EMCOR GROUP INC
Form 10-Q
October 29, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015
OR

o 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)
N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No x

Applicable Only To Corporate Issuers

Number of shares of Common Stock outstanding as of the close of business on October 26, 2015: 62,723,966 shares.

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PART I. – FINANCIAL INFORMATION.
ITEM 1. FINANCIAL STATEMENTS.
EMCOR Group, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$445,400	$ 432,056
Accounts receivable, net	1,333,823	1,234,187
Costs and estimated earnings in excess of billings on uncompleted contracts	128,828	103,201
Inventories	47,843	46,854
Prepaid expenses and other	59,252	70,305
Total current assets	2,015,146	1,886,603
Investments, notes and other long-term receivables	7,146	9,122
Property, plant and equipment, net	117,039	122,178
Goodwill	834,660	834,102
Identifiable intangible assets, net	474,240	502,060
Other assets	35,198	34,902
Total assets	$3,483,429	$ 3,388,967
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings under revolving credit facility	$—	$ —
Current maturities of long-term debt and capital lease obligations	18,712	19,041
Accounts payable	423,260	460,478
Billings in excess of costs and estimated earnings on uncompleted contracts	389,727	368,555
Accrued payroll and benefits	264,788	245,854
Other accrued expenses and liabilities	212,743	189,489
Total current liabilities	1,309,230	1,283,417
Long-term debt and capital lease obligations	303,040	316,399
Other long-term obligations	356,990	359,764
Total liabilities	1,969,260	1,959,580
Equity:		
EMCOR Group, Inc. stockholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, zero issued and outstanding	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized, 63,469,018 and 63,641,070 shares issued, respectively	635	636
Capital surplus	214,631	227,885
Accumulated other comprehensive loss	(81,629)	(83,197)
Retained earnings	1,386,977	1,280,991
Treasury stock, at cost 659,841 and 659,841 shares, respectively	(10,302)	(10,302)
Total EMCOR Group, Inc. stockholders’ equity	1,510,312	1,416,013
Noncontrolling interests	3,857	13,374
Total equity	1,514,169	1,429,387
Total liabilities and equity	$3,483,429	$ 3,388,967

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues	$1,699,128	$1,566,711	$4,940,900	$4,710,169
Cost of sales	1,463,726	1,344,482	4,249,042	4,051,496
Gross profit	235,402	222,229	691,858	658,673
Selling, general and administrative expenses	165,135	159,983	488,117	454,243
Restructuring expenses	301	398	742	799
Gain on sale of building	—	11,749	—	11,749
Operating income	69,966	73,597	202,999	215,380
Interest expense	(2,226)	(2,397)	(6,650)	(6,887)
Interest income	157	186	515	641
Income from continuing operations before income taxes	67,897	71,386	196,864	209,134
Income tax provision	25,720	23,998	74,672	75,428
Income from continuing operations	42,177	47,388	122,192	133,706
Loss from discontinued operation, net of income taxes	(270)	(611)	(739)	(4,087)
Net income including noncontrolling interests	41,907	46,777	121,453	129,619
Less: Net income attributable to noncontrolling interests	(385)	(1,753)	(233)	(3,421)
Net income attributable to EMCOR Group, Inc.	$41,522	$45,024	$121,220	$126,198
Basic earnings (loss) per common share:				
From continuing operations attributable to EMCOR Group, Inc. common stockholders	$0.66	$0.68	$1.94	$1.94
From discontinued operation	(0.00)	(0.01)	(0.01)	(0.06)
Net income attributable to EMCOR Group, Inc. common stockholders	$0.66	$0.67	$1.93	$1.88
Diluted earnings (loss) per common share:				
From continuing operations attributable to EMCOR Group, Inc. common stockholders	$0.66	$0.68	$1.92	$1.92
From discontinued operation	(0.00)	(0.01)	(0.01)	(0.06)
Net income attributable to EMCOR Group, Inc. common stockholders	$0.66	$0.67	$1.91	$1.86
Dividends declared per common share	$0.08	$0.08	$0.24	$0.24

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income including noncontrolling interests	$41,907	$46,777	$121,453	$129,619
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	110	(312)	(78)	(246)
Post retirement plans, amortization of actuarial loss included in net income [1]	554	449	1,646	1,345
Other comprehensive income	664	137	1,568	1,099
Comprehensive income	42,571	46,914	123,021	130,718
Less: Comprehensive income attributable to noncontrolling interests	(385)	(1,753)	(233)	(3,421)
Comprehensive income attributable to EMCOR Group, Inc.	$42,186	$45,161	$122,788	$127,297

(1) Net of tax of $0.2 million and $0.1 million for the three months ended September 30, 2015 and 2014, respectively, and net of tax of $0.5 million and $0.4 million for the nine months ended September 30, 2015 and 2014, respectively.

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)(Unaudited)

	Nine months ended September 30,	
	2015	2014
Cash flows - operating activities:		
Net income including noncontrolling interests	$121,453	$129,619
Depreciation and amortization	26,806	27,211
Amortization of identifiable intangible assets	28,391	28,497
Deferred income taxes	(3,598)	4,434
Loss on sale of subsidiary	—	608
Gain on sale of building	—	(11,749)
Excess tax benefits from share-based compensation	(1,306)	(5,886)
Equity income from unconsolidated entities	(1,634)	(1,349)
Other non-cash items	9,701	8,005
Distributions from unconsolidated entities	3,316	1,640
Changes in operating assets and liabilities, excluding the effect of businesses acquired	(87,548)	(72,036)
Net cash provided by operating activities	95,581	108,994
Cash flows - investing activities:		
Payments for acquisitions of businesses, net of cash acquired	(2,357)	—
Proceeds from sale of subsidiary	—	1,108
Proceeds from sale of building	—	11,885
Proceeds from sale of property, plant and equipment	2,921	3,138
Purchase of property, plant and equipment	(22,862)	(27,574)
Investments in and advances to unconsolidated entities and joint ventures	—	(1,865)
Net cash used in investing activities	(22,298)	(13,308)
Cash flows - financing activities:		
Repayments of long-term debt	(13,136)	(13,074)
Repayments of capital lease obligations	(2,190)	(1,272)
Dividends paid to stockholders	(15,078)	(16,109)
Repurchase of common stock	(21,148)	(76,395)
Proceeds from exercise of stock options	2,378	5,044
Payments to satisfy minimum tax withholding	(3,866)	(1,481)
Issuance of common stock under employee stock purchase plan	3,147	2,677
Payments for contingent consideration arrangements	(403)	—
Distributions to noncontrolling interests	(9,750)	(2,750)
Excess tax benefits from share-based compensation	1,306	5,886
Net cash used in financing activities	(58,740)	(97,474)
Effect of exchange rate changes on cash and cash equivalents	(1,199)	(579)
Increase (decrease) in cash and cash equivalents	13,344	(2,367)
Cash and cash equivalents at beginning of year	432,056	439,813
Cash and cash equivalents at end of period	$445,400	$437,446
Supplemental cash flow information:		
Cash paid for:		
Interest	$5,539	$5,606
Income taxes	$72,277	$60,276
Non-cash financing activities:		
Assets acquired under capital lease obligations	$1,686	$93

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)(Unaudited)

		EMCOR Group, Inc. Stockholders					
	Total	Common stock	Capital surplus	Accumulated other comprehensive (loss) income (1)	Retained earnings	Treasury stock	Noncontrolling interests
Balance, December 31, 2013	$1,479,626	$676	$408,083	$ (65,777)	$1,133,873	$(10,590)	$ 13,361
Net income including noncontrolling interests	129,619	—	—	—	126,198	—	3,421
Other comprehensive income	1,099	—	—	1,099	—	—	—
Common stock issued under share-based compensation plans (2)	11,286	6	10,992	—	—	288	—
Tax withholding for common stock issued under share-based compensation plans	(1,481)	—	(1,481)	—	—	—	—
Common stock issued under employee stock purchase plan	2,677	—	2,677	—	—	—	—
Common stock dividends	(16,109)	—	200	—	(16,309)	—	—
Repurchase of common stock	(84,565)	(20)	(84,545)	—	—	—	—
Distributions to noncontrolling interests	(2,750)	—	—	—	—	—	(2,750)
Share-based compensation expense	6,321	—	6,321	—	—	—	—
Balance, September 30, 2014	$1,525,723	$662	$342,247	$ (64,678)	$1,243,762	$(10,302)	$ 14,032
Balance, December 31, 2014	$1,429,387	$636	$227,885	$ (83,197)	$1,280,991	$(10,302)	$ 13,374
Net income including noncontrolling interests	121,453	—	—	—	121,220	—	233
Other comprehensive income	1,568	—	—	1,568	—	—	—
Common stock issued under share-based compensation plans (2)	3,619	4	3,615	—	—	—	—
Tax withholding for common stock issued under share-based compensation plans	(3,866)	—	(3,866)	—	—	—	—
Common stock issued under employee stock	3,147	—	3,147	—	—	—	—

purchase plan							
Common stock dividends	(15,078)	—	156	—	(15,234)	—	—
Repurchase of common stock	(22,972)	(5)	(22,967)	—	—	—	—
Distributions to noncontrolling interests	(9,750)	—	—	—	—	—	(9,750)
Share-based compensation expense	6,661	—	6,661	—	—	—	—
Balance, September 30, 2015	$1,514,169	$635	$214,631	$ (81,629)	$1,386,977	$(10,302)	$ 3,857

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

(2) Includes the tax benefit associated with share-based compensation of $1.2 million and $6.2 million for the nine months ended September 30, 2015 and 2014, respectively.

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
NOTE 1 Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Consequently, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. References to the “Company,” “EMCOR,” “we,” “us,” “our” and similar words refer to EMCOR Group, Inc. and its consolidated subsidiaries unless the context indicates otherwise. Readers of this report should refer to the consolidated financial statements and the notes thereto included in our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission.
In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of a normal recurring nature) necessary to present fairly our financial position and the results of our operations. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015.
NOTE 2 New Accounting Pronouncements
In September 2015, an accounting pronouncement was issued by the Financial Accounting Standards Board ("FASB") which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. This pronouncement is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. We intend to adopt this pronouncement on January 1, 2016, and the adoption will not have a material impact on our financial position and/or results of operations.
In April 2015, an accounting pronouncement was issued by the FASB to update the guidance related to the presentation of debt issuance costs. This guidance requires debt issuance costs, related to a recognized debt liability, be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability rather than being presented as an asset. This pronouncement is effective retrospectively for fiscal years beginning after December 15, 2015, with early adoption permitted. We intend to adopt this pronouncement on January 1, 2016, and the adoption will not have a material impact on our financial position and/or results of operations.
On January 1, 2015, we adopted the accounting pronouncement issued by the FASB updating existing guidance on discontinued operations. This guidance raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This pronouncement is aimed at reducing the frequency of disposals reported as discontinued operations by focusing on strategic shifts that have or will have a major effect on an entity’s operations and financial results. We will consider this guidance in conjunction with future disposals, if any.
In May 2014, an accounting pronouncement was issued by the FASB to clarify existing guidance on revenue recognition. This guidance includes the required steps to achieve the core principle that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This pronouncement is effective for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted. The guidance permits the use of one of two retrospective transition methods. We have not yet selected a transition method nor have we determined the effect that the adoption of the pronouncement may have on our financial position and/or results of operations.
NOTE 3 Acquisitions of Businesses
On June 1, 2015, we acquired a company for an immaterial amount. This company primarily provides mechanical construction services and has been included in our United States mechanical construction and facilities services segment. The purchase price for this acquisition is subject to finalization based on certain contingencies provided for in the purchase agreement. The acquisition of this business was accounted for by the acquisition method, and the price paid for the acquired business has been allocated to its assets and liabilities, based upon the estimated fair value of its assets and liabilities at the date of the acquisition.

During the three months ended September 30, 2015 and 2014, respectively, there were no reversals of liabilities recorded resulting in non-cash income attributable to contingent consideration arrangements relating to prior acquisitions. During each of the nine months ended September 30, 2015 and 2014, we recorded a net reversal of $0.2 million of liabilities resulting in non-cash income attributable to contingent consideration arrangements relating to prior acquisitions.

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EMCOR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 4 Disposition of Assets

In January 2014, we sold a subsidiary reported in our United States building services segment. Proceeds from the sale totaled approximately $1.1 million. Included in net income for the nine months ended September 30, 2014 was a loss of $0.6 million from this sale, which is classified as a component of "Selling, general and administrative expenses" in the Condensed Consolidated Statements of Operations.

On July 22, 2014, we sold a building and land owned by one of our subsidiaries reported in the United States mechanical construction and facilities services segment. We recognized a gain of approximately $11.7 million for this transaction in the third quarter of 2014, which has been classified as a "Gain on sale of building" in the Condensed Consolidated Statements of Operations.

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Revenues	$149	$3,166	$509	$17,149
Loss from discontinued operation, net of income taxes	$(270)	$(611)	$(739)	$(4,087)
Diluted loss per share from discontinued operation	$(0.00)	$(0.01)	$(0.01)	$(0.06)

Included in the Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014 are the following major classes of assets and liabilities associated with the discontinued operation (in thousands):

	September 30, 2015	December 31, 2014
Assets of discontinued operation:		
Current assets	$3,548	$6,265
Non-current assets	$78	$278
Liabilities of discontinued operation:		
Current liabilities	$6,688	$10,743
Non-current liabilities	$31	$94

At September 30, 2015, the assets and liabilities of the discontinued operation consisted of accounts receivable, contract retentions and contract warranty obligations that are expected to be collected or fulfilled in the ordinary course of business. Additionally at September 30, 2015, there remained $0.9 million of obligations related to employee severance and the termination of leased facilities, the majority of which is expected to be paid in 2015. The settlement of the remaining assets and liabilities may result in additional income and/or expenses. Such income and/or expenses are expected to be immaterial and will be reflected as an additional component of “Loss from discontinued operation” as incurred.

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EMCOR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 5 Earnings Per Share
Calculation of Basic and Diluted Earnings (Loss) per Common Share
The following tables summarize our calculation of Basic and Diluted Earnings (Loss) per Common Share ("EPS") for the three and nine months ended September 30, 2015 and 2014 (in thousands, except share and per share data):

	For the three months ended September 30,	
	2015	2014
Numerator:		
Income from continuing operations attributable to EMCOR Group, Inc. common stockholders	$41,792	$45,635
Loss from discontinued operation, net of income taxes	(270)	(611)
Net income attributable to EMCOR Group, Inc. common stockholders	$41,522	$45,024
Denominator:		
Weighted average shares outstanding used to compute basic earnings (loss) per common share	62,901,923	66,714,641
Effect of dilutive securities—Share-based awards	490,560	702,906
Shares used to compute diluted earnings (loss) per common share	63,392,483	67,417,547
Basic earnings (loss) per common share:		
From continuing operations attributable to EMCOR Group, Inc. common stockholders	$0.66	$0.68
From discontinued operation	$(0.00)	$(0.01)
Net income attributable to EMCOR Group, Inc. common stockholders	$0.66	$0.67
Diluted earnings (loss) per common share:		
From continuing operations attributable to EMCOR Group, Inc. common stockholders	$0.66	$0.68
From discontinued operation	$(0.00)	$(0.01)
Net income attributable to EMCOR Group, Inc. common stockholders	$0.66	$0.67

	For the nine months ended September 30,	
	2015	2014
Numerator:		
Income from continuing operations attributable to EMCOR Group, Inc. common stockholders	$121,959	$130,285
Loss from discontinued operation, net of income taxes	(739)	(4,087)
Net income attributable to EMCOR Group, Inc. common stockholders	$121,220	$126,198
Denominator:		
Weighted average shares outstanding used to compute basic earnings (loss) per common share	62,921,956	67,062,732
Effect of dilutive securities—Share-based awards	521,071	739,874
Shares used to compute diluted earnings (loss) per common share	63,443,027	67,802,606
Basic earnings (loss) per common share:		
From continuing operations attributable to EMCOR Group, Inc. common stockholders	$1.94	$1.94
From discontinued operation	$(0.01)	$(0.06)
Net income attributable to EMCOR Group, Inc. common stockholders	$1.93	$1.88
Diluted earnings (loss) per common share:		
From continuing operations attributable to EMCOR Group, Inc. common stockholders	$1.92	$1.92
From discontinued operation	$(0.01)	$(0.06)
Net income attributable to EMCOR Group, Inc. common stockholders	$1.91	$1.86

There were no anti-dilutive awards for the three and nine months ended September 30, 2015 and 2014, respectively.

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EMCOR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 6 Inventories
Inventories in the accompanying Condensed Consolidated Balance Sheets consisted of the following amounts (in thousands):

	September 30, 2015	December 31, 2014
Raw materials and construction materials	$23,152	$23,330
Work in process	24,691	23,524
	$47,843	$46,854

NOTE 7 Debt
Debt in the accompanying Condensed Consolidated Balance Sheets consisted of the following amounts (in thousands):

	September 30, 2015	December 31, 2014
Term Loan	$319,375	$332,500
Capitalized lease obligations	2,331	2,883
Other	46	57
	321,752	335,440
Less: current maturities	18,712	19,041
	$303,040	$316,399

Credit Facilities
Until November 25, 2013, we had a revolving credit agreement (the "2011 Credit Agreement"), as amended, which provided for a revolving credit facility of $750.0 million. The 2011 Credit Agreement was effective November 21, 2011. Effective November 25, 2013, we amended and restated the 2011 Credit Agreement to provide for a $750.0 million revolving credit facility (the “2013 Revolving Credit Facility”) and a $350.0 million term loan (the "Term Loan") (collectively referred to as the "2013 Credit Agreement") expiring November 25, 2018. The proceeds of the Term Loan were used to repay amounts drawn under the 2011 Credit Agreement. We may increase the 2013 Revolving Credit Facility to $1.05 billion if additional lenders are identified and/or existing lenders are willing to increase their current commitments. We may allocate up to $250.0 million of available capacity under the 2013 Revolving Credit Facility to letters of credit for our account or for the account of any of our subsidiaries. Obligations under the 2013 Credit Agreement are guaranteed by most of our direct and indirect subsidiaries and are secured by substantially all of our assets and most of the assets of most of our subsidiaries. The 2013 Revolving Credit Facility and the Term Loan contain 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 September 30, 2015 and December 31, 2014. A commitment fee is payable on the average daily unused amount of the 2013 Revolving Credit Facility, which ranges from 0.20% to 0.30%, based on certain financial tests. The fee is 0.20% of the unused amount as of September 30, 2015. Borrowings under the 2013 Credit Agreement bear interest at (1) a rate which is the prime commercial lending rate announced by Bank of Montreal from time to time (3.25% at September 30, 2015) plus 0.25% to 0.75%, based on certain financial tests or (2) United States dollar LIBOR (0.19% at September 30, 2015) plus 1.25% to 1.75%, based on certain financial tests. The interest rate in effect at September 30, 2015 was 1.44%. Fees for letters of credit issued under the 2013 Revolving Credit Facility range from 1.25% to 1.75% of the respective face amounts of outstanding letters of credit and are computed based on certain financial tests. We capitalized approximately $3.0 million of debt issuance costs associated with the 2013 Credit Agreement. This amount is being amortized over the life of the agreement and is included as part of interest expense. We are required to make principal

payments on the Term Loan in installments on the last day of March, June, September and December of each year, which commenced with the calendar quarter ended March 31, 2014, in the amount of $4.4 million, with a payment of all unpaid principal and interest due on November 25, 2018. As of September 30, 2015 and December 31, 2014, the balance of the Term Loan was $319.4 million and $332.5 million, respectively. As of September 30, 2015 and December 31, 2014, we had approximately $95.0 million and $95.5 million of letters of credit outstanding, respectively. There were no borrowings outstanding under the 2013 Revolving Credit Facility as of September 30, 2015 and December 31, 2014.

EMCOR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 8 Fair Value Measurements
We use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, which gives the highest priority to quoted prices in active markets, is comprised of the following three levels:
Level 1 – Unadjusted quoted market prices in active markets for identical assets and liabilities.
Level 2 – Observable inputs, other than Level 1 inputs. Level 2 inputs would typically include quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.
Level 3 – Prices or valuations that require inputs that are both significant to the measurement and unobservable.
The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of September 30, 2015 and December 31, 2014 (in thousands):

	Assets at Fair Value as of September 30, 2015			
Asset Category	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (1)	$445,400	$—	$—	$445,400
Restricted cash (2)	4,407	—	—	4,407
Deferred compensation plan assets (3)	6,698	—	—	6,698
Total	$456,505	$—	$—	$456,505

	Assets at Fair Value as of December 31, 2014			
Asset Category	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (1)	$432,056	$—	$—	$432,056
Restricted cash (2)	6,474	—	—	6,474
Deferred compensation plan assets (3)	3,139	—	—	3,139
Total	$441,669	$—	$—	$441,669

(1) Cash and cash equivalents include money market funds with original maturity dates of three months or less, which are Level 1 assets. At September 30, 2015 and December 31, 2014, we had $151.7 million and $156.7 million, respectively, in money market funds.
(2) Restricted cash is classified as “Prepaid expenses and other” in the Condensed Consolidated Balance Sheets.
(3) Deferred compensation plan assets are classified as "Other assets" in the Condensed Consolidated Balance Sheets.

We believe that the carrying values of our financial instruments, which include accounts receivable and other financing commitments, approximate their fair values due primarily to their short-term maturities and low risk of counterparty default. The carrying value of our debt associated with the 2013 Credit Agreement approximates its fair value due to the variable rate on such debt.

NOTE 9 Income Taxes
For the three months ended September 30, 2015 and 2014, our income tax provision from continuing operations was $25.7 million and $24.0 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 38.0% and 37.6%, respectively. The actual income tax rates on income from continuing operations, less amounts attributable to noncontrolling interests, for the three months ended September 30, 2015 and 2014, inclusive of discrete items, were 38.1% and 34.5%, respectively. For the nine months ended September 30, 2015 and 2014, our income tax provision from continuing operations was $74.7 million and $75.4 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 37.9% and 37.6%, respectively. The actual income tax rates on income from continuing operations, less amounts attributable to noncontrolling interests, for the nine months ended September 30, 2015 and 2014, inclusive of discrete items, were 38.0% and 36.6%, respectively. The decrease in the income tax provision for the nine months ended September 30, 2015 was primarily due to decreased income before income taxes. The increase

in the actual income tax rates on income from continuing operations was primarily due to changes in discrete items and the mix of earnings among various jurisdictions.
As of September 30, 2015 and December 31, 2014, the amount of unrecognized income tax benefits for each period was $5.2 million (of which $3.0 million, if recognized, would favorably affect our effective income tax rate).

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NOTE 9 Income Taxes - (Continued)

We report interest expense related to unrecognized income tax benefits in the income tax provision. As of September 30, 2015 and December 31, 2014, we had approximately $0.4 million and $0.3 million of accrued interest related to unrecognized income tax benefits included as a liability in the Condensed Consolidated Balance Sheets, respectively. For each of the three months ended September 30, 2015 and 2014, less than $0.1 million of interest expense was recognized. For the nine months ended September 30, 2015 and 2014, less than $0.1 million of interest expense and less than $0.1 million of interest income was recognized, respectively.

It is reasonably possible that approximately $4.1 million of unrecognized income tax benefits at September 30, 2015, primarily relating to uncertain tax positions attributable to tax return filing positions, will significantly decrease in the next twelve months as a result of estimated settlements with taxing authorities and the expiration of applicable statutes of limitations.

We file income tax returns with the Internal Revenue Service and various state, local and foreign tax agencies. The Company is currently under examination by various taxing authorities for the years 2008 through 2014. During the first quarter of 2014, the Internal Revenue Service finalized its audit of our federal income tax returns for the years 2010 through 2011. We agreed to and paid an assessment, for an immaterial amount, proposed by the Internal Revenue Service pursuant to such audit.

NOTE 10 Common Stock

As of September 30, 2015 and December 31, 2014, there were 62,809,177 and 62,981,229 shares of our common stock outstanding, respectively.

During the three months ended September 30, 2015 and 2014, 66,223 and 66,126 shares of common stock, respectively, were issued primarily upon: (a) the exercise of stock options, (b) the purchase of common stock pursuant to our employee stock purchase plan and (c) the satisfaction of required conditions under certain of our share-based compensation plans. During the nine months ended September 30, 2015 and 2014, 347,713 and 628,850 shares of common stock, respectively, were issued primarily upon: (a) the satisfaction of required conditions under certain of our share-based compensation plans, (b) the exercise of stock options and (c) the purchase of common stock pursuant to our employee stock purchase plan.

On September 26, 2011, our Board of Directors authorized us to repurchase up to $100.0 million of our outstanding common stock. On December 5, 2013 and October 23, 2014, our Board of Directors authorized us to repurchase up to an additional $100.0 million and $250.0 million of our outstanding common stock, respectively. During 2015, we repurchased approximately 0.5 million shares of our common stock for approximately $23.0 million. Since the inception of the repurchase programs through September 30, 2015, we have repurchased 8.1 million shares of our common stock for approximately $306.5 million. As of September 30, 2015, there remained authorization for us to repurchase approximately $143.5 million of our shares. On October 28, 2015, our Board of Directors authorized us to repurchase up to an additional $200.0 million of our outstanding common stock. The repurchase programs do not obligate the Company to acquire any particular amount of common stock and may be suspended, recommenced or discontinued at any time or from time to time without prior notice. Repurchases may be made from time to time to the extent permitted by securities laws and other legal requirements, including provisions in our credit agreement placing limitations on such repurchases. The repurchase programs have been and will be funded from our operations.

NOTE 11 Retirement Plans

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

Components of Net Periodic Pension Cost

The components of net periodic pension cost of the UK Plan for the three and nine months ended September 30, 2015 and 2014 were as follows (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Interest cost	$2,938	$3,510	$8,718	$10,573
Expected return on plan assets	(4,098)	(4,226)	(12,159)	(12,729)
Amortization of unrecognized loss	640	508	1,899	1,530
Net periodic pension cost	$(520)	$(208)	$(1,542)	$(626)

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Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 11 Retirement Plans - (Continued)

Employer Contributions
For the nine months ended September 30, 2015, our United Kingdom subsidiary contributed approximately $4.0 million to its UK Plan. It anticipates contributing an additional $1.6 million during the remainder of 2015.
NOTE 12 Commitments and Contingencies
Government Contracts
As a government contractor, we are subject to U.S. government audits and investigations relating to our operations, including claims for fines, penalties and compensatory and treble damages, and possible suspension or debarment from doing business with the government. Based on currently available information, we believe the outcome of ongoing government disputes and investigations will not have a material impact on our financial position, results of operations or liquidity.
Legal Matters
One of our subsidiaries was a subcontractor to a mechanical contractor (“Mechanical Contractor”) on a construction project where an explosion occurred. An investigation of the matter could not determine who was responsible for the explosion. As a result of the explosion, lawsuits have been commenced against various parties, but, to date, no lawsuits have been commenced against our subsidiary with respect to personal injury or damage to property as a consequence of the explosion. However, the Mechanical Contractor has asserted claims, in the context of an arbitration proceeding against our subsidiary, alleging that our subsidiary is responsible for a portion of the damages for which the Mechanical Contractor may be liable as a result of: (a) personal injury suffered by individuals as a result of the explosion and (b) the Mechanical Contractor’s legal fees and associated management costs in defending against any and all such claims. In the most recent filing with the Arbitrator, the Mechanical Contractor has stated claims against our subsidiary for alleged violations of the Connecticut and Massachusetts Unfair and Deceptive Trade Practices Acts in the ongoing arbitration proceeding. Further, the general contractor (as assignee of the Mechanical Contractor) on the construction project, and for whom the Mechanical Contractor worked, has alleged that our subsidiary is responsible for losses asserted by the owner of the project and/or the general contractor because of delays in completion of the project and for damages to the owner’s property. We believe, and have been advised by counsel, that we have a number of meritorious defenses to all such matters. We believe that the ultimate outcome of such matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity. Notwithstanding our assessment of the final impact of this matter, we are not able to estimate with any certainty the amount of loss, if any, which would be associated with an adverse resolution.
One of our subsidiaries, USM, Inc. (“USM”), doing business in California provides, among other things, janitorial services to its customers by having those services performed by independent janitorial companies. USM and one of its customers, which owns retail stores (the “Customer”), are co-defendants in a federal class action lawsuit brought by six employees of USM’s California janitorial subcontractors. The action was commenced on September 5, 2013 in a Superior Court of California and was removed by USM on November 22, 2013 to the United States District Court for the Northern District of California. The employees allege in their complaint, among other things, that USM and the Customer, during a period that began before our acquisition of USM, violated a California statute that prohibits USM from entering into a contract with a janitorial subcontractor when it knows or should know that the contract does not include funds sufficient to allow the janitorial contractor to comply with all local, state and federal laws or regulations governing the labor or services to be provided. The employees have asserted that the amounts USM pays to its janitorial subcontractors are insufficient to allow those janitorial subcontractors to meet their obligations regarding, among other things, wages due for all hours their employees worked, minimum wages, overtime pay and meal and rest breaks. These employees seek to represent not only themselves, but also all other individuals who provided janitorial services at the Customer’s stores in California during the relevant four year time period. We do not believe USM or the Customer has violated the California statute or that the employees may bring the action as a class action on behalf of other employees of janitorial companies with whom USM subcontracted for the provision of janitorial

services to the Customer. However, if the pending lawsuit is certified as a class action and USM is found to have violated the California statute, USM might have to pay significant damages and might be subject to similar lawsuits regarding the provision of janitorial services to its other customers in California. The plaintiffs seek a declaratory judgment that USM has violated the California statute, monetary damages, including all unpaid wages and thereon, restitution for unpaid wages, and an award of attorneys' fees and costs.
On February 17, 2015, USM and its Customer entered into a consent decree which, subject to final approval of the consent decree by the federal judge in the United States District Court for the Northern District of California following a determination by the Court of the consent decree's fairness, adequacy and reasonableness,will resolve the claims and defenses asserted in the class action. Under the terms of the consent decree, USM is to (a) pay an aggregate of $1.0 million (i) for monetary relief to the

NOTE 12 Commitments and Contingencies - (Continued)

members of the class, (ii) for awards to the class representative plaintiffs, (iii) for California Labor Code Private Attorney General Act payments to the State of California for an immaterial amount, and (iv) for all costs of notice and administration of the claims process, (b) pay to counsel for the class an aggregate of $1.3 million, of which $0.2 million is to be allocated for their reimbursable costs and litigation expenses and $1.1 million is to be allocated for attorneys' fees, and (c) establish procedures to monitor USM's California subcontractors providing janitorial services to its Customer designed principally to ensure janitorial employees of those subcontractors are paid no less than minimum wage. The settlement amount was accrued for as of December 31, 2014. During 2015, a payment of $1.0 million was made to a third party claims administrator who is holding the funds pending approval by the Court of the consent decree, and the remainder is expected to be paid before the end of 2015.

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

Restructuring expenses

Restructuring expenses were $0.3 million and $0.7 million for the three and nine months ended September 30, 2015. Restructuring expenses for the three months ended September 30, 2015 included $0.3 million of employee severance obligations. Restructuring expenses for the nine months ended September 30, 2015 included $0.8 million of employee severance obligations and the reversal of $0.1 million relating to the termination of leased facilities. Restructuring expenses were $0.4 million and $0.8 million for the three and nine months ended September 30, 2014, respectively. Restructuring expenses for the three months ended September 30, 2014 included $0.4 million of employee severance obligations. Restructuring expenses for the nine months ended September 30, 2014 included $0.6 million of employee severance obligations and $0.2 million relating to the termination of leased facilities. As of September 30, 2015, the balance of these restructuring obligations yet to be paid was $0.5 million, the majority of which is expected to be paid during 2015. No material expenses in connection with restructuring from continuing operations are expected to be incurred during the remainder of 2015.

The changes in restructuring activity by reportable segments during the nine months ended September 30, 2015 and September 30, 2014 were as follows (in thousands):

	United States electrical construction and facilities services segment	United States mechanical construction and facilities services segment	United States building services segment	Corporate administration	Total
Balance at December 31, 2013	$ 30	$ 164	$—	$—	$194
Charges	375	124	—	300	799
Payments	(405)	(114)	—	(300)	(819)
Balance at September 30, 2014	$ —	$ 174	$—	$—	$174
Balance at December 31, 2014	$ 255	$ 26	$—	$—	$281
Charges	(106)	6	842	—	742
Payments	(149)	(32)	(384)	—	(565)
Balance at September 30, 2015	$ —	$ —	$458	$—	$458

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NOTE 12 Commitments and Contingencies - (Continued)

A summary of restructuring expenses by reportable segments recognized for the nine months ended September 30, 2015 was as follows (in thousands):

	United States electrical construction and facilities services segment	United States mechanical construction and facilities services segment	United States building services segment	Corporate administration	Total
Severance	$ —	$ 6	$ 842	$—	$ 848
Leased facilities	(106)	—	—	—	(106)
Total charges	$ (106)	$ 6	$ 842	$—	$ 742

NOTE 13 Segment Information
We have the following reportable segments which provide services associated with the design, integration, installation, start-up, operation and maintenance of various systems: (a) United States electrical construction and facilities services (involving systems for electrical power transmission and distribution; premises electrical and lighting systems; low-voltage systems, such as fire alarm, security and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration and clean-room process ventilation; fire protection; plumbing, process and high-purity piping; controls and filtration; water and wastewater treatment; central plant heating and cooling; cranes and rigging; millwrighting; and steel fabrication, erection and welding); (c) United States building services; (d) United States industrial services; and (e) United Kingdom building services. The "United States building services" and "United Kingdom building services" segments principally consists 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 maintenance and services; floor care and janitorial services; landscaping, lot sweeping and snow removal; facilities management; vendor management; call center services; installation and support for building systems; program development, management and maintenance for energy systems; technical consulting and diagnostic services; infrastructure and building projects for federal, state and local governmental agencies and bodies; and small modification and retrofit projects, which services are not generally related to customers' construction programs. The segment "United States industrial services" principally consists of those operations which provide industrial maintenance and services, mainly for refineries and petrochemical plants, including on-site repairs, maintenance and service of heat exchangers, towers, vessels and piping; design, manufacturing, repair and hydro blast cleaning of shell and tube heat exchangers and related equipment; refinery turnaround planning and engineering services; specialty welding services; overhaul and maintenance of critical process units in refineries and petrochemical plants; and specialty technical services for refineries and petrochemical plants.

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EMCOR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 13 Segment Information - (Continued)

The following tables present information about industry segments and geographic areas for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	For the three months ended September 30, 2015	2014
Revenues from unrelated entities:		
United States electrical construction and facilities services	$344,389	$314,666
United States mechanical construction and facilities services	587,522	565,227
United States building services	428,270	427,564
United States industrial services	241,946	172,452
Total United States operations	1,602,127	1,479,909
United Kingdom building services	97,001	86,802
Total worldwide operations	$1,699,128	$1,566,711
Total revenues:		
United States electrical construction and facilities services	$348,327	$316,409
United States mechanical construction and facilities services	592,077	569,794
United States building services	442,674	438,864
United States industrial services	242,335	172,608
Less intersegment revenues	(23,286)	(17,766)
Total United States operations	1,602,127	1,479,909
United Kingdom building services	97,001	86,802
Total worldwide operations	$1,699,128	$1,566,711

	For the nine months ended September 30, 2015	2014
Revenues from unrelated entities:		
United States electrical construction and facilities services	$1,009,585	$958,295
United States mechanical construction and facilities services	1,652,551	1,616,794
United States building services	1,303,389	1,293,750
United States industrial services	699,839	581,642
Total United States operations	4,665,364	4,450,481
United Kingdom building services	275,536	259,688
Total worldwide operations	$4,940,900	$4,710,169
Total revenues:		
United States electrical construction and facilities services	$1,016,013	$971,361
United States mechanical construction and facilities services	1,663,259	1,632,511
United States building services	1,341,392	1,324,816
United States industrial services	701,226	582,426
Less intersegment revenues	(56,526)	(60,633)
Total United States operations	4,665,364	4,450,481
United Kingdom building services	275,536	259,688
Total worldwide operations	$4,940,900	$4,710,169

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EMCOR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 13 Segment Information - (Continued)

	For the three months ended September 30,	
	2015	2014
Operating income (loss):		
United States electrical construction and facilities services	$25,528	$20,666
United States mechanical construction and facilities services	26,926	30,206
United States building services	16,027	19,388
United States industrial services	14,340	7,385
Total United States operations	82,821	77,645
United Kingdom building services	3,358	3,082
Corporate administration	(15,912)	(18,481)
Restructuring expenses	(301)	(398)
Gain on sale of building	—	11,749
Total worldwide operations	69,966	73,597
Other corporate items:		
Interest expense	(2,226)	(2,397)
Interest income	157	186
Income from continuing operations before income taxes	$67,897	$71,386

	For the nine months ended September 30,	
	2015	2014
Operating income (loss):		
United States electrical construction and facilities services	$67,479	$67,162
United States mechanical construction and facilities services	80,191	78,052
United States building services	54,944	53,606
United States industrial services	44,588	43,155
Total United States operations	247,202	241,975
United Kingdom building services	8,570	12,647
Corporate administration	(52,031)	(50,192)
Restructuring expenses	(742)	(799)
Gain on sale of building	—	11,749
Total worldwide operations	202,999	215,380
Other corporate items:		
Interest expense	(6,650)	(6,887)
Interest income	515	641
Income from continuing operations before income taxes	$196,864	$209,134

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EMCOR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 13 Segment Information - (Continued)

	September 30, 2015	December 31, 2014
Total assets:		
United States electrical construction and facilities services	$352,358	$332,150
United States mechanical construction and facilities services	830,456	793,056
United States building services	742,343	737,082
United States industrial services	936,771	954,018
Total United States operations	2,861,928	2,816,306
United Kingdom building services	136,370	130,340
Corporate administration	485,131	442,321
Total worldwide operations	$3,483,429	$3,388,967

NOTE 14 Subsequent Event

In October 2015, we acquired a company for an immaterial amount. This company provides fire protection services primarily in the Midwestern United States and will be included in our United States mechanical construction and facilities services segment.

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

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

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

Overview

The following table presents selected financial data for the three months ended September 30, 2015 and 2014 (in thousands, except percentages and per share data):

	For the three months ended September 30,	
	2015	2014
Revenues	$1,699,128	$1,566,711
Revenues increase (decrease) from prior year	8.5 %	(2.4)%
Restructuring expenses	$301	$398
Gain on sale of building	$—	$11,749
Operating income	$69,966	$73,597
Operating income as a percentage of revenues	4.1 %	4.7 %
Net income attributable to EMCOR Group, Inc.	$41,522	$45,024
Diluted earnings per common share from continuing operations	$0.66	$0.68

The results of our operations for the 2015 third quarter set new Company records for a third quarter in terms of revenues and were attributable to increased revenues from all of our reportable segments. Overall operating income and operating margin (operating income as a percentage of revenues) decreased in the 2015 third quarter compared to the 2014 third quarter as the results of our operations in the 2014 third quarter included an $11.7 million gain on the sale of a building. Increases in both operating income and operating margin within our United States industrial services segment and our United States electrical construction and facilities services segment were partially offset by decreases in operating income and operating margin within our United States building services segment and our United States mechanical construction and facilities services segment.

We completed an acquisition during the first nine months of 2015 for an immaterial amount. The results of the acquired company, which primarily provides mechanical construction services, have been included in our United States mechanical construction and facilities services segment; the acquired company expands our service capabilities into new technical areas.

Operating Segments

We have the following reportable segments which provide services associated with the design, integration, installation, start-up, operation and maintenance of various systems: (a) United States electrical construction and facilities services (involving systems for electrical power transmission and distribution; premises electrical and lighting systems; low-voltage systems, such as fire alarm, security and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration and clean-room process ventilation; fire protection; plumbing, process and high-purity piping; controls and filtration; water and wastewater treatment; central plant heating and cooling; cranes and rigging; millwrighting; and steel fabrication, erection and welding); (c) United States building services; (d) United States industrial services; and (e) United Kingdom building services. The “United States building services” and "United Kingdom building services" segments principally consist of those operations which provide a portfolio of services needed to support the operation and maintenance of customers’ facilities, including commercial and government site-based operations and maintenance; facility maintenance and services, including reception, security and catering services; outage services to utilities and industrial plants; military base operations support services; mobile maintenance and services; floor care and janitorial services; landscaping, lot sweeping and snow removal; facilities management; vendor

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management; call center services; installation and support for building systems; program development, management and maintenance for energy systems; technical consulting and diagnostic services; infrastructure and building projects for federal, state and local governmental agencies and bodies; and small modification and retrofit projects, which services are not generally related to customers' construction programs. The segment "United States industrial services" principally consists of those operations which provide industrial maintenance and services, mainly for refineries and petrochemical plants, including on-site repairs, maintenance and service of heat exchangers, towers, vessels and piping; design, manufacturing, repair and hydro blast cleaning of shell and tube heat exchangers and related equipment; refinery turnaround planning and engineering services; specialty welding services; overhaul and maintenance of critical process units in refineries and petrochemical plants; and specialty technical services for refineries and petrochemical plants.

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 September 30,					
	2015	% of Total		2014	% of Total	
Revenues:						
United States electrical construction and facilities services	$344,389	20	%	$314,666	20	%
United States mechanical construction and facilities services	587,522	35	%	565,227	36	%
United States building services	428,270	25	%	427,564	27	%
United States industrial services	241,946	14	%	172,452	11	%
Total United States operations	1,602,127	94	%	1,479,909	94	%
United Kingdom building services	97,001	6	%	86,802	6	%
Total worldwide operations	$1,699,128	100	%	$1,566,711	100	%

	For the nine months ended September 30,					
	2015	% of Total		2014	% of Total	
Revenues:						
United States electrical construction and facilities services	$1,009,585	20	%	$958,295	20	%
United States mechanical construction and facilities services	1,652,551	33	%	1,616,794	34	%
United States building services	1,303,389	26	%	1,293,750	27	%
United States industrial services	699,839	14	%	581,642	12	%
Total United States operations	4,665,364	94	%	4,450,481	94	%
United Kingdom building services	275,536	6	%	259,688	6	%
Total worldwide operations	$4,940,900	100	%	$4,710,169	100	%

As described below in more detail, our revenues for the three months ended September 30, 2015 increased to $1.70 billion compared to $1.57 billion for the three months ended September 30, 2014, and our revenues for the nine months ended September 30, 2015 increased to $4.94 billion compared to $4.71 billion for the nine months ended September 30, 2014. The increase in revenues for both periods was primarily attributable to: (a) increased demand for our industrial field services within our United States industrial services segment, (b) increased revenues from both of our domestic construction segments and (c) increased revenues from our mobile mechanical services operations within our United States building services segment. Revenues increased for the nine months ended September 30, 2015 within our United States industrial services segment despite a nationwide strike by union employees of certain major oil refineries that negatively impacted the first half of 2015.

Revenues of our United States electrical construction and facilities services segment were $344.4 million and $1,009.6 million for the three and nine months ended September 30, 2015, respectively, compared to revenues of $314.7 million and $958.3 million for the three and nine months ended September 30, 2014, respectively. The increase in revenues for both periods was primarily attributable to an increase in revenues from commercial, manufacturing and healthcare construction projects, partially offset by a decrease in revenues from institutional construction projects. In addition, the increase in revenues of this segment for the nine months ended September 30, 2015 was attributable to an increase in revenues from transportation projects, mainly within the New York City and Los Angeles markets.

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Our United States mechanical construction and facilities services segment revenues for the three months ended September 30, 2015 were $587.5 million, a $22.3 million increase compared to revenues of $565.2 million for the three months ended September 30, 2014. Revenues of this segment for the nine months ended September 30, 2015 were $1,652.6 million, a $35.8 million increase compared to revenues of $1,616.8 million for the nine months ended September 30, 2014. The increase in revenues for the three months ended September 30, 2015 was primarily attributable to an increase in revenues from manufacturing and commercial construction projects, partially offset by a decline in revenues from water and wastewater and healthcare construction projects. The increase in revenues for the nine months ended September 30, 2015 was primarily attributable to an increase in revenues from commercial and institutional construction projects, partially offset by a decline in revenues from manufacturing and water and wastewater construction projects.The results for the three and nine months ended September 30, 2015 included $1.7 million and $1.9 million, respectively, of revenues generated by the company acquired in 2015.

Revenues of our United States building services segment for the three months ended September 30, 2015 increased by $0.7 million compared to the three months ended September 30, 2014, and revenues for the nine months ended September 30, 2015 increased by $9.6 million compared to the nine months ended September 30, 2014. The increase in revenues for both periods was primarily attributable to increased revenues from: (a) our mobile mechanical services operations, in part due to significant activity in the northern California and New England regions and greater repair service activities, and (b) our energy services operations. These increases for both periods were partially offset by decreased revenues from: (a) our government site-based services operations as a result of the completion of two large long-term site-based joint venture projects not renewed pursuant to rebid and (b) our commercial site-based services operations as a result of a decline in add-on project activities. In addition, the increase in revenues of this segment for the nine months ended September 30, 2015 was partially offset by: (a) a decrease in revenues of its snow removal activities, as a result of less snowfall in geographical areas in which many of our contracts are based on a per snow event basis, and (b) a decrease in revenues from supplier management contracts.

Revenues of our United States industrial services segment for the three months ended September 30, 2015 increased by $69.5 million compared to the three months ended September 30, 2014, and revenues for the nine months ended September 30, 2015 increased by $118.2 million compared to the nine months ended September 30, 2014. The increase in revenues for both periods was primarily due to large capital and maintenance project activity within our industrial field services operations. Revenues increased for the nine months ended September 30, 2015 within this segment despite a nationwide strike by union employees of certain major oil refineries that negatively impacted the first half of 2015.

Our United Kingdom building services segment revenues were $97.0 million for the three months ended September 30, 2015 compared to revenues of $86.8 million for the three months ended September 30, 2014, and revenues were $275.5 million for the nine months ended September 30, 2015 compared to revenues of $259.7 million for the nine months ended September 30, 2014. The increase in revenues for the three and nine months ended September 30, 2015 was due to an increase in activity in the commercial market, in part due to several new contract awards as well as growth within our existing contract portfolio, partially offset by a decrease of $7.6 million and $24.7 million, respectively, relating to the effect of unfavorable exchange rates for the British pound versus the United States dollar.

Backlog

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

	September 30, 2015	% of Total		December 31, 2014	% of Total		September 30, 2014	% of Total	
Backlog:									
United States electrical construction and facilities services	$1,163,986	31	%	$1,176,372	32	%	$1,116,345	30	%
United States mechanical construction and facilities services	1,653,393	44	%	1,473,018	41	%	1,594,511	43	%
United States building services	725,257	19	%	732,960	20	%	742,461	20	%
United States industrial services	72,691	2	%	101,154	3	%	97,863	3	%

Total United States operations	3,615,327	96	%	3,483,504	96	%	3,551,180	96	%
United Kingdom building services	149,891	4	%	150,084	4	%	144,136	4	%
Total worldwide operations	$3,765,218	100	%	$3,633,588	100	%	$3,695,316	100	%

Our backlog at September 30, 2015 was $3.77 billion compared to $3.63 billion at December 31, 2014 and $3.70 billion at September 30, 2014. The increase in backlog at September 30, 2015 compared to backlog at December 31, 2014 was primarily attributable to an increase in backlog from our United States mechanical construction and facilities services segment, partially

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offset by lower backlog from our other reportable segments. The decrease in backlog from our United Kingdom building services segment at September 30, 2015 compared to its backlog at December 31, 2014 was attributable to the effect of unfavorable exchange rates for the British pound versus the United States dollar. Backlog increases with awards of new contracts and decreases as we perform work on existing contracts. Backlog is not a term recognized under United States generally accepted accounting principles; however, it is a common measurement used in our industry. We include a project within our backlog at such time as a contract is awarded. Backlog includes unrecognized revenues to be realized from uncompleted construction contracts plus unrecognized revenues expected to be realized over the remaining term of services contracts. However, we do not include in backlog contracts for which we are paid on a time and material basis and a fixed amount cannot be determined, and if the remaining term of a services contract exceeds 12 months, the unrecognized revenues attributable to such contract included in backlog are limited to only the next 12 months of revenues provided for in the contract award. Our backlog also includes amounts related to services contracts for which a fixed price contract value is not assigned when a reasonable estimate of total revenues can be made from budgeted amounts agreed to with our customer. Our backlog is comprised of: (a) original contract amounts, (b) change orders for which we have received written confirmations from our customers, (c) pending change orders for which we expect to receive confirmations in the ordinary course of business and (d) claim amounts that we have made against customers for which we have determined we have a legal basis under existing contractual arrangements and as to which we consider recovery to be probable. Such claim amounts were immaterial for all periods presented. Our backlog does not include anticipated revenues from unconsolidated joint ventures or variable interest entities and anticipated revenues from pass-through costs on contracts for which we are acting in the capacity of an agent and which are reported on the net basis. We believe our backlog is firm, although many contracts are subject to cancellation at the election of our customers. Historically, cancellations have not had a material adverse effect on us.

Cost of sales and Gross profit

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Cost of sales	$1,463,726	$1,344,482	$4,249,042	$4,051,496
Gross profit	$235,402	$222,229	$691,858	$658,673
Gross profit, as a percentage of revenues	13.9 %	14.2 %	14.0 %	14.0 %

Our gross profit increased by $13.2 million for the three months ended September 30, 2015 compared to the three months ended September 30, 2014. Gross profit increased by $33.2 million for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The increase in gross profit for the three months ended September 30, 2015 was attributable to improved profitability within our United States industrial services segment and our United States electrical construction and facilities services segment. The increase in gross profit for the nine months ended September 30, 2015 was attributable to improved profitability within all of our reportable segments, other than our United Kingdom building services segment. Our gross profit margin was 13.9% and 14.0% for the three and nine months ended September 30, 2015, respectively. Gross profit margin was 14.2% and 14.0% for the three and nine months ended September 30, 2014, respectively. Gross profit margin for the three months ended September 30, 2015 declined within all of our reportable segments, other than our United States electrical construction and facilities services segment. The decline in gross profit margin was primarily attributable to: (a) a decrease in the billing rates and related gross profit margins within our industrial shop services operations due to competitive market conditions resulting from decreased demand for new heat exchangers as a result of volatility in crude oil prices that led to a curtailment in capital spending and (b) a decrease in gross profit margin from water and wastewater and healthcare construction projects within the 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 September 30, 2015	For the nine months ended September 30,