



Comfort Systems USA Reports Third Quarter 2021 Results

- Oct 27, 2021

- Reports Strong Growth, Earnings, Backlog and Cash Flow -

HOUSTON--(BUSINESS WIRE)--Oct. 27, 2021-- **Comfort Systems USA, Inc. (NYSE: FIX)** today reported results for the quarter ended September 30, 2021.

For the quarter ended September 30, 2021, net income was \$46.3 million, or \$1.27 per diluted share, as compared to \$50.1 million, or \$1.36 per diluted share, for the quarter ended September 30, 2020. Earnings per diluted share for the third quarter of 2020 included a \$0.17 benefit from a discrete tax item. Revenue for the third quarter of 2021 was \$833.9 million compared to \$714.1 million in 2020. The Company reported operating cash flow of \$42.6 million in the current quarter compared to \$52.6 million in 2020.

Backlog as of September 30, 2021 was \$1.94 billion as compared to \$1.84 billion as of June 30, 2021 and \$1.43 billion as of September 30, 2020. On a same-store basis, backlog increased from \$1.43 billion as of September 30, 2020 to \$1.70 billion as of September 30, 2021.

Brian Lane, Comfort Systems USA's President and Chief Executive Officer, said, "Our strong third quarter results demonstrate the formidable commitment and resilience of our excellent workforce as they face continuing challenges. Earnings, cash flow and growth all exceeded our high expectations. Backlog showed strong increases since last year, and even increased sequentially, which is an especially positive sign in the third quarter when we traditionally burn backlog."

The Company reported net income of \$105.8 million, or \$2.90 per diluted share, for the nine months ended September 30, 2021, as compared to \$107.3 million, or \$2.92 per diluted share, in 2020. The Company also reported revenue of \$2.22 billion for the nine months ended September 30, 2021, as compared to \$2.16 billion in 2020. Operating cash flow for the nine months ended September 30, 2021 was \$152.7 million, as compared to \$216.4 million in 2020.

Mr. Lane concluded, "We are increasingly benefiting from substantial ongoing investments in training, productivity, and technology, and in adding extraordinary new partner companies. In recent years we completed a series of transformative acquisitions that have built upon our unbroken history of profitability and cash flow. These acquisitions have increased our scale, expanded our recurring service revenue, and vastly increased our expertise in complex markets including industrial, technology and life sciences. Each investment strengthens and expands our invaluable and unmatched nationwide community of skilled workers. We are deeply grateful to our employees across the United States, and we are committed to continue providing our workers, and thus our customers, with unmatched resources, opportunities and support."

The Company will host a webcast and conference call to discuss its financial results and position on Thursday, October 28, 2021 at 10:30 a.m. Central Time. The call-in number for this conference call is 1-877-319-0032, and the passcode is 2065468. The call and the slide presentation to accompany the remarks can be accessed on the Company's website at www.comfortsystemsusa.com under the Investor tab. A replay of the entire call will be available on the Company's website on the next business day following the call.

Comfort Systems USA® is a leading provider of commercial, industrial and institutional heating, ventilation, air conditioning and electrical contracting services, with 152 locations in 120 cities around the nation. For more information, visit the Company's website at 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 applicable securities laws and regulations. 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, and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates, may differ materially from those made in or suggested by the forward-looking statements contained in this press release. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of our results or developments in subsequent periods. 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; the Company's business being negatively affected by health crises or outbreaks of disease, such as epidemics or pandemics; 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 or material increases to the cost thereof; retention of key management; seasonal fluctuations in the demand for mechanical and electrical 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; a material information technology failure or a material cyber security breach; risks associated with acquisitions; our ability to manage growth and geographically-dispersed operations; our ability to obtain financing on acceptable terms; and other risks detailed in our reports filed with the Securities and Exchange

Commission (the "SEC").

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				Nine Months Ended			
	September 30,				September 30,			
	(Unaudited)				(Unaudited)			
	2021	%	2020	%	2021	%	2020	%
Revenue	\$ 833,896	100.0 %	\$ 714,099	100.0 %	\$ 2,217,552	100.0 %	\$ 2,157,698	100.0 %
Cost of services	674,684	80.9 %	566,903	79.4 %	1,808,416	81.6 %	1,747,714	81.0 %
Gross profit	159,212	19.1 %	147,196	20.6 %	409,136	18.4 %	409,984	19.0 %
SG&A	95,287	11.4 %	90,888	12.7 %	271,050	12.2 %	268,857	12.5 %
Gain on sale of assets	(180)	—	(377)	(0.1)%	(1,021)	—	(1,243)	(0.1)%
Operating income	64,105	7.7 %	56,685	7.9 %	139,107	6.3 %	142,370	6.6 %
Interest expense, net	(1,585)	(0.2)%	(1,726)	(0.2)%	(4,436)	(0.2)%	(6,805)	(0.3)%
Changes in the fair value of contingent earn-out obligations	(1,244)	(0.1)%	3,423	0.5 %	4,523	0.2 %	1,824	0.1 %
Other income (expense)	20	—	(15)	—	112	—	10	—
Income before income taxes	61,296	7.4 %	58,367	8.2 %	139,306	6.3 %	137,399	6.4 %
Provision for income taxes	14,999		8,279		33,553		30,100	

Net income	\$ 46,297	5.6 %	\$ 50,088	7.0 %	\$ 105,753	4.8 %	\$ 107,299	5.0 %
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Income per share

Basic	\$ 1.28		\$ 1.37		\$ 2.91		\$ 2.93
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Diluted	\$ 1.27		\$ 1.36		\$ 2.90		\$ 2.92
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Shares used in computing income per share:

Basic	36,296		36,557		36,328		36,604
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Diluted	36,434		36,750		36,500		36,797
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Dividends per share	\$ 0.120		\$ 0.105		\$ 0.350		\$ 0.315
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Supplemental Non-GAAP Information — Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) — (Unaudited) (In Thousands)

	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
	2021	%	2020	%	2021	%	2020	%
Net income	\$ 46,297		\$ 50,088		\$ 105,753		\$ 107,299	
Provision for income taxes	14,999		8,279		33,553		30,100	
Other expense (income), net	(20)		15		(112)		(10)	
Changes in the fair value of contingent earn-out obligations	1,244		(3,423)		(4,523)		(1,824)	
Interest expense, net	1,585		1,726		4,436		6,805	
Gain on sale of assets	(180)		(377)		(1,021)		(1,243)	
Depreciation and amortization	18,326		15,350		50,000		46,124	
Adjusted EBITDA	\$ 82,251	9.9 %	\$ 71,658	10.0 %	\$ 188,086	8.5 %	\$ 187,251	8.7 %

Note: The Company defines adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) as net income, provision for 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)

	September 30, December 31,	
	2021	2020
	(Unaudited)	
Cash and cash equivalents	\$ 67,721	\$ 54,896
Billed accounts receivable, net	700,629	619,544
Unbilled accounts receivable, net	59,473	45,596
Costs and estimated earnings in excess of billings, net	14,972	18,622
Other current assets, net	61,916	73,194
Total current assets	904,711	811,852
Property and equipment, net	115,538	117,206
Goodwill	526,964	464,392
Identifiable intangible assets, net	268,099	231,807
Other noncurrent assets	136,022	132,098
Total assets	\$ 1,951,334	\$ 1,757,355
Current maturities of long-term debt	\$ 5,958	\$ —
Accounts payable	236,387	204,145
Billings in excess of costs and estimated earnings	244,578	226,237
Other current liabilities	255,339	262,522
Total current liabilities	742,262	692,904
Long-term debt, net	266,772	235,733
Other long-term liabilities	170,511	132,289

Total liabilities	1,179,545	1,060,926
Total stockholders' equity	771,789	696,429
Total liabilities and stockholders' equity	\$ 1,951,334	\$ 1,757,355

Selected Cash Flow Data (Unaudited) (In Thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Cash provided by (used in):				
Operating activities	\$ 42,585	\$ 52,614	\$ 152,654	\$ 216,400
Investing activities	\$(98,631)	\$(15,355)	\$(119,605)	\$(130,514)
Financing activities	\$ 70,108	\$(19,972)	\$(20,224)	\$(66,134)
Free cash flow:				
Cash from operating activities	\$ 42,585	\$ 52,614	\$ 152,654	\$ 216,400
Purchases of property and equipment	(5,102)	(4,920)	(15,864)	(19,459)
Proceeds from sales of property and equipment	272	512	1,802	1,890
Free cash flow	\$ 37,755	\$ 48,206	\$ 138,592	\$ 198,831

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.

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