



## Comfort Systems USA Reports Third Quarter 2017 Results

October 26, 2017

HOUSTON--(BUSINESS WIRE)--Oct. 26, 2017-- **Comfort Systems USA, Inc. (NYSE: FIX)**, a leading provider of mechanical services including heating, ventilation, air conditioning, plumbing, piping and controls, today announced net income of \$22.3 million or \$0.59 per diluted share, for the quarter ended September 30, 2017, as compared to \$20.5 million or \$0.54 per diluted share, for the quarter ended September 30, 2016. The Company reported revenue of \$480.9 million in the current quarter, as compared to \$428.8 million in 2016. The Company reported free cash flow of \$39.5 million in the current quarter, as compared to \$7.3 million in 2016. Backlog as of September 30, 2017 was \$901.2 million as compared to \$937.8 million as of June 30, 2017 and \$719.3 million as of September 30, 2016.

Brian Lane, Comfort Systems USA's President and Chief Executive Officer, said, "We are pleased to report third quarter results marked by strong earnings and cash flow performance. Margins continued to benefit from solid field execution, and we are reporting the highest third quarter cash flow in our history."

The Company reported net income of \$47.7 million or \$1.27 per diluted share, for the nine months ended September 30, 2017, as compared to \$48.0 million or \$1.27 per diluted share, in 2016. The Company also reported revenue of \$1.33 billion, as compared to \$1.24 billion in 2016. Free cash flow for the nine months ended September 30, 2017 was \$49.6 million, as compared to \$33.3 million in 2016.

Mr. Lane concluded, "Our backlog remains strong, as we finished our busiest quarter at same-store levels much higher than a year ago. We feel that the environment for non-residential construction remains favorable, and our results and strong cash flow give us the confidence to continue our investments in productivity and growth. In light of our strong backlog and the generally supportive environment in our industry, we remain optimistic about the remainder of 2017 and about our prospects for growth and profitability in 2018."

As previously announced, the Company will host a webcast and conference call to discuss its financial results and position in more depth on Friday, October 27, 2017 at 10:00 a.m. Central Time. The call-in number for this conference call is 1-888-680-0865 and enter 89429063 as the passcode. Participants may pre-register for the call at <https://www.theconferencingservice.com/prereg/key.process?key=P3WW66FX7>. The Company anticipates that an accompanying slide presentation will also be available under the Investor tab. Pre-registrants will be issued a pin number to use when dialing in to the live call, which will provide quick access to the conference by bypassing the operator upon connection. The call can also be accessed on the Company's website at [www.comfortsystemsusa.com](http://www.comfortsystemsusa.com) under the Investor tab. A replay of the entire call will be available until 3:00 p.m. Central Time, Friday, November 3, 2017 by calling 1-888-286-8010 with the conference passcode of 38729423, and will also be available on our website on the next business day following the call.

Comfort Systems USA® is a premier provider of business solutions addressing workplace comfort, with 109 locations in 98 cities around the nation. For more information, visit the Company's website at [www.comfortsystemsusa.com](http://www.comfortsystemsusa.com).

*Certain statements and information in this press release may constitute forward-looking statements regarding our future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "anticipate," "plan," "intend," "foresee," "should," "would," "could," or other similar expressions are intended to identify forward-looking statements, which are generally not historic in nature. These forward-looking statements are based on the current expectations and beliefs of Comfort Systems USA, Inc. and its subsidiaries (collectively, the "Company") concerning future developments and their effect on the Company. While the Company's management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting the Company will be those that it anticipates. All comments concerning the Company's expectations for future revenue and operating results are based on the Company's forecasts for its existing operations and do not include the potential impact of any future acquisitions. The Company's forward-looking statements involve significant risks and uncertainties (some of which are beyond the Company's control) and assumptions that could cause actual future results to differ materially from the Company's historical experience and its present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: the use of incorrect estimates for bidding a fixed-price contract; undertaking contractual commitments that exceed the Company's labor resources; failing to perform contractual obligations efficiently enough to maintain profitability; national or regional weakness in construction activity and economic conditions; financial difficulties affecting projects, vendors, customers, or subcontractors; the Company's backlog failing to translate into actual revenue or profits; failure of third party subcontractors and suppliers to complete work as anticipated; difficulty in obtaining or increased costs associated with bonding and insurance; impairment to goodwill; errors in the Company's percentage-of-completion method of accounting; the result of competition in the Company's markets; the Company's decentralized management structure; material failure to comply with varying state and local laws, regulations or requirements; debarment from bidding on or performing government contracts; shortages of labor and specialty building materials; retention of key management; seasonal fluctuations in the demand for mechanical systems; the imposition of past and future liability from environmental, safety, and health regulations including the inherent risk associated with self-insurance; adverse litigation results; an increase in our effective tax rate; an information technology failure or cyber security breach; and other risks detailed in our reports filed with the Securities and Exchange Commission.*

*For additional information regarding known material factors that could cause the Company's results to differ from its projected results, please see its filings with the SEC, including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K.*

*Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events, or otherwise.*

— Financial tables follow —

Comfort Systems USA, Inc.

Consolidated Statements of Operations

(In Thousands, Except per Share Amounts)

|  | Three Months Ended<br>September 30,<br>(Unaudited) |         |            |         | Nine Months Ended<br>September 30,<br>(Unaudited) |         |              |         |
|--|--|---------|------------|---------|---|---------|--------------|---------|
|  | 2017   | %       | 2016       | %       | 2017  | %       | 2016         | %       |
| Revenue  | \$ 480,851   | 100.0 % | \$ 428,760 | 100.0 % | \$ 1,326,850                                      | 100.0 % | \$ 1,242,240 | 100.0 % |
| Cost of services   | 379,993  | 79.0 %  | 335,944    | 78.4 %  | 1,054,300   | 79.5 %  | 986,496      | 79.4 %  |
| Gross profit   | 100,858  | 21.0 %  | 92,816     | 21.6 %  | 272,550   | 20.5 %  | 255,744      | 20.6 %  |
| SG&A   | 66,707   | 13.9 %  | 61,032     | 14.2 %  | 196,553   | 14.8 %  | 180,245      | 14.5 %  |
| Goodwill impairment  | —  | —       | —          | —       | 1,105   | 0.1 %   | —            | —       |
| Gain on sale of assets                                       | (184)  | —       | (166)      | —       | (464)   | —       | (523)        | —       |
| Operating income   | 34,335   | 7.1 %   | 31,950     | 7.5 %   | 75,356  | 5.7 %   | 76,022       | 6.1 %   |
| Interest expense, net  | (945)  | (0.2) % | (560)      | (0.1) % | (2,337)   | (0.2) % | (1,864)      | (0.2) % |
| Changes in the fair value of contingent earn-out obligations | 2,469  | 0.5 %   | 804        | 0.2 %   | 1,845   | 0.1 %   | 468          | —       |
| Other income (expense)                                       | 10   | —       | 80         | —       | 57  | —       | 455          | —       |
| Income before income taxes                                   | 35,869   | 7.5 %   | 32,274     | 7.5 %   | 74,921  | 5.6 %   | 75,081       | 6.0 %   |
| Income tax expense   | 13,585   |         | 11,803     |         | 27,188  |         | 27,052       |         |
| Net income   | \$ 22,284  | 4.6 %   | \$ 20,471  | 4.8 %   | \$ 47,733   | 3.6 %   | \$ 48,029    | 3.9 %   |
| Income per share:  |  |         |            |         |   |         |              |         |
| Basic  | \$ 0.60  |         | \$ 0.55    |         | \$ 1.28   |         | \$ 1.28      |         |
| Diluted  | \$ 0.59  |         | \$ 0.54    |         | \$ 1.27   |         | \$ 1.27      |         |
| Shares used in computing income per share:                   |  |         |            |         |   |         |              |         |
| Basic  | 37,232   |         | 37,360     |         | 37,259  |         | 37,380       |         |
| Diluted  | 37,626   |         | 37,821     |         | 37,684  |         | 37,854       |         |

Supplemental Non-GAAP Information — Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) — (Unaudited) (In Thousands)

|  | Three Months Ended<br>September 30, |       |           |       | Nine Months Ended<br>September 30, |       |           |       |
|--|-------------------------------------|-------|-----------|-------|------------------------------------|-------|-----------|-------|
|  | 2017                                | %     | 2016      | %     | 2017                               | %     | 2016      | %     |
| Net income   | \$ 22,284                           |       | \$ 20,471 |       | \$ 47,733                          |       | \$ 48,029 |       |
| Income taxes   | 13,585                              |       | 11,803    |       | 27,188                             |       | 27,052    |       |
| Other expense (income), net                                  | (10)                                |       | (80)      |       | (57)                               |       | (455)     |       |
| Changes in the fair value of contingent earn-out obligations | (2,469)                             |       | (804)     |       | (1,845)                            |       | (468)     |       |
| Interest expense, net  | 945                                 |       | 560       |       | 2,337                              |       | 1,864     |       |
| Gain on sale of assets                                       | (184)                               |       | (166)     |       | (464)                              |       | (523)     |       |
| Goodwill impairment  | —                                   |       | —         |       | 1,105                              |       | —         |       |
| Depreciation and amortization                                | 10,437                              |       | 6,513     |       | 27,336                             |       | 19,671    |       |
| Adjusted EBITDA  | \$ 44,588                           | 9.3 % | \$ 38,297 | 8.9 % | \$ 103,333                         | 7.8 % | \$ 95,170 | 7.7 % |

Note: The Company defines adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) as net income including noncontrolling interests, income taxes, other expense (income), net, changes in the fair value of contingent earn-out obligations, interest expense, net, gain on sale of assets, goodwill impairment and depreciation and amortization. Other companies may define Adjusted EBITDA differently. Adjusted EBITDA is presented because it is a financial measure that is frequently requested by third parties. However, Adjusted EBITDA is not considered under generally accepted accounting principles as a primary measure of an entity’s financial results, and accordingly, Adjusted EBITDA should not be considered an alternative to operating income, net income, or cash flows as determined under generally accepted accounting principles and as reported by the Company.

Comfort Systems USA, Inc.

Condensed Consolidated Balance Sheets

(In Thousands)

|   | <b>September 30,<br/>2017<br/>(Unaudited)</b> | <b>December 31,<br/>2016</b> |
|---|---|------------------------------|
| Cash and cash equivalents                                 | \$ 29,496                                     | \$ 32,074                    |
| Accounts receivable, net                                  | 390,497                                       | 318,837                      |
| Costs and estimated earnings in excess of billings        | 39,333  | 29,369                       |
| Other current assets                                      | 36,051  | 35,677                       |
| Total current assets                                      | 495,377                                       | 415,957                      |
| Property and equipment, net                               | 74,883  | 68,195                       |
| Goodwill  | 203,771                                       | 149,208                      |
| Identifiable intangible assets, net                       | 78,527  | 42,435                       |
| Other noncurrent assets                                   | 32,029  | 33,108                       |
| Total assets  | \$ 884,587                                    | \$ 708,903                   |
| Current maturities of long-term debt                      | \$ 618  | \$ 600                       |
| Current maturities of long-term capital lease obligations | 90  | 163                          |
| Accounts payable  | 122,203                                       | 103,440                      |
| Billings in excess of costs and estimated earnings        | 103,049                                       | 83,985                       |
| Other current liabilities                                 | 147,842                                       | 129,493                      |
| Total current liabilities                                 | 373,802                                       | 317,681                      |
| Long-term debt  | 80,951  | 1,955                        |
| Long-term capital lease obligations                       | 33  | 93                           |
| Other long-term liabilities                               | 17,872  | 12,541                       |
| Total liabilities   | 472,658                                       | 332,270                      |
| Total stockholders' equity                                | 411,929                                       | 376,633                      |
| Total liabilities and stockholders' equity                | \$ 884,587                                    | \$ 708,903                   |

Selected Cash Flow Data (Unaudited) (In Thousands):

|   | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2017</b>                                 | <b>2016</b> | <b>2017</b>                                | <b>2016</b> |
| Cash provided by (used in):                   |   |             |  |             |
| Operating activities                          | \$ 44,512                                   | \$ 13,333   | \$ 65,692                                  | \$ 49,754   |
| Investing activities                          | \$ (16,155)                                 | \$ (6,020)  | \$ (110,906)                               | \$ (74,920) |
| Financing activities                          | \$ (33,326)                                 | \$ (20,258) | \$ 42,636                                  | \$ (5,961)  |
| Free cash flow:                               |   |             |  |             |
| Cash from operating activities                | \$ 44,512                                   | \$ 13,333   | \$ 65,692                                  | \$ 49,754   |
| Purchases of property and equipment           | (5,184)                                     | (6,353)     | (16,830)                                   | (17,257)    |
| Proceeds from sales of property and equipment | 179   | 353         | 784  | 847         |
| Free cash flow                                | \$ 39,507                                   | \$ 7,333    | \$ 49,646                                  | \$ 33,344   |

Note: Free cash flow is defined as cash flow from operating activities less customary capital expenditures, plus the proceeds from asset sales. Other companies may define free cash flow differently. Free cash flow is presented because it is a financial measure that is frequently requested by third parties. However, free cash flow is not considered under generally accepted accounting principles as a primary measure of an entity's financial results, and accordingly, free cash flow should not be considered an alternative to operating income, net income, or cash flows as determined under generally accepted accounting principles and as reported by the Company.

Source: Comfort Systems USA, Inc.

Comfort Systems USA, Inc.  
William George, 713-830-9600  
Chief Financial Officer