

Initiating Coverage:

EMCOR Group, Inc. (\$EME)

Wired for Growth

Key Take-away: With a record of \$11.75 billion in Remaining Performance Obligations (RPOs), up 28.1% YoY as of Q1 2025, and a \$3.87 billion revenue in Q1 2025 (up 12.7% YoY), EMCOR has started 2025 off strong with a robust and diversified project backlog. EMCOR has now become synonymous with data centers, operating in 17 data center geographies and playing a critical role across all stages of data center development, from cooling to fire safety infrastructure. EMCOR's has prepped well for tariffs, factoring in steel and aluminum tariffs into 2025 guidance, with experience in creating such contingency plans since the pandemic. While tailwinds in other high-growth sectors (e.g., healthcare, and manufacturing) should propel EMCOR for the next few years, the durability of data center demand needs to be assessed, especially with power availability and environmental concerns.

Southern Expansion: EMCOR acquired Miller Electric Company, a leading electric contractor serving multiple states in the Southeastern U.S., for \$865 million in cash in February 2025. An all-cash acquisition indicates a strong balance sheet and liquidity, yet as a result of this acquisition, Capex capital allocation has shrunk to just 2.4% of total capital allocation for the year so far. Following Miller Electric Company's integration, EMCOR may need to reassess future capital investments in the upcoming quarters to maintain long-term operational. Miller Electric's contributed \$1 billion to EMCOR's Remaining Performance Obligations as of March 31, 2025, specifically contributing to RPOs in the healthcare sector. Healthcare sector revenues rose from 7% to 10% of EMCOR's U.S. electrical construction facilities revenue in 2025. Given Miller Electric's strong track record with major healthcare clients, EMCOR is positioned to deepen its presence in the healthcare sector.

Doubling Down: The Network and Communications sector accounted for 47% of EMCOR's U.S. electrical construction and facilities services revenue from contracts with customers in 2025, up from 40% in 2024, and 21% of EMCOR's U.S. mechanical construction and facilities services revenue from contracts with customers. At 31% of the total remaining RPOs, and a 112% increase in RPOs YoY, the Network and Communications sector continues to solidify its role as a key driver of EMCOR's project backlog. Given that 85% of the network and communications work is directly tied to data center construction, it is evident that data center demand is critical to EMCOR's portfolio. EMCOR's prefabrication and virtual design capabilities will enable it to handle large-scale data centers, capitalizing on the increased demand for data centers to keep up with generative AI workloads.

Valuation: We initiate coverage with a \$665 PT.



Consortium Research Group
Industrials| Electrical Equipment
July 07th, 2025

Stock Rating: Overweight

Price Target: \$665

Price: \$551.14

Potential Upside: 20.72%

Ticker: \$EME



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Company Overview

Company Description: EMCOR Group, Inc. is one of the largest specialty contractors in the United States (with locations in the United Kingdom), operating in three main segments: EMCOR Construction Services, EMCOR Building Services, and EMCOR Industrial Services (EIS). The company helps build and operate complex systems for commercial buildings, industrial facilities, and infrastructure, combining technical expertise with self-performed services to ensure efficiency, safety, and reliability. EMCOR has a strong business mix across various resilient sectors with its RPOs, capitalizing on the data center demand surge and other key sector tailwinds, while also championing sustainability through ambitious energy and emissions goals for 2035. In Q1 of 2025, roughly 31.63% of EMCOR's revenue from contracts with customers came from data center operations alone, with about 17-20% of total revenue is recurring.

End-to-End Services: EMCOR plays a key role in designing, building, operating, and maintaining facilities across its diverse subsidiaries, making it a one-stop shop for complex facilities. EMCOR companies have completed 1,209 mission-critical projects in data centers alone, including electrical, mechanical, fire protection, facilities, and HVAC projects. Data center projects are long-term because there is high demand for cooling and maintenance solutions after initial construction, which allows EMCOR to earn additional revenue from aftermarket services. Similarly, EMCOR's Government Services division aids healthcare facilities, the military, federal agencies, and space facilities with engineering consulting, contracting, janitorial services, and vertical transportation. This eliminates the need for subcontractors and eliminates switching costs from the client end, providing EMCOR with an edge in a competitive vertical.

Strategic Acquisition Strategy: EMCOR has used M&A skillfully, acquiring 21 companies in the last 3 years, to expand its capabilities. From 2016 to March 31, 2025, 42.4% of total capital allocated annually (on average) has been used for M&A. Examples include Ardent Services, which provides electric & instrumentation services to industrial and petrochemical companies, and Quebe Holdings, which has 6 business units that serve various segments. EMCOR targets companies with local expertise and dominance, allowing them to operate independently while collaborating with other EMCOR subsidiaries to enable cross-selling. As a result, EMCOR diversifies its project portfolio and uses shared procurement and cost synergies to its advantage, which contributes to its rising backlog and stable EBITDA margin profile.

Sustainability Pioneer: EMCOR is a leader in sustainability in energy-efficient solutions, executing various sustainability projects for clients by offering services such as energy audits, building automation, and EV charging infrastructure. It has helped JPMorgan Chase, UC San Diego, Fremont Community Schools, and many other organizations achieve global certification (LEED certification) through solar panel installation, methane recovery, and biofuels projects. EMCOR Services New York/New Jersey helped develop one of the first 100% net-zero facilities in the region. EMCOR also invests in carbon offset initiatives like wind energy to reduce its environmental impact. This strong focus on green building and infrastructure modernization positions EMCOR for long-term growth amid increasing demand for sustainable solutions.

Industry Overview

Energy Transition: With 24 U.S. states committed to clean energy targets, alongside growing pressure from Fortune 500 companies setting their own sustainability and decarbonization targets, the demand for clean energy infrastructure and renewable energy sources is accelerating. While the recent One Big Beautiful Bill Act has cut back on tax credits for electric vehicles/equipment and other clean energy incentives from the Inflation

Reduction Act, the CHIPS and Sciences Act and other measures in the Inflation Reduction Act (e.g., Energy Infrastructure Reinvestment Program, guaranteed loans) aid clean energy infrastructure that minimizes pollutants. Trump's recent executive orders also aim to quadruple nuclear power generation in the next 25 years, with tech giants like Amazon and Google signing agreements to buy power from future projects. As a result, the energy mix is shifting towards renewable forms of energy with an increased focus on nuclear energy. The grid is evolving to handle intermittent and more decentralized forms of energy, meaning electrical contractors need to cater to rising demand for smart transformers and control systems to balance and route power efficiently, along with power quality systems to maintain grid reliability. Even with the One Big Beautiful Bill Act, the overall electrification of end markets drives demand for electric motor demand and equipment like advanced cabling and EV charging infrastructure that electrical contractors can provide. This transition also increases buyers' scrutiny of energy efficiency and sustainability, pressuring manufacturers and contractors to ensure products and energy infrastructure comply with ENERGY STAR, LEED, and similar efficiency standards.

Supply Chain Localization: Recent years have exposed critical weaknesses in global supply chains due to pandemics, geopolitical conflicts, and raw material shortages. Trump raised tariffs on steel and aluminum imports from 25% to 50% as of June 4, 2025, with higher tariffs on transshipments and threats of an extra 10% tariff for nations siding with BRICS, all of which increase input costs for manufacturers. The Electric Supply Chain Act, which is in Congress, directs the Secretary of Energy to periodically report on the U.S. electric and critical material supply chains, demand shocks, workforce inadequacies, and dominance by foreign entities of concern. Events such as the Russia-Ukraine War, the Houthi attacks, and the recent COVID-19 pandemic have disrupted logistics networks. As a result, there is a broader trend of reshoring where American companies are bringing their operations back to the U.S. (which is also fueled by the CHIPS and Sciences Act). Manufacturers and contractors are responding by diversifying supplier bases, creating local or regional supply networks, and increasing inventory buffers to ensure continuity of supply. However, supply chain localization can reduce lead times and carbon footprints in the long run, aligning with growing sustainability priorities.

Digitalization: The electrical manufacturing sector is undergoing a profound transformation through the adoption of Industry 4.0 technologies, including IoT sensors, automation, AI-driven analytics, and advanced robotics. Product development has evolved significantly, with electrical components now incorporating IoT sensors, remote diagnostics, and integration with building management systems. Factories are using robotic assembly, vision systems, and automated testing to increase consistency and efficiency while implementing predictive analytics to optimize maintenance cycles. Multiple contractors have also leveraged digital tools to build electrical layouts through 3D modeling and Building Information Modeling (BIM) and remotely test systems, saving on-site time. Energy efficiency is a core focus of building codes like California's Title 24 and broader sustainability mandates, and electrical contractors play a key role in ensuring compliance through the use of digital tools and Industry 4.0 technologies. Overall, these tools enable new business models such as Energy-as-a-Service (EaaS) and performance contracting, shifting the value proposition from equipment sales to lifetime energy performance and risk management.

Peer Comparisons

Comparable Companies						
<i>\$mm</i>						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
Comfort Systems USA	\$11,460	\$11,220	19.5x	\$7,320		\$887
AECOM	\$12,300	\$13,930	31.5x	\$16,050		\$1,140
APi Group	\$9,930	\$12,460	25.4x	\$7,140		\$776
Stantec	\$9,510	\$10,750	73.9x	\$5,530		\$658
EMCOR Group, Inc.	\$16,810	\$15,820	16.4x	\$15,000		\$1,550

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF	
Comfort Systems USA	12.7x	21.6%	12.1%	10.1%		31.5%
AECOM	12.2x	6.7%	6.8%	5.1%		12.0%
APi Group	16.1x	31.2%	10.9%	6.5%		3.2%
Stantec	16.3x	49.0%	16.5%	7.9%		15.8%
EMCOR Group, Inc.	10.2x	19.3%	10.4%	9.4%		14.3%

High	16.34x	49.0%	16.5%	10.1%		31.5%
75th Percentile	16.06x	31.2%	12.1%	9.4%		15.8%
Average	13.49x	25.6%	11.4%	7.8%		15.4%
Median	12.65x	21.6%	10.9%	7.9%		14.3%
25th Percentile	12.22x	19.3%	10.4%	6.5%		12.0%
Low	10.21x	6.7%	6.8%	5.1%		3.2%

EMCOR Group, Inc.						
Implied Enterprise Value (25th Percentile)				\$		18,940
Implied Enterprise Value (Median)				\$		19,611
Implied Enterprise Value (75th Percentile)				\$		24,888

Implied Share Price (25th Percentile)				\$		421.69
Implied Share Price (Median)				\$		436.69
Implied Share Price (75th Percentile)				\$		554.58

Source: Pitchbook + LSEG Data & Analytics (formerly known as Refinitiv)

Investment Theses

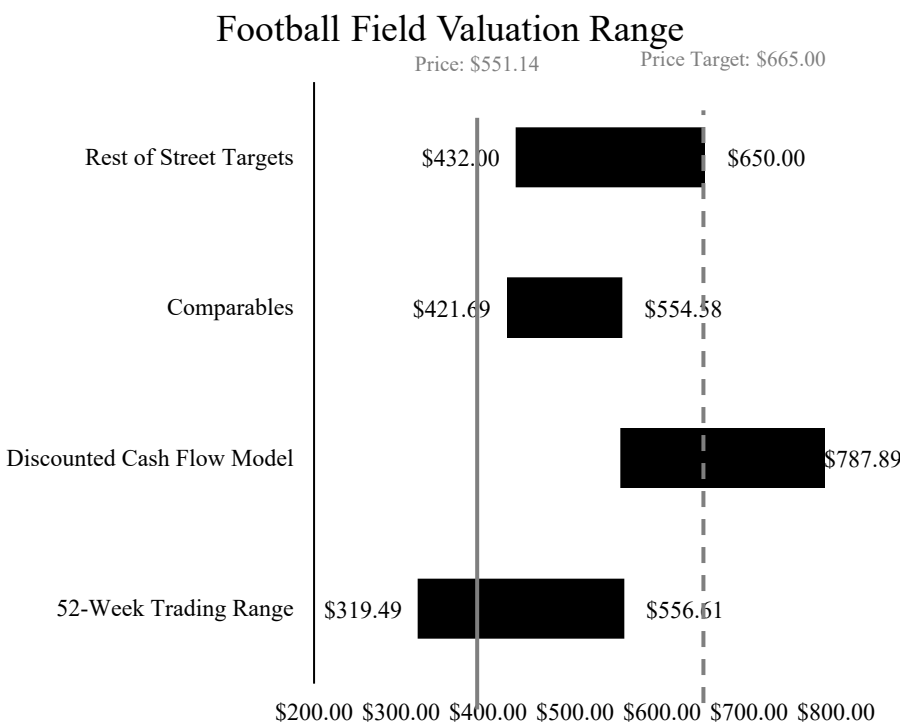
Push for Green Computing: With advancements like agentic AI and quantum computing, the demand for data centers is bound to skyrocket. Since 85% of its network & communications business is tied to data centers, EMCOR will garner more contracts for data center construction that are longer due to cooling, fire protection, and maintenance needs, allowing it to capitalize on this data center boom. However, there is a large push for the implementation of green computing practices, as data centers significantly strain local water resources and local power grids. Legislators in Virginia, which hosts the largest data center market in the world, have advanced bills to address data center water usage and increase transparency with data center siting. Many tech companies are also looking for renewable energy sources, such as Google, which signed a deal to reopen Three Mile Island. The EU has also passed multiple corporate sustainability frameworks. Hyperscalers and cloud service providers are looking into renewable energy and energy-efficient methods to reduce their carbon footprint. This sustainability imperative creates a differentiated opportunity for EMCOR. EMCOR has many LEED-accredited experts and vast experience in Client Sustainability projects, even in providing rooftop solar panels for a global data center provider, which allows it to capture greater wallet share in retrofits, high-efficiency upgrades, and new builds that meet stricter sustainability criteria. In April, the Department of Energy identified 16 federal sites for data center and AI infrastructure development, where EMCOR's Government Services division has strong potential to contribute. While data center policy is still developing in the UK, there is high potential for EMCOR's UK Building Services division to contribute to this space as well.

Reshoring: As U.S. manufacturers increasingly reshore production to reduce supply chain risks and meet evolving regulatory requirements (such as tariffs, CHIPS and Sciences Act, and Infrastructure Investment and Jobs Act), they are looking into creating and upgrading their U.S.-based facilities. Large players like Apple, Johnson & Johnson, and General Electric Aerospace have spent billions on their American facilities. This surge in capital expenditure is fueling a multi-billion-dollar demand for complex electrical and mechanical infrastructure, encompassing power distribution, HVAC systems, fire protection, and ongoing maintenance. EMCOR is uniquely positioned to capture this reshoring-driven growth due to its comprehensive end-to-end service offerings and nationwide footprint, which is critical in sectors such as aerospace, life sciences, and advanced manufacturing, where compliance with strict regulatory standards (FDA, EPA, OSHA) and quality control is mandatory. In addition, EMCOR's national level reach and local strongholds enable it to acquire necessary materials efficiently, positioning them as a cost-efficient contractor that can meet the needs of companies reshoring.

Military Developments: Biden's MILCON FY25 military budget was approved, which includes funding requests to upgrade the Fort Belvoir Defense Headquarters. Importantly, the Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, passed by the House and now in the Senate, provides direct funding to the Veterans Health Administration. This dovetails with Trump's Big Beautiful Bill, which seeks to expand U.S. military readiness (which trickles down to veteran medical services), and plans to provide additional funding to the Department of Defense. EMCOR's strong track record with the federal government, notably EMCOR Government Services' position as an onsite provider for various critical military facilities (including the main headquarters for military medical centers), positions it uniquely to benefit from this spending by providing more building services along with additional construction services. Notably, healthcare is EMCOR's second-largest segment, reinforcing the company's strong foothold in the critical facility services market.

Price Target & Valuation

Our analysis gives \$EME a price target of \$665 and an overweight rating.



Potential Downsides to Our Rating

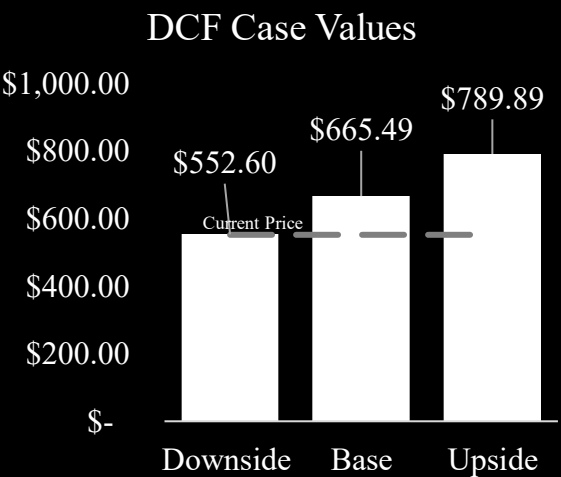
Lagging Services Segment: EMCOR’s electrical and mechanical construction segments have exhibited robust growth, with the electrical construction segment growing 20% and the mechanical segment growing 26% from 2023 to 2024. Both segments showed growth in Q1 2025. However, industrial services and building services, in both the U.S. and UK have demonstrated limited growth or contraction. This increases EMCOR’s dependence on sporadic construction revenue, increasing their exposure to execution and margin volatility with potential cost overruns, delays, and client cancellations, especially given rising input costs from tariffs.

RPOs Skewed Short-Term: While EMCOR reached record RPOs of \$11.75 billion, 80% of this backlog is scheduled to convert within 12 months. While this supports near-term revenue visibility, it also means EMCOR must continuously re-win or replace short-cycle work to maintain topline momentum because its revenue mix is highly dependent on construction.

Our Price Target: **\$665.00**
Our price target is based on sustained demand for EMCOR’s data center services, a stable RPO backlog, a competitive advantage in sustainability solutions, and continued acquisitions and integrations that expand and diversify EMCOR’s service offerings, anticipating limited effects from tariffs.

Our Upside Case: **\$788.00**
Our upside case is based on a robust and strong RPO backlog, strongly fueled by data center demand while comprising projects in other high-growth areas such as healthcare and manufacturing. Additionally, the upside case relies on aggressive acquisitions, strong growth of EMCOR’s building and industrial service segments, and strong recurring revenue through continued maintenance.

Our Downside Case: **\$552.00**
Our downside case is based on a weak backlog after 80% of the \$11.75 billion RPO is converted to revenue within 1 year. It also relies on the current administration reversing EV incentives and not rolling out any plans for nuclear energy infrastructure. It also hinges on data center demand slowing down into 2030 due to severe power, land, and resource usage constraints.



Rising Overhead and Acquisition Integration Costs: General administrative costs have been increasing, partly driven by recent acquisitions and internal investment. Historically, EMCOR has pursued an aggressive acquisition strategy, completing multiple deals in the last several years. Thus, there is a risk that integration may take longer or cost more than anticipated. If acquired businesses underperform or fail to align operationally, it may reduce the effectiveness of EMCOR's broader platform strategy. Higher overhead without corresponding efficiency gains could lead to reduced operating leverage and lower return on capital.

Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	14,566	16,500	18,893	21,561	24,526	19.0%
EBITDA	1,402	1,440	1,842	2,175	2,557	22.2%
EBIT	1,346	1,360	1,757	2,070	2,428	21.7%
NOPAT	375	389	417	637	976	37.5%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	9.6%	8.7%	9.8%	10.1%	10.4%	9.7%
EBIT Margin	9.2%	8.2%	9.3%	9.6%	9.9%	9.3%
Revenue Growth	15.8%	13.3%	14.5%	14.1%	13.8%	14.3%
EBIT Growth	53.5%	1.1%	29.2%	17.8%	17.3%	23.8%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	18.3x	19.0x	14.4x	12.2x	10.4x	14.9x
EV/Sales	1.7x	1.5x	1.3x	1.1x	1.0x	1.3x
EV/EBITDA	17.6x	17.2x	13.4x	11.4x	9.7x	13.9x
FCF Yield	5.5%	5.3%	6.9%	8.2%	9.6%	7.1%

About \$EME

EMCOR Group (\$EME), founded in 1994, operates as a leading mechanical, electrical, building services, and facilities maintenance contractor. The company designs, installs, maintains, and upgrades complex systems, including HVAC, fire protection, electrical, and power infrastructure, across a wide range of commercial and government facilities. With operations across more than 170 locations in the U.S. and the U.K., EMCOR is uniquely positioned due to its ability to deliver integrated end-to-end solutions, from new construction to recurring maintenance.

The company operates through two primary segments: U.S. Construction (which includes mechanical and electrical services) and U.S. Building Services, alongside a smaller presence in the U.K. EMCOR is differentiated by its recurring revenue base, diversified end markets, and deep footprint in mission-critical sectors such as healthcare, data centers, manufacturing, government, and life sciences. EMCOR's key goal is to provide resilient, sustainable infrastructure for high-performance facilities, helping clients modernize aging systems, meet energy efficiency goals, and ensure uptime for critical operations.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

EMCOR Group, Inc.
Discounted Cash Flow

Active Case:	2 Base
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Current Share Price \$551.14

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/30/28	12/30/29	12/31/30
Stub						0.52	1.52	2.52	3.52	4.52	5.52
Discount Period						0.24	0.98	1.98	2.98	3.98	4.98
Revenue	8,797	9,904	11,076	12,583	14,566	16,500	18,893	21,561	24,526	27,806	31,421
Revenue Growth	0%	13%	12%	14%	16%	13%	15%	14%	14%	13%	13%
Business Revenue	8,797	9,904	11,076	12,583	14,566	16,500	18,893	21,561	24,526	27,806	31,421
EBIT	495	534	569	877	1,346	1,360	1,757	2,070	2,428	2,836	3,299
EBIT Margin	6%	5%	5%	7%	9%	8%	9%	10%	10%	10%	11%
Tax Expense	119	146	153	240	370	433	473	557	653	763	887
Effective Tax Rate	24%	27%	27%	27%	28%	32%	27%	27%	27%	27%	27%
NOPAT	375.40	388.82	416.56	637.46	975.52	927.00	1,284.37	1,513.07	1,774.90	2,073.27	2,411.70
D&A	47	48	47	52	57	80	85	105	129	156	189
Capex	(48)	(36)	(49)	(78)	(75)	(70)	(113)	(135)	(159)	(188)	(220)
Changes in NWC	(308)	157	53	(118)	(237)	(220)	(227)	(264)	(307)	(355)	(408)
UPCF	778	317	460	886	1,344	1,297	1,709	2,017	2,370	2,772	3,229
PV of FCF						1,268	1,558	1,674	1,790	1,905	2,020

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.26
Risk Free Rate	4.39%
Cost of Equity	9.86%
Weighted Average Cost of Debt	42.00%
Tax Rate	26.90%
Cost of Debt	0.01%
Total Equity	\$24,668
Total Debt	\$66
Equity/Total Capitalization	99.95%
Debt/Total Capitalization	0.05%
WACC	9.87%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$3,229
Growth	2.40%
Terminal Value	\$43,211
PV of Terminal Value	\$27,033
PV of Projection Period	\$10,215
PV of Terminal Value	\$27,033
Implied TEV	\$37,247
(-) Debt	\$643
(+) Cash	\$577
Implied Equity Value	\$37,181
Basic Shares Outstanding	45
Implied Share Price	\$830.72
Upside/Downside	50.73%

Implied Exit BF EV/EBITDA	11.3x
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Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$3,488
EV/EBITDA Exit Multiple	9.0x
Terminal Value	\$31,389
PV of Terminal Value	\$19,637
PV of Projection Period	\$10,215
PV of Terminal Value	\$19,637
Implied TEV	\$29,852
(-) Debt	\$643
(+) Cash	\$577
Implied Equity Value	\$29,786
Diluted Shares Outstanding	45
Implied Share Price	\$665.49
Upside/Downside	20.7%

Implied PGR	-5.6%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$665.49
Upside/Downside	20.75%