and equipment	1,445	824
Purchases of property, plant and equipment	(16,734)	(25,951)
Distributions from unconsolidated entities	196	—
Net cash used in investing activities	(70,939)	(28,321)
Cash flows - financing activities:		
Proceeds from revolving credit facility	—	200,000
Repayments of revolving credit facility	—	(250,000)
Proceeds from long-term debt	—	300,000
Repayments of long-term debt and debt issuance costs	—	(257,549)
Repayments of finance lease liabilities	(2,228)	(2,354)
Dividends paid to stockholders	(14,236)	(8,888)
Repurchases of common stock	(138,030)	(99,048)
Taxes paid related to net share settlements of equity awards	(3,771)	(2,550)
Issuances of common stock under employee stock purchase plan	3,561	3,228
Payments for contingent consideration arrangements	(2,338)	(4,070)
Distributions to noncontrolling interests	(43)	(70)
Net cash used in financing activities	(157,085)	(121,301)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,222	(4,701)
(Decrease) increase in cash, cash equivalents, and restricted cash	(233,774)	122,420
Cash, cash equivalents, and restricted cash at beginning of year (1)	903,562	359,920
Cash, cash equivalents, and restricted cash at end of period (2)	$ 669,788	$ 482,340

(1) Includes $0.7 million and $1.1 million of restricted cash classified as “Prepaid expenses and other” in the Consolidated Balance Sheets as of December 31, 2020 and 2019, respectively.

(2) Includes $0.9 million of restricted cash classified as “Prepaid expenses and other” in the Consolidated Balance Sheets as of June 30, 2021 and 2020.

See Notes to Consolidated Financial Statements.

EMCOR Group, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

For the three months ended June 30, 2020 and 2021
(In thousands)(Unaudited)

		EMCOR Group, Inc. Stockholders					
	Total	Common stock	Capital surplus	Accumulated other comprehensive loss (1)	Retained earnings	Treasury stock	Noncontrolling interests
Balance, March 31, 2020	$ 2,027,594	$ 605	$ 34,745	$ (91,722)	$ 2,436,305	$ (352,985)	$ 646
Net loss including noncontrolling interests	(83,689)	—	—	—	(83,689)	—	—
Other comprehensive income	550	—	—	550	—	—	—
Tax withholding for common stock issued under share-based compensation plans	(58)	—	(58)	—	—	—	—
Common stock issued under employee stock purchase plan	1,590	—	1,590	—	—	—	—
Common stock dividends	(4,388)	—	29	—	(4,417)	—	—
Distributions to noncontrolling interests	(70)	—	—	—	—	—	(70)
Share-based compensation expense	2,669	—	2,669	—	—	—	—
Balance, June 30, 2020	$ 1,944,198	$ 605	$ 38,975	$ (91,172)	$ 2,348,199	$ (352,985)	$ 576
Balance, March 31, 2021	$ 2,120,672	$ 607	$ 48,693	$ (107,844)	$ 2,557,919	$ (379,407)	$ 704
Net income (loss) including noncontrolling interests	97,348	—	—	—	97,350	—	(2)
Other comprehensive income	919	—	—	919	—	—	—
Tax withholding for common stock issued under share-based compensation plans	(21)	—	(21)	—	—	—	—
Common stock issued under employee stock purchase plan	1,830	—	1,830	—	—	—	—
Common stock dividends	(7,115)	—	45	—	(7,160)	—	—
Repurchases of common stock	(125,113)	—	—	—	—	(125,113)	—
Share-based compensation expense	2,657	—	2,657	—	—	—	—
Balance, June 30, 2021	$ 2,091,177	$ 607	$ 53,204	$ (106,925)	$ 2,648,109	$ (504,520)	$ 702

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

See Notes to Consolidated Financial Statements.

EMCOR Group, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

For the six months ended June 30, 2020 and 2021

(In thousands)(Unaudited)

		EMCOR Group, Inc. Stockholders					
	Total	Common stock	Capital surplus	Accumulated other comprehensive loss [1]	Retained earnings	Treasury stock	Noncontrolling interests
Balance, December 31, 2019	$ 2,057,780	$ 604	$ 32,274	$ (89,288)	$ 2,367,481	$ (253,937)	$ 646
Net loss including noncontrolling interests	(8,024)	—	—	—	(8,024)	—	—
Other comprehensive loss	(1,884)	—	—	(1,884)	—	—	—
Cumulative-effect adjustment [2]	(2,307)	—	—	—	(2,307)	—	—
Common stock issued under share-based compensation plans	1	1	—	—	—	—	—
Tax withholding for common stock issued under share-based compensation plans	(2,550)	—	(2,550)	—	—	—	—
Common stock issued under employee stock purchase plan	3,228	—	3,228	—	—	—	—
Common stock dividends	(8,888)	—	63	—	(8,951)	—	—
Repurchases of common stock	(99,048)	—	—	—	—	(99,048)	—
Distributions to noncontrolling interests	(70)	—	—	—	—	—	(70)
Share-based compensation expense	5,960	—	5,960	—	—	—	—
Balance, June 30, 2020	$ 1,944,198	$ 605	$ 38,975	$ (91,172)	$ 2,348,199	$ (352,985)	$ 576
Balance, December 31, 2020	$ 2,053,244	$ 606	$ 47,464	$ (109,233)	$ 2,480,321	$ (366,490)	$ 576
Net income including noncontrolling interests	182,293	—	—	—	182,124	—	169
Other comprehensive income	2,308	—	—	2,308	—	—	—
Common stock issued under share-based compensation plans	1	1	—	—	—	—	—
Tax withholding for common stock issued under share-based compensation plans	(3,771)	—	(3,771)	—	—	—	—
Common stock issued under employee stock purchase plan	3,561	—	3,561	—	—	—	—
Common stock dividends	(14,236)	—	100	—	(14,336)	—	—
Repurchases of common stock	(138,030)	—	—	—	—	(138,030)	—
Distributions to noncontrolling interests	(43)	—	—	—	—	—	(43)
Share-based compensation expense	5,850	—	5,850	—	—	—	—
Balance, June 30, 2021	$ 2,091,177	$ 607	$ 53,204	$ (106,925)	$ 2,648,109	$ (504,520)	$ 702

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

(2) Represents adjustment to retained earnings upon the adoption of Accounting Standards Codification Topic 326.

See Notes to Consolidated Financial Statements.

NOTE 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with instructions to 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 (“U.S. GAAP”) 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 consolidated financial statements contain all adjustments (consisting only of those of a normal recurring nature) necessary to present fairly our financial position and the results of our operations.

Our reportable segments and related disclosures reflect certain reclassifications of prior year amounts from our United States electrical construction and facilities services segment to our United States industrial services and our United States building services segments due to changes in our internal reporting structure aimed at realigning our service offerings.

The results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021.

NOTE 2 - New Accounting Pronouncements

On January 1, 2021, we adopted the accounting pronouncement issued by the Financial Accounting Standards Board (“FASB”) that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to intraperiod tax allocations and the methodology for calculating income taxes in an interim period. The guidance also simplifies aspects of the accounting for franchise taxes as well as enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The adoption of this accounting pronouncement did not have a material impact on our financial position and/or results of operations.

The Company is currently evaluating the impact of an accounting standards update issued by the FASB, which provides temporary optional expedients and exceptions to existing U.S. GAAP. This guidance is aimed at easing the financial reporting burdens related to reference rate reform, including the expected market transition from LIBOR, or other interbank offered rates, to alternative reference rates. Such accounting pronouncement allows entities to account for and present certain contract modifications, which occur before December 31, 2022 and result from the transition to an alternative reference rate, as an event that does not require remeasurement at the modification date or reassessment of a previous accounting determination. While we are still evaluating the impact of this pronouncement, we do not anticipate that it will have a material impact on our financial position and/or results of operations as we are not exposed to any contracts that reference LIBOR, other than our credit agreement dated as of March 2, 2020, which contains provisions that allow for the amendment of such agreement to use alternative reference rates in the event of the discontinuation of LIBOR.

NOTE 3 - Revenue from Contracts with Customers

The Company recognizes 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 by applying the following five step model:

(1) Identify the contract with a customer

A contract with a customer exists when: (a) the parties have approved the contract and are committed to perform their respective obligations, (b) the rights of the parties can be identified, (c) payment terms can be identified, (d) the arrangement has commercial substance, and (e) collectability of consideration is probable. Judgment is required when determining if the contractual criteria are met, specifically in the earlier stages of a project when a formally executed contract may not yet exist. In these situations, the Company evaluates all relevant facts and circumstances, including the existence of other forms of documentation or historical experience with our customers that may indicate a contractual agreement is in place and revenue should be recognized. In determining if the collectability of consideration is probable, the Company considers the customer’s ability and intention to pay such consideration through an evaluation of several factors, including an assessment of the creditworthiness of the customer and our prior collection history with such customer.

NOTE 3 - Revenue from Contracts with Customers (Continued)

(2) Identify the performance obligations in the contract

At contract inception, the Company assesses the goods or services promised in a contract and identifies, as a separate performance obligation, each distinct promise to transfer goods or services to the customer. The identified performance obligations represent the “unit of account” for purposes of determining revenue recognition. In order to properly identify separate performance obligations, the Company applies judgment in determining whether each good or service provided is: (a) capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, and (b) distinct within the context of the contract, whereby the transfer of the good or service to the customer is separately identifiable from other promises in the contract.

In addition, when assessing performance obligations within a contract, the Company considers the warranty provisions included within such contract. To the extent the warranty terms provide the customer with an additional service, other than assurance that the promised good or service complies with agreed upon specifications, such warranty is accounted for as a separate performance obligation. In determining whether a warranty provides an additional service, the Company considers each warranty provision in comparison to warranty terms which are standard in the industry.

Our contracts are often modified through change orders to account for changes in the scope and price of the goods or services we are providing. Although the Company evaluates each change order to determine whether such modification creates a separate performance obligation, the majority of our change orders are for goods or services that are not distinct within the context of our original contract and, therefore, are not treated as separate performance obligations.

(3) Determine the transaction price

The transaction price represents the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to our customers. The consideration promised within a contract may include fixed amounts, variable amounts, or both. To the extent the performance obligation includes variable consideration, including contract bonuses and penalties that can either increase or decrease the transaction price, the Company estimates the amount of variable consideration to be included in the transaction price utilizing one of two prescribed methods, depending on which method better predicts the amount of consideration to which the entity will be entitled. Such methods include: (a) the expected value method, whereby the amount of variable consideration to be recognized represents the sum of probability-weighted amounts in a range of possible consideration amounts, and (b) the most likely amount method, whereby the amount of variable consideration to be recognized represents the single most likely amount in a range of possible consideration amounts. When applying these methods, the Company considers all information that is reasonably available, including historical, current, and estimates of future performance. The expected value method is typically utilized in situations where a contract contains a large number of possible outcomes while the most likely amount method is typically utilized in situations where a contract has only two possible outcomes.

Variable consideration is included in the transaction price only to the extent it is probable, in the Company’s judgment, that a significant future reversal in the amount of cumulative revenue recognized under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This threshold is referred to as the variable consideration constraint. In assessing whether to apply the variable consideration constraint, the Company considers if factors exist that could increase the likelihood or the magnitude of a potential reversal of revenue, including, but not limited to, whether: (a) the amount of consideration is highly susceptible to factors outside of the Company’s influence, such as the actions of third parties, (b) the uncertainty surrounding the amount of consideration is not expected to be resolved for a long period of time, (c) the Company’s experience with similar types of contracts is limited or that experience has limited predictive value, (d) the Company has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances, and (e) the contract has a large number and broad range of possible consideration amounts.

Pending change orders represent one of the most common forms of variable consideration included within contract value and typically represent contract modifications for which a change in scope has been authorized or acknowledged by our customer but the final adjustment to contract price is yet to be negotiated. In estimating the transaction price for pending change orders, the Company considers all relevant facts, including documented correspondence with the customer regarding acknowledgment of and/or agreement with the modification, as well as historical experience with the customer or similar contractual circumstances. Based upon this assessment, the Company estimates the transaction price, including whether the variable consideration constraint should be applied.

NOTE 3 - Revenue from Contracts with Customers (Continued)

Contract claims are another form of variable consideration which is common within our industry. Claim amounts represent revenue that has been recognized for contract modifications that are not submitted or are in dispute as to both scope and price. In estimating the transaction price for claims, the Company considers all relevant facts available. However, given the uncertainty surrounding claims, including the potential long-term nature of dispute resolution and the broad range of possible consideration amounts, there is an increased likelihood that any additional contract revenue associated with contract claims is constrained. The resolution of claims involves negotiations and, in certain cases, litigation. In the event litigation costs are incurred by us in connection with claims, such litigation costs are expensed as incurred, although we may seek to recover these costs.

For some transactions, the receipt of consideration does not match the timing of the transfer of goods or services to the customer. For such contracts, the Company evaluates whether this timing difference represents a financing arrangement within the contract. Although rare, if a contract is determined to contain a significant financing component, the Company adjusts the promised amount of consideration for the effects of the time value of money when determining the transaction price of such contract. Although our customers may retain a portion of the contract price until completion of the project and final contract settlement, these retainage amounts are not considered a significant financing component as the intent of the withheld amounts is to provide the customer with assurance that we will complete our obligations under the contract rather than to provide financing to the customer. In addition, although we may be entitled to advanced payments from our customers on certain contracts, these advanced payments generally do not represent a significant financing component as the payments are used to meet working capital demands that can be higher in the early stages of a contract, as well as to protect us from our customer failing to meet its obligations under the contract.

Changes in the estimates of transaction prices are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. Such changes in estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in prior periods. Such changes in estimates may also result in the reversal of previously recognized revenue if the ultimate outcome differs from the Company’s previous estimate. For the three and six months ended June 30, 2021 and 2020, there were no significant amounts of revenue recognized during the period related to performance obligations satisfied in prior periods. In addition, for the three and six months ended June 30, 2021 and 2020, there were no significant reversals of revenue recognized associated with the revision of transaction prices.

(4) Allocate the transaction price to performance obligations in the contract

For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation based on a relative standalone selling price. The Company determines the standalone selling price based on the price at which the performance obligation would have been sold separately in similar circumstances to similar customers. If the standalone selling price is not observable, the Company estimates the standalone selling price taking into account all available information such as market conditions and internal pricing guidelines. In certain circumstances, the standalone selling price is determined using an expected profit margin on anticipated costs related to the performance obligation.

(5) Recognize revenue as performance obligations are satisfied

The Company recognizes revenue at the time the related performance obligation is satisfied by transferring a promised good or service to its customers. A good or service is considered to be transferred when the customer obtains control. The Company can transfer control of a good or service and satisfy its performance obligations either over time or at a point in time. The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time if one of the following three criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Company’s performance as we perform, (b) the Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or (c) the Company’s performance does not create an asset with an alternative use to us, and we have an enforceable right to payment for performance completed to date.

For our performance obligations satisfied over time, we recognize revenue by measuring the progress toward complete satisfaction of that performance obligation. The selection of the method to measure progress towards completion can be either an input method or an output method and requires judgment based on the nature of the goods or services to be provided.

NOTE 3 - Revenue from Contracts with Customers (Continued)

For our construction contracts, revenue is generally recognized over time as our performance creates or enhances an asset that the customer controls as it is created or enhanced. Our fixed price construction projects generally use a cost-to-cost input method to measure our progress towards complete satisfaction of the performance obligation as we believe it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. For our unit price construction contracts, progress towards complete satisfaction is measured through an output method, such as the amount of units produced or delivered, when our performance does not produce significant amounts of work in process or finished goods prior to complete satisfaction of such performance obligations.

For our services contracts, revenue is also generally recognized over time as the customer simultaneously receives and consumes the benefits of our performance as we perform the service. For our fixed price service contracts with specified service periods, revenue is generally recognized on a straight-line basis over such service period when our inputs are expended evenly, and the customer receives and consumes the benefits of our performance throughout the contract term.

The timing of revenue recognition for the manufacturing of new build heat exchangers within our United States industrial services segment depends on the payment terms of the contract, as our performance does not create an asset with an alternative use to us. For those contracts for which we have a right to payment for performance completed to date at all times throughout our performance, inclusive of a cancellation, we recognize revenue over time. For these performance obligations, we use a cost-to-cost input method to measure our progress towards complete satisfaction of the performance obligation as we believe it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. However, for those contracts for which we do not have a right, at all times, to payment for performance completed to date, we recognize revenue at the point in time when control is transferred to the customer. For bill-and-hold arrangements, revenue is recognized when the customer obtains control of the heat exchanger, which may be prior to shipping if certain recognition criteria are met.

For certain of our revenue streams, such as call-out repair and service work, outage services, refinery turnarounds, and specialty welding services that are performed under time and materials contracts, our progress towards complete satisfaction of such performance obligations is measured using an output method as the customer receives and consumes the benefits of our performance completed to date.

Due to uncertainties inherent in the estimation process, it is possible that estimates of costs to complete a performance obligation will be revised in the near-term. For those performance obligations for which revenue is recognized using a cost-to-cost input method, changes in total estimated costs, and related progress towards complete satisfaction of the performance obligation, are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. When the current estimate of total costs for a performance obligation indicate a loss, a provision for the entire estimated loss on the unsatisfied performance obligation is made in the period in which the loss becomes evident. For the three and six months ended June 30, 2021 and 2020, there were no changes in total estimated costs that had a significant impact on our operating results. In addition, there were no significant losses recognized during the three and six months ended June 30, 2021 and 2020.

Disaggregation of Revenues

Our revenues are principally derived from contracts to provide construction services relating to electrical and mechanical systems, as well as to provide a number of building services and industrial services to our customers. Our contracts are with many different customers in numerous industries. Refer to Note 15 - Segment Information of the notes to consolidated financial statements for additional information on how we disaggregate our revenues by reportable segment, as well as a more complete description of our business.

EMCOR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

NOTE 3 - Revenue from Contracts with Customers (Continued)

The following tables provide further disaggregation of our revenues, by categories we use to evaluate our financial performance within each of our reportable segments, for the three and six months ended June 30, 2021 and 2020 (in thousands):

	For the three months ended June 30,			
	2021	% of Total	2020	% of Total
United States electrical construction and facilities services:				
Commercial market sector	$ 253,774	52 %	$ 212,318	52 %
Institutional market sector	52,587	11 %	32,691	8 %
Hospitality market sector	4,100	1 %	4,899	1 %
Manufacturing market sector	51,998	10 %	55,910	13 %
Healthcare market sector	25,678	5 %	16,025	4 %
Transportation market sector	53,179	11 %	47,966	12 %
Water and wastewater market sector	1,877	1 %	1,907	1 %
Short duration projects [(1)]	37,484	7 %	33,507	8 %
Service work	9,403	2 %	5,999	1 %
	490,080		411,222	
Less intersegment revenues	(593)		(834)	
Total segment revenues	$ 489,487		$ 410,388	

	For the three months ended June 30,			
	2021	% of Total	2020	% of Total
United States mechanical construction and facilities services:				
Commercial market sector	$ 397,482	41 %	$ 273,434	35 %
Institutional market sector	71,464	7 %	99,829	13 %
Hospitality market sector	11,258	1 %	9,098	1 %
Manufacturing market sector	102,224	11 %	100,608	13 %
Healthcare market sector	121,745	13 %	80,528	10 %
Transportation market sector	20,704	2 %	19,669	2 %
Water and wastewater market sector	44,702	5 %	45,606	6 %
Short duration projects [(1)]	83,604	9 %	73,955	9 %
Service work	107,240	11 %	88,684	11 %
	960,423		791,411	
Less intersegment revenues	(1,737)		(970)	
Total segment revenues	$ 958,686		$ 790,441	

(1) Represents those projects which generally are completed within three months or less.

NOTE 3 - Revenue from Contracts with Customers (Continued)

	For the three months ended June 30,			
	2021	% of Total	2020	% of Total
United States building services:				
Commercial site-based services	$ 152,851	25 %	$ 132,078	28 %
Government site-based services	46,587	7 %	38,419	8 %
Mobile mechanical services	398,813	64 %	289,531	60 %
Energy services	26,205	4 %	18,954	4 %
Total segment revenues	$ 624,456		$ 478,982	

	For the three months ended June 30,			
	2021	% of Total	2020	% of Total
United States industrial services:				
Field services	$ 208,797	89 %	$ 206,288	86 %
Shop services	26,366	11 %	34,805	14 %
Total segment revenues	$ 235,163		$ 241,093	
Total United States operations	$ 2,307,792		$ 1,920,904	

	For the three months ended June 30,			
	2021	% of Total	2020	% of Total
United Kingdom building services:				
Service work	$ 66,572	51 %	$ 51,139	55 %
Project work	63,302	49 %	41,978	45 %
Total segment revenues	$ 129,874		$ 93,117	
Total operations	$ 2,437,666		$ 2,014,021	

	For the six months ended June 30,			
	2021	% of Total	2020	% of Total
United States electrical construction and facilities services:				
Commercial market sector	$ 498,757	53 %	$ 452,164	52 %
Institutional market sector	95,716	10 %	70,084	8 %
Hospitality market sector	8,764	1 %	9,981	1 %
Manufacturing market sector	100,421	10 %	122,753	14 %
Healthcare market sector	45,092	5 %	35,250	4 %
Transportation market sector	95,210	10 %	92,146	10 %
Water and wastewater market sector	5,528	1 %	4,236	1 %
Short duration projects [1]	81,284	8 %	73,777	8 %
Service work	16,671	2 %	13,446	2 %
	947,443		873,837	
Less intersegment revenues	(1,788)		(1,646)	
Total segment revenues	$ 945,655		$ 872,191	

(1) Represents those projects which generally are completed within three months or less.

EMCOR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

NOTE 3 - Revenue from Contracts with Customers (Continued)

	For the six months ended June 30,			
	2021	% of Total	2020	% of Total
United States mechanical construction and facilities services:				
Commercial market sector	$ 764,157	41 %	$ 578,124	36 %
Institutional market sector	140,768	7 %	176,826	11 %
Hospitality market sector	19,787	1 %	16,812	1 %
Manufacturing market sector	207,651	11 %	216,190	13 %
Healthcare market sector	234,530	13 %	168,587	10 %
Transportation market sector	39,121	2 %	34,015	2 %
Water and wastewater market sector	88,550	5 %	86,119	5 %
Short duration projects [1]	172,387	9 %	171,157	11 %
Service work	199,018	11 %	179,577	11 %
	1,865,969		1,627,407	
Less intersegment revenues	(3,358)		(2,854)	
Total segment revenues	$ 1,862,611		$ 1,624,553	

(1) Represents those projects which generally are completed within three months or less.

	For the six months ended June 30,			
	2021	% of Total	2020	% of Total
United States building services:				
Commercial site-based services	$ 328,498	27 %	$ 275,516	27 %
Government site-based services	87,659	7 %	81,336	8 %
Mobile mechanical services	733,763	61 %	602,450	60 %
Energy services	56,375	5 %	47,291	5 %
Total segment revenues	$ 1,206,295		$ 1,006,593	

	For the six months ended June 30,			
	2021	% of Total	2020	% of Total
United States industrial services:				
Field services	$ 416,351	88 %	$ 529,942	88 %
Shop services	54,194	12 %	75,080	12 %
Total segment revenues	$ 470,545		$ 605,022	
Total United States operations	$ 4,485,106		$ 4,108,359	

	For the six months ended June 30,			
	2021	% of Total	2020	% of Total
United Kingdom building services:				
Service work	$ 128,563	50 %	$ 106,245	52 %
Project work	128,046	50 %	99,249	48 %
Total segment revenues	$ 256,609		$ 205,494	
Total operations	$ 4,741,715		$ 4,313,853	

NOTE 3 - Revenue from Contracts with Customers (Continued)

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recognized in the period we deliver goods and services to our customers or when our right to consideration is unconditional. The Company maintains an allowance for credit losses to reduce outstanding receivables to their net realizable value. A considerable amount of judgment is required when determining expected credit losses. Estimates of such losses are recorded when we believe a customer, or group of customers, may not be able to meet their financial obligations due to deterioration in financial condition or credit rating. Factors relevant to our assessment include our prior collection history with our customers, the related aging of past due balances, projections of credit losses based on historical trends in credit quality indicators or past events, and forecasts of future economic conditions. In addition to monitoring delinquent accounts, management reviews the credit quality of its receivables by, among other things, obtaining credit ratings of significant customers, assessing economic and market conditions, and evaluating material changes to a customer's business, cash flows, and financial condition.

At June 30, 2021 and December 31, 2020, our allowance for credit losses was $22.5 million and $18.0 million, respectively. The increase in our allowance for credit losses was predominantly attributable to our evaluation of a specific outstanding receivable within our United States industrial services segment. Allowances for credit losses are based on the best facts available and are reassessed and adjusted on a regular basis as additional information is received. Should anticipated collections fail to materialize, or if future economic conditions compare unfavorably to our forecasts, we could experience an increase in our credit losses.

The change in the allowance for credit losses for the six months ended June 30, 2021 was as follows (in thousands):

Balance at December 31, 2020	$	18,031
Provision for credit losses		5,536
Amounts written off against the allowance, net of recoveries		(1,050)
Balance at June 30, 2021	$	22,517

Contract Assets and Contract Liabilities

The timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets include unbilled amounts from our construction projects when revenues recognized under the cost-to-cost measure of progress exceed the amounts invoiced to our customers, as the amounts cannot be billed under the terms of our contracts. Such amounts are recoverable from our customers based upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of a contract. In addition, many of our time and materials arrangements, as well as our contracts to perform turnaround services within the United States industrial services segment, are billed in arrears pursuant to contract terms that are standard within the industry, resulting in contract assets and/or unbilled receivables being recorded as revenue is recognized in advance of billings.

Also included in contract assets are amounts we seek or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders or modifications in dispute or unapproved as to scope and/or price, or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). Our contract assets do not include capitalized costs to obtain and fulfill a contract. Contract assets are generally classified as current within the Consolidated Balance Sheets.

Contract liabilities from our construction contracts arise when amounts invoiced to our customers exceed revenues recognized under the cost-to-cost measure of progress. Contract liabilities additionally include advanced payments from our customers on certain contracts. Contract liabilities decrease as we recognize revenue from the satisfaction of the related performance obligation and are recorded as either current or long-term, depending upon when we expect to recognize such revenue. The long-term portion of contract liabilities is included in "Other long-term obligations" in the Consolidated Balance Sheets.

NOTE 3 - Revenue from Contracts with Customers (Continued)

Net contract liabilities consisted of the following as of June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
Contract assets, current	$ 203,353	$ 171,956
Contract assets, non-current	—	—
Contract liabilities, current	(769,959)	(722,252)
Contract liabilities, non-current	(2,535)	(2,283)
Net contract liabilities	$ (569,141)	$ (552,579)

The $16.6 million increase in net contract liabilities for the six months ended June 30, 2021 was primarily attributable to an increase in the net contract liabilities on our uncompleted construction contracts. Contract assets and contract liabilities increased by approximately $2.2 million and $5.8 million, respectively, as a result of acquisitions made by us in 2021. There was no significant impairment of contract assets recognized during the periods presented.

Transaction Price Allocated to Remaining Unsatisfied Performance Obligations

The following table presents the transaction price allocated to remaining unsatisfied performance obligations (“remaining performance obligations”) for each of our reportable segments and their respective percentages of total remaining performance obligations as of June 30, 2021 (in thousands, except for percentages):

	June 30, 2021	% of Total
Remaining performance obligations:		
United States electrical construction and facilities services	$ 1,171,745	23 %
United States mechanical construction and facilities services	2,926,387	57 %
United States building services	733,832	14 %
United States industrial services	125,970	3 %
Total United States operations	4,957,934	97 %
United Kingdom building services	148,794	3 %
Total operations	$ 5,106,728	100 %

Our remaining performance obligations at June 30, 2021 were $5.11 billion. Remaining performance obligations increase with awards of new contracts and decrease as we perform work and recognize revenue on existing contracts. We include a project within our remaining performance obligations at such time the project is awarded and agreement on contract terms has been reached. Our remaining performance obligations include amounts related to contracts for which a fixed price contract value is not assigned when a reasonable estimate of the total transaction price can be made.

Remaining performance obligations include unrecognized revenues to be realized from uncompleted construction contracts. Although many of our construction contracts are subject to cancellation at the election of our customers, in accordance with industry practice, we do not limit the amount of unrecognized revenue included within remaining performance obligations for these contracts as the risk of cancellation is very low due to the inherent substantial economic penalty that our customers would incur upon cancellation or termination. We believe our reported remaining performance obligations for our construction contracts are firm and contract cancellations have not had a material adverse effect on us.

Remaining performance obligations also include unrecognized revenues expected to be realized over the remaining term of service contracts. However, to the extent a service contract includes a cancellation clause which allows for the termination of such contract by either party without a substantive penalty, the remaining contract term, and therefore, the amount of unrecognized revenues included within remaining performance obligations, is limited to the notice period required for the termination.

NOTE 3 - Revenue from Contracts with Customers (Continued)

Our remaining performance obligations are 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, (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 the variable consideration constraint does not apply, and (e) other forms of variable consideration to the extent that such variable consideration has been included within the transaction price of our contracts. Such claim and other variable consideration amounts were immaterial for all periods presented.

Refer to the table below for additional information regarding our remaining performance obligations, including an estimate of when we expect to recognize such remaining performance obligations as revenue (in thousands):

	Within one year	Greater than one year
Remaining performance obligations:		
United States electrical construction and facilities services	$ 994,558	$ 177,187
United States mechanical construction and facilities services	2,390,802	535,585
United States building services	672,324	61,508
United States industrial services	125,970	—
Total United States operations	4,183,654	774,280
United Kingdom building services	118,933	29,861
Total operations	$ 4,302,587	$ 804,141

NOTE 4 - Acquisitions of Businesses

Acquisitions are accounted for utilizing the acquisition method of accounting and the prices paid for them are allocated to their respective assets and liabilities based upon the estimated fair value of such assets and liabilities at the dates of their respective acquisition by us.

During the first half of 2021, we acquired three companies for total consideration of $57.0 million. Such companies include: (a) a company that provides mechanical services within the Southern region of the United States, the results of operations of which have been included in our United States mechanical construction and facilities services segment, (b) a company that provides electrical construction services for a broad array of customers in the Midwestern region of the United States, the results of operations of which have been included in our United States electrical construction and facilities services segment, and (c) a company that provides mobile mechanical services across North Texas, the results of operations of which have been included in our United States building services segment. In connection with these acquisitions, we acquired working capital of $7.7 million and other net liabilities of $3.0 million, including certain deferred tax liabilities, and have preliminarily ascribed $16.9 million to goodwill and $35.4 million to identifiable intangible assets.

During 2020, we acquired three companies for total consideration of $50.3 million. Such companies include: (a) a company that provides building automation and controls solutions within the Northeastern region of the United States, (b) a full service provider of mechanical services within the Washington, D.C. metro area, and (c) a company that provides mobile mechanical services in the Southern region of the United States. The results of operations for all three companies have been included within our United States building services segment. In connection with these acquisitions, we acquired working capital of $3.0 million and other net liabilities of $3.9 million and have preliminarily ascribed $13.1 million to goodwill and $38.1 million to identifiable intangible assets.

We expect that the majority of the goodwill acquired in connection with these acquisitions will be deductible for tax purposes. The purchase price allocations for two of the businesses acquired in 2021 and one of the businesses acquired in 2020 are preliminary and subject to change during their respective measurement periods. As we finalize such purchase price allocations, adjustments may be recorded relating to finalization of intangible asset valuations, tax matters, or other items. Although not expected to be significant, such adjustments may result in changes in the valuation of assets and liabilities acquired. The purchase price allocations for the other businesses acquired in 2021 and 2020 have been finalized during their respective measurement periods with an insignificant impact.

EMCOR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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, 2021 and 2020 (in thousands, except share and per share data):

	For the three months ended June 30,	
	2021	2020
Numerator:		
Net income (loss) attributable to EMCOR Group, Inc. common stockholders	$ 97,350	$ (83,689)
Denominator:		
Weighted average shares outstanding used to compute basic earnings (loss) per common share	54,301,466	54,937,038
Effect of dilutive securities—Share-based awards	286,347	—
Shares used to compute diluted earnings (loss) per common share	54,587,813	54,937,038
Basic earnings (loss) per common share	$ 1.79	$ (1.52)
Diluted earnings (loss) per common share	$ 1.78	$ (1.52)

	For the six months ended June 30,	
	2021	2020
Numerator:		
Net income (loss) attributable to EMCOR Group, Inc. common stockholders	$ 182,124	$ (8,024)
Denominator:		
Weighted average shares outstanding used to compute basic earnings (loss) per common share	54,594,208	55,467,799
Effect of dilutive securities—Share-based awards	262,551	—
Shares used to compute diluted earnings (loss) per common share	54,856,759	55,467,799
Basic earnings (loss) per common share	$ 3.34	$ (0.14)
Diluted earnings (loss) per common share	$ 3.32	$ (0.14)

The number of outstanding share-based awards excluded from the computation of diluted EPS for the three and six months ended June 30, 2021 because they would be anti-dilutive were 1,500 and 14,136, respectively. The effect of 197,470 and 200,538 share-based awards has been excluded from the calculation of diluted EPS for the three and six months ended June 30, 2020, respectively, due to the net loss recognized for each period. Assuming dilution, the number of outstanding share-based awards excluded from the computation of diluted EPS for both the three and six months ended June 30, 2020 because they would be anti-dilutive were 94,355.

NOTE 6 - Inventories

Inventories in the accompanying Consolidated Balance Sheets consisted of the following amounts as of June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
Raw materials and construction materials	$ 47,861	$ 42,240
Work in process	16,852	11,098
Inventories	$ 64,713	$ 53,338

NOTE 7 Goodwill, Identifiable Intangible Assets, and Other Long-Lived Assets

Goodwill

In connection with our acquisition of businesses, we have recorded goodwill, which represents the excess of the consideration transferred over the fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but instead allocated to its respective reporting unit and evaluated for impairment annually, or more frequently if events or circumstances indicate that the carrying amount of goodwill may be impaired. We have determined that our reporting units are consistent with the reportable segments identified in Note 15 - Segment Information of the notes to consolidated financial statements.

Absent any earlier identified impairment indicators, we perform our annual goodwill impairment assessment on October 1 each fiscal year. Qualitative indicators that may trigger the need for interim quantitative impairment testing include, among others, deterioration in macroeconomic conditions, declining financial performance, deterioration in the operational environment, or an expectation of selling or disposing of a portion of a reporting unit. Additionally, an interim impairment test may be triggered by a significant change in business climate, a loss of a significant customer, increased competition, or a sustained decrease in share price. In assessing whether our goodwill is impaired, we compare the fair value of the reporting unit to its carrying amount, including goodwill. If the fair value exceeds the carrying amount, no impairment is recognized. However, if the carrying amount of the reporting unit exceeds the fair value, the goodwill of the reporting unit is impaired and an impairment loss in the amount of the excess is recognized and charged to operations.

We did not identify any impairment indicators during the three and six months ended June 30, 2021 that would necessitate an interim impairment assessment of our goodwill. However, our operations were significantly impacted by the COVID-19 pandemic starting with the second quarter of 2020. During the same period, the demand for oil and other refined products significantly deteriorated as a result of the pandemic and the corresponding preventative measures taken around the world to mitigate the spread of the virus, including various local, state, and national jurisdictional “shelter-in-place” orders. Further, other macroeconomic events during such period, including geopolitical tensions between the Organization of Petroleum Exporting Countries (OPEC) and Russia, resulted in a significant drop in the price of crude oil. These negative factors created significant volatility and uncertainty in the markets in which our United States industrial services segment operates, resulting in a significant decrease in the demand for our service offerings. Consequently, in the second quarter of 2020, we revised our near-term revenue and operating margin expectations for such segment and concluded that a triggering event had occurred which indicated that it was more likely than not that its fair value was less than its carrying amount.

Accordingly, we performed a quantitative impairment test and determined the fair value of our United States industrial services segment using an income approach whereby fair value was calculated utilizing discounted estimated future cash flows, assuming a risk-adjusted industry weighted average cost of capital. Such weighted average cost of capital was developed with the assistance of an independent third-party valuation specialist and reflected the overall level of inherent risk within the business and the rate of return a market participant would expect to earn as of that date. Cash flow projections were derived from internal forecasts of anticipated revenue growth rates and operating margins, updated for the events discussed above, with cash flows beyond the discrete forecast period estimated using a terminal value calculation which incorporated historical and forecasted trends, an estimate of long-term growth rates, and assumptions about the future demand for our services.

Based on the outcome of our second quarter 2020 interim goodwill impairment test, we concluded that the carrying amount of our United States industrial services segment exceeded its fair value, resulting in the recognition of a non-cash goodwill impairment charge of $225.5 million, which was included within our results of operations for the three and six months ended June 30, 2020. We did not identify impairment indicators related to any other reporting unit that would have required an interim impairment assessment. Additionally, we subsequently (as of October 1, 2020) performed our annual impairment assessment of all reporting units and determined there was no incremental impairment of goodwill.

NOTE 7 Goodwill, Identifiable Intangible Assets, and Other Long-Lived Assets - (Continued)

Due to the inherent uncertainties involved in making estimates, our assumptions may change in future periods. Estimates and assumptions made for purposes of our goodwill impairment testing may prove to be inaccurate predictions of the future, and other factors used in assessing fair value, such as the weighted average cost of capital, are outside the control of management. Unfavorable changes in certain key assumptions may affect future testing results. Significant adverse changes to external market conditions or our internal forecasts, if any, could result in future goodwill impairment charges. It is not possible at this time to determine if any future impairment charge will result or, if it does, whether such a charge would be material to our results of operations.

Identifiable Intangible Assets and Other Long-Lived Assets

Our identifiable intangible assets, arising out of the acquisition of businesses, include contract backlog, developed technology/vendor network, customer relationships, and certain subsidiary trade names, all of which are subject to amortization. In addition, our identifiable intangible assets include certain other subsidiary trade names, which are indefinite-lived and therefore not subject to amortization.

Absent earlier indicators of impairment, we test for impairment of subsidiary trade names that are not subject to amortization on an annual basis (October 1). In performing this test, we calculate the fair value of each trade name 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.

In addition, we review for impairment of identifiable intangible assets that are being amortized as well as other long-lived assets 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 discounted estimated future cash flows.

Given the negative market conditions disclosed above, we evaluated certain of our identifiable intangible assets and other long-lived assets for impairment during the second quarter of 2020. Such assets included those associated with the businesses in our United States industrial services segment. As a result of these assessments, during the quarter ended June 30, 2020, we recorded non-cash impairment charges of $7.3 million. We subsequently (as of October 1, 2020) performed our annual impairment assessment of all subsidiary trade names that are not subject to amortization and determined there was no incremental impairment of these assets. Additionally, we have not identified any impairment indicators during the three and six months ended June 30, 2021 that would necessitate an interim impairment assessment of either our identifiable intangible assets or other long-lived assets.

NOTE 8 - Debt

Debt in the accompanying Consolidated Balance Sheets consisted of the following amounts as of June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
Term loan	$ 270,563	$ 270,563
Unamortized debt issuance costs	(3,520)	(4,000)
Finance lease liabilities	9,199	9,966
Total debt	276,242	276,529
Less: current maturities	16,589	16,910
Total long-term debt	$ 259,653	$ 259,619

Credit Agreement

Until March 2, 2020, we had a credit agreement dated as of August 3, 2016, which provided for a $900.0 million revolving credit facility (the “2016 Revolving Credit Facility”) and a $400.0 million term loan (the “2016 Term Loan”) (collectively referred to as the “2016 Credit Agreement”). On March 2, 2020, we amended and restated the 2016 Credit Agreement to provide for a $1.3 billion revolving credit facility (the “2020 Revolving Credit Facility”) and a $300.0 million term loan (the “2020 Term Loan”) (collectively referred to as the “2020 Credit Agreement”) expiring March 2, 2025. We may increase the 2020 Revolving Credit Facility to $1.9 billion if additional lenders are identified and/or existing lenders are willing to increase their current commitments. We may allocate up to $400.0 million of available capacity under the 2020 Revolving Credit Facility to letters of credit for our account or for the account of any of our subsidiaries.

At the Company’s election, borrowings under the 2020 Credit Agreement bear interest at either: (1) a base rate plus a margin of 0.00% to 0.75%, based on certain financial tests, or (2) United States dollar LIBOR (0.10% at June 30, 2021) plus 1.00% to 1.75%, based on certain financial tests. The base rate is determined by the greater of: (a) the prime commercial lending rate announced by Bank of Montreal from time to time (3.25% at June 30, 2021), (b) the federal funds effective rate, plus ½ of 1.00%, (c) the daily one month LIBOR rate, plus 1.00%, or (d) 0.00%. The interest rate in effect at June 30, 2021 was 1.10%. A commitment fee is payable on the average daily unused amount of the 2020 Revolving Credit Facility, which ranges from 0.10% to 0.25%, based on certain financial tests. The fee was 0.10% of the unused amount as of June 30, 2021. Fees for letters of credit issued under the 2020 Revolving Credit Facility range from 0.75% to 1.75% of the respective face amounts of outstanding letters of credit, depending on the nature of the letter of credit, and are computed based on certain financial tests.

As of June 30, 2021 and December 31, 2020, the balance of the 2020 Term Loan was $270.6 million. As of June 30, 2021 and December 31, 2020, there were no direct borrowings outstanding under the 2020 Revolving Credit Facility; however, we had $71.3 million of letters of credit outstanding, which reduce the available capacity under such facility. We capitalized an additional $3.1 million of debt issuance costs associated with the 2020 Credit Agreement. Debt issuance costs are amortized over the life of the agreement as part of interest expense.

Obligations under the 2020 Credit Agreement are guaranteed by most of our direct and indirect subsidiaries and are secured by substantially all of our assets. The 2020 Credit Agreement contains various covenants providing for, among other things, the maintenance of certain financial ratios and certain limitations on the payment of dividends, common stock repurchases, investments, acquisitions, indebtedness, and capital expenditures. We were in compliance with all such covenants as of June 30, 2021 and December 31, 2020.

We are required to make annual principal payments on the 2020 Term Loan. Any voluntary prepayments are applied against the outstanding balance of the loan and reduce our future scheduled payments on a ratable basis. Based on our outstanding balance, principal payments of $13.9 million are due on December 31 of each year until maturity, with any remaining unpaid principal and interest due on March 2, 2025.

NOTE 9 - Fair Value Measurements

For disclosure purposes, we utilize a fair value hierarchy to categorize qualifying assets and liabilities into three broad levels based on the priority of the inputs used to determine their fair values. The hierarchy, which gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs, is comprised of the following three levels:

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

Level 2 – Observable inputs, other than Level 1 inputs, that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Unobservable inputs that reflect the reporting entity's own assumptions.

Recurring Fair Value Measurements

The following tables summarize the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2021 and December 31, 2020 (in thousands):

	Assets at Fair Value as of June 30, 2021			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents (1)	$ 668,908	$ —	$ —	$ 668,908
Restricted cash (2)	880	—	—	880
Deferred compensation plan assets (3)	40,320	—	—	40,320
Total	$ 710,108	$ —	$ —	$ 710,108

	Assets at Fair Value as of December 31, 2020			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents (1)	$ 902,867	$ —	$ —	$ 902,867
Restricted cash (2)	695	—	—	695
Deferred compensation plan assets (3)	36,491	—	—	36,491
Total	$ 940,053	$ —	$ —	$ 940,053

(1) Cash and cash equivalents consist of deposit accounts and money market funds with original maturity dates of three months or less, which are Level 1 assets. At June 30, 2021 and December 31, 2020, we had $366.9 million and $482.2 million, respectively, in money market funds.
(2) Restricted cash is classified as "Prepaid expenses and other" in the Consolidated Balance Sheets. Restricted cash primarily represents cash held in account for use on customer contracts.
(3) Deferred compensation plan assets are classified as "Other assets" in the Consolidated Balance Sheets.

Nonrecurring Fair Value Measurements

We have recorded goodwill and identifiable intangible assets in connection with our business acquisitions. Such assets are measured at fair value at the time of acquisition based on valuation techniques that appropriately represent the methods which would be used by other market participants in determining fair value. In addition, goodwill and intangible assets are tested for impairment using similar valuation methodologies to determine the fair value of such assets. Periodically, we engage an independent third-party valuation specialist to assist with the valuation process, including the selection of appropriate methodologies and the development of market-based assumptions. The inputs used for these fair value measurements represent Level 3 inputs.

Fair Value of Financial Instruments

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 2020 Credit Agreement approximates its fair value due to the variable rate on such debt.

NOTE 10 - Income Taxes

The following table presents our income tax provision (benefit) and our income tax rate for the three and six months ended June 30, 2021 and 2020 (in thousands, except percentages):

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Income tax provision (benefit)	$ 35,616	$ (40,341)	$ 67,220	$ (11,757)
Income tax rate	26.8 %	(32.5)%	27.0 %	(59.4)%

The difference between the U.S. statutory tax rate of 21% and our income tax rate for both the three and six months ended June 30, 2021 and 2020 was primarily a result of state and local income taxes and other permanent book to tax differences, including, in the case of the three and six months ended June 30, 2020, the tax-effect of the $232.8 million of non-cash goodwill, identifiable intangible asset, and other long-lived asset impairment charges recorded during the second quarter of 2020, the majority of which were non-deductible for tax purposes.

As of June 30, 2021 and December 31, 2020, we had no unrecognized income tax benefits.

We file a consolidated federal income tax return including all of our U.S. subsidiaries with the Internal Revenue Service. We additionally file income tax returns with various state, local, and foreign tax agencies. Our income tax returns are subject to audit by various taxing authorities and are currently under examination for the years 2015 through 2019.

NOTE 11 - Common Stock

As of June 30, 2021 and December 31, 2020, there were 53,747,352 and 54,755,900 shares of our common stock outstanding, respectively.

During the three months ended June 30, 2021 and 2020, we issued 36,044 and 60,155 shares of common stock, respectively. During the six months ended June 30, 2021 and 2020, we issued 127,287 and 161,850 shares of common stock, respectively. These shares were issued upon either the satisfaction of required conditions under our share-based compensation plans or the purchase of common stock pursuant to our employee stock purchase plan.

We have paid quarterly dividends since October 25, 2011. We currently pay a regular quarterly dividend of $0.13 per share.

In September 2011, our Board of Directors (the “Board”) authorized a share repurchase program allowing us to begin repurchasing shares of our outstanding common stock. Subsequently, the Board has from time to time increased the amount of our common stock that we may repurchase under such program. Since the inception of the repurchase program, the Board has authorized us to repurchase up to $1.15 billion of our outstanding common stock. During the six months ended June 30, 2021, we repurchased approximately 1.1 million shares of our common stock for approximately $138.0 million. Since the inception of the repurchase program through June 30, 2021, we have repurchased approximately 18.7 million shares of our common stock for approximately $1,042.1 million. As of June 30, 2021, there remained authorization for us to repurchase approximately $107.9 million of our shares. The repurchase program has no expiration date, does 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 2020 Credit Agreement placing limitations on such repurchases. The repurchase program has been and will be funded from our operations.

NOTE 12 - Retirement Plans

The funded status of our defined benefit plans, which represents the difference between the fair value of plan assets and the projected benefit obligations, is recognized in our balance sheet with a corresponding adjustment to accumulated other comprehensive income (loss). Gains and losses for the differences between actuarial assumptions and actual results, and unrecognized service costs, are recognized through accumulated other comprehensive income (loss). These amounts will be subsequently recognized as net periodic pension cost (income) within the statement of operations.

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. We also sponsor three domestic retirement plans in which participation by new individuals is frozen.

NOTE 12 - Retirement Plans (Continued)

Components of Net Periodic Pension Cost

The components of net periodic pension cost (income) of the UK Plan for the three and six months ended June 30, 2021 and 2020 were as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Interest cost	$ 1,350	$ 1,556	$ 2,686	$ 3,152
Expected return on plan assets	(3,223)	(2,922)	(6,415)	(5,919)
Amortization of unrecognized loss	922	581	1,835	1,176
Net periodic pension cost (income)	$ (951)	$ (785)	$ (1,894)	$ (1,591)

The net periodic pension cost associated with the domestic plans was approximately $0.1 million for each of the three and six months ended June 30, 2021 and 2020.

Employer Contributions

For the six months ended June 30, 2021, our United Kingdom subsidiary contributed approximately $2.5 million to the UK Plan and anticipates contributing an additional $2.5 million during the remainder of 2021.

NOTE 13 - Commitments and Contingencies

Government Contracts

As a government contractor, we are subject to U.S. government audits and investigations relating to our operations, which such audits may result in 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.

Legal Proceedings

We are involved in several legal proceedings in which damages and claims have 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. We record a loss contingency if the potential loss from a proceeding or claim is considered probable and the amount can be reasonably estimated or a range of loss can be determined. We provide disclosure when it is reasonably possible that a loss will be incurred in excess of any recorded provision. Significant judgment is required in these determinations. As additional information becomes available, we reassess prior determinations and may change our estimates. Additional claims may be asserted against us in the future. Litigation is subject to many uncertainties, and the outcome of litigation is not predictable with assurance. It is possible that a litigation matter for which liabilities have not been recorded could be decided unfavorably to us, and that any such unfavorable decision could have a material adverse effect on our financial position, results of operations, or liquidity.

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. In addition, we maintain a wholly-owned captive insurance subsidiary to manage certain of our insurance liabilities. 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 independent third-party actuary to determine the best estimate for the majority of these obligations. At June 30, 2021 and December 31, 2020, the estimated current portion of such undiscounted insurance liabilities, included in "Other accrued expenses and liabilities" in the accompanying Consolidated Balance Sheets, were $63.7 million and $48.2 million, respectively. The estimated non-current portion of such undiscounted insurance liabilities included in "Other long-term obligations" at June 30, 2021 and December 31, 2020 were $242.6 million and $192.8 million, respectively. The current portion of anticipated insurance recoveries of $28.1 million and $14.4 million at June 30, 2021 and December 31, 2020, respectively, were included in "Prepaid expenses and other" and the non-current portion of anticipated insurance recoveries of $102.0 million and $54.3 million at June 30, 2021 and December 31, 2020, respectively, were included in "Other assets" in the accompanying Consolidated Balance Sheets. These balances increased from December 31, 2020 as a result of revised estimates for claims on which we expect substantial coverage by insurance.

NOTE 13 - Commitments and Contingencies (Continued)

Restructuring expenses

No material expenses in connection with restructuring were incurred during the three and six months ended June 30, 2021 and 2020, and no material restructuring expenses are expected to be incurred during the remainder of 2021. As of June 30, 2021, the balance of restructuring obligations yet to be paid was approximately $2.3 million. Such remaining amounts will be paid pursuant to our contractual obligations through 2022.

NOTE 14 - Additional Cash Flow Information

The following table presents additional cash flow information for the six months ended June 30, 2021 and 2020 (in thousands):

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Cash paid for:		
Interest	$ 2,634	$ 4,885
Income taxes	$ 85,339	$ 10,953
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 32,938	$ 25,267
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 1,321	$ 1,496

NOTE 15 - Segment Information

We have the following reportable segments: (a) United States electrical construction and facilities services (involving systems for electrical power transmission, distribution, and generation, including sustainable energy solutions such as solar, photovoltaic, and wind; premises electrical and lighting systems; process instrumentation in the refining, chemical processing, and food processing industries; low-voltage systems, such as fire alarm, security, and process control; voice and data communication, including fiber-optic and low-voltage cabling, distributed antenna systems, and audiovisual systems; roadway and transit lighting and signaling; 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 customers’ facilities, including commercial and government site-based operations and maintenance; facility management, maintenance, and services; outage services to utilities and industrial plants; military base operations support services; mobile mechanical maintenance and services, including maintenance and service of mechanical, electrical, plumbing, and building automation systems; indoor air quality improvement services; floor care and janitorial services; landscaping, lot sweeping, and snow removal; other building services, including reception, security, and catering; vendor management; call center services; installation and support for building systems; program development, management, and maintenance for energy systems, including services aimed at assisting our customers in reducing energy consumption; 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 “United States industrial services” segment principally consists of those operations which provide industrial maintenance and services for refineries, petrochemical plants, and other customers within the oil and gas industry. Services of this segment include refinery turnaround planning and engineering; specialty welding; overhaul and maintenance of critical process units; specialty technical services; instrumentation and electrical services for energy infrastructure; on-site repairs, maintenance, and service of heat exchangers, towers, vessels, and piping; and design, manufacturing, repair, and hydroblast cleaning of shell and tube heat exchangers and related equipment.

Our reportable segments reflect certain reclassifications of prior year amounts from our United States electrical construction and facilities services segment to our United States industrial services and our United States building services segments due to changes in our internal reporting structure aimed at realigning our service offerings.

NOTE 15 - Segment Information (Continued)

The following tables present financial information for each of our reportable segments for the three and six months ended June 30, 2021 and 2020 (in thousands):

	For the three months ended June 30, 2021	For the three months ended June 30, 2020
Revenues from unrelated entities:		
United States electrical construction and facilities services	$ 489,487	$ 410,388
United States mechanical construction and facilities services	958,686	790,441
United States building services	624,456	478,982
United States industrial services	235,163	241,093
Total United States operations	2,307,792	1,920,904
United Kingdom building services	129,874	93,117
Total operations	$ 2,437,666	$ 2,014,021
Total revenues:		
United States electrical construction and facilities services	$ 490,157	$ 411,417
United States mechanical construction and facilities services	962,338	793,040
United States building services	648,512	500,018
United States industrial services	252,444	242,795
Less intersegment revenues	(45,659)	(26,366)
Total United States operations	2,307,792	1,920,904
United Kingdom building services	129,874	93,117
Total operations	$ 2,437,666	$ 2,014,021

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Revenues from unrelated entities:		
United States electrical construction and facilities services	$ 945,655	$ 872,191
United States mechanical construction and facilities services	1,862,611	1,624,553
United States building services	1,206,295	1,006,593
United States industrial services	470,545	605,022
Total United States operations	4,485,106	4,108,359
United Kingdom building services	256,609	205,494
Total operations	$ 4,741,715	$ 4,313,853
Total revenues:		
United States electrical construction and facilities services	$ 947,690	$ 874,208
United States mechanical construction and facilities services	1,870,012	1,631,844
United States building services	1,251,247	1,042,036
United States industrial services	498,372	612,938
Less intersegment revenues	(82,215)	(52,667)
Total United States operations	4,485,106	4,108,359
United Kingdom building services	256,609	205,494
Total operations	$ 4,741,715	$ 4,313,853

NOTE 15 - Segment Information (Continued)

	For the three months ended June 30, 2021	For the three months ended June 30, 2020
Operating income (loss):		
United States electrical construction and facilities services	$ 42,705	$ 31,626
United States mechanical construction and facilities services	79,259	66,937
United States building services	30,310	26,615
United States industrial services	(208)	3,282
Total United States operations	152,066	128,460
United Kingdom building services	7,047	5,351
Corporate administration	(25,755)	(23,699)
Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets	—	(232,750)
Total operations	133,358	(122,638)
Other items:		
Net periodic pension (cost) income	922	718
Interest expense, net	(1,316)	(2,110)
Income (loss) before income taxes	$ 132,964	$ (124,030)

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Operating income (loss):		
United States electrical construction and facilities services	$ 82,969	$ 71,938
United States mechanical construction and facilities services	144,209	112,108
United States building services	59,644	47,876
United States industrial services	(2,651)	18,707
Total United States operations	284,171	250,629
United Kingdom building services	16,458	11,115
Corporate administration	(50,267)	(45,568)
Restructuring expenses	—	(69)
Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets	—	(232,750)
Total operations	250,362	(16,643)
Other items:		
Net periodic pension (cost) income	1,830	1,460
Interest expense, net	(2,679)	(4,598)
Income (loss) before income taxes	$ 249,513	$ (19,781)

NOTE 15 - Segment Information (Continued)

	June 30, 2021	December 31, 2020
Total assets:		
United States electrical construction and facilities services	$ 737,673	$ 672,226
United States mechanical construction and facilities services	1,600,189	1,542,531
United States building services	1,131,845	1,040,160
United States industrial services	611,273	550,513
Total United States operations	4,080,980	3,805,430
United Kingdom building services	247,837	227,894
Corporate administration	804,353	1,030,516
Total operations	$ 5,133,170	$ 5,063,840

NOTE 16 - Subsequent Events

In July 2021, we acquired a company for an immaterial amount. This company provides mobile mechanical services in the Southern region of the United States, and the results of its operations will be included in our United States building services segment. The acquisition of this business will be accounted for by the acquisition method, and the amount paid will be allocated to its respective assets and liabilities, based upon the estimated fair values of such assets and liabilities on the date of acquisition by us.

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

Business Description

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 85 operating subsidiaries. Our offices are located in the United States and the United Kingdom.

We have the following reportable segments: (a) United States electrical construction and facilities services (involving systems for electrical power transmission, distribution, and generation, including sustainable energy solutions such as solar, photovoltaic, and wind; premises electrical and lighting systems; process instrumentation in the refining, chemical processing, and food processing industries; low-voltage systems, such as fire alarm, security, and process control; voice and data communication, including fiber-optic and low-voltage cabling, distributed antenna systems, and audiovisual systems; roadway and transit lighting and signaling; 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 customers' facilities, including commercial and government site-based operations and maintenance; facility management, maintenance, and services; outage services to utilities and industrial plants; military base operations support services; mobile mechanical maintenance and services, including maintenance and service of mechanical, electrical, plumbing, and building automation systems; indoor air quality improvement services; floor care and janitorial services; landscaping, lot sweeping, and snow removal; other building services, including reception, security, and catering; vendor management; call center services; installation and support for building systems; program development, management, and maintenance for energy systems, including services aimed at assisting our customers in reducing energy consumption; 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 "United States industrial services" segment principally consists of those operations which provide industrial maintenance and services for refineries, petrochemical plants, and other customers within the oil and gas industry. Services of this segment include refinery turnaround planning and engineering; specialty welding; overhaul and maintenance of critical process units; specialty technical services; instrumentation and electrical services for energy infrastructure; on-site repairs, maintenance, and service of heat exchangers, towers, vessels, and piping; and design, manufacturing, repair, and hydroblast cleaning of shell and tube heat exchangers and related equipment.

Our reportable segments reflect certain reclassifications of prior year amounts from our United States electrical construction and facilities services segment to our United States industrial services and our United States building services segments due to changes in our internal reporting structure aimed at realigning our service offerings.

COVID-19 and Market Update

As a result of the COVID-19 pandemic, we experienced significant disruptions throughout calendar year 2020, which impacted our ability to execute on our remaining performance obligations in many of the markets in which we operate. The impact of the pandemic, which was greatest during the second quarter of 2020, negatively affected our results of operations during such period. However, our strong balance sheet and operational flexibility have allowed us to successfully manage through the ongoing impacts of the pandemic while protecting our cash flow and liquidity.

Although the majority of our businesses have largely recovered from the financial impacts of the pandemic, as evidenced by our consolidated performance and the growth in our remaining performance obligations, our United States industrial services segment continues to be negatively impacted by the lingering effects of the pandemic. While this segment has experienced modest sequential growth since the second half of 2020, the prolonged impacts of lower demand and the overall lagging recovery of the oil and gas market has resulted in customers of this segment canceling or deferring projects, reducing capital spending, implementing various cost cutting measures, and closing certain of their facilities. Such customer actions continue to impact the demand for our service offerings within this segment.

We continue to monitor the short- and long-term impacts of the pandemic. While our employees and customers have adapted to a new work environment and there continues to be scientific, societal, and economic progress to address the effects of COVID-19, there remains significant uncertainty about the future impacts of the pandemic, including the potential effects on our operations. We continue to be cautiously optimistic about the markets in which we operate and the customers we serve;

however, should there be a slowdown in economic activity due to an increase in more contagious variants of the virus or surges in the number of cases, it is possible that projects could be delayed or canceled or that we could experience access restrictions to our customers' facilities, preventing us from performing maintenance and service projects. The extent to which our business and results of operations are impacted in future periods will also depend upon a number of other factors. These include the duration and extent of the pandemic; limitations on the ability of our employees to perform their work due to illness caused by the pandemic or local, state, or federal orders requiring employees to quarantine; the extent, duration, and effective execution of ongoing government stabilization and recovery efforts; the efficacy and adoption of vaccines or other preventative treatments; our customers' demand for our services; our ability to continue to safely and effectively operate in this environment; and the ability of our customers to pay us for services rendered. To date, we have been able to source the supplies and materials needed to operate our business with minimal disruptions and recent volatility in commodity prices has not had a significant impact on us. However, the impact of the COVID-19 pandemic on our vendors and the materials utilized in our operations continues to evolve and may have an adverse impact on our operations in future periods. While we believe our remaining performance obligations are firm, customers may also slow down decision-making, delay planned work, or seek to terminate existing agreements. Any of these events could have a material adverse effect on our business, financial condition, and/or results of operations.

Overview

The following table presents selected financial data for the three months ended June 30, 2021 and 2020 (in thousands, except percentages and per share data):

	For the three months ended June 30, 2021	2020
Revenues	$ 2,437,666	$ 2,014,021
Revenues increase (decrease) from prior year	21.0 %	(13.3)%
Gross profit	$ 376,279	$ 315,286
Gross profit as a percentage of revenues	15.4 %	15.7 %
Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets	$ —	$ 232,750
Operating income (loss)	$ 133,358	$ (122,638)
Operating income (loss) as a percentage of revenues	5.5 %	(6.1)%
Net income (loss) attributable to EMCOR Group, Inc.	$ 97,350	$ (83,689)
Diluted earnings (loss) per common share	$ 1.78	$ (1.52)

The results for the three months ended June 30, 2021 set new company records for a second quarter in terms of revenues, gross profit, operating income, net income, and diluted earnings per common share.

Revenues of $2.44 billion for the second quarter of 2021 represent an increase of 21.0% from revenues of $2.01 billion for the second quarter of 2020. As described in further detail below, such increase in revenues was attributable to revenue growth within all of our reportable segments, except for our United States industrial services segment. The results for the second quarter of 2020 were negatively impacted by the COVID-19 pandemic, which resulted in: (a) project delays or access restrictions for certain of the construction projects within our United States construction segments, (b) a reduction in the number of call-out service and repair project activities within our United States and United Kingdom building services segments, and (c) a decline in the demand for our service offerings within our United States industrial services segment.

Operating income for the three months ended June 30, 2021 was $133.4 million, or 5.5% of revenues, compared to an operating loss of $122.6 million, or (6.1)% of revenues, for the three months ended June 30, 2020. The operating loss incurred in the 2020 period resulted from $232.8 million of non-cash goodwill, identifiable intangible asset, and other long-lived asset impairment charges recorded during such prior year period, as discussed in further detail in Note 7 - Goodwill, Identifiable Intangible Assets, and Other Long-Lived Assets of the notes to consolidated financial statements included in Item 1. Financial Statements. Excluding the impact of such impairments, operating income increased by $23.2 million for the second quarter of 2021, as a result of improved operating performance within all of our reportable segments, except for our United States industrial services segment, which continues to be impacted by the effect of adverse market conditions on the demand for their service offerings.

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.

During the first half of 2021, we acquired three companies, including: (a) a company, the results of operations of which were de minimis, that provides mechanical services within the Southern region of the United States and has been included in our United States mechanical construction and facilities services segment, (b) a company that provides electrical construction services for a broad array of customers in the Midwestern region of the United States, the results of operations of which have been included in our United States electrical construction and facilities services segment, and (c) a company that provides mobile mechanical services across North Texas, the results of operations of which have been included in our United States building services segment.

During calendar year 2020, we acquired three companies, including: (a) a company that provides building automation and controls solutions within the Northeastern region of the United States, (b) a full service provider of mechanical services within the Washington, D.C. metro area, and (c) a company, the results of operations of which were de minimis, that provides mobile mechanical services in the Southern region of the United States. The results of operations for all three companies have been included within our United States building services segment.

For the three months ended June 30, 2021, companies acquired in 2021 and 2020 generated incremental revenues of approximately $53.8 million and incremental operating income of approximately $2.7 million, inclusive of approximately $3.2 million of amortization expense associated with identifiable intangible assets.

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,			
	2021	% of Total	2020	% of Total
Revenues:				
United States electrical construction and facilities services	$ 489,487	20 %	$ 410,388	20 %
United States mechanical construction and facilities services	958,686	39 %	790,441	39 %
United States building services	624,456	26 %	478,982	24 %
United States industrial services	235,163	10 %	241,093	12 %
Total United States operations	2,307,792	95 %	1,920,904	95 %
United Kingdom building services	129,874	5 %	93,117	5 %
Total operations	$ 2,437,666	100 %	$ 2,014,021	100 %

	For the six months ended June 30,			
	2021	% of Total	2020	% of Total
Revenues:				
United States electrical construction and facilities services	$ 945,655	20 %	$ 872,191	20 %
United States mechanical construction and facilities services	1,862,611	39 %	1,624,553	38 %
United States building services	1,206,295	26 %	1,006,593	23 %
United States industrial services	470,545	10 %	605,022	14 %
Total United States operations	4,485,106	95 %	4,108,359	95 %
United Kingdom building services	256,609	5 %	205,494	5 %
Total operations	$ 4,741,715	100 %	$ 4,313,853	100 %

As described below in more detail, our revenues for the second quarter of 2021 increased to $2.44 billion compared to $2.01 billion for the second quarter of 2020, and our revenues for the six months ended June 30, 2021 increased to $4.74 billion compared to $4.31 billion for the six months ended June 30, 2020. The increase in revenues for both periods was attributable to revenue growth within all of our reportable segments, except for our United States industrial services segment. Companies acquired in 2021 and 2020 generated incremental revenues of approximately $53.8 million and $82.9 million for the three and six months ended June 30, 2021, respectively.

Revenues of our United States electrical construction and facilities services segment were $489.5 million and $945.7 million for the three and six months ended June 30, 2021, respectively, compared to revenues of $410.4 million and $872.2 million for the three and six months ended June 30, 2020, respectively. The increase in revenues of this segment, for both periods, was primarily attributable to revenue growth within: (a) the commercial market sector, as: (i) we experienced an increase in telecommunication construction project activity and (ii) the results for the three and six months of 2020 were negatively impacted by project delays or access restrictions caused by the various containment and mitigation measures mandated by certain of our customers and/or governmental authorities in response to the COVID-19 pandemic, (b) the institutional market sector given an increase in public works projects in the Western region of the United States, and (c) the healthcare market sector, due to greater project activity in the Northeastern region of the United States. In addition, the results of this segment for the three and six months ended June 30, 2021 included $8.6 million and $15.1 million, respectively, of incremental revenues generated by a company acquired in 2021. The increased revenue for the six months ended June 30, 2021 was partially offset by a reduction in revenues within the manufacturing market sector due to the completion or substantial completion of certain projects in the Western region of the United States.

Our United States mechanical construction and facilities services segment revenues for the three months ended June 30, 2021 were $958.7 million, a $168.2 million increase compared to revenues of $790.4 million for the three months ended June 30, 2020. Revenues of this segment for the six months ended June 30, 2021 were $1,862.6 million, a $238.1 million increase compared to revenues of $1,624.6 million for the six months ended June 30, 2020. The increase in this segment’s revenues for both periods was primarily attributable to revenue growth within: (a) the commercial market sector, driven by: (i) the continued build-out of our customers’ e-commerce supply chains, which has resulted in increased demand for our fire protection services within their warehousing and distribution facilities, (ii) continued growth in digital processing, cloud computing, and data storage, which has resulted in an increase in telecommunication construction project opportunities, and (iii) a greater number of mechanical tenant-fit out projects, and (b) the healthcare market sector due to increased mechanical system retrofits and installations as our healthcare customers seek to upgrade their existing facilities or build new facilities. These increases were partially offset by the completion or substantial completion of certain projects within: (a) the institutional market sector, which resulted in a reduction of revenues during both the three and six months ended June 30, 2021, and (b) the manufacturing market sector, inclusive of certain large food processing projects, which resulted in a reduction of revenues during the six months ended June 30, 2021. Similar to our United States electrical construction and facilities services segment, revenues of this segment during the prior year periods were negatively impacted by the effects of the COVID-19 pandemic, which resulted in project delays due to access restrictions and temporary job site shutdowns.

Revenues of our United States building services segment were $624.5 million and $1,206.3 million for the three and six months ended June 30, 2021, respectively, compared to revenues of $479.0 million and $1,006.6 million for the three and six months ended June 30, 2020, respectively. Excluding acquisition revenues within this segment’s mobile mechanical services division of $45.2 million and $67.8 million for the three and six months ended June 30, 2021, respectively, this segment’s revenue growth for both 2021 periods was primarily attributable to: (a) a resumption in demand for certain of our service offerings when compared to the prior year, which was negatively impacted by the COVID-19 pandemic given the temporary closure of certain customer facilities, resulting in: (i) greater project, service repair and maintenance, and building automation and controls activities within our mobile mechanical services operations and (ii) an increase in project volume within our commercial site-based services operations, (b) a net increase in facilities maintenance contract revenues, partially as a result of new contract awards, and (c) increased customer demand for certain services aimed at improving the indoor air quality within their facilities. In addition, revenues for the six months ended June 30, 2021 benefited from an increase in snow removal activity year-over-year within our commercial site-based services division.

Revenues of our United States industrial services segment for the three months ended June 30, 2021 were $235.2 million compared to revenues of $241.1 million for the three months ended June 30, 2020. Revenues for the six months ended June 30, 2021 were $470.5 million compared to revenues of $605.0 million for the six months ended June 30, 2020. Revenues of this segment continue to be negatively impacted by adverse market conditions within the oil and gas and related industrial markets, including sustained lower demand for oil and other refined products, which has not returned to pre-pandemic levels. Such macroeconomic conditions, which began to significantly impact our businesses in the second quarter of 2020, have continued into the current year, leading to a decrease in demand for this segment’s service offerings, including: (a) a decrease in maintenance, capital project, and construction activities within our field services operations and (b) a reduction in new build heat exchanger sales and related services within our shop services operations.

Our United Kingdom building services segment revenues were $129.9 million and $256.6 million for the three and six months ended June 30, 2021, respectively, compared to revenues of $93.1 million and $205.5 million for the three and six months ended June 30, 2020, respectively. The increase in this segment's revenues for both the three and six month periods was primarily a result of growth in project activities with existing customers, primarily within the commercial market sector, partially as a result of a resumption in demand as customers began to release projects which were previously deferred due to the uncertainty created by the COVID-19 pandemic. In addition, this segment's revenues for the three and six months ended June 30, 2021 were positively impacted by $14.5 million and $24.0 million, respectively, related to the effect of favorable exchange rates for the British pound versus the United States dollar.

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 June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Cost of sales	$ 2,061,387	$ 1,698,735	$ 4,024,363	$ 3,665,506
Gross profit	$ 376,279	$ 315,286	$ 717,352	$ 648,347
Gross profit margin	15.4 %	15.7 %	15.1 %	15.0

Our gross profit for the three months ended June 30, 2021 was $376.3 million, or 15.4% of revenues, compared to gross profit of $315.3 million, or 15.7% of revenues, for the three months ended June 30, 2020. Gross profit for the six months ended June 30, 2021 was $717.4 million, or 15.1% of revenues, compared to gross profit of $648.3 million, or 15.0% of revenues, for the six months ended June 30, 2020. The increase in gross profit for both periods was a result of an increase in gross profit from all of our reportable segments except, in the case of the six months ended June 30, 2021, our United States industrial services segment, which experienced a decrease in gross profit when compared to the prior year given the negative macroeconomic conditions previously referenced.

The decrease in gross profit margin for the quarter ended June 30, 2021 compared to the quarter ended June 30, 2020, was primarily attributable to a reduction in gross profit margin within our United States building services segment given a greater number of fixed price capital projects, which traditionally have lower gross profit margins, within this segment's mobile mechanical services division, and a less favorable mix of work within this segment's government services division during the quarter.

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 June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Selling, general and administrative expenses	$ 242,921	$ 205,174	$ 466,990	$ 432,171
SG&A margin	10.0 %	10.2 %	9.8 %	10.0 %

Our selling, general and administrative expenses for the three months ended June 30, 2021 were $242.9 million compared to selling, general and administrative expenses of $205.2 million for the three months ended June 30, 2020. Selling, general and administrative expenses for the six months ended June 30, 2021 were $467.0 million compared to selling, general and administrative expenses of $432.2 million for the six months ended June 30, 2020. For the three and six months ended June 30, 2021, selling, general and administrative expenses included $4.4 million and $6.8 million, respectively, of incremental expenses directly related to companies acquired in 2021 and 2020, including amortization expense attributable to identifiable intangible assets of $1.2 million and $2.0 million, respectively. Excluding incremental expenses from businesses acquired, our selling, general and administrative expenses increased by $33.4 million and $28.0 million for the three and six months ended June 30, 2021, respectively. The increase in selling, general and administrative expenses for both the three and six month periods was primarily attributable to an increase in: (a) incentive compensation expense, due to higher projected annual operating results than those which were anticipated during the same prior year period, as our expectations during the second quarter of 2020 were negatively impacted by the uncertainty created by the COVID-19 pandemic, (b) salaries, as a result of: (i) an increase in headcount to support our organic revenue growth in the current year, and (ii) the favorable impact in the prior year periods of certain short-term cost cutting measures enacted in response to the COVID-19 pandemic, including temporary furloughs and salary reductions, (c) employee benefit costs, driven by greater medical claim activity, and (d) the provision for credit losses, within our United States industrial services segment as discussed in further detail below.

Selling, general and administrative expenses as a percentage of revenues were 10.0% and 10.2% for the three months ended June 30, 2021 and 2020, respectively, compared to 9.8% and 10.0% for the six months ended June 30, 2021 and 2020, respectively. The decrease in SG&A margin for both the three and six month periods was a result of an increase in revenues without a commensurate increase in certain of our overhead costs, as we were able to leverage our overhead cost structure.

Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets

During the second quarter of 2020, we identified certain indicators of impairment resulting from the COVID-19 pandemic and its impact on the oil and gas and related industrial markets. These adverse conditions resulted in lower forecasted revenue and operating margin expectations for those of our businesses that are highly dependent on the strength of such markets, resulting in the recognition of a $232.8 million impairment charge within our United States industrial services segment.

Despite the weaker results of our United States industrial services segment for the quarter and year-to-date periods of 2021, when compared to the same periods of 2020, we did not identify any indicators of impairment in the current year, as the operating performance and near term expectations of this segment are consistent with the forecasts utilized in our most recent impairment test. However, significant adverse changes to external market conditions or our internal forecasts, if any, could result in the identification of future impairment indicators and potentially future goodwill impairment charges. It is not possible at this time to determine if any future impairment charge will result or, if it does, whether such charge would be material to our results of operations.

Operating income (loss)

The following tables present our operating income (loss) and operating margin (operating income (loss) as a percentage of segment revenues) (in thousands, except for percentages):

	For the three months ended June 30,			
	2021	% of Segment Revenues	2020	% of Segment Revenues
Operating income (loss):				
United States electrical construction and facilities services	$ 42,705	8.7 %	$ 31,626	7.7 %
United States mechanical construction and facilities services	79,259	8.3 %	66,937	8.5 %
United States building services	30,310	4.9 %	26,615	5.6 %
United States industrial services	(208)	(0.1)%	3,282	1.4 %
Total United States operations	152,066	6.6 %	128,460	6.7 %
United Kingdom building services	7,047	5.4 %	5,351	5.7 %
Corporate administration	(25,755)	—	(23,699)	—
Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets	—	—	(232,750)	—
Total operations	133,358	5.5 %	(122,638)	(6.1)%
Other items:				
Net periodic pension (cost) income	922		718	
Interest expense, net	(1,316)		(2,110)	
Income (loss) before income taxes	$ 132,964		$ (124,030)	

	For the six months ended June 30,						
		2021	% of Segment Revenues		2020	% of Segment Revenues
Operating income (loss):						
United States electrical construction and facilities services	$	82,969	8.8 %	$	71,938	8.2 %
United States mechanical construction and facilities services		144,209	7.7 %		112,108	6.9 %
United States building services		59,644	4.9 %		47,876	4.8 %
United States industrial services		(2,651)	(0.6)%		18,707	3.1 %
Total United States operations		284,171	6.3 %		250,629	6.1 %
United Kingdom building services		16,458	6.4 %		11,115	5.4 %
Corporate administration		(50,267)	—		(45,568)	—
Restructuring expenses		—	—		(69)	—
Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets		—	—		(232,750)	—
Total operations		250,362	5.3 %		(16,643)	(0.4)%
Other items:						
Net periodic pension (cost) income		1,830			1,460	
Interest expense, net		(2,679)			(4,598)	
Income (loss) before income taxes	$	249,513		$	(19,781)	

As described below in more detail, operating income was $133.4 million, or 5.5% of revenues, for the three months ended June 30, 2021, compared to an operating loss of $122.6 million, or (6.1)% of revenues, for the three months ended June 30, 2020. Operating income was $250.4 million, or 5.3% of revenues, for the six months ended June 30, 2021, compared to an operating loss of $16.6 million, or (0.4)% of revenues, for the six months ended June 30, 2020. The operating loss incurred in both 2020 periods resulted from $232.8 million of non-cash goodwill, identifiable intangible asset, and other long-lived asset impairment charges recorded during such prior year periods. Excluding the impact of such impairments on our 2020 results, operating income increased by $23.2 million and $34.3 million for the three and six months ended June 30, 2021, respectively, as a result of improved operating performance within all of our reportable segments, except for our United States industrial services segment, which continues to be impacted by the effect of adverse market conditions on the demand for their service offerings. Companies acquired in 2021 and 2020 generated incremental operating income of $2.7 million and $3.6 million, inclusive of $3.2 million and $5.3 million of amortization expense associated with identifiable intangible assets, for the three and six months ended June 30, 2021, respectively.

Operating income of our United States electrical construction and facilities services segment for the three months ended June 30, 2021 was $42.7 million, or 8.7% of revenues, compared to operating income of $31.6 million, or 7.7% of revenues, for the three months ended June 30, 2020. Operating income of this segment for the six months ended June 30, 2021 was $83.0 million, or 8.8% of revenues, compared to operating income of $71.9 million, or 8.2% of revenues, for the six months ended June 30, 2020. The increase in operating income for both the three and six months ended June 30, 2021 was predominantly a result of increased gross profit from construction projects within the institutional and commercial market sectors, largely as a result of the revenue growth within these market sectors, as referenced above. These increases were partially offset by a decline in gross profit from the transportation and manufacturing market sectors due to the completion or close-out of certain projects in the prior year. In addition, a company acquired during the first quarter of 2021 contributed incremental operating income of $0.8 million and $1.2 million, inclusive of $0.6 million and $1.0 million of amortization expense associated with identifiable intangible assets, for the three and six months ended June 30, 2021, respectively. The increase in operating margin for both 2021 periods was a result of an increase in gross profit margin due to a favorable revenue mix and improved project execution throughout this segment.

Our United States mechanical construction and facilities services segment's operating income for the three months ended June 30, 2021 was $79.3 million, or 8.3% of revenues, compared to operating income of $66.9 million, or 8.5% of revenues, for the three months ended June 30, 2020. The increase in operating income for such period was primarily a result of greater gross profit resulting from the increase in project activities within the commercial market sector, as referenced within the revenue commentary for this segment. The 20 basis point reduction in this segment's operating margin for the three months ended June 30, 2021, when compared to the three months ended June 30, 2020, was a result of a decrease in gross profit margin, due to the composition of project work performed during each period, partially offset by a reduction in the ratio of selling, general and administrative expenses to revenues given an increase in revenues without a commensurate increase in certain overhead costs. Operating income of this segment for the six months ended June 30, 2021 was $144.2 million, or 7.7% of revenues, compared to operating income of $112.1 million, or 6.9% of revenues, for the six months ended June 30, 2020. The increase in operating income for the six months ended June 30, 2021 was a result of an increase in gross profit from construction projects within the majority of the market sectors in which we operate. The improvement in operating margin for such period was attributable to: (a) an increase in gross profit margin, given increased profitability resulting from the favorable progression on certain large food processing projects reported within the manufacturing market sector, and (b) a decrease in the ratio of selling, general and administrative expenses to revenues, as referenced above.

Operating income of our United States building services segment for the three months ended June 30, 2021 was $30.3 million, or 4.9% of revenues, compared to operating income of $26.6 million, or 5.6% of revenues, for the three months ended June 30, 2020. Operating income of this segment for the six months ended June 30, 2021 was $59.6 million, or 4.9% of revenues, compared to operating income of $47.9 million, or 4.8% of revenues, for the six months ended June 30, 2020. The increase in this segment's operating income for the three and six months ended June 30, 2021 was primarily due to the resumption in demand for certain of our service offerings when compared to the prior year periods, which led to increased gross profit from: (a) project, service repair and maintenance, and building automation and controls activities within our mobile mechanical services operations, and (b) project volumes within our commercial site-based services operations. In addition, gross profit for the six months ended June 30, 2021 benefited from greater snow removal activity for our customers with whom we are contracted on a per snow event basis. The decrease in operating margin for the three months ended June 30, 2021 was primarily attributable to a decrease in gross profit margin given a greater number of fixed price capital projects, which traditionally have lower gross profit margins, within this segment's mobile mechanical services division, and a less favorable mix of work within this segment's government services division during the quarter. Companies acquired in 2021 and 2020, which are included within this segment's mobile mechanical services division, contributed incremental operating income of approximately $2.0 million and $2.6 million, inclusive of $2.5 million and $4.1 million of amortization expense associated with identifiable intangible assets, during the three and six months ended June 30, 2021, respectively.

Our United States industrial services segment reported an operating loss of $0.2 million, or (0.1)% of revenues, for the three months ended June 30, 2021, compared to operating income of $3.3 million, or 1.4% of revenues, for the three months ended June 30, 2020. This segment reported an operating loss of $2.7 million, or (0.6)% of revenues, for the six months ended June 30, 2021, compared to operating income of $18.7 million, or 3.1% of revenues, for the six months ended June 30, 2020. As previously referenced, this segment's results continue to be severely impacted by adverse macroeconomic factors affecting the oil and gas industry. Given such conditions, and the ensuing decrease in demand for its service offerings, this segment's operating results for the six months ended June 30, 2021 reflect a reduction in gross profit and gross profit margin from both our field services and shop services operations when compared to the six months ended June 30, 2020. Despite these challenges, the results of operations of this segment for the three months ended June 30, 2021 reflect an increase in both gross profit and gross profit margin, driven by our field services operations, which began to experience more normalized profit margins when compared to the second quarter of 2020. For both the three and six months ended June 30, 2021, this segment experienced an increase in the ratio of selling, general and administrative expenses to revenues, partially as a result of a $4.1 million increase in the provision for credit losses in connection with a specific customer bankruptcy, which negatively impacted the segment's operating margin for the three and six months ended June 30, 2021 by 180 basis points and 90 basis points, respectively, and offset the improved gross profit performance during the quarter. In addition to the impact of the aforementioned provision for credit losses, the increase in SG&A margin for both 2021 periods was attributable to a decrease in revenues without a commensurate decrease in this segment's SG&A expenses given its overhead structure includes a larger percentage of fixed costs when compared to our other reportable segments.

Our United Kingdom building services segment's operating income for the three months ended June 30, 2021 was $7.0 million compared to operating income of $5.4 million for the three months ended June 30, 2020. Operating income for the six months ended June 30, 2021 was $16.5 million compared to operating income of $11.1 million for the six months ended June 30, 2020. The increase in operating income of this segment for both periods was primarily a result of an increase in gross profit from greater project activities within the commercial market sector, partially offset by an increase in selling, general and administrative expenses. In addition, this segment's operating income for the three and six months ended June 30, 2021 was positively impacted by $0.8 million and $1.6 million, respectively, related to the effect of favorable exchange rates for the British pound versus the United States dollar. Operating margin of this segment for the three and six months ended June 30, 2021 was 5.4% and 6.4%, respectively, compared to operating margin of 5.7% and 5.4% for the three and six months ended June 30, 2020, respectively. The decrease in this segment's operating margin for the three months ended June 30, 2021 was partially a result of an increase in the ratio of selling, general and administrative expenses to revenues in the current year as the prior year period benefited from certain short-term cost cutting initiatives enacted in response to the COVID-19 pandemic. The increase in this segment's operating margin for the six months ended June 30, 2021 was attributable to gross profit margin expansion as a result of: (a) successful contract close-outs during the first quarter of the current year and (b) a more favorable mix of work, including projects within the commercial and water and wastewater market sectors. Despite the increase in selling, general and administrative expenses referenced above, the ratio of this segment's selling, general and administrative expenses to revenues for the six months ended June 30, 2021 remained consistent with that of the prior year as the local management team was able to effectively leverage the segment's overhead cost structure during this period of revenue growth.

Our corporate administration operating loss for the three and six months ended June 30, 2021 was $25.8 million and $50.3 million, respectively, compared to $23.7 million and $45.6 million for the three and six months ended June 30, 2020, respectively. The increase in corporate administration expenses for the 2021 periods was primarily due to: (a) an increase in incentive compensation expense due to higher projected annual operating results than those which were anticipated during the same prior year period, partially as our expectations in the prior year were negatively impacted by the uncertainty created by the COVID-19 pandemic, and (b) an increase in computer hardware and software costs, including depreciation, as a result of various information technology and security initiatives currently in process. These increases were partially offset by a decrease in salary expense given the realignment of certain of our back office functions in 2020.

Other items

Net interest expense for the three months ended June 30, 2021 and 2020 was $1.3 million and $2.1 million, respectively. Net interest expense for the six months ended June 30, 2021 and 2020 was $2.7 million and $4.6 million, respectively. The decrease in net interest expense for the 2021 periods resulted from both lower interest rates and reduced average outstanding borrowings.

For the three and six months ended June 30, 2021, our income tax provision was $35.6 million and $67.2 million, respectively, compared to an income tax benefit of $40.3 million and $11.8 million for the three and six months ended June 30, 2020, respectively. Our income tax rate for the three and six months ended June 30, 2021 was 26.8% and 27.0%, respectively, compared to an income tax rate for the three and six months ended June 30, 2020 of (32.5)% and (59.4)%, respectively. Our income tax rate, and resulting income tax benefit, for the three and six months ended June 30, 2020 were impacted by the tax effect of the $232.8 million of non-cash goodwill, identifiable intangible asset, and other long-lived asset impairment charges recorded during the second quarter of 2020, the majority of which was non-deductible for tax purposes.

Remaining Unsatisfied Performance Obligations

The following table presents the transaction price allocated to remaining unsatisfied performance obligations (“remaining performance obligations”) for each of our reportable segments and their respective percentage of total remaining performance obligations (in thousands, except for percentages):

	June 30, 2021	% of Total	December 31, 2020	% of Total	June 30, 2020	% of Total
Remaining performance obligations:						
United States electrical construction and facilities services	$ 1,171,745	23 %	$ 1,055,089	23 %	$ 990,902	22 %
United States mechanical construction and facilities services	2,926,387	57 %	2,673,293	58 %	2,806,213	61 %
United States building services	733,832	14 %	618,353	13 %	532,357	12 %
United States industrial services	125,970	3 %	117,212	3 %	117,429	2 %
Total United States operations	4,957,934	97 %	4,463,947	97 %	4,446,901	97 %
United Kingdom building services	148,794	3 %	130,673	3 %	144,074	3 %
Total operations	$ 5,106,728	100 %	$ 4,594,620	100 %	$ 4,590,975	100 %

Remaining performance obligations increase with awards of new contracts and decrease as we perform work and recognize revenue on existing contracts. We include a project within our remaining performance obligations at such time as the project is awarded and agreement on contract terms has been reached. Our remaining performance obligations include amounts related to contracts for which a fixed price contract value is not assigned when a reasonable estimate of the total transaction price can be made.

Remaining performance obligations include unrecognized revenues to be realized from uncompleted construction contracts. Although many of our construction contracts are subject to cancellation at the election of our customers, in accordance with industry practice, we do not limit the amount of unrecognized revenue included within remaining performance obligations for these contracts as the risk of cancellation is very low due to the inherent substantial economic penalty that our customers would incur upon cancellation or termination. We believe our reported remaining performance obligations for our construction contracts are firm and contract cancellations have not had a material adverse effect on us.

Remaining performance obligations also include unrecognized revenues expected to be realized over the remaining term of service contracts. However, to the extent a service contract includes a cancellation clause which allows for the termination of such contract by either party without a substantive penalty, the remaining contract term, and therefore, the amount of unrecognized revenues included within remaining performance obligations, is limited to the notice period required for the termination.

Our remaining performance obligations are 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, (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 the variable consideration constraint does not apply, and (e) other forms of variable consideration to the extent that such variable consideration has been included within the transaction price of our contracts. Such claim and other variable consideration amounts were immaterial for all periods presented.

Our remaining performance obligations at June 30, 2021 were $5.11 billion compared to $4.59 billion at December 31, 2020 and June 30, 2020. The increase in remaining performance obligations at June 30, 2021 was attributable to an increase in remaining performance obligations within all of our reportable segments.

Liquidity and Capital Resources

The following section discusses our principal liquidity and capital resources, as well as our primary liquidity requirements and sources and uses of cash. Our cash and cash equivalents are maintained in highly liquid investments with original maturity dates of three months or less.

Our short-term liquidity requirements primarily arise from: (a) working capital requirements, (b) business acquisitions, (c) share repurchases, (d) cash dividend payments, (e) interest and principal payments related to our outstanding indebtedness, (f) capital expenditures, and (g) income tax payments. We can expect to meet those requirements through our cash and cash equivalent balances, cash generated from our operations, and, if necessary, the borrowing capacity available under our revolving credit facility. However, negative macroeconomic trends could have an adverse effect on future liquidity if we experience delays in the payment of outstanding receivables beyond normal payment terms or an increase in credit losses. In addition, during economic downturns, there have typically been fewer small discretionary projects from the private sector and our competitors have aggressively bid larger long-term infrastructure and public sector contracts. Our short-term liquidity is also impacted by: (a) the type and length of construction contracts in place as performance of long duration contracts typically requires greater amounts of working capital, (b) the level of turnaround activities within our United States industrial services segment as such projects are billed in arrears pursuant to contractual terms that are standard within the industry, and (c) the billing terms of our maintenance contracts, including those within our United States and United Kingdom building services segments. While we strive to negotiate favorable billing terms, which allow us to invoice in advance of costs incurred on certain of our contracts, there can be no assurance that such terms will be agreed to by our customers.

Our long-term liquidity requirements can be expected to be met initially through cash generated from operating activities and, if necessary, the borrowing capacity available under our revolving credit facility. Based upon our current credit ratings and financial position, we can also reasonably expect to be able to secure long-term debt financing if required to achieve our strategic objectives. Over the long term, our primary revenue risk factor continues to be the level of demand for non-residential construction as well as building and industrial services, all of which are influenced by macroeconomic trends including interest rates and governmental economic policy. In addition, our ability to perform work is critical to meeting our long-term liquidity requirements.

We believe that we have sufficient financial resources available to meet our short-term and foreseeable long-term liquidity requirements.

Cash Flows

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, 2021	For the six months ended June 30, 2020
Net cash (used in) provided by operating activities	$ (6,972)	$ 276,743
Net cash used in investing activities	$ (70,939)	$ (28,321)
Net cash used in financing activities	$ (157,085)	$ (121,301)
(Decrease) increase in cash, cash equivalents, and restricted cash	$ (233,774)	$ 122,420

During the six months ended June 30, 2021, our cash balance, including cash equivalents and restricted cash, decreased by approximately $233.8 million from $903.6 million at December 31, 2020 to $669.8 million at June 30, 2021.

Operating Activities – Operating cash flows generally represent our net income as adjusted for certain non-cash items and changes in assets and liabilities. Net cash used in operating activities for the six months ended June 30, 2021 was approximately $7.0 million compared to approximately $276.7 million of cash provided by operating activities for the six months ended June 30, 2020. The $283.7 million variance in operating cash flows was primarily attributable to: (a) strong organic revenue growth in the current year, which resulted in an increase in working capital balances, most notably accounts receivable, (b) an increase in federal, state, and local income tax payments of approximately $74.4 million, largely as a result of extended deadlines for making estimated federal tax payments in the prior year, and (c) the payment, by our United Kingdom building services segment during the first quarter of 2021, of nearly $15.0 million in value-added tax, which was deferred from the prior year. In addition, operating cash flow for the six months ended June 30, 2020 benefited from the deferral of nearly $33.0 million of payroll tax payments given the enactment of the Coronavirus Aid, Relief, and Economic Security Act, which allowed employers to defer payment of the employer's portion of Social Security taxes throughout the majority of calendar year 2020.

Investing Activities – Investing cash flows consist primarily of payments for the acquisition of businesses, capital expenditures, and proceeds from the sale or disposal of property, plant, and equipment. Net cash used in investing activities for the six months ended June 30, 2021 increased by approximately $42.6 million compared to the six months ended June 30, 2020 due to an increase in payments for business acquisitions, partially offset by lower capital expenditures.

Financing Activities – Financing cash flows consist primarily of the issuance and repayment of short-term and long-term debt, repurchases of common stock, payment of dividends to stockholders, and the issuance of common stock through certain employee equity plans. Net cash used in financing activities for the six months ended June 30, 2021 was $157.1 million compared to net cash used in financing activities for the six months ended June 30, 2020 of $121.3 million. The $35.8 million increase in cash used in financing activities was primarily due to an increase in funds used for the repurchase of our common stock.

Debt

Until March 2, 2020, we had a credit agreement dated as of August 3, 2016, which provided for a $900.0 million revolving credit facility (the "2016 Revolving Credit Facility") and a $400.0 million term loan (the "2016 Term Loan") (collectively referred to as the "2016 Credit Agreement"). On March 2, 2020, we amended and restated the 2016 Credit Agreement to provide for a $1.3 billion revolving credit facility (the "2020 Revolving Credit Facility") and a $300.0 million term loan (the "2020 Term Loan") (collectively referred to as the "2020 Credit Agreement") expiring March 2, 2025. We may increase the 2020 Revolving Credit Facility to $1.9 billion if additional lenders are identified and/or existing lenders are willing to increase their current commitments. We may allocate up to $400.0 million of available capacity under the 2020 Revolving Credit Facility to letters of credit for our account or for the account of any of our subsidiaries.

At the Company's election, borrowings under the 2020 Credit Agreement bear interest at either: (1) a base rate plus a margin of 0.00% to 0.75%, based on certain financial tests, or (2) United States dollar LIBOR (0.10% at June 30, 2021) plus 1.00% to 1.75%, based on certain financial tests. The base rate is determined by the greater of: (a) the prime commercial lending rate announced by Bank of Montreal from time to time (3.25% at June 30, 2021), (b) the federal funds effective rate, plus ½ of 1.00%, (c) the daily one month LIBOR rate, plus 1.00%, or (d) 0.00%. The interest rate in effect at June 30, 2021 was 1.10%. A commitment fee is payable on the average daily unused amount of the 2020 Revolving Credit Facility, which ranges from 0.10% to 0.25%, based on certain financial tests. The fee was 0.10% of the unused amount as of June 30, 2021. Fees for letters of credit issued under the 2020 Revolving Credit Facility range from 0.75% to 1.75% of the respective face amounts of outstanding letters of credit, depending on the nature of the letter of credit, and are computed based on certain financial tests.

As of June 30, 2021 and December 31, 2020, the balance of the 2020 Term Loan was $270.6 million. As of June 30, 2021 and December 31, 2020, there were no direct borrowings outstanding under the 2020 Revolving Credit Facility; however, we had $71.3 million of letters of credit outstanding, which reduce the available capacity under such facility. We capitalized an additional $3.1 million of debt issuance costs associated with the 2020 Credit Agreement. Debt issuance costs are amortized over the life of the agreement as part of interest expense.

Obligations under the 2020 Credit Agreement are guaranteed by most of our direct and indirect subsidiaries and are secured by substantially all of our assets. The 2020 Credit Agreement contains various covenants providing for, among other things, the maintenance of certain financial ratios and certain limitations on the payment of dividends, common stock repurchases, investments, acquisitions, indebtedness, and capital expenditures. We were in compliance with all such covenants as of June 30, 2021 and December 31, 2020.

We are required to make annual principal payments on the 2020 Term Loan. Any voluntary prepayments are applied against the outstanding balance of the loan and reduce our future scheduled payments on a ratable basis. Based on our outstanding balance, principal payments of $13.9 million are due on December 31 of each year until maturity, with any remaining unpaid principal and interest due on March 2, 2025.

Share Repurchase Program and Dividends

In September 2011, our Board of Directors (the “Board”) authorized a share repurchase program allowing us to begin repurchasing shares of our outstanding common stock. Subsequently, the Board has from time to time increased the amount of our common stock that we may repurchase under such program. Since the inception of the repurchase program, the Board has authorized us to repurchase up to $1.15 billion of our outstanding common stock. During the six months ended June 30, 2021, we repurchased approximately 1.1 million shares of our common stock for approximately $138.0 million. Since the inception of the repurchase program through June 30, 2021, we have repurchased approximately 18.7 million shares of our common stock for approximately $1,042.1 million. As of June 30, 2021, there remained authorization for us to repurchase approximately $107.9 million of our shares. The repurchase program has no expiration date, does 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 2020 Credit Agreement placing limitations on such repurchases. The repurchase program has been and will be funded from our operations.

We have paid quarterly dividends since October 25, 2011. We currently pay a regular quarterly dividend of $0.13 per share. Our 2020 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 $0.13 per share for the foreseeable future. The payment of dividends has been and will be funded from our operations.

Off-Balance Sheet Arrangements and Other Commitments

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. Surety Bonds are issued in return for premiums, which vary depending on the size and type of the bond, and secure our payment and performance obligations under such contracts. We have agreed to indemnify the Surety Companies for amounts, if any, paid by them in respect of Surety Bonds issued on our behalf. Public sector contracts require Surety Bonds more frequently than private sector contracts and, accordingly, our bonding requirements typically increase as the amount of our public sector work increases. As of June 30, 2021, 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 $1.4 billion, which represents approximately 27% of our total remaining performance obligations. In addition, Surety Bonds are sometimes provided to secure obligations for wages and benefits payable to or for certain of our employees, at the request of labor unions representing such employees, or as collateral for certain insurance obligations. As of June 30, 2021, we satisfied approximately $37.5 million of the collateral requirements of our insurance programs by utilizing Surety Bonds. We are not aware of any losses in connection with Surety Bonds that have been posted on our behalf, and we do not expect to incur significant losses in the foreseeable future.

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: (a) 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, in order to convince customers to forego the requirement for Surety Bonds, (b) increase our activities in our business segments that rarely require Surety Bonds, such as our building and industrial services segments, and/or (c) refrain 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, a reduction in the availability of Surety Bonds could have 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.

Legal Proceedings

We are involved in several legal proceedings in which damages and claims have been asserted against us. While litigation is subject to many uncertainties and the outcome of litigation is not predictable with assurance, we do not believe that any such matters will have a material adverse effect on our financial position, results of operations, or liquidity.

Certain Insurance Matters

As of June 30, 2021 and December 31, 2020, we utilized approximately $71.2 million of letters of credit obtained under our 2020 Revolving Credit Facility as collateral for insurance obligations. As of June 30, 2021 and December 31, 2020, we satisfied an additional $37.5 million of these collateral requirements by utilizing Surety Bonds.

New Accounting Pronouncements

We review new accounting standards to determine the expected impact, if any, that the adoption of such standards will have on our financial position and/or results of operations. See Note 2 - New Accounting Pronouncements of the notes to consolidated financial statements included in Item 1. Financial Statements 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 consolidated financial statements are based on the application of significant accounting policies, which require management to make 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, 2020. We believe that some of the more subjective 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 contracts with customers; (b) collectability or valuation of accounts receivable and the associated allowance for credit losses; (c) insurance liabilities; (d) income taxes; and (e) goodwill, identifiable intangible assets, and other long-lived assets.

Revenue Recognition from Contracts with Customers

We believe our most critical accounting policy is revenue recognition. The Company recognizes revenue by applying the following five step model: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to performance obligations in the contract, and (5) recognize revenue as performance obligations are satisfied.

The Company recognizes revenue at the time the related performance obligation is satisfied by transferring a promised good or service to its customers. A good or service is considered to be transferred when the customer obtains control. The Company can transfer control of a good or service and satisfy its performance obligations either over time or at a point in time. The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time if one of the following three criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as we perform, (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or (c) the Company's performance does not create an asset with an alternative use to us, and we have an enforceable right to payment for performance completed to date.

For our performance obligations satisfied over time, we recognize revenue by measuring the progress toward complete satisfaction of that performance obligation. The selection of the method to measure progress towards completion can be either an input method or an output method and requires judgment based on the nature of the goods or services to be provided.

For our construction contracts, revenue is generally recognized over time as our performance creates or enhances an asset that the customer controls as it is created or enhanced. Our fixed price construction projects generally use a cost-to-cost input method to measure our progress towards complete satisfaction of the performance obligation as we believe it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. For our unit price construction contracts, progress towards complete satisfaction is measured through an output method, such as the amount of units produced or delivered, when our performance does not produce significant amounts of work in process or finished goods prior to complete satisfaction of such performance obligations.

For our services contracts, revenue is also generally recognized over time as the customer simultaneously receives and consumes the benefits of our performance as we perform the service. For our fixed price service contracts with specified service periods, revenue is generally recognized on a straight-line basis over such service period when our inputs are expended evenly, and the customer receives and consumes the benefits of our performance throughout the contract term.

The timing of revenue recognition for the manufacturing of new build heat exchangers within our United States industrial services segment depends on the payment terms of the contract, as our performance does not create an asset with an alternative use to us. For those contracts for which we have a right to payment for performance completed to date at all times throughout our performance, inclusive of a cancellation, we recognize revenue over time. For these performance obligations, we use a cost-to-cost input method to measure our progress towards complete satisfaction of the performance obligation as we believe it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. However, for those contracts for which we do not have a right, at all times, to payment for performance completed to date, we recognize revenue at the point in time when control is transferred to the customer. For bill-and-hold arrangements, revenue is recognized when the customer obtains control of the heat exchanger, which may be prior to shipping if certain recognition criteria are met.

For certain of our revenue streams, such as call-out repair and service work, outage services, refinery turnarounds, and specialty welding services that are performed under time and materials contracts, our progress towards complete satisfaction of such performance obligations is measured using an output method as the customer receives and consumes the benefits of our performance completed to date.

Due to uncertainties inherent in the estimation process, it is possible that estimates of costs to complete a performance obligation will be revised in the near-term. For those performance obligations for which revenue is recognized using a cost-to-cost input method, changes in total estimated costs, and related progress towards complete satisfaction of the performance obligation, are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. When the current estimate of total costs for a performance obligation indicate a loss, a provision for the entire estimated loss on the unsatisfied performance obligation is made in the period in which the loss becomes evident. For the three and six months ended June 30, 2021 and 2020, there were no changes in total estimated costs that had a significant impact on our operating results. In addition, there were no significant losses recognized during the three and six months ended June 30, 2021 and 2020.

The timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets include unbilled amounts from our construction projects when revenues recognized under the cost-to-cost measure of progress exceed the amounts invoiced to our customers, as the amounts cannot be billed under the terms of our contracts. Such amounts are recoverable from our customers based upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of a contract. In addition, many of our time and materials arrangements, as well as our contracts to perform turnaround services within the United States industrial services segment, are billed in arrears pursuant to contract terms that are standard within the industry, resulting in contract assets and/or unbilled receivables being recorded as revenue is recognized in advance of billings. Also included in contract assets are amounts we seek or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders or modifications in dispute or unapproved as to scope and/or price, or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). Our contract assets do not include capitalized costs to obtain and fulfill a contract. Contract assets are generally classified as current within the Consolidated Balance Sheets.

Contract liabilities from our construction contracts arise when amounts invoiced to our customers exceed revenues recognized under the cost-to-cost measure of progress. Contract liabilities additionally include advanced payments from our customers on certain contracts. Contract liabilities decrease as we recognize revenue from the satisfaction of the related performance obligation and are recorded as either current or long-term, depending upon when we expect to recognize such revenue. The long-term portion of contract liabilities is included in “Other long-term obligations” in the Consolidated Balance Sheets.

See Note 3 - Revenue from Contracts with Customers of the notes to consolidated financial statements included in Item 1. Financial Statements for further disclosure regarding revenue recognition.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recognized in the period we deliver goods or provide services to our customers or when our right to consideration is unconditional. The Company maintains an allowance for credit losses to reduce outstanding receivables to their net realizable value. A considerable amount of judgment is required when determining expected credit losses. Estimates of such losses are recorded when we believe a customer, or group of customers, may not be able to meet their financial obligations due to deterioration in financial condition or credit rating. Factors relevant to our assessment include our prior collection history with our customers, the related aging of past due balances, projections of credit losses based on historical trends in credit quality indicators or past events, and forecasts of future economic conditions. In addition to monitoring delinquent accounts, management reviews the credit quality of its receivables by, among other things, obtaining credit ratings of significant customers, assessing economic and market conditions, and evaluating material changes to a customer’s business, cash flows, and financial condition.

At June 30, 2021 and December 31, 2020, our accounts receivable of $2,102.7 million and $1,922.1 million, respectively, were recorded net of allowances for credit losses of $22.5 million and $18.0 million, respectively. The increase in our allowance for credit losses was predominantly attributable to our evaluation of a specific outstanding receivable within our United States industrial services segment. Allowances for credit losses are based on the best facts available and are reassessed and adjusted on a regular basis as additional information is received. Should anticipated collections fail to materialize, or if future economic conditions compare unfavorably to our forecasts, we could experience an increase in our allowances for credit losses. The provision for credit losses amounted to approximately $5.5 million and $5.0 million for the six months ended June 30, 2021 and 2020, respectively.

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. In addition, we maintain a wholly-owned captive insurance subsidiary to manage certain of our insurance liabilities. 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 independent third-party actuary to determine the best estimate for the majority of these obligations. We believe the liabilities recognized on the Consolidated 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 net insurance liabilities for workers' compensation, automobile liability, general liability, and property claims increased by $3.8 million at June 30, 2021 compared to December 31, 2020, partially as a result of greater potential exposures, including the impact of acquired companies. If our estimated insurance liabilities for workers' compensation, automobile liability, general liability, and property claims were to increase by 10%, it would have resulted in $17.6 million of additional expense for the six months ended June 30, 2021.

Income Taxes

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement and income tax bases of assets and liabilities as well as for net operating loss and tax credit carryforwards. Deferred income taxes are valued using enacted tax rates expected to be in effect when income taxes are paid or recovered, with the effect of a change in tax laws or rates recognized in the statement of operations in the period in which such change is enacted. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Deferred income taxes are recorded net of a valuation allowance when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In making such determination, we consider all available evidence, including projections of future taxable income, tax-planning strategies, and recent results of operations.

At June 30, 2021 and December 31, 2020, we had net deferred income tax liabilities of $31.5 million and $29.4 million, respectively, primarily resulting from differences between the carrying value and income tax bases of certain identifiable intangible assets, goodwill, and depreciable fixed assets. Included within these net deferred income tax liabilities are $221.4 million and $217.1 million of deferred income tax assets as of June 30, 2021 and December 31, 2020, respectively. The total valuation allowance on deferred income tax assets, primarily related to state net operating loss carryforwards, was approximately $3.9 million as of both June 30, 2021 and December 31, 2020. Based on our taxable income, which has generally exceeded the amount of our net deferred income tax asset balance, as well as current projections of future taxable income, we have determined that it is more likely than not that our net deferred income tax assets will be realized. However, revisions to our forecasts or declining macroeconomic conditions could result in changes to our assessment of the realization of these deferred income tax assets.

Goodwill, Identifiable Intangible Assets, and Other Long-Lived Assets

Goodwill

As of June 30, 2021 and December 31, 2020, we had goodwill of $868.8 million and $851.8 million, respectively, arising out of the acquisition of businesses. Goodwill is not amortized but instead allocated to its respective reporting unit and evaluated for impairment annually, or more frequently if events or circumstances indicate that the carrying amount of goodwill may be impaired. We have determined that our reporting units are consistent with the reportable segments identified in Note 15 - Segment Information of the notes to consolidated financial statements. As of June 30, 2021, approximately 16.4% of our goodwill related to our United States electrical construction and facilities services segment, approximately 34.8% related to our United States mechanical construction and facilities services segment, approximately 35.7% related to our United States building services segment, and approximately 13.1% related to our United States industrial services segment.

Absent any earlier identified impairment indicators, we perform our annual goodwill impairment assessment on October 1 each fiscal year. Qualitative indicators that may trigger the need for interim quantitative impairment testing include, among others, a deterioration in macroeconomic conditions, declining financial performance, deterioration in the operational environment, or an expectation of selling or disposing of a portion of a reporting unit. Additionally, an interim impairment test may be triggered by a significant change in business climate, a loss of a significant customer, increased competition, or a sustained decrease in share price. In assessing whether our goodwill is impaired, we compare the fair value of the reporting unit to its carrying amount, including goodwill. If the fair value exceeds the carrying amount, no impairment is recognized. However, if the carrying amount of the reporting unit exceeds the fair value, the goodwill of the reporting unit is impaired and an impairment loss in the amount of the excess is recognized and charged to operations.

We did not identify any impairment indicators during the three and six months ended June 30, 2021 that would necessitate an interim impairment assessment of our goodwill and no impairment of our goodwill was recognized during such periods. However, our operations were significantly impacted by the COVID-19 pandemic starting with the second quarter of 2020. During the same period, the demand for oil and other refined products significantly deteriorated as a result of the pandemic and the corresponding preventative measures taken around the world to mitigate the spread of the virus, including various local, state, and national jurisdictional “shelter-in-place” orders. Further, other macroeconomic events during such period, including geopolitical tensions between the Organization of Petroleum Exporting Countries (OPEC) and Russia, resulted in a significant drop in the price of crude oil. These negative factors created significant volatility and uncertainty in the markets in which our United States industrial services segment operates, resulting in a significant decrease in the demand for our service offerings. Consequently, in the second quarter of 2020, we revised our near-term revenue and operating margin expectations for such segment and concluded that a triggering event had occurred which indicated that it was more likely than not that its fair value was less than its carrying amount.

Based on the outcome of our second quarter 2020 interim goodwill impairment test, we concluded that the carrying amount of our United States industrial services segment exceeded its fair value by $225.5 million, resulting in the recognition of a non-cash goodwill impairment charge in that amount, which was included within our results of operations for the three and six months ended June 30, 2020. We did not identify impairment indicators related to any other reporting unit that would have required an interim impairment assessment. Additionally, as described below, we subsequently (as of October 1, 2020) performed our annual impairment assessment of all reporting units and determined there was no incremental impairment of goodwill.

As of the date of our most recent impairment test (October 1, 2020), the fair values of our United States electrical construction and facilities services segment, our United States mechanical construction and facilities services segment, our United States building services segment, and our United States industrial services segment exceeded their carrying values by approximately $946.5 million, $1,682.2 million, $715.8 million, and $18.9 million, respectively.

In completing our annual impairment assessment, we determined the fair value of each of our reporting units using an income approach whereby fair value was calculated utilizing discounted estimated future cash flows, assuming a risk-adjusted industry weighted average cost of capital. The weighted average cost of capital used in our annual impairment testing was 10.6%, 10.4%, and 11.6% for our United States construction segments, our United States building services segment, and our United States industrial services segment, respectively. These weighted average cost of capital estimates were developed with the assistance of an independent third-party valuation specialist and reflect the overall level of inherent risk within the respective reporting unit and the rate of return a market participant would expect to earn as of the date of our impairment test.

Our cash flow projections were derived from our most recent internal forecasts of anticipated revenue growth rates and operating margins, with cash flows beyond the discrete forecast period estimated using a terminal value calculation which incorporated historical and forecasted trends, an estimate of long-term growth rates, and assumptions about the future demand for our services. The perpetual growth rate used for our annual testing was 2.0% for all of our reporting units.

Due to the inherent uncertainties involved in making estimates, our assumptions may change in future periods. Estimates and assumptions made for purposes of our goodwill impairment testing may prove to be inaccurate predictions of the future, and other factors used in assessing fair value, such as the weighted average cost of capital, are outside the control of management. Unfavorable changes in certain of these key assumptions may affect future testing results. For example, keeping all other assumptions constant, a 50 basis point increase in the weighted average cost of capital would cause the estimated fair values of our United States electrical construction and facilities services segment, our United States mechanical construction and facilities services segment, our United States building services segment, and our United States industrial services segment to decrease by approximately $63.3 million, $115.9 million, $69.9 million, and $23.2 million, respectively. In addition, keeping all other assumptions constant, a 50 basis point reduction in the perpetual growth rate would cause the estimated fair values of our United States electrical construction and facilities services segment, our United States mechanical construction and facilities services segment, our United States building services segment, and our United States industrial services segment to decrease by approximately $31.0 million, $58.9 million, $33.5 million, and $9.7 million, respectively. Given the amounts by which the fair value exceeds the carrying value for each of our reporting units, other than our United States industrial services segment, the decreases in estimated fair values described above would not have significantly impacted the results of our impairment tests. In the case of our United States industrial services segment, however, such decreases would cause the estimated fair value of such reporting unit to approximate its carrying value.

Identifiable Intangible Assets and Other Long-Lived Assets

As of June 30, 2021 and December 31, 2020, net identifiable intangible assets (primarily consisting of our contract backlog, developed technology/vendor network, customer relationships, and subsidiary trade names) arising out of the acquisition of businesses were $587.2 million and $582.9 million, respectively. 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 anticipated macroeconomic conditions as well as our ability to successfully integrate acquired businesses.

Absent earlier indicators of impairment, we test for impairment of subsidiary trade names that are not subject to amortization on an annual basis (October 1). In performing this test, we calculate the fair value of each trade name 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.

In addition, we review for impairment of identifiable intangible assets that are being amortized as well as other long-lived assets 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 discounted estimated future cash flows.

Given the negative market conditions disclosed above, we evaluated certain of our identifiable intangible assets and other long-lived assets for impairment during the second quarter of 2020. Such assets included those associated with the businesses in our United States industrial services segment. As a result of these assessments, during the quarter ended June 30, 2020, we recorded non-cash impairment charges of $7.3 million. We subsequently (as of October 1, 2020) performed our annual impairment assessment of all subsidiary trade names that are not subject to amortization and determined there was no incremental impairment of these assets. Additionally, we have not identified any impairment indicators during the three and six months ended June 30, 2021 that would necessitate an interim impairment assessment of either our identifiable intangible assets or other long-lived assets, and no impairment of these assets was recognized during such 2021 periods.

Other Considerations

As referenced above, impairment testing is based upon assumptions and estimates determined by management from a review of our operating results and business plans as well as forecasts of anticipated growth rates and margins, among other considerations. In addition, estimates of weighted average costs of capital are developed with the assistance of an independent third-party valuation specialist. These assumptions and estimates may change in future periods, especially in consideration of the uncertainty created by the COVID-19 pandemic and its potential impact on the broader economy and our results of operations in future periods, particularly with respect to our United States industrial services segment. Significant adverse changes to external market conditions or our internal forecasts, if any, could result in future impairment charges. It is not possible at this time to determine if any future impairment charge will result or, if it does, whether such a charge would be material to our results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We have not used any derivative financial instruments during the six months ended June 30, 2021, 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 2020 Credit Agreement, which provides for a revolving credit facility and a term loan. Borrowings under the 2020 Credit Agreement bear interest at variable rates. As of June 30, 2021, there were no direct borrowings outstanding under the 2020 Revolving Credit Facility; however, the balance of the 2020 Term Loan was $270.6 million. At the Company's election, this instrument bears interest at either: (1) a base rate plus a margin of 0.00% to 0.75%, based on certain financial tests, or (2) United States dollar LIBOR (0.10% at June 30, 2021) plus 1.00% to 1.75%, based on certain financial tests. The base rate is determined by the greater of: (a) the prime commercial lending rate announced by Bank of Montreal from time to time (3.25% at June 30, 2021), (b) the federal funds effective rate, plus ½ of 1.00%, (c) the daily one month LIBOR rate, plus 1.00%, or (d) 0.00%. The interest rate in effect at June 30, 2021 was 1.10%. Fees for letters of credit issued under the 2020 Revolving Credit Facility range from 0.75% to 1.75% of the respective face amounts of outstanding letters of credit, depending on the nature of the letter of credit, and are computed based on certain financial tests. Based on the $270.6 million of borrowings outstanding under the 2020 Credit Agreement, if overall interest rates were to increase by 100 basis points, interest expense, net of income taxes, would increase by approximately $2.0 million in the next twelve months. Conversely, if overall interest rates were to decrease by 100 basis points, interest expense, net of income taxes, would decrease by approximately $2.0 million in the next twelve months. The 2020 Credit Agreement expires on March 2, 2025.

It is expected that a number of banks currently reporting information used to set LIBOR will stop doing so after 2021, which could either cause LIBOR to stop publication or cause LIBOR to no longer be representative of the underlying market. We believe our exposure to market risk associated with the discontinuation of LIBOR is limited as our 2020 Credit Agreement contains provisions which allow for the use of alternate benchmark rates. We are not exposed to any other material contracts that reference LIBOR.

We are exposed to construction market risk and its potential related impact on accounts receivable or contract assets 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 the collectability of these assets. See also the previous discussions of Revenue Recognition from Contracts with Customers and Accounts Receivable and Allowance for Credit Losses 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 Consolidated Balance Sheets. We believe our exposure to the effects that fluctuating foreign currencies may have on our consolidated results of operations is limited because our 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 approximately 11,500 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 generally do not allow us to adjust our prices and, as a result, increases in material costs could reduce our profitability with respect to projects in progress.

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 Chairman, 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, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. – OTHER INFORMATION.

ITEM 1. LEGAL PROCEEDINGS.

We are involved in several legal proceedings in which damages and claims have 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. We record a loss contingency if the potential loss from a proceeding or claim is considered probable and the amount can be reasonably estimated or a range of loss can be determined. We provide disclosure when it is reasonably possible that a loss will be incurred in excess of any recorded provision. Significant judgment is required in these determinations. As additional information becomes available, we reassess prior determinations and may change our estimates. Additional claims may be asserted against us in the future. Litigation is subject to many uncertainties, and the outcome of litigation is not predictable with assurance. It is possible that a litigation matter for which liabilities have not been recorded could be decided unfavorably to us, and that any such unfavorable decision could have a material adverse effect on our financial position, results of operations, or liquidity.

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, 2021:

Period	Total Number of Shares Purchased (1) (2)	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 Plans or Programs
April 1, 2021 to April 30, 2021	255,516	120.19	255,516	$202,327,219
May 1, 2021 to May 31, 2021	482,310	122.76	482,310	$143,120,673
June 1, 2021 to June 30, 2021	280,545	125.46	280,545	$107,924,737
Total	1,018,371	122.86	1,018,371	

(1) In September 2011, our Board of Directors (the “Board”) authorized a share repurchase program allowing us to begin repurchasing shares of our outstanding common stock. Subsequently, the Board has from time to time increased the amount of our common stock that we may repurchase under such program. Since the inception of the repurchase program, the Board has authorized us to repurchase up to $1.15 billion of our outstanding common stock. As of June 30, 2021, there remained authorization for us to repurchase approximately $107.9 million of our shares. No shares have been repurchased by us since the program was announced other than pursuant to such program. The repurchase program has no expiration date, does 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.

(2) Excludes 180 shares surrendered to the Company by participants in our share-based compensation plans to satisfy minimum tax withholdings for common stock issued under such plans.

ITEM 4. MINE SAFETY DISCLOSURES.

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this quarterly report.

ITEM 6. EXHIBITS.

EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
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 Form10-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 and Amendments thereto	Exhibit 3(b) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2016 ("2016 Form 10-K")
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Anthony J. Guzzi, the Chairman, 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	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chairman, President and Chief Executive Officer	Furnished
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Executive Vice President and Chief Financial Officer	Furnished
95.1	Information concerning mine safety violations or other regulatory matters	Filed herewith
101	The following materials from EMCOR Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Equity and (vi) the Notes to Consolidated Financial Statements.	Filed
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)	Filed

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 29, 2021

EMCOR GROUP, INC.
(Registrant)

BY: /s/ ANTHONY J. GUZZI
Anthony J. Guzzi
Chairman, 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)

EXHIBIT 31.1

CERTIFICATION

I, Anthony J. Guzzi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EMCOR Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 29, 2021

/s/ ANTHONY J. GUZZI
Anthony J. Guzzi
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Mark A. Pompa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EMCOR Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2021

/s/ MARK A. POMPA

Mark A. Pompa
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of EMCOR Group, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Anthony J. Guzzi, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2021

/s/ ANTHONY J. GUZZI
Anthony J. Guzzi
Chairman, President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of EMCOR Group, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark A. Pompa, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2021

/s/ MARK A. POMPA

Mark A. Pompa
Executive Vice President and Chief Financial Officer

EXHIBIT 95.1

MINE SAFETY DISCLOSURES

During the period covered by this report:

1. Our subsidiary, Rabalais Constructors, LLC (“Rabalais”), was issued one significant and substantial citation by the U.S. Mine Safety and Health Administration (“MSHA”) related to work Rabalais performed at Superior Weighting Products LLC’s Corpus Processing Facility in Nueces, Texas. MSHA also assessed civil penalties totaling $461 for citations related to work performed by Rabalais at the Corpus Processing Facility. Rabalais has no other disclosures to report under section 1503 related to its work performed at this mine.

2. MSHA assessed a civil penalty of $125 for a citation related to work performed by our subsidiary Contra Costa Electric, Inc. (“Contra Costa”) at U.S. Borax Inc.’s Boron Operations in Kern County, California. Contra Costa has no other disclosures to report under section 1503 related to its work performed at this mine.