**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, 2020**

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 28, 2020: 54,905,926 shares.

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EMCOR Group, Inc.
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## FORWARD-LOOKING STATEMENTS

Certain information included in this report, or in other materials we have filed or will file with the Securities and Exchange Commission (the "SEC") (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Act"). Such statements are being made pursuant to the 1995 Act and with the intention of obtaining the benefit of the "Safe Harbor" provisions of the 1995 Act. Forward-looking statements are based on information available to us and our perception of such information as of the date of this report and our current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They 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 in connection with a discussion of our future operating or financial performance, and other aspects of our business, including market share growth, gross profit, 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. Any or all of the forward-looking statements included in this report and in any other reports or public statements made by us are only predictions and are subject to risks, uncertainties, and assumptions, including, but not limited to adverse effects of general economic conditions, changes in the political environment, changes in the specific markets for our services, adverse business conditions, availability of adequate levels of surety bonding, increased competition, unfavorable labor productivity, mix of business, the impact of the 2020 ransomware attack, and the impact of the COVID-19 pandemic on our revenue and operations. These risks and uncertainties are discussed in the "Risk Factors" section, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, and other sections of this report, our Form 10-K for the year ended December 31, 2019, our Quarterly Report on Form10-Q for the quarterly period ended March 31, 2020, and in other reports filed from time to time with the SEC and available at www.sec.gov and www.emcorgroup.com. Such risks, uncertainties, and assumptions are difficult to predict, beyond our control and may turn out to be inaccurate, causing actual results to differ materially from those that might be anticipated (whether expressly or implied) from our forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in our subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted.

# 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, 2020 (Unaudited) | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 481,391 | $ 358,818 |
| Accounts receivable, less allowance for credit losses of $20,976 and $14,466, respectively | 1,936,442 | 2,030,813 |
| Contract assets | 171,389 | 177,830 |
| Inventories | 40,590 | 40,446 |
| Prepaid expenses and other | 49,268 | 51,976 |
| **Total current assets** | 2,679,080 | 2,659,883 |
| Property, plant and equipment, net | 158,453 | 156,187 |
| Operating lease right-of-use assets | 240,659 | 245,471 |
| Goodwill | 839,772 | 1,063,911 |
| Identifiable intangible assets, net | 576,540 | 611,444 |
| Other assets | 95,919 | 93,462 |
| **Total assets** | $ 4,590,423 | $ 4,830,358 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities:** | | |
| Current maturities of long-term debt and finance lease liabilities | $ 10,234 | $ 18,092 |
| Accounts payable | 563,128 | 665,402 |
| Contract liabilities | 655,298 | 623,642 |
| Accrued payroll and benefits | 317,783 | 382,573 |
| Other accrued expenses and liabilities | 209,064 | 195,757 |
| Operating lease liabilities, current | 52,705 | 53,144 |
| **Total current liabilities** | 1,808,212 | 1,938,610 |
| Borrowings under revolving credit facility | — | 50,000 |
| Long-term debt and finance lease liabilities | 294,126 | 244,139 |
| Operating lease liabilities, long-term | 204,361 | 204,950 |
| Other long-term obligations | 339,526 | 334,879 |
| **Total liabilities** | 2,646,225 | 2,772,578 |
| **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, 60,521,102 and 60,359,252 shares issued, respectively | 605 | 604 |
| Capital surplus | 38,975 | 32,274 |
| Accumulated other comprehensive loss | (91,172) | (89,288) |
| Retained earnings | 2,348,199 | 2,367,481 |
| Treasury stock, at cost 5,623,176 and 4,139,421 shares, respectively | (352,985) | (253,937) |
| **Total EMCOR Group, Inc. stockholders' equity** | 1,943,622 | 2,057,134 |
| Noncontrolling interests | 576 | 646 |
| **Total equity** | 1,944,198 | 2,057,780 |
| **Total liabilities and equity** | $ 4,590,423 | $ 4,830,358 |

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, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Revenues** | $ 2,014,021 | $ 2,324,202 | $ 4,313,853 | $ 4,482,930 |
| Cost of sales | 1,698,735 | 1,977,822 | 3,665,506 | 3,827,796 |
| **Gross profit** | 315,286 | 346,380 | 648,347 | 655,134 |
| Selling, general and administrative expenses | 205,174 | 226,248 | 432,171 | 432,417 |
| Restructuring expenses | — | 173 | 69 | 448 |
| Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets | 232,750 | — | 232,750 | — |
| **Operating (loss) income** | (122,638) | 119,959 | (16,643) | 222,269 |
| Net periodic pension (cost) income | 718 | 400 | 1,460 | 806 |
| Interest expense, net | (2,110) | (3,231) | (4,598) | (6,054) |
| (Loss) income before income taxes | (124,030) | 117,128 | (19,781) | 217,021 |
| Income tax (benefit) provision | (40,341) | 33,156 | (11,757) | 60,639 |
| **Net (loss) income** | $ (83,689) | $ 83,972 | $ (8,024) | $ 156,382 |
| | | | | |
| **Basic (loss) earnings per common share** | $ (1.52) | $ 1.49 | $ (0.14) | $ 2.78 |
| | | | | |
| **Diluted (loss) earnings per common share** | $ (1.52) | $ 1.49 | $ (0.14) | $ 2.77 |
| | | | | |
| **Dividends declared per common share** | $ 0.08 | $ 0.08 | $ 0.16 | $ 0.16 |

See Notes to Consolidated Financial Statements.

**EMCOR Group, Inc. and Subsidiaries**

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Net (loss) income** | $ (83,689) | $ 83,972 | $ (8,024) | $ 156,382 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | 4 | (908) | (2,980) | (297) |
| Post retirement plans, amortization of actuarial loss included in net (loss) income (1) | 546 | 528 | 1,096 | 1,063 |
| **Other comprehensive income (loss)** | 550 | (380) | (1,884) | 766 |
| **Comprehensive (loss) income** | $ (83,139) | $ 83,592 | $ (9,908) | $ 157,148 |

(1) Net of tax of $0.1 million for each of the three months ended June 30, 2020 and 2019, and net of tax of $0.3 million for each of the six months ended June 30, 2020 and 2019.

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, 2020 | Six months ended June 30, 2019 |
|---|---|---|
| Cash flows - operating activities: | | |
| Net (loss) income | $ (8,024) | $ 156,382 |
| Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 23,220 | 21,391 |
| Amortization of identifiable intangible assets | 29,404 | 23,169 |
| Provision for credit losses | 4,957 | 851 |
| Deferred income taxes | (19,942) | (920) |
| Excess tax benefits from share-based compensation | (196) | (593) |
| Non-cash expense for impairment of goodwill, identifiable intangible assets, and other long-lived assets | 232,750 | — |
| Non-cash share-based compensation expense | 5,960 | 6,225 |
| Other reconciling items | 1,064 | 3,020 |
| Changes in operating assets and liabilities, excluding the effect of businesses acquired | 7,550 | (251,723) |
| **Net cash provided by (used in) operating activities** | 276,743 | (42,198) |
| Cash flows - investing activities: | | |
| Payments for acquisitions of businesses, net of cash acquired | (3,194) | (63,991) |
| Proceeds from sale or disposal of property, plant and equipment | 824 | 1,326 |
| Purchase of property, plant and equipment | (25,951) | (22,455) |
| Investments in and advances to unconsolidated entities | — | (794) |
| Distributions from unconsolidated entities | — | 84 |
| **Net cash used in investing activities** | (28,321) | (85,830) |
| 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) | (7,601) |
| Repayments of finance lease liabilities | (2,354) | (2,151) |
| Dividends paid to stockholders | (8,888) | (8,967) |
| Repurchase of common stock | (99,048) | — |
| Taxes paid related to net share settlements of equity awards | (2,550) | (3,735) |
| Issuance of common stock under employee stock purchase plan | 3,228 | 2,969 |
| Payments for contingent consideration arrangements | (4,070) | (2,508) |
| Distributions to noncontrolling interests | (70) | (250) |
| **Net cash used in financing activities** | (121,301) | (22,243) |
| **Effect of exchange rate changes on cash, cash equivalents, and restricted cash** | (4,701) | (175) |
| **Increase (decrease) in cash, cash equivalents, and restricted cash** | 122,420 | (150,446) |
| **Cash, cash equivalents, and restricted cash at beginning of year** [1] | 359,920 | 366,214 |
| **Cash, cash equivalents, and restricted cash at end of period** [2] | $ 482,340 | $ 215,768 |

(1) Includes $1.1 million and $2.3 million of restricted cash classified as “Prepaid expenses and other” in the Consolidated Balance Sheets as of December 31, 2019 and 2018, respectively.

(2) Includes $0.9 million and $2.4 million of restricted cash classified as “Prepaid expenses and other” in the Consolidated Balance Sheets as of June 30, 2020 and 2019, respectively.

See Notes to Consolidated Financial Statements.

**EMCOR Group, Inc. and Subsidiaries**

**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

**For the three months ended June 30, 2019 and 2020**
*(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, 2019 | $ 1,811,622 | 602 | 22,291 | (86,516) | 2,128,326 | (253,937) | 856 |
| Net income | 83,972 | — | — | — | 83,972 | — | — |
| Other comprehensive loss | (380) | — | — | (380) | — | — | — |
| Common stock issued under share-based compensation plans | — | 1 | (1) | — | — | — | — |
| Common stock issued under employee stock purchase plan | 1,646 | — | 1,646 | — | — | — | — |
| Common stock dividends | (4,487) | — | 36 | — | (4,523) | — | — |
| Distributions to noncontrolling interests | (210) | — | — | — | — | — | (210) |
| Share-based compensation expense | 2,668 | — | 2,668 | — | — | — | — |
| Balance, June 30, 2019 | $ 1,894,831 | $ 603 | $ 26,640 | $ (86,896) | $ 2,207,775 | $ (253,937) | $ 646 |
| Balance, March 31, 2020 | $ 2,027,594 | $ 605 | $ 34,745 | $ (91,722) | $ 2,436,305 | $ (352,985) | $ 646 |
| Net loss | (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 |

(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, 2019 and 2020**
*(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, 2018 | $ 1,741,441 | $ 601 | $ 21,103 | $ (87,662) | $ 2,060,440 | $ (253,937) | $ 896 |
| Net income | 156,382 | — | — | — | 156,382 | — | — |
| Other comprehensive income | 766 | — | — | 766 | — | — | — |
| Common stock issued under share-based compensation plans | — | 2 | (2) | — | — | — | — |
| Tax withholding for common stock issued under share-based compensation plans | (3,735) | — | (3,735) | — | — | — | — |
| Common stock issued under employee stock purchase plan | 2,969 | — | 2,969 | — | — | — | — |
| Common stock dividends | (8,967) | — | 80 | — | (9,047) | — | — |
| Distributions to noncontrolling interests | (250) | — | — | — | — | — | (250) |
| Share-based compensation expense | 6,225 | — | 6,225 | — | — | — | — |
| Balance, June 30, 2019 | $ 1,894,831 | $ 603 | $ 26,640 | $ (86,896) | $ 2,207,775 | $ (253,937) | $ 646 |
| Balance, December 31, 2019 | $ 2,057,780 | $ 604 | $ 32,274 | $ (89,288) | $ 2,367,481 | $ (253,937) | $ 646 |
| Net loss | (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) | — | — |
| Repurchase 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 |

(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 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.

The results of operations for the three and six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020.

**NOTE 2 New Accounting Pronouncements**

On January 1, 2020, we adopted the accounting pronouncement issued by the Financial Accounting Standards Board ("FASB"), which changes the way in which entities estimate and present credit losses for most financial assets, including accounts receivable and contract assets. This pronouncement replaces the previous incurred loss model with an expected credit loss model that requires consideration of a broader range of information when estimating expected credit losses over the contractual life of an asset. This guidance requires entities to estimate expected credit losses by considering forecasts of future economic conditions in addition to information about past events and current conditions. The cumulative effect of applying the new guidance was recorded as a reduction to retained earnings in the amount of $2.3 million, net of deferred taxes of $0.9 million. Our financial position and results of operations for reporting periods beginning on or after January 1, 2020 reflect the guidance issued under this new accounting pronouncement, while prior periods continue to be reported in accordance with previous guidance and historical accounting policy.

A considerable amount of judgment is required in determining expected credit losses. Credit 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. Relevant factors 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, 2020 and December 31, 2019, our allowance for credit losses was $21.0 million and $14.5 million, respectively. Due to the economic disruption caused by COVID-19, our allowance for credit losses increased based on our evaluation of: (a) specific outstanding balances and (b) forecasts of future economic conditions and the expected impact on customer collections. 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 differ from 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, 2020 was as follows (in thousands):

| | | |
|---|---|---|
| Balance at December 31, 2019 | $ | 14,466 |
| Cumulative-effect adjustment | | 3,150 |
| Provision for credit losses | | 4,957 |
| Amounts written off against the allowance | | (1,597) |
| Balance at June 30, 2020 | $ | 20,976 |

In December 2019, an accounting pronouncement was issued by the 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 pronouncement is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. Certain aspects of this standard must be applied retrospectively while other aspects are to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the year of

**NOTE 2 New Accounting Pronouncements - (Continued)**

adoption. The Company intends to adopt this accounting pronouncement on January 1, 2021, and we are currently evaluating the potential impact on our financial position and/or results of operations.

**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) collectibility 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 collectibility 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.

*(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.

**NOTE 3 Revenue from Contracts with Customers - (Continued)**

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.

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, 2020 and 2019, 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, 2020 and 2019, 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.

**NOTE 3 Revenue from Contracts with Customers - (Continued)**

*(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, 2020 and 2019, 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, 2020 and 2019.

**EMCOR Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Unaudited)**

**NOTE 3 Revenue from Contracts with Customers - (Continued)**

*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.

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, 2020 and 2019 (in thousands):

| | For the three months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | % of Total | 2019 | % of Total |
| **United States electrical construction and facilities services:** | | | | |
| Commercial market sector | $ 215,285 | 48 % | $ 286,290 | 50 % |
| Institutional market sector | 34,341 | 8 % | 31,596 | 5 % |
| Hospitality market sector | 4,899 | 1 % | 2,846 | 1 % |
| Manufacturing market sector | 84,253 | 19 % | 118,157 | 21 % |
| Healthcare market sector | 17,696 | 4 % | 21,409 | 4 % |
| Transportation market sector | 47,966 | 10 % | 51,655 | 9 % |
| Water and wastewater market sector | 1,907 | 1 % | 4,618 | 1 % |
| Short duration projects (1) | 30,176 | 7 % | 41,447 | 7 % |
| Service work | 10,193 | 2 % | 12,003 | 2 % |
| | 446,716 | | 570,021 | |
| Less intersegment revenues | (835) | | (619) | |
| Total segment revenues | $ 445,881 | | $ 569,402 | |

| | For the three months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | % of Total | 2019 | % of Total |
| **United States mechanical construction and facilities services:** | | | | |
| Commercial market sector | $ 273,434 | 35 % | $ 299,448 | 36 % |
| Institutional market sector | 99,829 | 13 % | 76,674 | 9 % |
| Hospitality market sector | 9,098 | 1 % | 8,271 | 1 % |
| Manufacturing market sector | 100,608 | 13 % | 137,891 | 17 % |
| Healthcare market sector | 80,528 | 10 % | 74,653 | 9 % |
| Transportation market sector | 19,669 | 2 % | 9,291 | 1 % |
| Water and wastewater market sector | 45,606 | 6 % | 45,537 | 6 % |
| Short duration projects (1) | 73,955 | 9 % | 81,168 | 10 % |
| Service work | 88,684 | 11 % | 92,432 | 11 % |
| | 791,411 | | 825,365 | |
| Less intersegment revenues | (970) | | (2,279) | |
| Total segment revenues | $ 790,441 | | $ 823,086 | |

(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 three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | | 2020 | % of Total | | 2019 | % of Total |
| **United States building services:** | | | | | | |
| Commercial site-based services | $ | 132,078 | 28 % | $ | 130,921 | 25 % |
| Government site-based services | | 38,419 | 8 % | | 42,787 | 8 % |
| Mobile mechanical services | | 282,965 | 60 % | | 312,822 | 60 % |
| Energy services | | 18,954 | 4 % | | 37,168 | 7 % |
| Total segment revenues | $ | 472,416 | | $ | 523,698 | |

| | For the three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | | 2020 | % of Total | | 2019 | % of Total |
| **United States industrial services:** | | | | | | |
| Field services | $ | 177,361 | 84 % | $ | 252,849 | 86 % |
| Shop services | | 34,805 | 16 % | | 42,611 | 14 % |
| Total segment revenues | $ | 212,166 | | $ | 295,460 | |
| | | | | | | |
| Total United States operations | $ | 1,920,904 | | $ | 2,211,646 | |

| | For the three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | | 2020 | % of Total | | 2019 | % of Total |
| **United Kingdom building services:** | | | | | | |
| Service work | $ | 51,139 | 55 % | $ | 56,829 | 50 % |
| Project work | | 41,978 | 45 % | | 55,727 | 50 % |
| Total segment revenues | $ | 93,117 | | $ | 112,556 | |
| | | | | | | |
| Total worldwide operations | $ | 2,014,021 | | $ | 2,324,202 | |

| | For the six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | | 2020 | % of Total | | 2019 | % of Total |
| **United States electrical construction and facilities services:** | | | | | | |
| Commercial market sector | $ | 458,126 | 47 % | $ | 555,731 | 51 % |
| Institutional market sector | | 75,859 | 8 % | | 53,941 | 5 % |
| Hospitality market sector | | 9,981 | 1 % | | 9,687 | 1 % |
| Manufacturing market sector | | 204,625 | 21 % | | 216,960 | 20 % |
| Healthcare market sector | | 38,342 | 4 % | | 39,024 | 3 % |
| Transportation market sector | | 92,146 | 9 % | | 109,794 | 10 % |
| Water and wastewater market sector | | 4,236 | 1 % | | 10,633 | 1 % |
| Short duration projects (1) | | 62,897 | 6 % | | 81,856 | 7 % |
| Service work | | 26,489 | 3 % | | 21,265 | 2 % |
| | | 972,701 | | | 1,098,891 | |
| Less intersegment revenues | | (1,591) | | | (1,419) | |
| Total segment revenues | $ | 971,110 | | $ | 1,097,472 | |

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

**NOTE 3 Revenue from Contracts with Customers - (Continued)**

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | % of Total | 2019 | % of Total |
| **United States mechanical construction and facilities services:** | | | | |
| Commercial market sector | $ 578,124 | 36 % | $ 581,310 | 37 % |
| Institutional market sector | 176,826 | 11 % | 137,957 | 9 % |
| Hospitality market sector | 16,812 | 1 % | 21,919 | 1 % |
| Manufacturing market sector | 216,190 | 13 % | 236,654 | 15 % |
| Healthcare market sector | 168,587 | 10 % | 136,027 | 9 % |
| Transportation market sector | 34,015 | 2 % | 15,025 | 1 % |
| Water and wastewater market sector | 86,119 | 5 % | 88,748 | 6 % |
| Short duration projects (1) | 171,157 | 11 % | 181,104 | 11 % |
| Service work | 179,577 | 11 % | 181,898 | 11 % |
| | 1,627,407 | | 1,580,642 | |
| Less intersegment revenues | (2,854) | | (5,147) | |
| Total segment revenues | $ 1,624,553 | | $ 1,575,495 | |

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

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | % of Total | 2019 | % of Total |
| **United States building services:** | | | | |
| Commercial site-based services | $ 275,516 | 28 % | $ 286,899 | 28 % |
| Government site-based services | 81,336 | 8 % | 91,578 | 9 % |
| Mobile mechanical services | 586,356 | 59 % | 586,988 | 56 % |
| Energy services | 47,291 | 5 % | 70,312 | 7 % |
| Total segment revenues | $ 990,499 | | $ 1,035,777 | |

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | % of Total | 2019 | % of Total |
| **United States industrial services:** | | | | |
| Field services | $ 447,117 | 86 % | $ 469,619 | 85 % |
| Shop services | 75,080 | 14 % | 84,486 | 15 % |
| Total segment revenues | $ 522,197 | | $ 554,105 | |
| | | | | |
| Total United States operations | $ 4,108,359 | | $ 4,262,849 | |

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | % of Total | 2019 | % of Total |
| **United Kingdom building services:** | | | | |
| Service work | $ 106,245 | 52 % | $ 111,463 | 51 % |
| Project work | 99,249 | 48 % | 108,618 | 49 % |
| Total segment revenues | $ 205,494 | | $ 220,081 | |
| | | | | |
| Total worldwide operations | $ 4,313,853 | | $ 4,482,930 | |

## NOTE 3 Revenue from Contracts with Customers - (Continued)

*Contract Assets and Contract Liabilities*

Accounts receivable are recognized in the period when our right to consideration is unconditional. Accounts receivable are recognized net of an allowance for credit losses. A considerable amount of judgment is required in assessing the likelihood of realization of receivables.

The timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets include unbilled amounts from our long-term 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 long-term 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.

Net contract liabilities consisted of the following as of June 30, 2020 and December 31, 2019 (in thousands):

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Contract assets, current | $ 171,389 | $ 177,830 |
| Contract assets, non-current | — | — |
| Contract liabilities, current | (655,298) | (623,642) |
| Contract liabilities, non-current | (2,066) | (2,142) |
| Net contract liabilities | $ (485,975) | $ (447,954) |

The $38.0 million increase in net contract liabilities for the six months ended June 30, 2020 was primarily attributable to an increase in net contract liabilities on our uncompleted long-term construction contracts, partially as a result of the timing of invoicing to our customers, which included advanced billings on several projects in the earlier stages of completion. The acquisition completed in the first quarter of 2020 did not have a significant impact on our contract assets and contract liabilities. There was no significant impairment of contract assets recognized during either period presented.

**NOTE 3 Revenue from Contracts with Customers - (Continued)**

*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, 2020 (in thousands, except for percentages):

| | June 30, 2020 | % of Total |
|---|---|---|
| Remaining performance obligations: | | |
| United States electrical construction and facilities services | $ 1,013,389 | 22 % |
| United States mechanical construction and facilities services | 2,806,213 | 61 % |
| United States building services | 524,617 | 12 % |
| United States industrial services | 102,682 | 2 % |
| Total United States operations | 4,446,901 | 97 % |
| United Kingdom building services | 144,074 | 3 % |
| Total worldwide operations | $ 4,590,975 | 100 % |

Our remaining performance obligations at June 30, 2020 were $4.59 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 due to the inherent substantial economic penalty that would be incurred by our customers upon cancellation.

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.

**NOTE 3 Revenue from Contracts with Customers - (Continued)**

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 | $ 836,537 | $ 176,852 |
| United States mechanical construction and facilities services | 2,145,366 | 660,847 |
| United States building services | 503,843 | 20,774 |
| United States industrial services | 102,682 | — |
| Total United States operations | 3,588,428 | 858,473 |
| United Kingdom building services | 110,874 | 33,200 |
| Total worldwide operations | $ 3,699,302 | $ 891,673 |

We believe our reported remaining performance obligations are firm and contract cancellations have not historically had a material adverse effect on us. However, the extent to which the COVID-19 pandemic may impact our remaining performance obligations remains highly uncertain and will be affected by a number of factors that are difficult to predict. These include the duration and extent of the pandemic; the duration and extent of imposed or recommended quarantines, containment and other mitigation measures, and whether there is a significant resumption of shelter-in-place orders; the near-term impact of the pandemic on broader economic activity, including on construction projects and the oil and gas and related industrial markets; our customers' demand for our services; and any prolonged delays or shutdowns of active projects or closures of our and our customers' offices and facilities.

**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 on the estimated fair value of such assets and liabilities at the dates of their respective acquisition by us.

In January 2020, we acquired a company for an immaterial amount. This company provides building automation and controls solutions within the Northeastern region of the United States, and its results of operations have been included within our United States building services segment.

On November 1, 2019, we completed the acquisition of Batchelor & Kimball, Inc. ("BKI"), a leading full service provider of mechanical construction and maintenance services. This acquisition strengthens our position and broadens our capabilities in the Southern and Southeastern regions of the United States, and its results of operations have been included within our United States mechanical construction and facilities services segment. Under the terms of the transaction, we acquired 100% of BKI's outstanding capital stock for total consideration of approximately $220.3 million. In connection with the acquisition of BKI, we acquired working capital of $29.8 million and other net assets of $4.9 million and have preliminarily ascribed $43.9 million to goodwill and $141.7 million to identifiable intangible assets. Goodwill is calculated as the excess of the consideration transferred over the fair value of the net assets acquired and represents the future economic benefits expected from this strategic acquisition. The weighted average amortization period for the identifiable intangible assets acquired, which consist of a trade name, customer relationships, and contract backlog, is approximately 10.5 years.

In addition to BKI, during 2019, we completed six other acquisitions for total consideration of $85.4 million. Such companies include: (a) a company which provides electrical contracting services in central Iowa, the results of operations of which have been included within our United States electrical construction and facilities services segment, (b) a company which provides mechanical contracting services in south-central and eastern Texas, the results of operations of which have been included within our United States mechanical construction and facilities services segment, and (c) four companies within our United States building services segment which bolster our presence in geographies where we have existing operations and provide either mobile mechanical services or building automation and controls solutions. In connection with these acquisitions, we acquired working capital of $25.3 million and other net assets of $1.3 million and have preliminarily ascribed $29.2 million to goodwill and $29.6 million to identifiable intangible assets.

## NOTE 4 Acquisitions of Businesses - (Continued)

We expect that all of the goodwill acquired in connection with these acquisitions will be deductible for tax purposes. The purchase price allocations for the business acquired in 2020, BKI, and one of the other businesses acquired in 2019 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 remaining businesses acquired in 2019 have been finalized with an insignificant impact.

## NOTE 5 Earnings Per Share

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

The following tables summarize our calculation of Basic and Diluted (Loss) Earnings per Common Share ("EPS") for the three and six months ended June 30, 2020 and 2019 (in thousands, except share and per share data):

| | For the three months ended June 30, | |
|---|---|---|
| | **2020** | **2019** |
| **Numerator:** | | |
| Net (loss) income available to common stockholders | $ (83,689) | $ 83,972 |
| **Denominator:** | | |
| Weighted average shares outstanding used to compute basic (loss) earnings per common share | 54,937,038 | 56,181,864 |
| Effect of dilutive securities—Share-based awards | — | 317,650 |
| Shares used to compute diluted (loss) earnings per common share | 54,937,038 | 56,499,514 |
| **Basic (loss) earnings per common share** | $ (1.52) | $ 1.49 |
| **Diluted (loss) earnings per common share** | $ (1.52) | $ 1.49 |

| | For the six months ended June 30, | |
|---|---|---|
| | **2020** | **2019** |
| **Numerator:** | | |
| Net (loss) income available to common stockholders | $ (8,024) | $ 156,382 |
| **Denominator:** | | |
| Weighted average shares outstanding used to compute basic (loss) earnings per common share | 55,467,799 | 56,175,219 |
| Effect of dilutive securities—Share-based awards | — | 286,758 |
| Shares used to compute diluted (loss) earnings per common share | 55,467,799 | 56,461,977 |
| **Basic (loss) earnings per common share** | $ (0.14) | $ 2.78 |
| **Diluted (loss) earnings per common share** | $ (0.14) | $ 2.77 |

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. The number of outstanding share-based awards that were excluded from the computation of diluted EPS for the six months ended June 30, 2019 because they would be anti-dilutive were 25,061.There were no anti-dilutive share based awards for the three months ended June 30, 2019.

**NOTE 6 Inventories**

Inventories in the accompanying Consolidated Balance Sheets consisted of the following amounts as of June 30, 2020 and December 31, 2019 (in thousands):

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Raw materials and construction materials | $ 28,576 | $ 31,365 |
| Work in process | 12,014 | 9,081 |
| Inventories | $ 40,590 | $ 40,446 |

**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.

During the second quarter of 2020, our operations were negatively impacted by the COVID-19 pandemic. In addition, the demand for oil 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, such as 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, we revised our near-term revenue and operating margin expectations for our United States industrial services segment.

As a result of such developments, we concluded that a triggering event had occurred which indicated it was more likely than not that the fair value of our United States industrial services segment was less than its carrying amount. Accordingly, we performed a quantitative impairment test and determined that the carrying amount of our United States industrial services segment exceeded its fair value, which resulted in the recognition of a non-cash goodwill impairment charge during the quarter ended June 30, 2020 of $225.5 million.

We 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 of 12.0%. Such weighted average cost of capital was developed with the assistance of an independent third-party valuation specialist and reflects the overall level of inherent risk within the business and the rate of return a market participant would expect to earn. Cash flow projections were derived from internal forecasts of anticipated revenue growth rates and operating margins, updated for recent events, 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 utilized in the terminal value calculation was 2.0%.

**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 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 value of our United States industrial services segment to decrease by approximately $22.9 million. In addition, keeping all other assumptions constant, a 50 basis point reduction in the perpetual growth rate would cause the estimated fair value of our United States industrial services segment to decrease by approximately $9.0 million. Upon completion of our interim goodwill impairment assessment and the recognition of the aforementioned impairment charge, the carrying value of our United States industrial services segment equals its fair value whereas our other reporting units still maintain headroom that is substantially in excess of their carrying values. 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.

The changes in the carrying amount of goodwill by reportable segments were as follows during the six months ended June 30, 2020 (in thousands):

| | United States electrical construction and facilities services segment | United States mechanical construction and facilities services segment | United States building services segment | United States industrial services segment | Total |
|---|---|---|---|---|---|
| Balance at December 31, 2019 | $ 142,545 | $ 299,220 | $ 289,158 | $ 332,988 | $ 1,063,911 |
| Acquisitions and purchase price adjustments | — | 419 | 942 | — | 1,361 |
| Impairments | — | — | — | (225,500) | (225,500) |
| Balance at June 30, 2020 | $ 142,545 | $ 299,639 | $ 290,100 | $ 107,488 | $ 839,772 |

*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 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.

In connection with the negative market conditions disclosed above, we also evaluated certain of our identifiable intangible assets and other long-lived assets for impairment. Such assets included those associated with the businesses in our United States industrial services segment and certain businesses within our United States electrical construction and facilities services segment whose results are also highly dependent on the strength of the oil and gas industry. As a result of these assessments, during the quarter ended June 30, 2020, we recorded non-cash impairment charges of $7.3 million. Of this amount, $4.8 million related to our United States industrial services segment and was comprised of: (a) a $4.2 million subsidiary trade name impairment and (b) a $0.6 million impairment on certain other long-lived assets. The remaining $2.5 million represented a subsidiary trade name impairment within our United States electrical construction and facilities services segment.

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

Identifiable intangible assets consist of the following as of June 30, 2020 and December 31, 2019 (in thousands):

| | June 30, 2020 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Accumulated Impairment Charge | Total |
| Contract backlog | $ 66,945 | $ (65,145) | $ — | $ 1,800 |
| Developed technology/Vendor network | 95,661 | (62,575) | — | 33,086 |
| Customer relationships | 645,555 | (300,590) | (4,834) | 340,131 |
| Trade names (amortized) | 31,348 | (22,332) | — | 9,016 |
| Trade names (unamortized) | 251,440 | — | (58,933) | 192,507 |
| Total | $ 1,090,949 | $ (450,642) | $ (63,767) | 576,540 |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Accumulated Impairment Charge | Total |
| Contract backlog | $ 66,745 | $ (61,651) | $ — | $ 5,094 |
| Developed technology/Vendor network | 95,661 | (60,156) | — | 35,505 |
| Customer relationships | 644,755 | (277,601) | (4,834) | 362,320 |
| Trade names (amortized) | 31,148 | (21,830) | — | 9,318 |
| Trade names (unamortized) | 251,440 | — | (52,233) | 199,207 |
| Total | $ 1,089,749 | $ (421,238) | $ (57,067) | $ 611,444 |

Identifiable intangible assets are amortized on a straight-line basis, as it best approximates the pattern in which the economic benefits of those assets are consumed. Amortization expense related to identifiable intangible assets with finite lives was $14.7 million and $11.6 million for the three months ended June 30, 2020 and 2019, respectively, and $29.4 million and $23.2 million for the six months ended June 30, 2020 and 2019, respectively.

**NOTE 8 Debt**

Debt in the accompanying Consolidated Balance Sheets consisted of the following amounts as of June 30, 2020 and December 31, 2019 (in thousands):

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Revolving credit facility | $ — | $ 50,000 |
| Term loan | 300,000 | 254,431 |
| Unamortized debt issuance costs | (4,480) | (1,879) |
| Finance lease obligations | 8,840 | 9,679 |
| Total debt | 304,360 | 312,231 |
| Less: current maturities | 10,234 | 18,092 |
| Total long-term debt | $ 294,126 | $ 294,139 |

*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. 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, maintenance of certain financial ratios and certain limitations on payment of dividends, common stock repurchases, investments, acquisitions, indebtedness, and capital expenditures. We were in compliance with all such covenants as of June 30, 2020 with respect to the 2020 Credit Agreement and, as of December 31, 2019, with respect to the 2016 Credit Agreement. 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, 2020. 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 (0.18% at June 30, 2020) 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, 2020), (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, 2020 was 1.18%. 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. 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 and are included as part of interest expense. We are required to make annual installment payments on the 2020 Term Loan, with a principal payment of $7.5 million on December 31, 2020 and principal payments on December 31 of each subsequent year in the amount of $15.0 million. All unpaid principal and interest is due on March 2, 2025. As of June 30, 2020 and December 31, 2019, the balance of the 2020 Term Loan and the 2016 Term Loan was $300.0 million and $254.4 million, respectively. As of June 30, 2020, there were no direct borrowings outstanding under the 2020 Revolving Credit Facility, however, we had $79.0 million of letters of credit outstanding which reduce the available capacity under such facility. As of December 31, 2019, we had $50.0 million in direct borrowings outstanding and $109.0 million of letters of credit outstanding under the 2016 Revolving Credit Facility.

## 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 provide the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2020 and December 31, 2019 (in thousands):

| | Assets at Fair Value as of June 30, 2020 | | | |
|---|---|---|---|---|
| **Asset Category** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents (1) | $ 481,391 | $ — | $ — | $ 481,391 |
| Restricted cash (2) | 949 | — | — | 949 |
| Deferred compensation plan assets (3) | 31,428 | — | — | 31,428 |
| Total | $ 513,768 | $ — | $ — | $ 513,768 |

| | Assets at Fair Value as of December 31, 2019 | | | |
|---|---|---|---|---|
| **Asset Category** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents (1) | $ 358,818 | $ — | $ — | $ 358,818 |
| Restricted cash (2) | 1,102 | — | — | 1,102 |
| Deferred compensation plan assets (3) | 30,295 | — | — | 30,295 |
| Total | $ 390,215 | $ — | $ — | $ 390,215 |

___________

(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, 2020 and December 31, 2019, we had $193.3 million and $164.0 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.

**EMCOR Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Unaudited)**

## NOTE 10 Income Taxes

The following table presents our income tax (benefit) provision and our effective income tax rate for the three and six months ended June 30, 2020 and 2019 (in thousands, except percentages):

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Income tax (benefit) provision | (40,341) | 33,156 | (11,757) | 60,639 |
| Effective income tax rate | (32.5)% | 28.3 % | (59.4)% | 27.9 % |

Our income tax benefit for the three and six months ended June 30, 2020 was 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 quarter, the majority of which were non-deductible for tax purposes. The difference between the U.S. statutory tax rate of 21% and our effective income tax rates for the three and six months ended June 30, 2020 was primarily related to: (a) the impact of the non-deductible impairment charges previously referenced, (b) state and local income taxes, and (c) other permanent book to tax differences.

As of June 30, 2020 and December 31, 2019, 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 2014 through 2018.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. The CARES Act provides for various tax relief and tax incentive measures, which are not expected to have a material impact on our results of operations. Certain provisions of the CARES Act, however, will favorably impact our liquidity throughout 2020 as they allow for the deferral of the employer’s portion of current year Social Security tax payments until 2021 and 2022.

## NOTE 11 Common Stock

As of June 30, 2020 and December 31, 2019, there were 54,897,926 and 56,219,831 shares of our common stock outstanding, respectively.

During the three months ended June 30, 2020 and 2019, we issued 60,155 and 44,514 shares of common stock, respectively. During the six months ended June 30, 2020 and 2019, we issued 161,850 and 145,461 shares of common stock, respectively. These shares were issued primarily upon: (a) the satisfaction of required conditions under certain of our share-based compensation plans, (b) the purchase of common stock pursuant to our employee stock purchase plan, and (c) the exercise of stock options. We have paid quarterly dividends since October 25, 2011. We currently pay a regular quarterly dividend of $0.08 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 first half of 2020, we repurchased approximately 1.5 million shares of our common stock for approximately $99.0 million. Since the inception of the repurchase program through June 30, 2020, we have repurchased approximately 17.4 million shares of our common stock for approximately $890.5 million. As of June 30, 2020, there remained authorization for us to repurchase approximately $259.5 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.

**EMCOR Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Unaudited)**

## NOTE 12 Retirement Plans

Our United Kingdom subsidiary has a defined benefit pension plan covering all eligible employees (the "UK Plan"); however, no individual joining the company after October 31, 2001 may participate in the UK Plan. On May 31, 2010, we curtailed the future accrual of benefits for active employees under such plan. We also sponsor three domestic retirement plans in which participation by new individuals is frozen.

*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, 2020 and 2019 were as follows (in thousands):

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Interest cost | $ 1,556 | $ 2,004 | $ 3,152 | $ 4,043 |
| Expected return on plan assets | (2,922) | (3,064) | (5,919) | (6,180) |
| Amortization of unrecognized loss | 581 | 590 | 1,176 | 1,190 |
| Net periodic pension cost (income) | $ (785) | $ (470) | $ (1,591) | $ (947) |

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, 2020 and 2019.

*Employer Contributions*

For the six months ended June 30, 2020, our United Kingdom subsidiary contributed approximately $2.1 million to the UK Plan and anticipates contributing an additional $2.4 million during the remainder of 2020. Contributions to the domestic plans were approximately $0.1 million for the six months ended June 30, 2020.

## 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, 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.

*Computer System Attack*

On February 15, 2020, we became aware on an infiltration and encryption of portions of our information technology network. This attack temporarily disrupted our use of the impacted systems. As part of our investigation into this incident, we engaged outside security experts, who did not identify any exfiltration of customer or employee data or any inappropriate access to our accounting or finance systems. The Company maintains insurance coverage for these types of incidents; such policies, however, may not completely provide coverage for, or completely offset the costs of, this infiltration.

*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.

**NOTE 13 Commitments and Contingencies - (Continued)**

*Restructuring expenses*

The table below summarizes restructuring activity by reportable segment during the six months ended June 30, 2020 and 2019 (in thousands):

| | United States electrical construction and facilities services segment | United States building services segment | Corporate administration | Total |
|---|---|---|---|---|
| Balance at December 31, 2018 | $ 30 | $ 176 | $ 1,424 | $ 1,630 |
| Charges | — | 448 | — | 448 |
| Payments | (30) | (584) | (723) | (1,337) |
| Balance at June 30, 2019 | $ — | $ 40 | $ 701 | $ 741 |
| Balance at December 31, 2019 | $ 445 | $ 412 | $ 701 | $ 1,558 |
| Charges | — | 69 | — | 69 |
| Payments | (139) | (481) | (355) | (975) |
| Balance at June 30, 2020 | $ 306 | $ — | $ 346 | $ 652 |

As of June 30, 2020, the balance of restructuring obligations yet to be paid was approximately $0.7 million. Such remaining amounts will be paid pursuant to our contractual obligations throughout 2020 and 2021. Based on current plans in place, no material expenses in connection with restructuring are expected to be incurred during the remainder of 2020.

**NOTE 14 Additional Cash Flow Information**

The following table presents additional cash flow information for the six months ended June 30, 2020 and 2019 (in thousands):

| | For the six months ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| Cash paid for: | | |
| Interest | $ 4,885 | $ 6,432 |
| Income taxes | $ 10,953 | $ 65,799 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | $ 25,267 | $ 43,431 |
| Right-of-use assets obtained in exchange for new finance lease liabilities | $ 1,496 | $ 5,753 |

**NOTE 15 Segment Information**

We have the following reportable segments: (a) United States electrical construction and facilities services (involving systems for electrical power transmission and distribution; premises electrical and lighting systems; process instrumentation in the refining, chemical processing, food processing, and mining industries; low-voltage systems, such as fire alarm, security, and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration, and clean-room process ventilation; fire protection; plumbing, process, and high-purity piping; controls and filtration; water and wastewater treatment; central plant heating and cooling; cranes and rigging; millwrighting; and steel fabrication, erection and welding); (c) United States building services; (d) United States industrial services; and (e) United Kingdom building services. The “United States building services” and “United Kingdom building services” segments principally consist of those operations which provide a portfolio of services needed to support the operation and maintenance of customers’ facilities, including commercial and government site-based operations and maintenance; facility maintenance and services, including reception, security, and catering services; outage services to utilities and industrial plants; military base operations support services; mobile mechanical maintenance and services, including maintenance and service of mechanical, electrical, plumbing, and building automation systems; floor care and janitorial services; landscaping, lot sweeping, and snow removal; facilities management; vendor management; call center services; installation and support for building systems; program development, management and maintenance for energy systems; technical consulting and diagnostic services; infrastructure and building projects for federal, state and local governmental agencies and bodies; and small modification and retrofit projects, which

**NOTE 15 Segment Information - (Continued)**

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; on-site repairs, maintenance and service of heat exchangers, towers, vessels, and piping; and design, manufacturing, repair, and hydro blast cleaning of shell and tube heat exchangers and related equipment.

The following tables present financial information for each of our reportable segments for the three and six months ended June 30, 2020 and 2019 (in thousands):

| | For the three months ended June 30, 2020 | For the three months ended June 30, 2019 |
|---|---|---|
| Revenues from unrelated entities: | | |
| United States electrical construction and facilities services | $ 445,881 | $ 569,402 |
| United States mechanical construction and facilities services | 790,441 | 823,086 |
| United States building services | 472,416 | 523,698 |
| United States industrial services | 212,166 | 295,460 |
| Total United States operations | 1,920,904 | 2,211,646 |
| United Kingdom building services | 93,117 | 112,556 |
| Total worldwide operations | $ 2,014,021 | $ 2,324,202 |
| | | |
| Total revenues: | | |
| United States electrical construction and facilities services | $ 446,912 | $ 570,077 |
| United States mechanical construction and facilities services | 793,040 | 827,952 |
| United States building services | 493,450 | 541,911 |
| United States industrial services | 213,868 | 302,977 |
| Less intersegment revenues | (26,366) | (31,271) |
| Total United States operations | 1,920,904 | 2,211,646 |
| United Kingdom building services | 93,117 | 112,556 |
| Total worldwide operations | $ 2,014,021 | $ 2,324,202 |

**NOTE 15 Segment Information - (Continued)**

| | For the six months ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| Revenues from unrelated entities: | | |
| United States electrical construction and facilities services | $ 971,110 | $ 1,097,472 |
| United States mechanical construction and facilities services | 1,624,553 | 1,575,495 |
| United States building services | 990,499 | 1,035,777 |
| United States industrial services | 522,197 | 554,105 |
| Total United States operations | 4,108,359 | 4,262,849 |
| United Kingdom building services | 205,494 | 220,081 |
| Total worldwide operations | $ 4,313,853 | $ 4,482,930 |
| | | |
| Total revenues: | | |
| United States electrical construction and facilities services | $ 973,157 | $ 1,099,059 |
| United States mechanical construction and facilities services | 1,631,844 | 1,587,716 |
| United States building services | 1,025,927 | 1,072,507 |
| United States industrial services | 530,098 | 562,252 |
| Less intersegment revenues | (52,667) | (58,685) |
| Total United States operations | 4,108,359 | 4,262,849 |
| United Kingdom building services | 205,494 | 220,081 |
| Total worldwide operations | $ 4,313,853 | $ 4,482,930 |

| | For the three months ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| Operating income (loss): | | |
| United States electrical construction and facilities services | $ 32,184 | $ 43,799 |
| United States mechanical construction and facilities services | 66,937 | 53,954 |
| United States building services | 26,378 | 28,001 |
| United States industrial services | 2,961 | 16,012 |
| Total United States operations | 128,460 | 141,766 |
| United Kingdom building services | 5,351 | 5,476 |
| Corporate administration | (23,699) | (27,110) |
| Restructuring expenses | — | (173) |
| Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets | (232,750) | — |
| Total worldwide operations | (122,638) | 119,959 |
| Other corporate items: | | |
| Net periodic pension (cost) income | 718 | 400 |
| Interest expense, net | (2,110) | (3,231) |
| (Loss) income before income taxes | $ (124,030) | $ 117,128 |

**EMCOR Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Unaudited)**

**NOTE 15 Segment Information - (Continued)**

| | For the six months ended June 30, 2020 | For the six months ended June 30, 2019 |
|---|---|---|
| Operating income (loss): | | |
| United States electrical construction and facilities services | $ 76,087 | $ 86,750 |
| United States mechanical construction and facilities services | 112,108 | 94,939 |
| United States building services | 47,216 | 55,484 |
| United States industrial services | 15,218 | 25,648 |
| Total United States operations | 250,629 | 262,821 |
| United Kingdom building services | 11,115 | 9,617 |
| Corporate administration | (45,568) | (49,721) |
| Restructuring expenses | (69) | (448) |
| Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets | (232,750) | — |
| Total worldwide operations | (16,643) | 222,269 |
| Other corporate items: | | |
| Net periodic pension (cost) income | 1,460 | 806 |
| Interest expense, net | (4,598) | (6,054) |
| (Loss) income before income taxes | $ (19,781) | $ 217,021 |

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Total assets: | | |
| United States electrical construction and facilities services | $ 752,725 | $ 834,802 |
| United States mechanical construction and facilities services | 1,513,504 | 1,536,325 |
| United States building services | 969,503 | 996,664 |
| United States industrial services | 636,635 | 829,793 |
| Total United States operations | 3,872,367 | 4,197,584 |
| United Kingdom building services | 190,514 | 181,147 |
| Corporate administration | 527,542 | 451,627 |
| Total worldwide operations | $ 4,590,423 | $ 4,830,358 |

## 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 80 operating subsidiaries and joint venture entities. 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 and distribution; premises electrical and lighting systems; process instrumentation in the refining, chemical processing, food processing, and mining industries; low-voltage systems, such as fire alarm, security, and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration, and clean-room process ventilation; fire protection; plumbing, process, and high-purity piping; controls and filtration; water and wastewater treatment; central plant heating and cooling; cranes and rigging; millwrighting; and steel fabrication, erection and welding); (c) United States building services; (d) United States industrial services; and (e) United Kingdom building services. The "United States building services" and "United Kingdom building services" segments principally consist of those operations which provide a portfolio of services needed to support the operation and maintenance of customers' facilities, including commercial and government site-based operations and maintenance; facility maintenance and services, including reception, security, and catering services; outage services to utilities and industrial plants; military base operations support services; mobile mechanical maintenance and services, including maintenance and service of mechanical, electrical, plumbing, and building automation systems; floor care and janitorial services; landscaping, lot sweeping, and snow removal; facilities management; vendor management; call center services; installation and support for building systems; program development, management and maintenance for energy systems; technical consulting and diagnostic services; infrastructure and building projects for federal, state and local governmental agencies and bodies; and small modification and retrofit projects, which services are not generally related to customers' construction programs. The "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; on-site repairs, maintenance and service of heat exchangers, towers, vessels, and piping; and design, manufacturing, repair, and hydro blast cleaning of shell and tube heat exchangers and related equipment.

### COVID-19 and Market Update

In December 2019, a novel strain of coronavirus ("COVID-19") emerged and has spread around the world. On March 11, 2020, the World Health Organization declared COVID-19 to be a global pandemic and recommended containment and mitigation measures worldwide. In response, government authorities in the U.S. and U.K. imposed various social distancing, quarantine, and isolation measures on large portions of the population.

As a result of the pandemic, as well as the related containment and mitigation measures, we experienced disruptions that impacted our ability to execute on our remaining performance obligations in many of the markets in which we operate. Such impacts included, but were not limited to, access restrictions and temporary job site shutdowns, reduced labor efficiency resulting from the adherence to physical distancing protocols mandated at the majority of our worksite locations, and the deferral of maintenance and service projects by our customers. Although we have not experienced significant project cancellations, and we continue to actively quote new work for our customers as evidenced by the nearly 14% increase in our remaining performance obligations since December 31, 2019, we are experiencing delays in certain projects and a reduction in the number of call-out service and repair opportunities. Additionally, the demand for oil has 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, such as 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 have created significant volatility and uncertainty in the markets in which our United States industrial services segment operates. As a result, many customers have responded by reducing capital spending, implementing various cost cutting measures, and closing certain of their facilities. Such customer actions have resulted in a significant decrease in the demand for our service offerings within such segment.

While we have begun to see indications of stabilization within our United States construction segments and our United States and United Kingdom building services segments as many shelter-in-place orders are lifted, various other containment and mitigation measures are eased, and our teams and customers are adapting to this new work environment, this positive trend may not continue. The extent to which the COVID-19 pandemic will impact our business and results of operations in future periods remains highly uncertain and will be affected by a number of factors. These include the duration and extent of the pandemic; the duration and extent of imposed or recommended quarantines, containment and other mitigation measures, and whether there is a significant resumption of shelter-in-place orders; the near-term impact of the pandemic on broader economic activity, including on construction projects and the oil and gas and related industrial markets; our customers' demand for our services; our ability to effectively operate in this environment; the ability of our customers to pay us for services rendered; and any prolonged delays or shutdowns of active projects or closures of our and our customers' offices and facilities. To date, we have been able to source the supplies and materials needed to operate our business with minimal disruptions. However, the impact of the COVID-19 pandemic on our vendors is evolving and may make it difficult to obtain such materials 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, 2020 and 2019 (in thousands, except percentages and per share data):

| | For the three months ended June 30, 2020 | For the three months ended June 30, 2019 |
|---|---|---|
| Revenues | $ 2,014,021 | $ 2,324,202 |
| Revenues (decrease) increase from prior year | (13.3)% | 19.0 % |
| Gross profit | 315,286 | 346,380 |
| Gross profit as a percentage of revenues | 15.7 % | 14.9 % |
| Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets | 232,750 | — |
| Operating (loss) income | $ (122,638) | $ 119,959 |
| Operating (loss) income as a percentage of revenues | (6.1)% | 5.2 % |
| Net (loss) income | $ (83,689) | $ 83,972 |
| Diluted (loss) earnings per common share | $ (1.52) | $ 1.49 |

Revenues for the second quarter of 2020 decreased by 13.3% from $2.32 billion for the three months ended June 30, 2019 to $2.01 billion for the three months ended June 30, 2020. As discussed in further detail below, such decrease in revenues was attributable to revenue declines within each of our reportable segments, primarily as a result of negative macroeconomic conditions brought upon by the COVID-19 pandemic, which resulted in: (a) project delays or access restrictions for certain of the construction contracts in process 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.

For the three months ended June 30, 2020, we incurred an operating loss of $122.6 million, resulting from $232.8 million of non-cash goodwill, identifiable intangible asset, and other long-lived asset impairment charges recorded during the period, as discussed in further detail below and 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. These charges were recognized as a result of interim impairment tests that were triggered by certain indicators of impairment that were present during the quarter, including lower forecasted revenue and operating margin expectations for those of our businesses that are highly dependent on the strength of the oil and gas and related industrial markets. Excluding the impact of such impairments, operating income decreased by $9.8 million for the three months ended June 30, 2020, primarily as a result of a decrease in gross profit from the majority of our reportable segments due to the negative macroeconomic conditions referenced above.

**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.

In January 2020, we acquired a company for an immaterial amount. This company provides building automation and controls solutions within the Northeastern region of the United States, and its results of operations have been included within our United States building services segment.

On November 1, 2019, we completed the acquisition of Batchelor & Kimball, Inc. ("BKI"), a leading full service provider of mechanical construction and maintenance services. This acquisition strengthens our position and broadens our capabilities in the Southern and Southeastern regions of the United States, and the results of its operations have been included within our United States mechanical construction and facilities services segment. In addition to BKI, during calendar year 2019, we acquired: (a) a company which provides electrical contracting services in central Iowa, the results of operations of which have been included within our United States electrical construction and facilities services segment, (b) a company which provides mechanical contracting services in south-central and eastern Texas, the results of operations of which have been included within our United States mechanical construction and facilities services segment, and (c) four companies included within our United States building services segment, consisting of: (i) a company which provides mobile mechanical services in the Southern region of the United States and (ii) three companies, the results of operations of which were de minimis, which bolster our presence in geographies where we have existing operations and provide either mobile mechanical services or building automation and controls solutions.

Companies acquired in 2020 and 2019 generated incremental revenues of $50.2 million and incremental operating income of $1.7 million, inclusive of $4.0 million of amortization expense associated with identifiable intangible assets, for the three months ended June 30, 2020.

**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, | | | |
|---|---|---|---|---|
| | 2020 | % of Total | 2019 | % of Total |
| Revenues: | | | | |
| United States electrical construction and facilities services | $ 445,881 | 22 % | $ 569,402 | 24 % |
| United States mechanical construction and facilities services | 790,441 | 39 % | 823,086 | 35 % |
| United States building services | 472,416 | 23 % | 523,698 | 23 % |
| United States industrial services | 212,166 | 11 % | 295,460 | 13 % |
| Total United States operations | 1,920,904 | 95 % | 2,211,646 | 95 % |
| United Kingdom building services | 93,117 | 5 % | 112,556 | 5 % |
| Total worldwide operations | $ 2,014,021 | 100 % | $ 2,324,202 | 100 % |

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | % of Total | 2019 | % of Total |
| Revenues: | | | | |
| United States electrical construction and facilities services | $ 971,110 | 22 % | $ 1,097,472 | 25 % |
| United States mechanical construction and facilities services | 1,624,553 | 38 % | 1,575,495 | 35 % |
| United States building services | 990,499 | 23 % | 1,035,777 | 23 % |
| United States industrial services | 522,197 | 12 % | 554,105 | 12 % |
| Total United States operations | 4,108,359 | 95 % | 4,262,849 | 95 % |
| United Kingdom building services | 205,494 | 5 % | 220,081 | 5 % |
| Total worldwide operations | $ 4,313,853 | 100 % | $ 4,482,930 | 100 % |

As described below in more detail, our revenues for the three months ended June 30, 2020 decreased to $2.01 billion compared to $2.32 billion for the three months ended June 30, 2019, and our revenues for the six months ended June 30, 2020 decreased to $4.31 billion compared to $4.48 billion for the six months ended June 30, 2019. The decrease in revenues for both the three and six month periods was attributable to decreased revenues from all of our reportable segments except, in the case of the six months ended June 30, 2020, our United States mechanical construction and facilities services segment. Companies acquired in 2020 and 2019, which are reported in our United States electrical construction and facilities services segment, our United States mechanical construction and facilities services segment, and our United States building services segment, generated incremental revenues of $50.2 million and $132.7 million for the three and six months ended June 30, 2020, respectively.

Revenues of our United States electrical construction and facilities services segment were $445.9 million and $971.1 million for the three and six months ended June 30, 2020, respectively, compared to revenues of $569.4 million and $1,097.5 million for the three and six months ended June 30, 2019, respectively. The decrease in revenues for the three and six months ended June 30, 2020 was predominantly attributable to: (a) a reduction in revenues from construction projects within the commercial market sector, primarily as a result of: (i) project delays or access restrictions caused by various containment and mitigation measures mandated by certain of our customers and/or governmental authorities in response to the COVID-19 pandemic and (ii) the completion or substantial completion of certain projects within the Northeastern and Western regions of the United States and (b) a reduction in industrial project activities within the manufacturing market sector due to the adverse market conditions within the oil and gas industry. The results for the six months ended June 30, 2020 included $25.4 million of incremental revenues generated by a company acquired in 2019.

Our United States mechanical construction and facilities services segment revenues for the three months ended June 30, 2020 were $790.4 million, a $32.6 million decrease compared to revenues of $823.1 million for the three months ended June 30, 2019. Revenues of this segment for the six months ended June 30, 2020 were $1,624.6 million, a $49.1 million increase compared to revenues of $1,575.5 million for the six months ended June 30, 2019. For the three and six months ended June 30, 2020, the results of this segment included $47.9 million and $103.5 million, respectively, of incremental revenues generated by companies acquired in 2019. The decrease in revenues for the three months ended June 30, 2020 was primarily attributable to a decline in revenues from: (a) the manufacturing market sector, inclusive of certain large food processing construction projects, and (b) the commercial market sector, inclusive of certain telecommunication construction projects. Similar to our United States electrical construction and facilities services segment, revenues of this segment for the three months ended June 30, 2020 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. These revenue reductions were partially offset by increased project activities within the institutional and transportation market sectors during the quarter. For the six months ended June 30, 2020, excluding the impact of acquisitions, our United States mechanical construction and facilities services segment revenues decreased by $54.4 million, primarily as a result of a reduction in project activities within the commercial market sector.

Revenues of our United States building services segment were $472.4 million and $990.5 million for the three and six months ended June 30, 2020, respectively, compared to revenues of $523.7 million and $1,035.8 million for the three and six months ended June 30, 2019, respectively. The reduction in revenues for both the three and six month periods was primarily a result of: (a) decreased project and controls activities within our mobile mechanical services operations, largely as a result of the impact of the COVID-19 pandemic, which resulted in fewer project opportunities given the temporary closure of certain customer facilities, (b) decreased large project activity within our energy services operations, primarily as a result of the completion of certain projects which were active in the prior year, and (c) the loss of certain contracts not renewed pursuant to rebid, which resulted in a reduction to both base maintenance and indefinite-delivery, indefinite-quantity project revenues within our government services business. In addition, the decrease in revenues for the six months ended June 30, 2020 was partially attributable to a decrease in snow removal activities within our commercial site-based services operations during the first quarter of the year. The results of this segment for the three and six months ended June 30, 2020 included $2.3 million and $3.8 million, respectively, of incremental revenues generated by a company acquired in 2020 within our mobile mechanical services operations.

Revenues of our United States industrial services segment for the three months ended June 30, 2020 were $212.2 million, an $83.3 million decrease compared to revenues of $295.5 million for the three months ended June 30, 2019. Revenues for the six months ended June 30, 2020 were $522.2 million, a $31.9 million decrease compared to revenues of $554.1 million for the six months ended June 30, 2019. Revenues of this segment were negatively impacted by adverse market conditions including unprecedented declines in the price of crude oil, initially as a result of a decline in demand caused by the COVID-19 pandemic and further driven by the dislocation between supply and demand resulting from a breakup in dialogue between OPEC and Russia over a proposed curtailment in the production of oil. Such macroeconomic conditions led to a decrease in demand for our services, which resulted in: (a) a decrease in maintenance and capital project activity within our field services operations and (b) a reduction in new build heat exchanger sales and a decrease in maintenance, repair, and hydro blast cleaning services within our shop services operations.

Revenues of our United Kingdom building services segment were $93.1 million and $205.5 million for the three and six months ended June 30, 2020, respectively, compared to revenues of $112.6 million and $220.1 million for the three and six months ended June 30, 2019, respectively. The decrease in revenues within this segment for both periods was attributable to: (a) a decrease in project activity, partially as a result of the COVID-19 pandemic, which resulted in reduced opportunities for project work due to the temporary closure of certain customer facilities, and (b) a reduction in revenue due to the loss of certain maintenance contracts that were not renewed pursuant to rebid. These revenue declines were partially offset by increased revenues from new maintenance contract awards within the commercial market sector. Unfavorable exchange rates for the British pound versus the United States dollar negatively impacted this segment's revenues for the three and six months ended June 30, 2020 by $3.4 million and $5.6 million, respectively.

*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, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Cost of sales | $ 1,698,735 | $ 1,977,822 | $ 3,665,506 | $ 3,827,796 |
| Gross profit | $ 315,286 | $ 346,380 | $ 648,347 | $ 655,134 |
| Gross profit, as a percentage of revenues | 15.7 % | 14.9 % | 15.0 % | 14.6 % |

Our gross profit decreased by $31.1 million for the three months ended June 30, 2020 compared to the three months ended June 30, 2019. Gross profit decreased by $6.8 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019. Our gross profit margin was 15.7% and 15.0% for the three and six months ended June 30, 2020, respectively, compared to gross profit margin of 14.9% and 14.6% for the three and six months ended June 30, 2019, respectively. The decrease in gross profit for both periods was a result of a decrease in gross profit from all of our reportable segments except, in the case of the three months ended June 30, 2020, our United States mechanical construction and facilities services segment, and in the case of the six months ended June 30, 2020, our United States mechanical construction and facilities services segment and our United Kingdom building services segment. The increase in gross profit margin for both periods was primarily attributable to improved operating performance within our United States mechanical construction and facilities services segment.

*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, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Selling, general and administrative expenses | $ 205,174 | $ 226,248 | $ 432,171 | $ 432,417 |
| Selling, general and administrative expenses, as a percentage of revenues | 10.2 % | 9.7 % | 10.0 % | 9.6 % |

Our selling, general and administrative expenses for the three months ended June 30, 2020 was $205.2 million, representing a decrease of $21.1 million compared to selling, general and administrative expenses of $226.2 million for the three months ended June 30, 2019. Selling, general and administrative expenses for the six months ended June 30, 2020 of $432.2 million represented a nominal decrease compared to selling general and administrative expenses of $432.4 million for the six months ended June 30, 2019. The decrease in selling, general and administrative expenses for the three months ended June 30, 2020 was primarily attributable to certain cost reductions resulting from, or actions taken in response to, the COVID-19 pandemic, including: (a) a decrease in salaries expense due to: (i) a reduction in headcount, resulting from lower revenues than in the same prior year period, and (ii) certain short-term cost cutting measures, including temporary furloughs and salary reductions, (b) a decrease in incentive compensation expense due to lower projected annual operating results, relative to incentive targets, than in the same prior year period, (c) a decrease in employee benefit costs, partially due to a decline in medical claims, and (d) a reduction in certain discretionary spending, such as travel and entertainment costs.

For the three and six months ended June 30, 2020, selling, general and administrative expenses included $7.2 million and $16.3 million, respectively, of incremental expenses directly related to companies acquired in 2020 and 2019, including amortization expense attributable to identifiable intangible assets of $2.6 million and $5.3 million, respectively.

Selling, general and administrative expenses as a percentage of revenues were 10.2% and 10.0% for the three and six months ended June 30, 2020, respectively, compared to 9.7% and 9.6% for the three and six months ended June 30, 2019, respectively. The increase in SG&A margin for both the three and six month periods was a result of: (a) a reduction in revenues without a commensurate decrease in certain of our fixed overhead costs and (b) an increase in the provision for credit losses. In addition, SG&A margin for the six months ended June 30, 2019 benefited from the favorable impact of a legal settlement within our United States industrial services segment, that resulted in the recovery of $3.6 million, which was recorded as a reduction to selling, general and administrative expenses.

*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 aforementioned uncertainties caused by the COVID-19 pandemic and the significant decline in the price of crude oil. These uncertainties have resulted in lower forecasted revenue and operating margin expectations for those of our businesses that are highly dependent on the strength of the oil and gas and related industrial markets, resulting in the recognition of a $232.8 million impairment charge. Of this amount, $230.3 million related to our United States industrial services segment and was comprised of: (a) $225.5 million related to goodwill, (b) $4.2 million associated with a subsidiary trade name, and (c) $0.6 million related to certain long-lived assets. The remaining $2.5 million represented a subsidiary trade name impairment within our United States electrical construction and facilities services segment.

*Operating income (loss)*

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

| | For the three months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | % of Segment Revenues | 2019 | % of Segment Revenues |
| Operating income (loss): | | | | |
| United States electrical construction and facilities services | $ 32,184 | 7.2 % | $ 43,799 | 7.7 % |
| United States mechanical construction and facilities services | 66,937 | 8.5 % | 53,954 | 6.6 % |
| United States building services | 26,378 | 5.6 % | 28,001 | 5.3 % |
| United States industrial services | 2,961 | 1.4 % | 16,012 | 5.4 % |
| Total United States operations | 128,460 | 6.7 % | 141,766 | 6.4 % |
| United Kingdom building services | 5,351 | 5.7 % | 5,476 | 4.9 % |
| Corporate administration | (23,699) | — | (27,110) | — |
| Restructuring expenses | — | — | (173) | — |
| Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets | (232,750) | — | — | — |
| Total worldwide operations | (122,638) | (6.1) % | 119,959 | 5.2 % |
| Other corporate items: | | | | |
| Net periodic pension (cost) income | 718 | | 400 | |
| Interest expense, net | (2,110) | | (3,231) | |
| (Loss) income before income taxes | $ (124,030) | | $ 117,128 | |

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | % of Segment Revenues | 2019 | % of Segment Revenues |
| Operating income (loss): | | | | |
| United States electrical construction and facilities services | $ 76,087 | 7.8 % | $ 86,750 | 7.9 % |
| United States mechanical construction and facilities services | 112,108 | 6.9 % | 94,939 | 6.0 % |
| United States building services | 47,216 | 4.8 % | 55,484 | 5.4 % |
| United States industrial services | 15,218 | 2.9 % | 25,648 | 4.6 % |
| Total United States operations | 250,629 | 6.1 % | 262,821 | 6.2 % |
| United Kingdom building services | 11,115 | 5.4 % | 9,617 | 4.4 % |
| Corporate administration | (45,568) | — | (49,721) | — |
| Restructuring expenses | (69) | — | (448) | — |
| Impairment loss on goodwill, identifiable intangible assets, and other long-lived assets | (232,750) | — | — | — |
| Total worldwide operations | (16,643) | (0.4) % | 222,269 | 5.0 % |
| Other corporate items: | | | | |
| Net periodic pension (cost) income | 1,460 | | 806 | |
| Interest expense, net | (4,598) | | (6,054) | |
| (Loss) income before income taxes | $ (19,781) | | $ 217,021 | |

As described below in more detail, for the three months ended June 30, 2020, we recognized an operating loss of $122.6 million compared to operating income of $120.0 million for the three months ended June 30, 2019. For the six months ended June 30, 2020, we recognized an operating loss of $16.6 million compared to operating income for the six months ended June 30, 2019 of $222.3 million. Operating margin was (6.1)% and (0.4)% for the three and six months ended June 30, 2020, respectively, compared to 5.2% and 5.0% for the corresponding 2019 periods. Our operating results for the second quarter of 2020 included $232.8 million of non-cash impairment charges, which negatively impacted the Company's operating margin by approximately 1,160 basis points for the three months ended June 30, 2020 and approximately 540 basis points for the six months ended June 30, 2020. Excluding the impact of such impairments, operating income decreased by $9.8 million and $6.2 million for the three and six months ended June 30, 2020, respectively, as a result of a decrease in gross profit from the majority of our reportable segments.

Operating income of our United States electrical construction and facilities services segment for the three months ended June 30, 2020 was $32.2 million, or 7.2% of revenues, compared to operating income of $43.8 million, or 7.7% of revenues, for the three months ended June 30, 2019. Operating income of this segment for the six months ended June 30, 2020 was $76.1 million, or 7.8% of revenues, compared to operating income of $86.8 million, or 7.9% of revenues, for the six months ended June 30, 2019. A company acquired in 2019 contributed incremental operating income of $1.6 million, inclusive of $0.1 million of amortization expense associated with identifiable intangible assets, during the six months ended June 30, 2020. The decrease in operating income for both periods was due to a decline in gross profit from construction projects, largely attributable to reduced revenues resulting from project delays or access restrictions caused by the previously referenced containment and mitigation measures mandated in response to the COVID-19 pandemic. For the three months ended June 30, 2020, this segment experienced a decrease in gross profit from project activities within the commercial, institutional, and manufacturing market sectors. For the six months ended June 30, 2020, gross profit declines within the commercial, hospitality, and water and wastewater market sectors were partially offset by increased gross profit generated from construction projects within the manufacturing and transportation market sectors. The overall decrease in gross profit of this segment during both the three and six month periods was partially offset by a decrease in selling, general and administrative expenses, primarily as a result of a decrease in incentive compensation and salaries expense, as well as certain employee benefit costs. The decrease in operating margin for the three months ended June 30, 2020 was attributable to a decrease in gross profit margin as the results for the second quarter of the prior year benefited from favorable project execution.

Our United States mechanical construction and facilities services segment's operating income for the three and six months ended June 30, 2020 was $66.9 million and $112.1 million, respectively, compared to operating income of $54.0 million and $94.9 million for the three and six months ended June 30, 2019, respectively. Companies acquired in 2019 contributed incremental operating income of $1.6 million and $3.6 million, inclusive of $3.8 million and $7.8 million of amortization expense associated with identifiable intangible assets, for the three and six months ended June 30, 2020, respectively. Excluding the impact of acquired businesses, operating income of this segment increased by approximately $11.4 million and $13.6 million for the three and six month periods, respectively. Despite the disruption caused by the COVID-19 pandemic, our United States mechanical construction and facilities services segment experienced an increase in gross profit for the three and six months ended June 30, 2020 driven by project activities within the institutional, commercial, healthcare, and transportation market sectors. In addition, operating income of this segment for the six months ended June 30, 2020 benefited from increased gross profit within the manufacturing market sector, resulting from favorable progression on certain large food processing projects. Operating margin within this segment was 8.5% and 6.9% for the three and six months ended June 30, 2020 compared to operating margin of 6.6% and 6.0% for the three and six months ended June 30, 2019. The increase in operating margin for both periods was attributable to an increase in gross profit margin, primarily driven by a favorable mix of work within the manufacturing and healthcare market sectors. Such increase in gross profit margin was partially offset by an increase in the ratio of selling, general and administrative expenses to revenues partially as a result of an increase in amortization expense associated with identifiable intangible assets resulting from companies acquired in 2019 and an increase in the provision for credit losses.

Operating income of our United States building services segment for the three months ended June 30, 2020 was $26.4 million compared to operating income for the three months ended June 30, 2019 of $28.0 million, and operating income for the six months ended June 30, 2020 was $47.2 million compared to operating income of $55.5 million for the six months ended June 30, 2019. The decrease in operating income for both periods was primarily due to: (a) our energy services operations, as a result of a decrease in gross profit given a reduction in large project activity, and (b) our mobile mechanical services operations due to: (i) a decrease in gross profit from project and controls activities, largely as a result of the temporary closure of certain customer facilities resulting from the COVID-19 pandemic, and (ii) an increase in certain expenses such as the provision for credit losses and legal fees. In addition, the decrease in operating income for the six months ended June 30, 2020 was partially attributable to our commercial site-based services operations due to a reduction in gross profit resulting from a decrease in snow removal activities during the first three months of this year. Lower gross profit within this segment was partially offset by an overall decrease in selling, general and administrative expenses due to certain cost reduction measures enacted during the quarter. Operating margin of this segment for the three and six months ended June 30, 2020 was 5.6% and 4.8%, respectively, compared to operating margin for the three and six months ended June 30, 2019 of 5.3% ad 5.4%, respectively. The increase in operating margin for the three months ended June 30, 2020 was primarily a result of an increase in gross profit margin within our mobile mechanical services operations. The decrease in operating margin for the six months ended June 30, 2020 was primarily a result of an increase in the ratio of selling, general and administrative expenses to revenues due to: (a) the under-absorption of certain overhead costs due to the reduction in revenue previously referenced and (b) an increase in certain expenses, such as the provision for credit losses and legal fees, without a commensurate increase in revenues.

Operating income of our United States industrial services segment for the three months ended June 30, 2020 decreased by approximately $13.1 million to $3.0 million compared to operating income of $16.0 million for the three months ended June 30, 2019. Operating income for the six months ended June 30, 2020 decreased by approximately $10.4 million to $15.2 million compared to operating income of $25.6 million for the six months ended June 30, 2019. As previously referenced, this segment's results were severely impacted by adverse macroeconomic factors impacting the oil and gas industry. As a result of such conditions, this segment experienced a reduction in gross profit from both our field services and shop services operations due to: (a) a decrease in demand for our service offerings, (b) the deferral or cancellation of previously scheduled projects with certain customers, and (c) an unfavorable mix of work, which included a greater number of projects with lower than typical gross profit margins. Such decrease in gross profit was partially offset by a reduction in selling, general and administrative expenses, including: (a) incentive compensation and salaries expense, (b) employee benefit costs, and (c) certain discretionary spending, such as travel and entertainment costs. Operating margin of this segment for the three and six months ended June 30, 2020 was 1.4% and 2.9%, respectively, compared to operating margin of 5.4% and 4.6% for the three and six months ended June 30, 2019, respectively. The decrease in operating margin for both periods was attributable to a decrease in gross profit margin resulting from the above noted factors, as well as an increase in the ratio of selling, general and administrative expenses to revenues due to a decrease in revenue without a commensurate decrease in certain of this segment's fixed overhead costs.

For the three months ended June 30, 2020, our United Kingdom building services segment's operating income of $5.4 million decreased nominally as compared to operating income of $5.5 million for the three months ended June 30, 2019. Operating income of this segment was $11.1 million for the six months ended June 30, 2020 compared to operating income of $9.6 million for the six months ended June 30, 2019. The increase in operating income for the six month period was primarily a result of: (a) greater project activity with existing customers and (b) incremental gross profit from new maintenance contract awards. This segment's operating income for the three and six months ended June 30, 2020 was negatively impacted by approximately $0.2 million and $0.3 million, respectively, related to the effect of unfavorable exchange rates for the British pound versus the United States dollar. Operating margin for the three and six months ended June 30, 2020 was 5.7% and 5.4%, respectively, compared to 4.9% and 4.4% for the three and six months ended June 30, 2019, respectively. The increase in operating margin for both periods was attributable to an increase in gross profit margin, primarily as a result of a more favorable mix of work, and a decrease in the ratio of selling, general and administrative expenses to revenues.

Our corporate administration operating loss for the three and six months ended June 30, 2020 was $23.7 million and $45.6 million, respectively, compared to $27.1 million and $49.7 million for the three and six months ended June 30, 2019, respectively. The decrease in corporate administration expenses for both periods was primarily due to: (a) a decrease in incentive compensation expense due to lower projected annual operating results, relative to incentive targets, than in the same prior year period, and (b) a decrease in salaries expense due to certain short-term cost cutting measures, including temporary furloughs and salary reductions.

*Other items*

Net interest expense for the three months ended June 30, 2020 and 2019 was $2.1 million and $3.2 million, respectively. Net interest expense for the six months ended June 30, 2020 and 2019 was $4.6 million and $6.1 million, respectively. The decrease in net interest expense for the three and six months ended June 30, 2020 resulted from lower interest rates, partially offset by higher average outstanding borrowings.

For the three and six months ended June 30, 2020, our income tax benefit was $40.3 million and $11.8 million, respectively, compared to an income tax provision of $33.2 million and $60.6 million for the three and six months ended June 30, 2019, respectively. Our effective income tax rate for the three and six months ended June 30, 2020 was (32.5)% and (59.4)% respectively, and our effective income tax rate for the three and six months ended June 30, 2019 was 28.3% and 27.9%, respectively. Our income tax benefit for the three and six months ended June 30, 2020 was 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 quarter, the majority of which were non-deductible for tax purposes. The difference between the U.S. statutory tax rate of 21% and our effective income tax rates for the three and six months ended June 30, 2020 was primarily related to: (a) the impact of the non-deductible impairment charges previously referenced, (b) state and local income taxes, and (c) other permanent book to tax differences.

*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, 2020 | % of Total | December 31, 2019 | % of Total | June 30, 2019 | % of Total |
|---|---|---|---|---|---|---|
| Remaining performance obligations: | | | | | | |
| United States electrical construction and facilities services | $ 1,013,389 | 22 % | $ 1,036,216 | 26 % | $ 1,175,333 | 28 % |
| United States mechanical construction and facilities services | 2,806,213 | 61 % | 2,229,090 | 55 % | 2,290,438 | 54 % |
| United States building services | 524,617 | 12 % | 542,269 | 13 % | 545,776 | 13 % |
| United States industrial services | 102,682 | 2 % | 104,613 | 3 % | 89,247 | 2 % |
| Total United States operations | 4,446,901 | 97 % | 3,912,188 | 97 % | 4,100,794 | 97 % |
| United Kingdom building services | 144,074 | 3 % | 124,176 | 3 % | 125,201 | 3 % |
| Total worldwide operations | $ 4,590,975 | 100 % | $ 4,036,364 | 100 % | $ 4,225,995 | 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 due to the inherent substantial economic penalty that would be incurred by our customers upon cancellation. 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, 2020 were $4.59 billion compared to $4.04 billion at December 31, 2019 and $4.23 billion at June 30, 2019. The increase in remaining performance obligations at June 30, 2020 compared to December 31, 2019 was attributable to an increase in remaining performance obligations within our United States mechanical construction and facilities services segment and our United Kingdom building services segment.

*Computer System Attack*

On February 15, 2020, we became aware on an infiltration and encryption of portions of our information technology network. This attack temporarily disrupted our use of the impacted systems. As part of our investigation into this incident, we engaged outside security experts, who did not identify any exfiltration of customer or employee data or any inappropriate access to our accounting or finance systems. The Company maintains insurance coverage for these types of incidents; such policies, however, may not completely provide coverage for, or completely offset the costs of, this infiltration.

## 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 and joint venture investments, (c) cash dividend payments, (d) interest and principal payments related to our outstanding indebtedness, and (e) payment of income taxes. We can expect to meet those requirements through our cash and cash equivalent balances, cash generated from our operations, and the borrowing capacity available under our revolving credit facility. However, negative macroeconomic trends, including the impact of COVID-19, 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. 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.

Long-term liquidity requirements can be expected to be met initially through cash generated from operating activities and 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.

Despite the economic uncertainty described above, we believe that our current cash and cash equivalents and the borrowing capacity available under our revolving credit facility or other forms of financing available to us through borrowings, combined with cash expected to be generated from our operations, will be sufficient to provide short-term and foreseeable long-term liquidity and meet our expected capital expenditure 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, | |
|---|---|---|
| | **2020** | **2019** |
| Net cash provided by (used in) operating activities | $ 276,743 | $ (42,198) |
| Net cash used in investing activities | $ (28,321) | $ (85,830) |
| Net cash used in financing activities | $ (121,301) | $ (22,243) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | $ (4,701) | $ (175) |

Our consolidated cash balance, including cash equivalents and restricted cash, increased by approximately $122.4 million from $359.9 million at December 31, 2019 to $482.3 million at June 30, 2020. Net cash provided by operating activities for the six months ended June 30, 2020 was $276.7 million compared to $42.2 million of cash used in operating activities for the six months ended June 30, 2019. The increase in cash provided by operating activities was primarily attributable to: (a) a decline in organic revenues during the period, which resulted in a net reduction in outstanding accounts receivables, (b) a reduction in federal, state, and local tax payments of approximately $54.8 million compared to the prior year, primarily due to extended deadlines for making estimated federal tax payments, and (c) a $32.7 million reduction in the payment of certain payroll taxes given the enactment of the Coronavirus Aid, Relief, and Economic Security Act, which provides that employers may defer payment of the employer's portion of Social Security taxes. Net cash used in investing activities for the six months ended June 30, 2020 decreased by approximately $57.5 million compared to the six months ended June 30, 2019 due to a decrease in payments for business acquisitions. Net cash used in financing activities for the six months ended June 30, 2020 was $121.3 million compared to net cash used in financing activities for the six months ended June 30, 2019 of $22.2 million. The increase in net cash used in financing activities was primarily due to a $99.0 million 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. 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, maintenance of certain financial ratios and certain limitations on payment of dividends, common stock repurchases, investments, acquisitions, indebtedness, and capital expenditures. We were in compliance with all such covenants as of June 30, 2020 with respect to the 2020 Credit Agreement and, as of December 31, 2019, with respect to the 2016 Credit Agreement. 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, 2020. 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 (0.18% at June 30, 2020) 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, 2020), (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, 2020 was 1.18%. 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. 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 and are included as part of interest expense. We are required to make annual installment payments on the 2020 Term Loan, with a principal payment of $7.5 million on December 31, 2020 and principal payments on December 31 of each subsequent year in the amount of $15.0 million. All unpaid principal and interest is due on March 2, 2025. As of June 30, 2020 and December 31, 2019, the balance of the 2020 Term Loan and the 2016 Term Loan was $300.0 million and $254.4 million, respectively. As of June 30, 2020, there were no direct borrowings outstanding under the 2020 Revolving Credit Facility, however, we had $79.0 million of letters of credit outstanding which reduce the available capacity under such facility. As of December 31, 2019, we had $50.0 million in direct borrowings outstanding and $109.0 million of letters of credit outstanding under the 2016 Revolving Credit Facility.

*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, 2020, we repurchased approximately 1.5 million shares of our common stock for approximately $99.0 million. Since the inception of the repurchase program through June 30, 2020, we have repurchased approximately 17.4 million shares of our common stock for approximately $890.5 million. As of June 30, 2020, there remained authorization for us to repurchase approximately $259.5 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 $0.08 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 $0.08 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. In addition, at the request of labor unions representing certain of our employees, Surety Bonds are sometimes provided to secure obligations for wages and benefits payable to or for such employees. As of June 30, 2020, 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 30% of our total remaining performance obligations. We are not aware of any losses in connection with Surety Bonds, which 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, if we were to experience a reduction in the availability of Surety Bonds, we could experience a material adverse effect on our financial position, results of operations and/or cash flows.

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

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

*Contractual Obligations*

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

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **More than 5 years** |
| Term loan (including interest at 1.18%) (1) | $ 315.2 | $ 11.1 | $ 36.6 | $ 267.5 | $ — |
| Finance leases | 9.5 | 4.1 | 4.3 | 1.0 | 0.1 |
| Operating leases | 292.9 | 61.6 | 92.4 | 59.7 | 79.2 |
| Open purchase obligations (2) | 1,345.6 | 1,110.0 | 203.5 | 32.1 | — |
| Other long-term obligations, including current portion (3) | 410.8 | 68.0 | 333.6 | 9.2 | — |
| Total Contractual Obligations | $ 2,374.0 | $ 1,254.8 | $ 670.4 | $ 369.5 | $ 79.3 |

| | | Amount of Commitment Expiration by Period | | | |
|---|---|---|---|---|---|
| **Other Commercial Commitments** | **Total Committed** | **Less than 1 year** | **1-3 years** | **3-5 years** | **More than 5 years** |
| Letters of credit | $ 79.0 | $ 79.0 | $ — | $ — | $ — |

(1) As of June 30, 2020, the amount outstanding under the 2020 Term Loan was $300.0 million. There were no direct borrowings outstanding under the 2020 Revolving Credit Facility.

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

(3) Primarily represents insurance related liabilities, and liabilities for deferred income taxes, incentive compensation and deferred compensation, classified as other long-term liabilities in the Consolidated Balance Sheets. Cash payments for insurance and deferred compensation related liabilities may be payable beyond three years; however, because it is not practical to estimate these payments, these liabilities are reflected in the 1-3 years payment period. We provide funding to our post retirement plans based on at least the minimum funding required by applicable regulations. In determining the minimum required funding, we utilize current actuarial assumptions and exchange rates to forecast amounts that may be payable for up to five years in the future. In our judgment, minimum funding estimates beyond a five year time horizon cannot be reliably estimated and, therefore, have not been included in the table.

*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, 2020 and December 31, 2019, we utilized approximately $78.9 million of letters of credit obtained under our 2020 Revolving Credit Facility and $108.9 million of letters of credit obtained under our 2016 Revolving Credit Facility, respectively, as collateral for our insurance obligations.

**New Accounting Pronouncements**

We review new accounting standards to determine the expected financial impact, if any, that the adoption of such standards will have. See 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 significant estimates and assumptions. Our significant accounting policies are described in Note 2 - Summary of Significant Accounting Policies of the notes to consolidated financial statements included in Item 8 of our annual report on Form 10-K for the year ended December 31, 2019. We believe that some of the more critical judgment areas in the application of accounting policies that affect our financial condition and results of operations are the impact of changes in the estimates and judgments pertaining to: (a) revenue recognition from contracts with customers; (b) collectibility or valuation of accounts receivable; (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 in accordance with Accounting Standards Codification Topic 606, “Revenue from Contracts with Customers” (“ASC 606”). In accordance with ASC 606, 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, 2020 and 2019, 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, 2020 and 2019.

The timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets include unbilled amounts from our long-term 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 long-term 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*

Accounts receivable are recognized in the period we deliver goods or provide services to our customers or when our right to consideration is unconditional. We evaluate the collectibility of specific accounts receivable 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. In addition, a considerable amount of judgment is required in assessing the likelihood of realization of receivables. Relevant factors 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.

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, 2020 and December 31, 2019, our accounts receivable of $1,936.4 million and $2,030.8 million, respectively, were recorded net of allowances for credit losses of $21.0 million and $14.5 million, respectively. Due to the economic disruption caused by COVID-19, our allowance for credit losses increased based on our evaluation of: (a) specific outstanding balances and (b) forecasts of future economic conditions and the expected impact on customer collections. 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 differ from our forecasts, we could experience an increase in our allowances for credit losses.

*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 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 $3.3 million at June 30, 2020 compared to December 31, 2019, 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 $17.3 million of additional expense for the six months ended June 30, 2020.

*Income Taxes*

Deferred income tax assets and liabilities are recognized for 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, 2020 and December 31, 2019, we had net deferred income tax liabilities of $51.5 million and $71.7 million, respectively, primarily resulting from differences between the carrying value and income tax basis of certain identifiable intangible assets, goodwill, and depreciable fixed assets. Included within these net deferred income tax liabilities are $182.8 million and $176.2 million of deferred income tax assets as of June 30, 2020 and December 31, 2019, respectively. The total valuation allowance on deferred income tax assets, primarily related to state net operating loss carryforwards, was approximately $3.5 million as of both June 30, 2020 and December 31, 2019. Based on our taxable income, which has generally exceeded the amount of our net deferred 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 tax assets.

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

As of June 30, 2020 and December 31, 2019, we had goodwill of $839.8 million and $1,063.9 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, 2020, approximately 17.0% of our goodwill related to our United States electrical construction and facilities services segment, approximately 35.7% related to our United States mechanical construction and facilities services segment, approximately 34.5% related to our United States building services segment, and approximately 12.8% 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, 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.

During the second quarter of 2020, our operations were negatively impacted by the COVID-19 pandemic. In addition, the demand for oil 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, such as 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, we revised our near-term revenue and operating margin expectations for our United States industrial services segment.

As a result of such developments, we concluded that a triggering event had occurred which indicated it was more likely than not that the fair value of our United States industrial services segment was less than its carrying amount. Accordingly, we performed a quantitative impairment test and determined that the carrying amount of our United States industrial services segment exceeded its fair value, which resulted in the recognition of a non-cash goodwill impairment charge during the quarter ended June 30, 2020 of $225.5 million.

We 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 of 12.0%. Such weighted average cost of capital was developed with the assistance of an independent third-party valuation specialist and reflects the overall level of inherent risk within the business and the rate of return a market participant would expect to earn. Cash flow projections were derived from internal forecasts of anticipated revenue growth rates and operating margins, updated for recent events, 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 utilized in the terminal value calculation was 2.0%.

We did not identify any indicators of impairment with respect to our remaining reporting units. As such, for these reporting units, no impairment test was required to be performed subsequent to the date of our latest annual impairment test (October 1, 2019). As of the date of such test, the fair values of our United States electrical construction and facilities services segment, our United States mechanical construction and facilities services segment, and our United States building services segment exceeded their carrying values by approximately $1,321.8 million, $2,011.5 million, and $922.3 million, respectively. The weighted average cost of capital utilized in the determination of fair value was 9.5% and 9.1% for our United States construction segments and our United States building services segment, respectively. The perpetual growth rate used for our annual testing was 2.7% for each of these segments.

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, as of the date of the most recent impairment test for each of our reporting units, keeping all other assumptions constant, a 50 basis point increase in the weighted average cost of capital would cause the estimated fair value 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 $108.8 million, $156.7 million, $98.0 million, and $22.9 million, respectively. In addition, as of the date of the most recent impairment test for each of our reporting units, 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 $61.4 million, $90.5 million, $55.7 million, and $9.0 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, the carrying value at June 30, 2020 equals its fair value and, therefore, any subsequent declines in fair value would result in a further impairment.

As of June 30, 2020 and December 31, 2019, 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 $576.5 million and $611.4 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.

In connection with the negative market conditions disclosed above, we also evaluated certain of our identifiable intangible assets and other long-lived assets for impairment. Such assets included those associated with the businesses in our United States industrial services segment and certain businesses within our United States electrical construction and facilities services segment whose results are also highly dependent on the strength of the oil and gas industry. As a result of these assessments, during the quarter ended June 30, 2020, we recorded non-cash impairment charges of $7.3 million. Of this amount, $4.8 million related to our United States industrial services segment and was comprised of: (a) a $4.2 million subsidiary trade name impairment and (b) a $0.6 million impairment on certain other long-lived assets. The remaining $2.5 million represented a subsidiary trade name impairment within our United States electrical construction and facilities services segment.

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 can change in future periods, especially in consideration of the uncertainty created by the COVID-19 pandemic and its continued impact on the broader economy and our results of operations. 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, 2020, 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, 2020, there were no direct borrowings outstanding under the 2020 Revolving Credit Facility; however, the balance of the 2020 Term Loan was $300.0 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 (0.18% at June 30, 2020) 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, 2020), (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, 2020 was 1.18%. 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 $300.0 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 $2.2 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 $2.2 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 collectibility of these assets. See also the previous discussions of Revenue Recognition from Contracts with Customers and Accounts Receivable under the heading, "Application of Critical Accounting Policies" in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Amounts invested in our foreign operations are translated into U.S. dollars at the exchange rates in effect at the end of the period. The resulting translation adjustments are recorded as accumulated other comprehensive (loss) income, a component of equity, in the 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 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 Exchanges 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, 2020 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, 2020:

| 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, 2020 to April 30, 2020 | — | — | — | $259,458,907 |
| May 1, 2020 to May 31, 2020 | — | — | — | $259,458,907 |
| June 1, 2020 to June 30, 2020 | — | — | — | $259,458,907 |
| Total | — | — | — | |

(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, 2020, there remained authorization for us to repurchase approximately $259.5 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 851 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 6. EXHIBITS.

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

## 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: August 3, 2020

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 INDEX

| Exhibit No. | Description | Incorporated By Reference to or Filed Herewith, as Indicated Below |
|---|---|---|
| 2(a) | Purchase and Sale Agreement, dated as of June 17, 2013 by and among Texas Turnaround LLC, a Delaware limited liability company, Altair Strickland Group, Inc., a Texas corporation, Rep Holdings LLC, a Texas limited liability company, ASG Key Employee LLC, a Texas limited liability company, Repcon Key Employee LLC, a Texas limited liability company, Gulfstar MBII, Ltd., a Texas limited partnership, The Trustee of the James T. Robinson and Diana J. Robinson 2010 Irrevocable Trust, The Trustee of the Steven Rothbauer 2012 Descendant's Trust, The Co-Trustees of the Patia Strickland 2012 Descendant's Trust, The Co-Trustees of the Carter Strickland 2012 Descendant's Trust, and The Co-Trustees of the Walton 2012 Grandchildren's Trust (collectively, "Sellers") and EMCOR Group, Inc. | Exhibit 2.1 to EMCOR's Report on Form 8-K (Date of Report June 17, 2013) |
| 3(a-1) | Restated Certificate of Incorporation of EMCOR filed December 15, 1994 | Exhibit 3(a-5) to EMCOR's Registration Statement on Form 10 as originally filed March 17, 1995 ("Form 10") |
| 3(a-2) | Amendment dated November 28, 1995 to the Restated Certificate of Incorporation of EMCOR | Exhibit 3(a-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 1995 ("1995 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") |
| 4(a) | Sixth Amended and Restated Credit Agreement dated as of March 2, 2020 by and among EMCOR and a subsidiary and Bank of Montreal, as Agent and the lenders listed on the signature pages thereof | Exhibit 4(a) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 ("March 2020 Form 10-Q") |
| 4(b) | Sixth Amended and Restated Security Agreement dated as of March 2, 2020 among EMCOR, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent | Exhibit 4(b) to the March 2020 Form 10-Q |
| 4(c) | Sixth Amended and Restated Pledge Agreement dated as of March 2, 2020 among EMCOR, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent | Exhibit 4(c) to the March 2020 Form 10-Q |
| 4(d) | Fifth Amended and Restated Guaranty Agreement dated as of March 2, 2020 by certain of EMCOR's U.S. subsidiaries in favor of Bank of Montreal, as Agent | Exhibit 4(d) to the March 2020 Form 10-Q |

# EXHIBIT INDEX

| Exhibit No. | Description | Incorporated By Reference to or Filed Herewith, as Indicated Below |
|---|---|---|
| 10(a) | Form of Severance Agreement ("Severance Agreement") between EMCOR and each of R. Kevin Matz and Mark A. Pompa | Exhibit 10.1 to the April 2005 Form 8-K |
| 10(b) | Form of Amendment to Severance Agreement between EMCOR and each of R. Kevin Matz and Mark A. Pompa | Exhibit 10(c) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 ("March 2007 Form 10-Q") |
| 10(c) | Letter Agreement dated October 12, 2004 between Anthony Guzzi and EMCOR (the "Guzzi Letter Agreement") | Exhibit 10.1 to EMCOR's Report on Form 8-K (Date of Report October 12, 2004) |
| 10(d) | Form of Confidentiality Agreement between Anthony Guzzi and EMCOR | Exhibit C to the Guzzi Letter Agreement |
| 10(e) | Form of Indemnification Agreement between EMCOR and each of its officers and directors | Exhibit F to the Guzzi Letter Agreement |
| 10(f-1) | Severance Agreement ("Guzzi Severance Agreement") dated October 25, 2004 between Anthony Guzzi and EMCOR | Exhibit D to the Guzzi Letter Agreement |
| 10(f-2) | Amendment to Guzzi Severance Agreement | Exhibit 10(g-2) to the March 2007 Form 10-Q |
| 10(g-1) | Continuity Agreement dated as of June 22, 1998 between R. Kevin Matz and EMCOR ("Matz Continuity Agreement") | Exhibit 10(f) to the June 1998 Form 10-Q |
| 10(g-2) | Amendment dated as of May 4, 1999 to Matz Continuity Agreement | Exhibit 10(m) to the June 1999 Form 10-Q |
| 10(g-3) | Amendment dated as of January 1, 2002 to Matz Continuity Agreement | Exhibit 10(o-3) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 ("March 2002 Form 10-Q") |
| 10(g-4) | Amendment dated as of March 1, 2007 to Matz Continuity Agreement | Exhibit 10(n-4) to the March 2007 Form 10-Q |
| 10(h-1) | Continuity Agreement dated as of June 22, 1998 between Mark A. Pompa and EMCOR ("Pompa Continuity Agreement") | Exhibit 10(g) to the June 1998 Form 10-Q |
| 10(h-2) | Amendment dated as of May 4, 1999 to Pompa Continuity Agreement | Exhibit 10(n) to the June 1999 Form 10-Q |
| 10(h-3) | Amendment dated as of January 1, 2002 to Pompa Continuity Agreement | Exhibit 10(p-3) to the March 2002 Form 10-Q |
| 10(h-4) | Amendment dated as of March 1, 2007 to Pompa Continuity Agreement | Exhibit 10(o-4) to the March 2007 Form 10-Q |
| 10(i-1) | Change of Control Agreement dated as of October 25, 2004 between Anthony Guzzi ("Guzzi") and EMCOR ("Guzzi Continuity Agreement") | Exhibit E to the Guzzi Letter Agreement |
| 10(i-2) | Amendment dated as of March 1, 2007 to Guzzi Continuity Agreement | Exhibit 10(p-2) to the March 2007 Form 10-Q |
| 10(i-3) | Amendment to Continuity Agreements and Severance Agreements with Anthony J. Guzzi, R. Kevin Matz and Mark A. Pompa | Exhibit 10(q) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2008 ("2008 Form 10-K") |

# EXHIBIT INDEX

| Exhibit No. | Description | Incorporated By Reference to or Filed Herewith, as Indicated Below |
|---|---|---|
| 10(j) | Amendment dated as of March 29, 2010 to Severance Agreement with Anthony J. Guzzi, R. Kevin Matz and Mark A. Pompa | Exhibit 10.1 to Form 8-K (Date of Report March 29, 2010) ("March 2010 Form 8-K") |
| 10(k-1) | Severance Agreement dated as of October 26, 2016 between EMCOR and Maxine L. Mauricio | Exhibit 10(l-1) to the September 2016 Form 10-Q |
| 10(k-2) | Continuity Agreement dated as of October 26, 2016 between EMCOR and Maxine L. Mauricio ("Mauricio Continuity Agreement") | Exhibit 10(l-2) to the September 2016 Form 10-Q |
| 10(k-3) | Amendment dated April 10, 2017 to Mauricio Continuity Agreement | Exhibit 10(l-3) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 |
| 10(l-1) | EMCOR Group, Inc. Long-Term Incentive Plan ("LTIP") | Exhibit 10 to Form 8-K (Date of Report December 15, 2005) |
| 10(l-2) | First Amendment to LTIP and updated Schedule A to LTIP | Exhibit 10(s-2) to 2008 Form 10-K |
| 10(l-3) | Second Amendment to LTIP | Exhibit 10.2 to March 2010 Form 8-K |
| 10(l-4) | Third Amendment to LTIP | Exhibit 10(q-4) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 ("March 2012 Form 10-Q") |
| 10(l-5) | Fourth Amendment to LTIP | Exhibit 10(l-5) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 |
| 10(l-6) | Form of Certificate Representing Stock Units issued under LTIP | Exhibit 10(t-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2007 ("2007 Form 10-K") |
| 10(l-7) | Fifth Amendment to LTIP | Exhibit 10(l-7) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2015 ("2015 Form 10-K") |
| 10(l-8) | Sixth Amendment to LTIP | Exhibit 10(l-8) to 2015 Form 10-K |
| 10(m) | Key Executive Incentive Bonus Plan, as amended and restated | Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held June 13, 2013 |
| 10(n) | Amended and Restated 2010 Incentive Plan | Exhibit 10.1 to Form 8-K (Date of Report June 11, 2020) |
| 10(o) | EMCOR Group, Inc. Employee Stock Purchase Plan | Exhibit C to EMCOR's Proxy Statement for its Annual Meeting held June 18, 2008 |
| 10(p) | Director Award Program Adopted May 13, 2011, as amended and restated December 14, 2011 | Exhibit 10(n)(n) to 2011 Form 10-K |
| 10(q) | Form of Non-LTIP Stock Unit Certificate | Exhibit 10(p)(p) to the March 31, 2012 Form 10-Q |
| 10(r) | Form of Director Restricted Stock Unit Agreement | Exhibit 10(k)(k) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 ("June 2012 Form 10-Q") |
| 10(s) | Director Award Program, as Amended and Restated December 16, 2014 | Exhibit 10(z) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2014 |
| 10(t) | EMCOR Group, Inc. Voluntary Deferral Plan | Exhibit 10(e)(e) to 2012 Form 10-K |
| 10(u) | First Amendment to EMCOR Group, Inc. Voluntary Deferral Plan | Exhibit 10(e)(e) to 2013 Form 10-K |
| 10(v) | Form of Executive Restricted Stock Unit Agreement | Exhibit 10(f)(f) to 2012 Form 10-K |

# EXHIBIT INDEX

| Exhibit No. | Description | Incorporated By Reference to or Filed Herewith, as Indicated Below |
|---|---|---|
| 10(w) | Executive Compensation Recoupment Policy | Exhibit 10(h)(h) to 2015 Form 10-K |
| 10(x) | Restricted Stock Unit Award Agreement dated June 30, 2017 between EMCOR and Mark A. Pompa | Exhibit 10(f)(f) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 |
| 11 | Computation of Basic EPS and Diluted EPS for the three and six months ended June 30, 2020 and 2019 | Note 5 of the Notes to the Consolidated Financial Statements |
| 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 | Information concerning mine safety violations or other regulatory matters | Exhibit 95 to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2019 |
| 101 | The following materials from EMCOR Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, 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, (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 |

**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: August 3, 2020

/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: August 3, 2020

/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, 2020 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: August 3, 2020 | /s/ ANTHONY J. GUZZI |
| | Anthony J. Guzzi<br>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, 2020 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: August 3, 2020

/s/ MARK A. POMPA

Mark A. Pompa
Executive Vice President and Chief Financial Officer