



February 14, 2013

## **Integrated Electrical Services Reports Fiscal 2013 First Quarter Results**

HOUSTON--(BUSINESS WIRE)-- Integrated Electrical Services, Inc. (NASDAQ: IESC), an infrastructure services company with leading positions in a broad range of markets for electrical and communications products and services, today announced financial results for its fiscal 2013 first quarter.

### **FIRST QUARTER OF FISCAL 2013 AS COMPARED TO FIRST QUARTER OF FISCAL 2012**

- Net income from continuing operations of \$0.6 million, or \$0.04 per share, which includes a non-cash \$0.12 per share expense related to a reserve for a receivable due from a former surety; adjusted net income from continuing operations of \$2.9 million, or \$0.19 per share
- Revenue of \$127.3 million, an increase of 16.8%
- Gross profit of \$18.0 million, an improvement of \$4.8 million; Gross margins for the quarter improved to 14.1% of revenue as compared to a gross margin of 12.1% of revenue for the first quarter of 2012
- Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization and other items; see reconciliation statement below) of \$4.1 million, an improvement of \$2.7 million
- Backlog was approximately \$216 million at December 31, 2012, a \$19 million decrease from September 30, 2012 and an \$11 million increase from December 31, 2011

James Lindstrom, Chairman and Chief Executive Officer, stated, "Our Residential division continues to capitalize on growth within the single and multi-family housing market and our Commercial & Industrial division is succeeding in its disciplined approach to project bidding and execution. Meanwhile, our Communications division benefited from the completion of multiple large data center and high tech manufacturing projects during the quarter. While we continue to bid on significant project opportunities and remain optimistic about the strength of the mission critical facility market, we do not necessarily expect this level of business or growth within the Communications division to continue in the near term as our large size project work is periodically awarded.

We believe that we are well-positioned for the balance of 2013 and beyond due to our sizable backlog, emphasis on profitable growth and continued expansion in our end markets."

### **Reserve Related to Receivable from Former Surety**

During the three months ended December 31, 2012, the Company fully reserved for an outstanding receivable related to a settlement agreement with a former surety. Subsequent to the disclosure detailed in the Form 10-K for the fiscal year ended September 30, 2012, the former surety failed to make payments in accordance with the settlement agreement and proposed a modified payment structure to satisfy the debt. Currently the Company is not likely to enter into a modified payment structure. The Company tendered a notice of default to the surety and intends to pursue its legal rights against the surety and collateral while continuing attempts to negotiate payments against the balance. Based upon these recent developments, the Company has concluded that collectability is not probable as of December 31, 2012, and has recorded a reserve for the entire balance of \$1.7 million. The reserve was recorded as other expense within our Consolidated Statements of Operations.

### **NON-GAAP FINANCIAL MEASURES AND OTHER ADJUSTMENTS**

This press release includes certain financial measures that are 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 reflecting additional ways to view aspects of the Company's operations that, when reconciled to the corresponding GAAP measures, help our investors to better identify underlying trends in 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 the non-GAAP financial measures presented above 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 annual report on Form 10-K for the fiscal year ended September 30, 2012 and quarterly report on Form 10-Q for the period ended December 31, 2012, to be filed with the Securities and Exchange Commission by February 14, 2013.

## **ABOUT INTEGRATED ELECTRICAL SERVICES, INC.**

Integrated Electrical Services, Inc. is an infrastructure services company with leading positions in a broad range of markets for electrical and communications products and services. Our 2,500 employees serve clients throughout the United States. For more information about IES, please visit [www.ies-corporate.com](http://www.ies-corporate.com).

*Certain statements in this release, including statements regarding the restructuring plan and total estimated charges and cost reductions associated with this plan, are "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, fluctuations in operating activity due to downturns in levels of construction, seasonality and differing regional economic conditions; competition in our respective industries, 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; a general reduction in the demand for our services; a change in the mix of our customers, contracts and business; our ability to successfully manage projects; possibility of errors when estimating revenue and progress to date on percentage-of-completion contracts; inaccurate estimates used when entering into fixed-priced contracts; challenges integrating new businesses into the Company or new types of work or new processes into our divisions; the cost and availability of qualified labor; accidents resulting from the physical hazards associated with our work and the potential for accidents; success in transferring, renewing and obtaining electrical and construction licenses; our ability to pass along increases in the cost of commodities used in our business, in particular, copper, aluminum, steel, fuel and certain plastics; potential supply chain disruptions due to credit or liquidity problems faced by our suppliers; loss of key personnel and effective transition of new management; warranty losses, damages or other latent defect claims in excess of our existing reserves and accruals; warranty losses or other unexpected liabilities stemming from former divisions which we have sold or closed; growth in latent defect litigation in states where we provide residential electrical work for home builders not otherwise covered by insurance; limitations on the availability of sufficient credit or cash flow to fund our working capital needs; difficulty in fulfilling the covenant terms of our credit facilities; increased cost of surety bonds affecting margins on work and the potential for our surety providers to refuse bonding or require additional collateral at their discretion; increases in bad debt expense and days sales outstanding due to liquidity problems faced by our customers; changes in the assumptions made regarding future events used to value our stock options and performance-based stock awards; the recognition of potential goodwill, long-lived assets and other investment impairments; uncertainties inherent in estimating future operating results, including revenues, operating income or cash flow; disagreements with taxing authorities with regard to tax positions we have adopted; the recognition of tax benefits related to uncertain tax positions; complications associated with the incorporation of new accounting, control and operating procedures; the financial impact of new or proposed accounting regulations; 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; credit and capital market conditions, including changes in interest rates that affect the cost of construction financing and mortgages, and the inability for some of our customers to retain sufficient financing which could lead to project delays or cancellations; the sale or disposition of the shares of our common stock held by our majority shareholder, which, under certain circumstances, would trigger change of control provisions in contracts such as employment agreements and financing and surety arrangements; and additional closures or sales of facilities could result in significant future charges and a significant disruption of our operations. You should understand that the foregoing, as well as other risk factors discussed in this document and in the Company's annual report on Form 10-K for the year ended September 30, 2012 and the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2012, could cause future outcomes to differ materially from 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, restructuring efforts, 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 Integrated Electrical Services, Inc. can be found at <http://www.ies-corporate.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.*

## **INTEGRATED ELECTRICAL SERVICES INC., AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)  
(UNAUDITED)**

	Three Months Ended December 31,	
	2012	2011
Revenues	\$ 127.3	\$ 109.0
Cost of services	109.3	95.8
Gross profit	18.0	13.2
Selling, general and administrative expenses	14.9	12.7
Gain on asset sales	(0.0)	(0.1)
Income (loss) from operations	3.1	0.7
Interest expense, net	0.6	0.5
Other expense (income), net	1.7	(0.0)
Provision (benefit) for income taxes	0.1	(0.0)
Net income (loss) from continuing operations	0.6	0.2
Net income (loss) from discontinued operations	(0.1)	(3.9)
Net income (loss)	<u>\$ 0.5</u>	<u>\$ (3.7)</u>
(Loss) per share:		
Continuing operations	\$ 0.04	\$ 0.01
Discontinued operations	\$ (0.01)	\$ (0.27)
Basic	<u>\$ 0.03</u>	<u>\$ (0.26)</u>
Diluted loss per share:		
Continuing operations	\$ 0.04	\$ 0.01
Discontinued operations	\$ (0.01)	\$ (0.27)
Diluted	<u>\$ 0.03</u>	<u>\$ (0.26)</u>
Shares used in the computation of income (loss) per share:		
Basic (in thousands)	14,802	14,569
Diluted (in thousands)	14,919	14,569

**INTEGRATED ELECTRICAL SERVICES INC., AND SUBSIDIARIES  
NON-GAAP RECONCILIATION OF ADJUSTED EBITDA  
(DOLLARS IN MILLIONS)  
(UNAUDITED)**

	Three Months Ended December 31,	
	2012	2011
Net income (loss) from continuing operations	\$ 0.6	\$ 0.2
Interest expense, net	0.6	0.5
Provision (benefit) for income taxes	0.1	(0.0)
Depreciation and amortization	0.5	0.5
EBITDA	1.9	1.2
Non-cash equity compensation expense	0.5	0.1
Reserve related to receivable from former surety	1.7	-
Adjusted EBITDA	<u>\$ 4.1</u>	<u>\$ 1.4</u>

**INTEGRATED ELECTRICAL SERVICES INC., AND SUBSIDIARIES  
NON-GAAP RECONCILIATION OF ADJUSTED NET INCOME (LOSS)  
(DOLLARS IN MILLIONS)  
(UNAUDITED)**

	Three Months Ended December 31,	
	2012	2011

Net income (loss) from continuing operations	\$	0.6	\$	0.2
Non-cash equity compensation expense		0.5		0.1
Reserve related to receivable from former surety		1.7		-
Adjusted net income (loss)	\$	<u>2.9</u>	\$	<u>0.3</u>

Adjusted income (loss) per share:

Basic	\$	0.19	\$	0.02
Diluted	\$	0.19	\$	0.02

Shares used in the computation of income (loss) per share:

Basic (in thousands)		14,802		14,569
Diluted (in thousands)		14,919		14,569

**INTEGRATED ELECTRICAL SERVICES INC., AND SUBSIDIARIES**  
**SELECTED BALANCE SHEET AND CASH FLOW INFORMATION**  
**(DOLLARS IN MILLIONS)**  
**(UNAUDITED)**

December 31, 2012   December 31, 2011

Selected Balance Sheet Data:

Cash and cash equivalents (includes restricted cash)	\$	28.4	\$	26.1
Net working capital (excludes cash and cash equivalents)	\$	27.9	\$	35.9
Goodwill	\$	4.4	\$	4.4
Total assets	\$	165.2	\$	162.0
Total debt	\$	12.5	\$	11.1
Total stockholders' equity	\$	53.8	\$	60.6

Liquidity:

Cash and cash equivalents plus borrowing availability	\$	50.0	\$	42.2
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Three Months Ended December 31,  
2012                      2011

Cash provided (used) in operating activities	\$	3.3	\$	(9.0)
Cash provided (used) in investing activities	\$	(0.4)	\$	(0.3)
Cash provided (used) in financing activities	\$	(0.8)	\$	(9.0)

**INTEGRATED ELECTRICAL SERVICES INC., AND SUBSIDIARIES**  
**OPERATING SEGMENT STATEMENTS OF OPERATIONS**  
**(DOLLARS IN MILLIONS)**  
**(UNAUDITED)**

**COMMUNICATIONS**

Three Months Ended  
December 31,  
2012                      2011

Revenues	\$	40.1	\$	25.2
Cost of services		<u>32.9</u>		<u>21.6</u>
Gross profit		7.2		3.6
Selling, general and administrative expenses		3.2		2.2
Corporate allocations		0.3		0.5
Income (loss) from operations	\$	<u>3.7</u>	\$	<u>0.9</u>

Other data:

Depreciation & amortization expense	\$	0.1	\$	0.1
Total assets	\$	34.1	\$	17.9

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**RESIDENTIAL**

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Three Months Ended  
December 31,  
2012      2011

Revenues	\$ 36.0	\$ 29.3
Cost of services	<u>29.9</u>	<u>24.6</u>
Gross profit	6.1	4.6
Selling, general and administrative expenses	4.9	3.9
Corporate allocations	<u>0.3</u>	<u>0.5</u>
Income (loss) from operations	<u>\$ 0.9</u>	<u>\$ 0.2</u>

## Other data:

Depreciation & amortization expense	\$ 0.1	\$ 0.1
Total assets	\$ 31.9	\$ 23.1

**INTEGRATED ELECTRICAL SERVICES INC., AND SUBSIDIARIES**  
**OPERATING SEGMENT STATEMENTS OF OPERATIONS**  
**(DOLLARS IN MILLIONS)**  
**(UNAUDITED)**

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**COMMERCIAL & INDUSTRIAL**

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Three Months Ended  
December 31,  
2012      2011

Revenues	\$ 51.1	\$ 54.6
Cost of services	<u>46.5</u>	<u>49.6</u>
Gross profit	4.6	5.0
Selling, general and administrative expenses	3.2	2.6
Corporate allocations	<u>0.5</u>	<u>1.4</u>
Income (loss) from operations	<u>\$ 0.9</u>	<u>\$ 1.0</u>

## Other data:

Depreciation & amortization expense	\$ 0.1	\$ 0.1
Total assets	\$ 54.4	\$ 73.4

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**CORPORATE**

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Three Months Ended  
December 31,  
2012      2011

Revenues	\$ -	\$ -
Cost of services	<u>-</u>	<u>-</u>
Gross profit	-	-
Selling, general and administrative expenses	3.6	3.8
Corporate allocations	<u>(1.2)</u>	<u>(2.4)</u>
Income (loss) from operations	(2.4)	(1.5)
Interest and other expense, net	2.3	0.5
Provision (benefit) for income taxes	0.1	(0.0)
Net income (loss) from continuing operations	<u>\$ (4.8)</u>	<u>\$ (1.9)</u>

## Other data:

Depreciation & amortization expense	\$ 0.3	\$ 0.3
Total assets	\$ 44.7	\$ 47.6

**INTEGRATED ELECTRICAL SERVICES INC., AND SUBSIDIARIES**

**DISCONTINUED OPERATIONS STATEMENT OF OPERATIONS**  
**(DOLLARS IN MILLIONS)**  
**(UNAUDITED)**

	Three Months Ended December 31,	
	2012	2011
Revenues	\$ 0.5	\$ 6.3
Cost of services	0.5	8.6
Gross profit	0.1	(2.3)
Selling, general and administrative expenses	0.2	0.7
Loss (gain) on asset sales	-	0.2
Restructuring charges	0.0	0.6
Loss from discontinued operations	(0.1)	(3.7)
Provision (benefit) for income taxes	(0.0)	0.2
Net loss from discontinued operations	<u>\$ (0.1)</u>	<u>\$ (3.9)</u>

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