



## IES Holdings Reports Fiscal 2018 Third Quarter Results

August 3, 2018

HOUSTON, Aug. 03, 2018 (GLOBE NEWSWIRE) -- IES Holdings, Inc. (or "IES" or the "Company") (NASDAQ:IESC) today announced financial results for the quarter ended June 30, 2018.

### Third Quarter 2018 and Year-to-Date Highlights

- Revenue of \$232.6 million for the third quarter of fiscal 2018, an increase of 11.6% compared with the third quarter of fiscal 2017; Revenue of \$636.6 million for the year-to-date 2018, an increase of 5.4% compared with the year-to-date 2017
- Income from operations of \$10.1 million for the third quarter of fiscal 2018, an increase of \$5.4 million compared with the third quarter of fiscal 2017; Income from operations of \$17.2 million for the year-to-date 2018, an increase of \$3.9 million compared with the year-to-date 2017
- Net income attributable to IES for the third quarter of fiscal 2018 of \$8.5 million, or \$0.40 per diluted share, an increase of \$2.6 million, or \$0.13 per diluted share, compared with the third quarter of fiscal 2017; Net loss attributable to IES for the year-to-date 2018 of \$18.8 million, or \$0.89 per diluted share, a decrease of \$29.1 million, or \$1.37 per diluted share, compared with the year-to-date 2017, primarily driven by a \$31.5 million preliminary charge in fiscal 2018 related to the enactment of the Tax Cuts and Jobs Act
- Adjusted net income attributable to IES (a non-GAAP financial measure, as defined below) for the third quarter of fiscal 2018 of \$8.9 million, or \$0.42 per diluted share, an increase of \$5.2 million, or \$0.25 per diluted share, compared with the third quarter of fiscal 2017; Adjusted net income attributable to IES for the year-to-date 2018 of \$14.7 million, or \$0.69 per diluted share, an increase of \$3.9 million, or \$0.19 per diluted share, compared with the year-to-date 2017
- Backlog of approximately \$392 million as of June 30, 2018, as compared to approximately \$343 million as of March 31, 2018 and approximately \$314 million as of June 30, 2017

### Management Commentary

Robert Lewey, President, stated, "We are pleased with our third quarter results. This quarter represented the highest levels of operating income and backlog for IES in over a decade. Looking forward, we are seeing strengthening markets in all four of our segments, which resulted in increased backlog in each segment, with the most significant increase coming from our Infrastructure Solutions segment. We remain optimistic that we will build upon these results and continue to improve our operating performance and margins."

Mr. Lewey continued, "Maintaining a strong balance sheet and liquidity continues to be imperative to us. We believe that our strong liquidity position has allowed us to make strategic investments to increase our market share in certain markets, including taking share from underperforming and undercapitalized competitors. As increasing demand continues to put pressure on our industries' ability to fund growth, we believe that a strong balance sheet will become even more important to our customers."

Tracy McLauchlin, Chief Financial Officer, added, "We supported the expansion and growth of our operations through the previously announced acquisitions of Azimuth Communications and Electrical Contractors North, Inc. as well as the funding of working capital, all without taking on additional debt or impacting our ability to provide superior services to our customers. We remain committed to our disciplined capital allocation philosophy and believe our strong balance sheet and available liquidity will continue to support our growth strategy."

### Net Operating Loss Carryforwards

The Company estimates that it has available Net Operating Loss Carryforwards (NOLs) for U.S. federal income tax purposes of approximately \$378 million at September 30, 2017, including approximately \$142 million resulting from the additional amortization of personal goodwill. The Company's common stock is subject to a Rights Plan dated November 8, 2016, which is intended to assist in limiting the number of 5% or more owners of the Company's common stock and, thereby reduce the risk of a possible "change of ownership" under Section 382 of the Internal Revenue Code of 1986, as amended. Any such "change of ownership" under these rules would limit or eliminate the ability of the Company to use its existing NOLs for federal income tax purposes. There is no guarantee that the Rights Plan will achieve the objective of preserving the value or realization of the NOLs.

## Stock Buyback Plan

The Company's Board of Directors has authorized and previously announced a stock repurchase program for purchasing up to 1.5 million shares of our common stock from time to time. During the quarter ended June 30, 2018, the Company repurchased 20,810 shares at an average price of \$15.46 per share. The Company had 716,091 shares remaining under its stock repurchase authorization at June 30, 2018.

## Non-GAAP Financial Measures and Other Adjustments

This press release includes adjusted net income attributable to IES and, in the non-GAAP reconciliation table included herein, adjusted net income before taxes and adjusted earnings per share attributable to IES Holdings, Inc., each of which are financial measures not calculated in accordance with generally accepted accounting principles in the U.S. ("GAAP"). Management believes that these measures provide useful information to our investors by distinguishing certain noncash events such as our valuation allowances release and write-down of our net deferred tax assets, and that these measures, when reconciled to net income attributable to IES, which is the most directly comparable GAAP measure, help our investors to better identify underlying trends in the operations of our business and facilitate easier comparisons of our financial performance with prior and future periods and to our peers. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information calculated in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures. A reconciliation of these non-GAAP financial measures to GAAP results has been provided in the financial tables included in this press release.

For further details on the Company's financial results, please refer to the Company's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2018, to be filed with the Securities and Exchange Commission ("SEC") by August 3, 2018, and any amendments thereto.

## About IES Holdings, Inc.

IES is a holding company that owns and manages diverse operating subsidiaries, comprised of providers of industrial infrastructure services to a variety of end markets. Our approximately 4,000 employees serve clients in the United States. For more information about IES, please visit [www.ies-co.com](http://www.ies-co.com).

*Certain statements in this release may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, all of which are based upon various estimates and assumptions that the Company believes to be reasonable as of the date hereof. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "should," "expect," "plan," "project," "intend," "anticipate," "believe," "seek," "estimate," "predict," "potential," "pursue," "target," "continue," the negative of such terms or other comparable terminology. These statements involve risks and uncertainties that could cause the Company's actual future outcomes to differ materially from those set forth in such statements. Such risks and uncertainties include, but are not limited to, the ability of our controlling shareholder to take action not aligned with other shareholders; the possibility that certain tax benefits of our net operating losses may be restricted or reduced in a change in ownership or a further change in the federal tax rate; the potential recognition of valuation allowances or further write-downs on net deferred tax assets; the inability to carry out plans and strategies as expected, including underperformance of our acquisitions or our inability to identify and complete acquisitions that meet our investment criteria in furtherance of our corporate strategy; competition in the industries in which we operate, both from third parties and former employees, which could result in the loss of one or more customers or lead to lower margins on new projects; fluctuations in operating activity due to downturns in levels of construction, seasonality and differing regional economic conditions; and our ability to successfully manage projects, as well as other risk factors discussed in this document, in the Company's annual report on Form 10-K for the year ended September 30, 2017 and in the Company's other reports on file with the SEC. You should understand that such risk factors could cause future outcomes to differ materially from those experienced previously or those expressed in such forward-looking statements. The Company undertakes no obligation to publicly update or revise any information, including information concerning its controlling shareholder, net operating losses, borrowing availability, or cash position, or any forward-looking statements to reflect events or circumstances that may arise after the date of this release.*

*Forward-looking statements are provided in this press release pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of the estimates, assumptions, uncertainties, and risks described herein.*

*General information about IES Holdings, Inc. can be found at <http://www.ies-co.com> under "Investors." The Company's annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through the Company's website as soon as reasonably practicable after they are filed with, or furnished to, the SEC.*

## IES HOLDINGS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA) (UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Revenues	\$ 232.6	\$ 208.3	\$ 636.6	\$ 604.2
Cost of services	190.0	172.9	527.1	501.8
Gross profit	42.5	35.4	109.4	102.4
Selling, general and administrative expenses	32.4	30.8	92.1	89.1
Contingent consideration expense	0.1	—	0.2	0.1
Loss on sale of assets	—	(0.1)	—	(0.1)
Income from operations	10.1	4.7	17.2	13.3

Interest expense, net	0.5	0.4	1.4	1.3
Other expense (income), net	(0.1)	—	(0.3)	(0.1)
Income from continuing operations before income taxes	9.7	4.4	16.0	12.1
Provision (benefit) for income taxes	1.0	(1.5)	34.6	1.8
Net income (loss)	8.6	5.9	(18.6)	10.3
Net income attributable to noncontrolling interest	(0.1)	—	(0.3)	(0.1)
Net income (loss) attributable to IES Holdings, Inc.	<u>\$ 8.5</u>	<u>\$ 5.9</u>	<u>\$ (18.8)</u>	<u>\$ 10.3</u>

Earnings per share attributable to IES Holdings, Inc.:

Basic	\$ 0.40	\$ 0.27	\$ (0.89)	\$ 0.48
Diluted	\$ 0.40	\$ 0.27	\$ (0.89)	\$ 0.48

Shares used in the computation of earnings per share:

Basic (in thousands)	21,201	21,301	21,193	21,295
Diluted (in thousands)	21,332	21,556	21,193	21,551

**IES HOLDINGS, INC. AND SUBSIDIARIES**  
**NON-GAAP RECONCILIATION OF ADJUSTED NET INCOME ATTRIBUTABLE TO IES HOLDINGS, INC. AND**  
**ADJUSTED EARNINGS PER SHARE ATTRIBUTABLE TO IES HOLDINGS, INC.**  
**(DOLLARS IN MILLIONS)**  
**(UNAUDITED)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to IES Holdings, Inc.	\$ 8.5	\$ 5.9	\$ (18.8)	\$ 10.3
Provision (benefit) for income taxes	1.0	(1.5)	34.6	1.8
Adjusted net income before taxes	9.6	4.3	15.8	12.1
Current tax expense (1)	(0.7)	(0.7)	(1.1)	(1.3)
Adjusted net income attributable to IES Holdings, Inc.	<u>\$ 8.9</u>	<u>\$ 3.7</u>	<u>\$ 14.7</u>	<u>\$ 10.8</u>

Adjusted earnings per share attributable to IES Holdings, Inc.:

Basic	\$ 0.42	\$ 0.17	\$ 0.69	\$ 0.51
Diluted	\$ 0.42	\$ 0.17	\$ 0.69	\$ 0.50

Shares used in the computation of adjusted earnings per share:

Basic (in thousands)	21,201	21,301	21,193	21,295
Diluted (in thousands)	21,332	21,556	21,193	21,551

(1) Represents the tax expense for the current period which will be paid in cash, and not offset by the utilization of deferred tax assets

**IES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(DOLLARS IN MILLIONS)**  
**(UNAUDITED)**

June 30, 2018

September 30, 2017

**ASSETS****CURRENT ASSETS:**

Cash and cash equivalents	\$	21.7	\$	28.3
Accounts receivable:				
Trade, net of allowance		139.2		142.9
Retainage		23.0		21.4
Inventories		18.7		16.9
Costs and estimated earnings in excess of billings		22.6		13.4
Prepaid expenses and other current assets		8.8		8.8
Total current assets		<u>234.0</u>		<u>231.8</u>
Property and equipment, net		25.2		24.6
Goodwill		49.3		46.7
Intangible assets		31.7		31.4
Deferred tax assets		49.6		86.2
Other non-current assets		6.1		3.8
Total assets	\$	<u>396.0</u>	\$	<u>424.5</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY****CURRENT LIABILITIES:**

Accounts payable and accrued expenses	\$	117.4	\$	120.7
Billings in excess of costs and estimated earnings		25.8		29.9
Total current liabilities		<u>143.2</u>		<u>150.6</u>
Long-term debt, net of current maturities		29.6		29.4
Other non-current liabilities		4.4		4.5
Total liabilities		<u>177.2</u>		<u>184.5</u>
Noncontrolling interest		3.2		3.3

**STOCKHOLDERS' EQUITY:**

Preferred stock		—		—
Common stock		0.2		0.2
Treasury stock, at cost		(8.9)		(6.9)
Additional paid-in capital		196.6		197.0
Retained earnings		27.6		46.4
Total stockholders' equity		<u>215.5</u>		<u>236.7</u>
Total liabilities and stockholders' equity	\$	<u>396.0</u>	\$	<u>424.5</u>

**IES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(DOLLARS IN MILLIONS)  
(UNAUDITED)

	Nine Months Ended March 31,	
	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (18.6)	\$ 10.3
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Bad debt expense	0.3	—
Deferred financing cost amortization	0.2	0.2

Depreciation and amortization	6.7	6.9
Loss (gain) on sale of assets	–	(0.1)
Deferred income taxes	34.6	0.5
Non-cash compensation	(0.4)	1.3
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable	5.0	(1.6)
Inventories	(1.7)	(3.9)
Costs and estimated earnings in excess of billings	(9.0)	(3.2)
Prepaid expenses and other current assets	(1.6)	(9.1)
Other non-current assets	0.3	0.4
Accounts payable and accrued expenses	(6.9)	0.6
Billings in excess of costs and estimated earnings	(4.0)	6.4
Other non-current liabilities	0.2	1.3
Net cash provided by operating activities	<u>5.0</u>	<u>10.2</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3.4)	(3.8)
Proceeds from sale of property and equipment	0.1	0.2
Cash paid for acquisitions	(6.0)	(14.7)
Net cash used in investing activities	<u>(9.3)</u>	<u>(18.2)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of debt	0.1	5.3
Repayments of debt	(0.1)	(5.3)
Contingent consideration payment	–	(0.4)
Distribution to noncontrolling interest	(0.2)	(0.2)
Options exercised	–	0.2
Purchase of treasury stock	(2.1)	(0.9)
Net cash used in financing activities	<u>(2.3)</u>	<u>(1.3)</u>
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	(6.6)	(9.3)
CASH AND CASH EQUIVALENTS, beginning of period	28.3	33.2
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 21.7</u>	<u>\$ 23.9</u>

**IES HOLDINGS, INC. AND SUBSIDIARIES**  
**OPERATING SEGMENT STATEMENTS OF OPERATIONS**  
(DOLLARS IN MILLIONS)  
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue				
Commercial & Industrial	\$ 78.2	\$ 58.8	\$ 196.7	\$ 168.0
Communications	54.4	57.1	159.1	172.1
Infrastructure Solutions	24.9	22.3	70.4	59.6
Residential	75.2	70.2	210.3	204.5
Total Revenue	<u>\$ 232.6</u>	<u>\$ 208.3</u>	<u>\$ 636.6</u>	<u>\$ 604.2</u>
Operating Income				
Commercial & Industrial	\$ 3.3	\$ (0.2)	\$ 2.1	\$ (1.0)
Communications	3.7	3.9	9.9	9.3

Infrastructure Solutions	1.5	–	1.9	1.2
Residential	4.2	4.8	11.5	14.6
Corporate	(2.7)	(3.7)	(8.2)	(10.8)
Total Operating Income	<u>\$ 10.1</u>	<u>\$ 4.7</u>	<u>\$ 17.2</u>	<u>\$ 13.3</u>

**IES HOLDINGS, INC. AND SUBSIDIARIES**  
**WIND-DOWN STATEMENTS OF OPERATIONS\***  
(DOLLARS IN MILLIONS)  
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenues	\$ 1.3	\$ 7.6	\$ 8.4	\$ 27.4
Cost of service	1.8	9.5	9.1	31.6
Gross profit	(0.5)	(2.0)	(0.7)	(4.3)
Selling, general and administrative expenses	0.4	0.6	1.3	2.1
Income from operations	<u>\$ (0.9)</u>	<u>\$ (2.6)</u>	<u>\$ (2.0)</u>	<u>\$ (6.4)</u>

\* Includes results from the Denver and Roanoke branches of our Commercial & Industrial segment. In July, 2017, we implemented a plan to wind-down operations at these branches.

Contact:  
Tracy McLaughlin, CFO  
IES Holdings, Inc.  
713-860-1500



Source: IES Holdings, Inc.