



Comfort Systems USA Reports Second Quarter 2013 Results

July 31, 2013

HOUSTON--(BUSINESS WIRE)--Jul. 31, 2013-- **Comfort Systems USA, Inc. (NYSE: FIX)**, a leading provider of commercial, industrial and institutional heating, ventilation and air conditioning ("HVAC") services, today announced net income attributable to Comfort Systems USA of \$7,762,000 or \$0.21 per diluted share, for the quarter ended June 30, 2013, as compared to \$4,468,000 or \$0.12 per diluted share, for the quarter ended June 30, 2012. The Company reported revenue of \$351,053,000 in the current quarter as compared to \$353,172,000 in 2012. The Company reported free cash flow of \$2,996,000 in the current quarter, as compared to \$2,641,000 in 2012. Backlog as of June 30, 2013 was \$590,276,000 as compared to \$631,056,000 as of March 31, 2013 and \$617,204,000 as of June 30, 2012.

Brian Lane, Comfort Systems USA's Chief Executive Officer, said, "We experienced improved profitability during the quarter. Service continued to provide solid returns, and many of our construction projects benefitted from terrific execution despite tough markets. Our people have performed and improved through adversity, and as activity recovers we feel confident in our world-class team of building professionals. Although backlog declined somewhat this quarter in the midst of our busy project performance season, we feel that compared to the past few years our pipeline of work is consistent and that our operations are favorably positioned with available work."

The Company reported net income attributable to Comfort Systems USA for the six months ended June 30, 2013 of \$10,294,000 or \$0.28 per diluted share as compared to \$3,439,000 or \$0.09 per diluted share, for the first six months of 2012. The Company also reported revenue of \$676,943,000 as compared to \$680,074,000 for the same period of 2012. Free cash flow for the six months ended June 30, 2013 was negative \$10,386,000 as compared to negative free cash flow of \$18,849,000 in the first six months of 2012.

Mr. Lane concluded, "We are experiencing good cash flow and improved margins, and our operations have a solid pipeline of work for this winter. We are preparing for the future by investing in growth initiatives that we believe will benefit us in all economic conditions, and we believe that we are ready to take advantage of opportunities when the economy improves."

As previously announced, the Company will host a webcast and conference call to discuss its financial results and position in more depth on Thursday, August 1, 2013 at 10:00 a.m. Central Time. The call-in number for this conference call is 1-888-713-4217 and enter 46959023 as the passcode. Participants may pre-register for the call at <https://www.theconferencingservice.com/prereg/key.process?key=PE3JLJEE6>. 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 under the Investor tab. A replay of the entire call will be available until 6:00 p.m. Central Time, Thursday, August 8, 2013 by calling 1-888-286-8010 with the conference passcode of 89106007, 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 87 locations in 72 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 within the meaning 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 revenues 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; 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 HVAC 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; 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

For the Three Months and Six Months Ended June 30, 2013 and 2012

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended				Six Months Ended			
	June 30,		2012		June 30,		2012	
	2013	%	2012	%	2013	%	2012	%
Revenue	\$ 351,053	100.0 %	\$ 353,172	100.0 %	\$ 676,943	100.0 %	\$ 680,074	100.0 %
Cost of services	291,086	82.9 %	299,076	84.7 %	565,509	83.5 %	583,047	85.7 %
Gross profit	59,967	17.1 %	54,096	15.3 %	111,434	16.5 %	97,027	14.3 %
SG&A	45,699	13.0 %	46,877	13.3 %	92,219	13.6 %	92,928	13.7 %
Gain on sale of assets	(111)	-	(222)	(0.1)%	(250)	-	(339)	-
Operating income	14,379	4.1 %	7,441	2.1 %	19,465	2.9 %	4,438	0.7 %
Interest expense, net	(340)	(0.1)%	(424)	(0.1)%	(671)	(0.1)%	(817)	(0.1)%
Changes in the fair value of contingent earn-out obligations	(27)	-	(37)	-	(54)	-	(67)	-
Other income (expense)	37	-	18	-	101	-	69	-
Income before income taxes	14,049	4.0 %	6,998	2.0 %	18,841	2.8 %	3,623	0.5 %
Income tax expense	5,735		3,049		7,778		2,105	
Income from continuing operations	8,314	2.4 %	3,949	1.1 %	11,063	1.6 %	1,518	0.2 %
Income (loss) from discontinued operations, net of income tax expense (benefit) of \$-, \$122, \$(39) and \$(40)	-		98		(54)		(139)	
Net income including noncontrolling interests	8,314	2.4 %	4,047	1.1 %	11,009	1.6 %	1,379	0.2 %
Less: Net income (loss) attributable to noncontrolling interests	552		(421)		715		(2,060)	
Net income attributable to Comfort Systems USA, Inc.	\$ 7,762	2.2 %	\$ 4,468	1.3 %	\$ 10,294	1.5 %	\$ 3,439	0.5 %
Income per share attributable to Comfort Systems USA, Inc.:								
Basic—								
Income from continuing operations	\$ 0.21		\$ 0.12		\$ 0.28		\$ 0.09	
Income (loss) from discontinued operations	-		-		-		-	
Net income	\$ 0.21		\$ 0.12		\$ 0.28		\$ 0.09	
Diluted—								
Income from continuing operations	\$ 0.21		\$ 0.12		\$ 0.28		\$ 0.09	
Income (loss) from discontinued operations	-		-		-		-	
Net income	\$ 0.21		\$ 0.12		\$ 0.28		\$ 0.09	
Shares used in computing income per share:								
Basic	37,190		37,166		37,128		37,111	
Diluted	37,365		37,247		37,349		37,232	

Note 1: The diluted earnings per share data presented above reflects the dilutive effect, if any, of stock options and contingently issuable restricted stock which were outstanding during the periods presented.

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

	Three Months Ended				Six Months Ended			
	June 30,		2012		June 30,		2012	
	2013	%	2012	%	2013	%	2012	%
Net income including noncontrolling interests	\$ 8,314		\$ 4,047		\$ 11,009		\$ 1,379	
Discontinued operations	-		(98)		54		139	
Income taxes	5,735		3,049		7,778		2,105	
Other expense (income), net	(37)		(18)		(101)		(69)	
Changes in the fair value of contingent earn-out obligations	27		37		54		67	
Interest expense, net	340		424		671		817	
Gain on sale of assets	(111)		(222)		(250)		(339)	
Depreciation and amortization	4,531		4,999		9,298		10,105	
Adjusted EBITDA	\$ 18,799	5.4 %	\$ 12,218	3.5 %	\$ 28,513	4.2 %	\$ 14,204	2.1 %

Note 1: The Company defines adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) as net income including noncontrolling interests, excluding discontinued operations, income taxes, other (income) expense, net, changes in the fair value of contingent earn-out obligations, interest expense, net, gain on sale of assets, 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 (loss), net income (loss), 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)

	June 30,	December 31,
	2013	2012
	(unaudited)	
Cash and cash equivalents	\$ 23,346	\$ 40,757
Accounts receivable, net	291,828	256,959
Costs and estimated earnings in excess of billings	29,314	26,204
Assets related to discontinued operations	600	1,582
Other current assets	44,140	47,051
Total current assets	389,228	372,553
Property and equipment, net	42,522	41,416
Goodwill	114,588	114,588
Identifiable intangible assets, net	40,846	44,515
Other noncurrent assets	8,062	7,682
Total assets	\$ 595,246	\$ 580,754
Current maturities of long-term debt	\$ 300	\$ 300
Accounts payable	101,248	100,641
Billings in excess of costs and estimated earnings	76,083	73,814
Liabilities related to discontinued operations	584	767
Other current liabilities	97,356	93,065
Total current liabilities	275,571	268,587
Long-term debt, net of current maturities	2,100	2,100
Notes to former owners, net of current maturities	3,000	5,000
Other long-term liabilities	18,421	17,761
Total liabilities	299,092	293,448

Comfort Systems USA, Inc. stockholders' equity	278,538	270,405
Noncontrolling interests	17,616	16,901
Total stockholders' equity	296,154	287,306
Total liabilities and stockholders' equity	\$ 595,246	\$ 580,754

Selected Cash Flow Data (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Cash provided by (used in):				
Operating activities	\$ 6,700	\$ 6,793	\$ (3,651)	\$ (13,023)
Investing activities	\$ (3,704)	\$ (16,326)	\$ (6,692)	\$ (17,976)
Financing activities	\$ (5,085)	\$ 10,471	\$ (7,068)	\$ 8,573
Free cash flow:				
Cash from operating activities	\$ 6,700	\$ 6,793	\$ (3,651)	\$ (13,023)
Purchases of property and equipment	(4,029)	(4,494)	(7,237)	(6,588)
Proceeds from sales of property and equipment	325	342	502	762
Free cash flow	\$ 2,996	\$ 2,641	\$ (10,386)	\$ (18,849)

Note 1: 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