

## Quality People. Building Solutions.

As of March 7, 2012



# Safe Harbor Statement



*Certain statements and information in this presentation 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.*

# Vision

To be the nation's premier HVAC and mechanical systems installation and services provider.





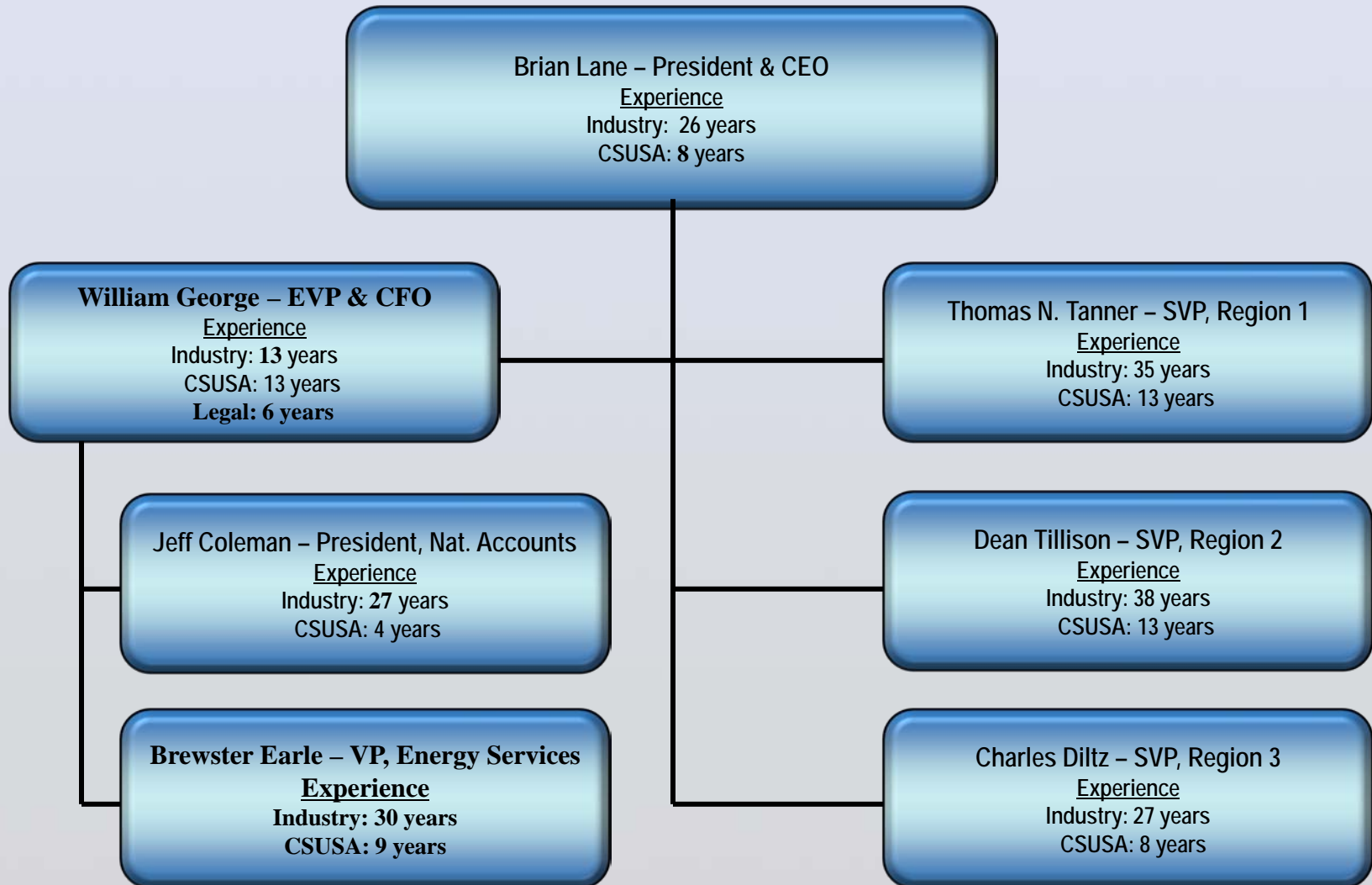
To provide the best value HVAC and mechanical systems installation and service, principally in the mid-market commercial, industrial, and institutional sectors, while caring for our customers, employees and the environment and realizing superior returns for our stockholders.

# Values

- Act with honesty and integrity.
- Show respect for all stakeholders.
- Exceed customer expectations.
- Seek “win-win” solutions.
- Demonstrate spirit, drive, and teamwork.
- Pursue innovation.
- Achieve premier safety performance.
- **Commit to energy efficiency.**
- Communicate openly.....and often.
- Impact our communities positively.



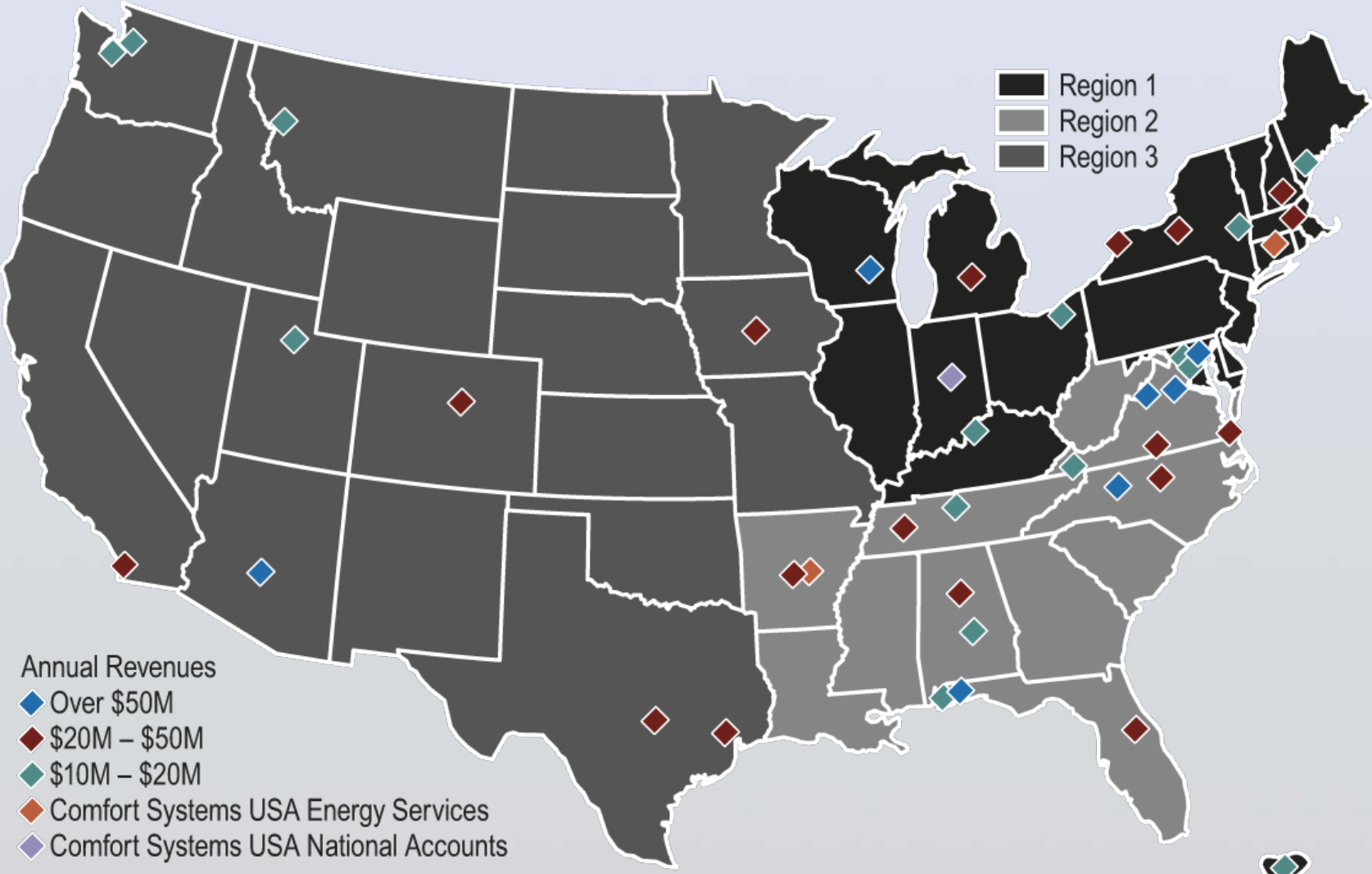
# Management Team



- National
- Commercial, Industrial, Institutional
- HVAC/Piping/Plumbing/Energy Efficiency
- Strong balance sheet
- 43% new construction; 57% service, repair, retrofit
- 2010 Full Year Revenue \$1.1 billion
- 2011 Full Year Revenue \$1.2 billion









# Our Companies



# What We Do

Commercial, Industrial, Institutional HVAC – A \$40B+ Industry



## Drivers

- Building comfort – a “necessity”
- Mechanical equipment – requires service, repair, replacement
- Increasing technical content and building automation
- Energy efficiency and Indoor Air Quality (IAQ) emerging
- Outsourcing



*Commercial HVAC*



*Applied Systems*



*Piping*



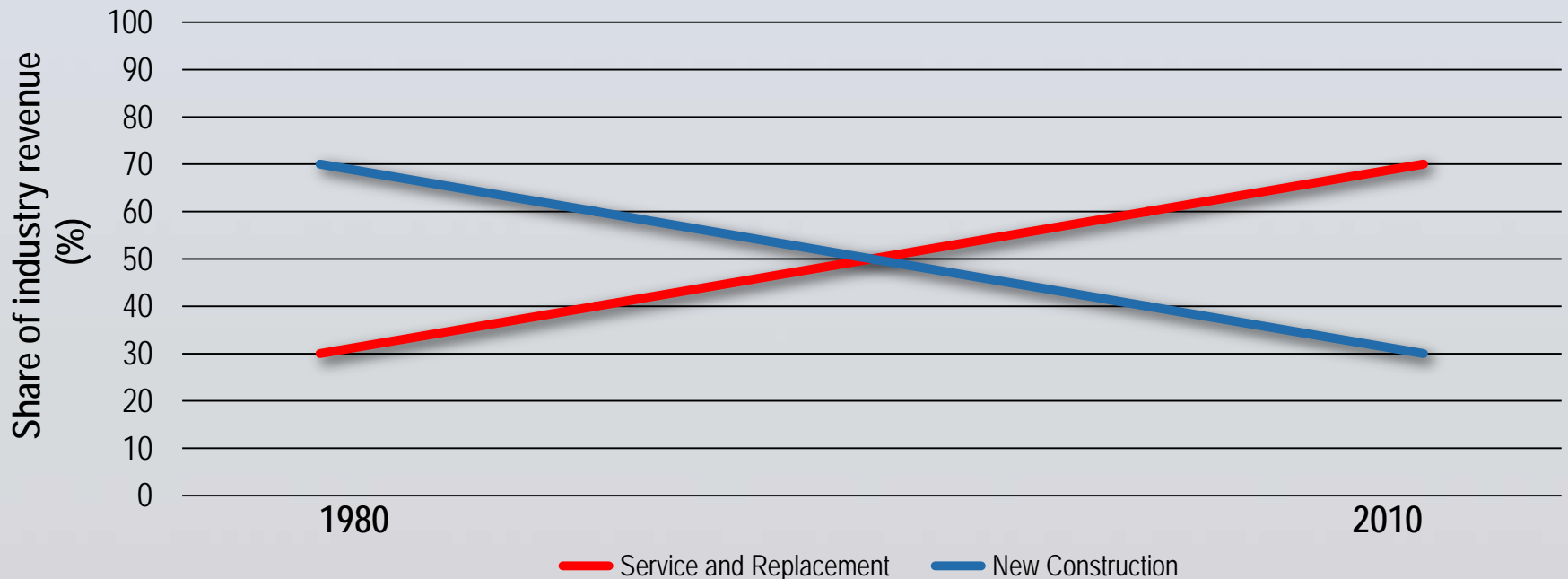
*Energy Efficiency*

# Industry Trend Toward Service & Replacement

(Recurring Revenue)



- 5.3 million commercial buildings
- Recurring service
- 20-year replacement cycle / retrofits for energy efficiency
- “Inventory” of future business
- OEMs note significant deferred maintenance and replacement over recent years

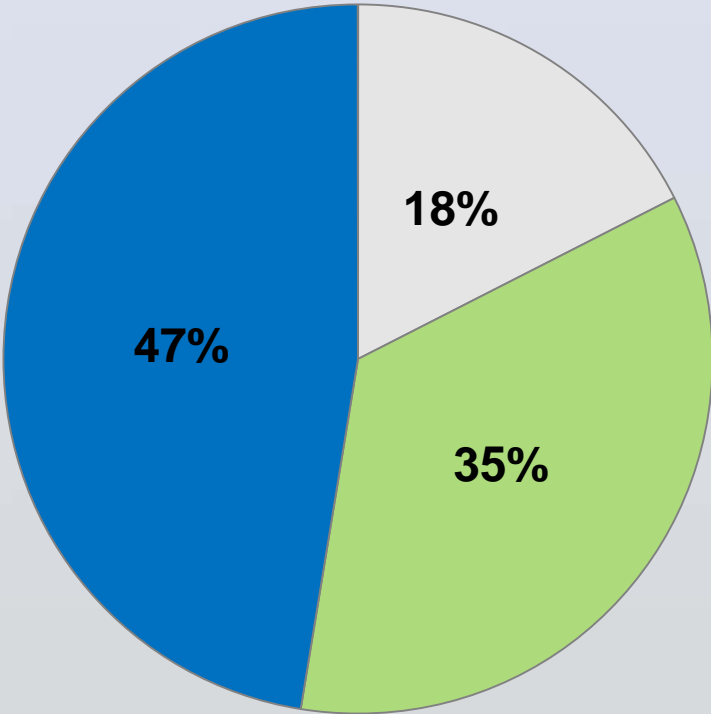


Source: The Trane Company

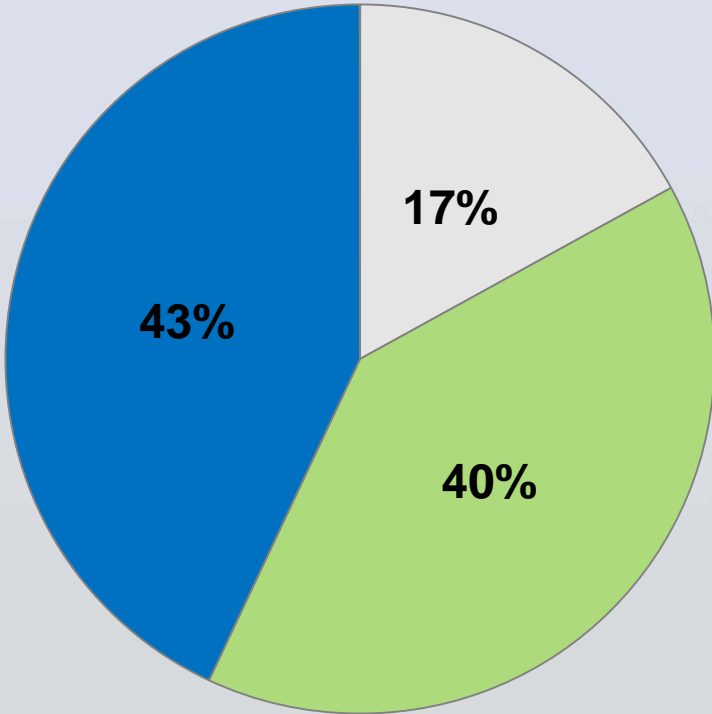


# Revenue by Activity

2010



2011



New Construction/Installation

Replacement

Service & Maintenance

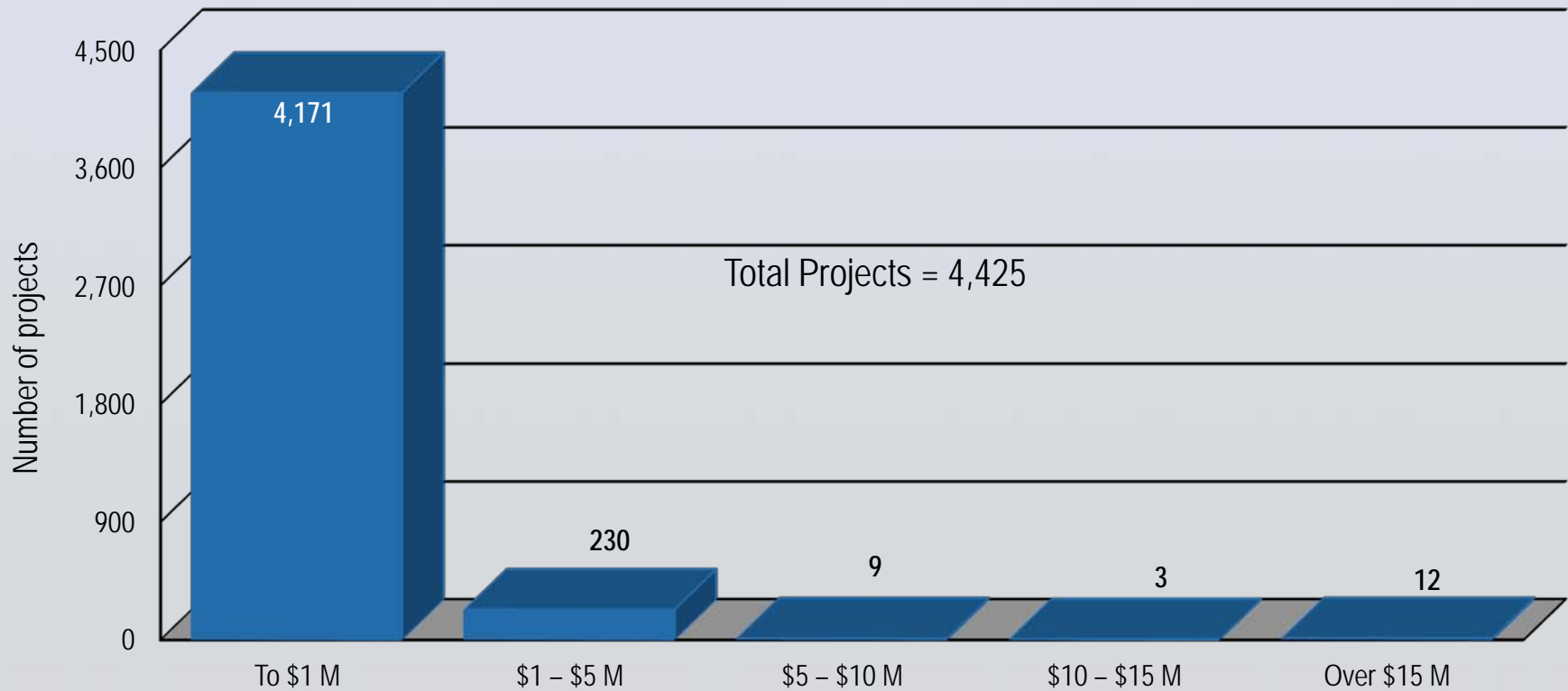
# Diverse Project Mix

Average Project Size: \$420,000

Average Project Length: 6-9 months

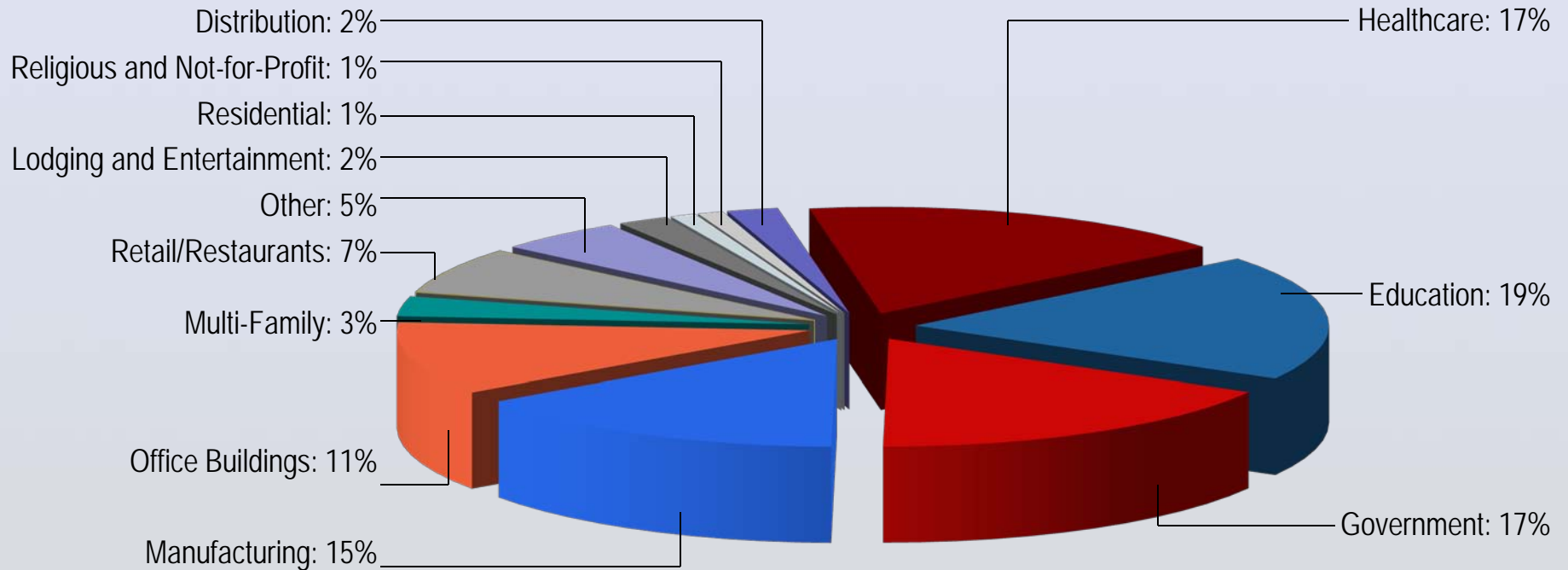
Value of Projects >\$1M: \$1,250 M

Value of Projects <\$1M: \$609 M



(As of December 31, 2011)

# Revenue By Sector



Revenue for the year ended December 31, 2011

## Top 20 Customers

- Served by 17 different Comfort operating units
- Largest customer represents less than 2% of revenue



# Diverse End-Use Base



*Omni Orlando Resort at ChampionsGate  
Orlando, Florida*



*Arboretum Elementary School  
Waunakee, Wisconsin*



*Iowa Renewal Energy  
Washington, Iowa*



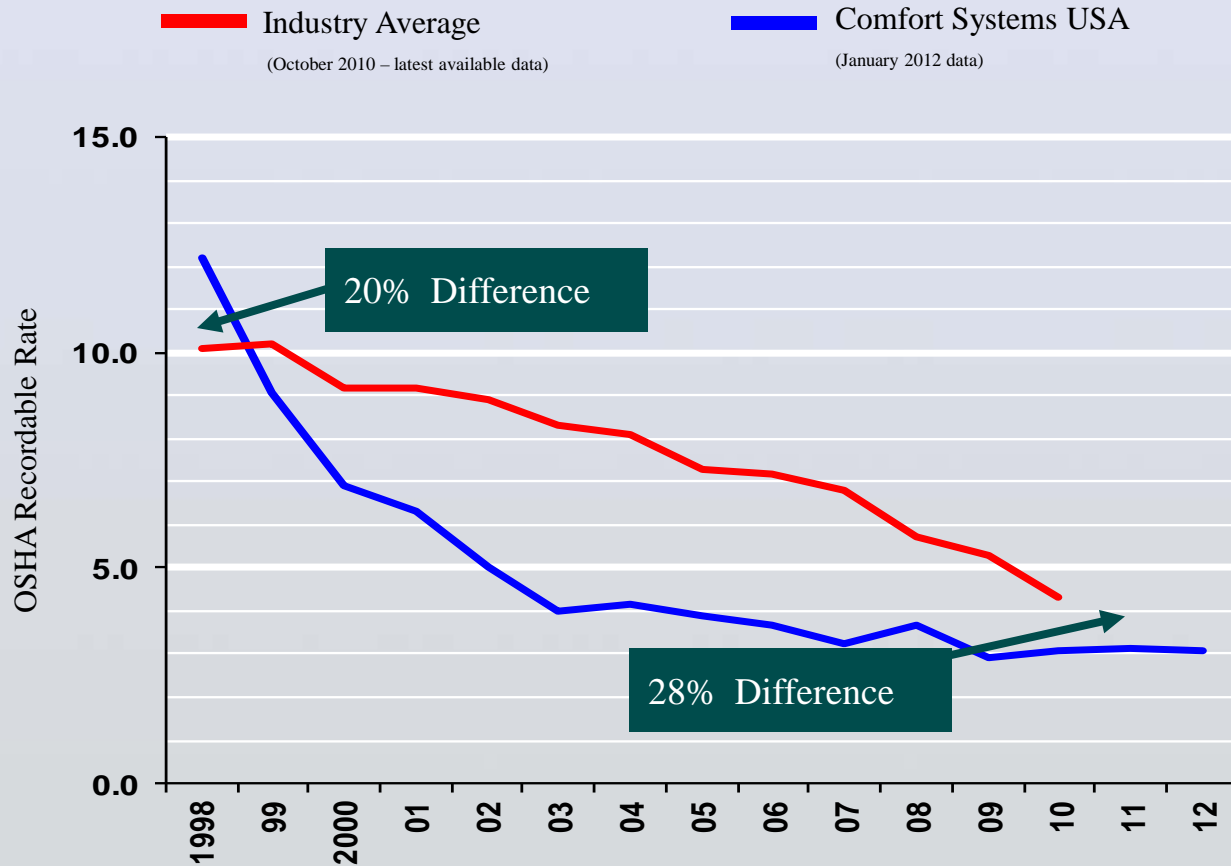
*University Hospital  
Little Rock, Arkansas*

# Competitive Advantages

- High-quality operations
- Ability to leverage and proliferate technical expertise
- Ability to collaborate on large jobs and share labor
- **Energy efficiency services**
- National multi-location service capability
- Purchasing economics
- Balance sheet strength
- Bonding and insurance
- Strong safety record



# Safety



**Lost Time Injury Rate**  
 <79% of industry average

**OSHA Incident Rate**  
 <28% of industry average

**Training**  
 97.4% completed

Source: Bureau of Labor Statistics, Standard Industry Classification (SIC)  
 Code 20 1710 – Specialty Trades Contractors – HVAC and Plumbing & North American Industry  
 Classification System (NAICS) Code 23822



# Key Financial Data – Income Statement

(\$ Thousands, except per share information) (Unaudited)



|  | Three Months Ended<br>December 31, |        |                  |        | Year Ended<br>December 31, |        |                  |        |
|--|------------------------------------|--------|------------------|--------|----------------------------|--------|------------------|--------|
|  | 2011                               |        | 2010             |        | 2011                       |        | 2010             |        |
| Revenue  | \$ 317,700                         | 100.0% | \$ 314,571       | 100.0% | \$1,240,020                | 100.0% | \$ 1,108,282     | 100.0% |
| Cost of Services   | 267,075                            | 84.1%  | 257,671          | 81.9%  | 1,058,568                  | 85.4%  | 919,600          | 83.0%  |
| Gross Profit   | 50,625                             | 15.9%  | 56,900           | 18.1%  | 181,452                    | 14.6%  | 188,682          | 17.0%  |
| Selling, General and Administrative Expenses               | 46,094                             | 14.5%  | 48,526           | 15.4%  | 172,137                    | 13.9%  | 163,431          | 14.7%  |
| Goodwill and Other Intangible Asset Impairments            | 3,788                              | 1.2%   | 1,288            | 0.4%   | 58,922                     | 4.8%   | 5,734            | 0.5%   |
| Gain on Sale of Assets                                     | (77)                               | 0.0%   | (23)             | 0.0%   | (239)                      | 0.0%   | (525)            | 0.0%   |
| Operating Income   | <u>\$ 820</u>                      | 0.3%   | <u>\$ 7,109</u>  | 2.3%   | <u>\$ (49,368)</u>         | -4.0%  | <u>\$ 20,042</u> | 1.8%   |
| Net Income from Continuing Operations                      |                                    |        |                  |        |                            |        |                  |        |
| Attributable to Comfort Systems                            | <u>\$ 1,747</u>                    | 0.5%   | <u>\$ 5,796</u>  | 1.8%   | <u>\$ (36,830)</u>         | -3.0%  | <u>\$ 14,017</u> | 1.3%   |
| Non-GAAP Net Income from Continuing Operations             |                                    |        |                  |        |                            |        |                  |        |
| Attributable to Comfort Systems As Adjusted <sup>(1)</sup> | <u>\$ 2,694</u>                    | 0.8%   | <u>\$ 5,918</u>  | 1.9%   | <u>\$ 5,660</u>            | 0.5%   | <u>\$ 16,399</u> | 1.5%   |
| Diluted EPS from Continuing Operations                     | <u>\$ 0.05</u>                     |        | <u>\$ 0.15</u>   |        | <u>\$ (0.99)</u>           |        | <u>\$ 0.37</u>   |        |
| Non-GAAP Diluted EPS As Adjusted <sup>(1)</sup>            | <u>\$ 0.07</u>                     |        | <u>\$ 0.16</u>   |        | <u>\$ 0.15</u>             |        | <u>\$ 0.43</u>   |        |
| Adjusted EBITDA <sup>(2)</sup>                             | <u>\$ 10,356</u>                   | 3.3%   | <u>\$ 13,934</u> | 4.4%   | <u>\$ 29,368</u>           | 2.4%   | <u>\$ 42,693</u> | 3.9%   |

<sup>(1)</sup> See Slide 33 for Supplemental Non-GAAP Information

<sup>(2)</sup> See Slide 34 for GAAP Reconciliation to Adjusted EBITDA

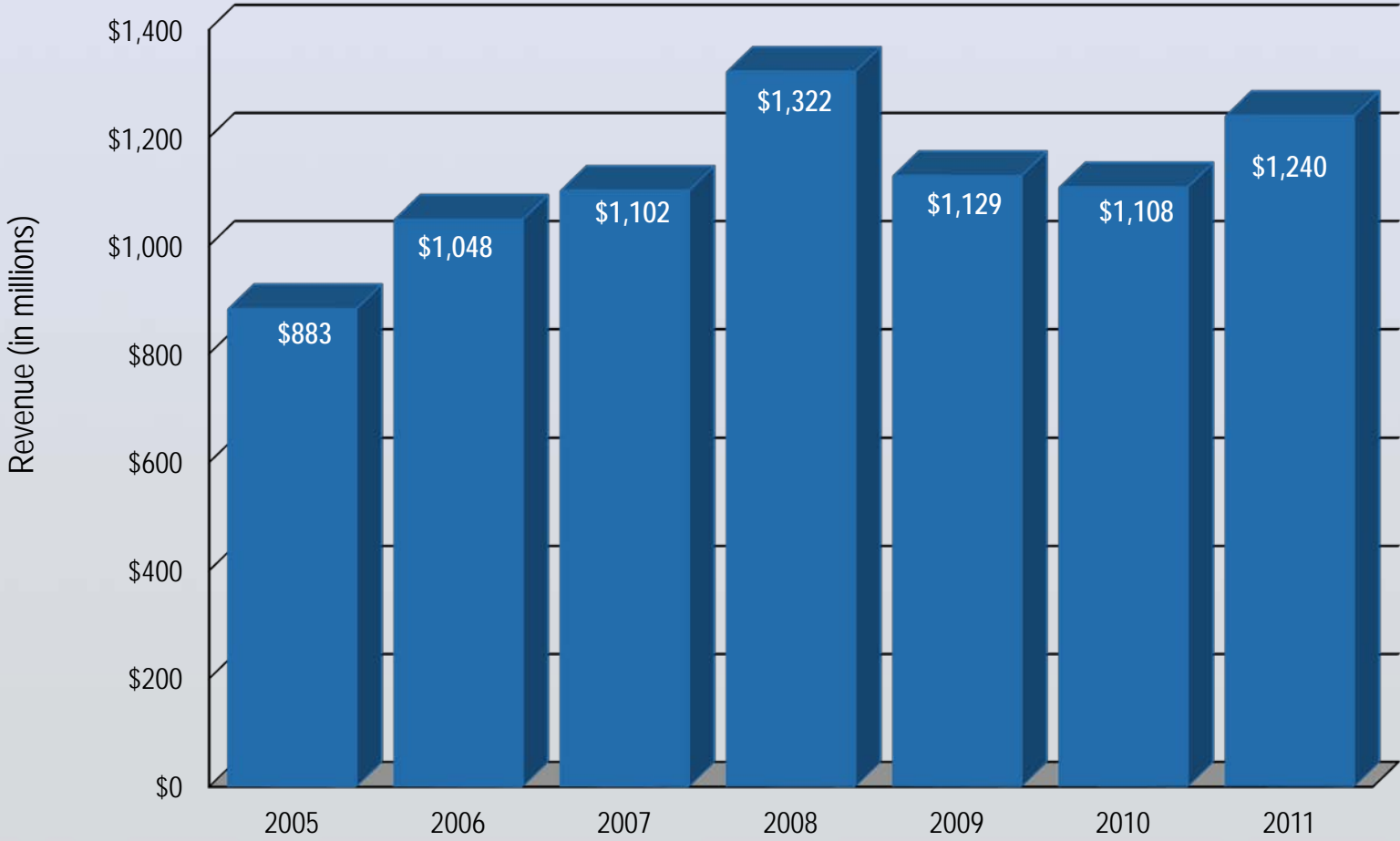
# Key Financial Data – Balance Sheet

(\$ Thousands)



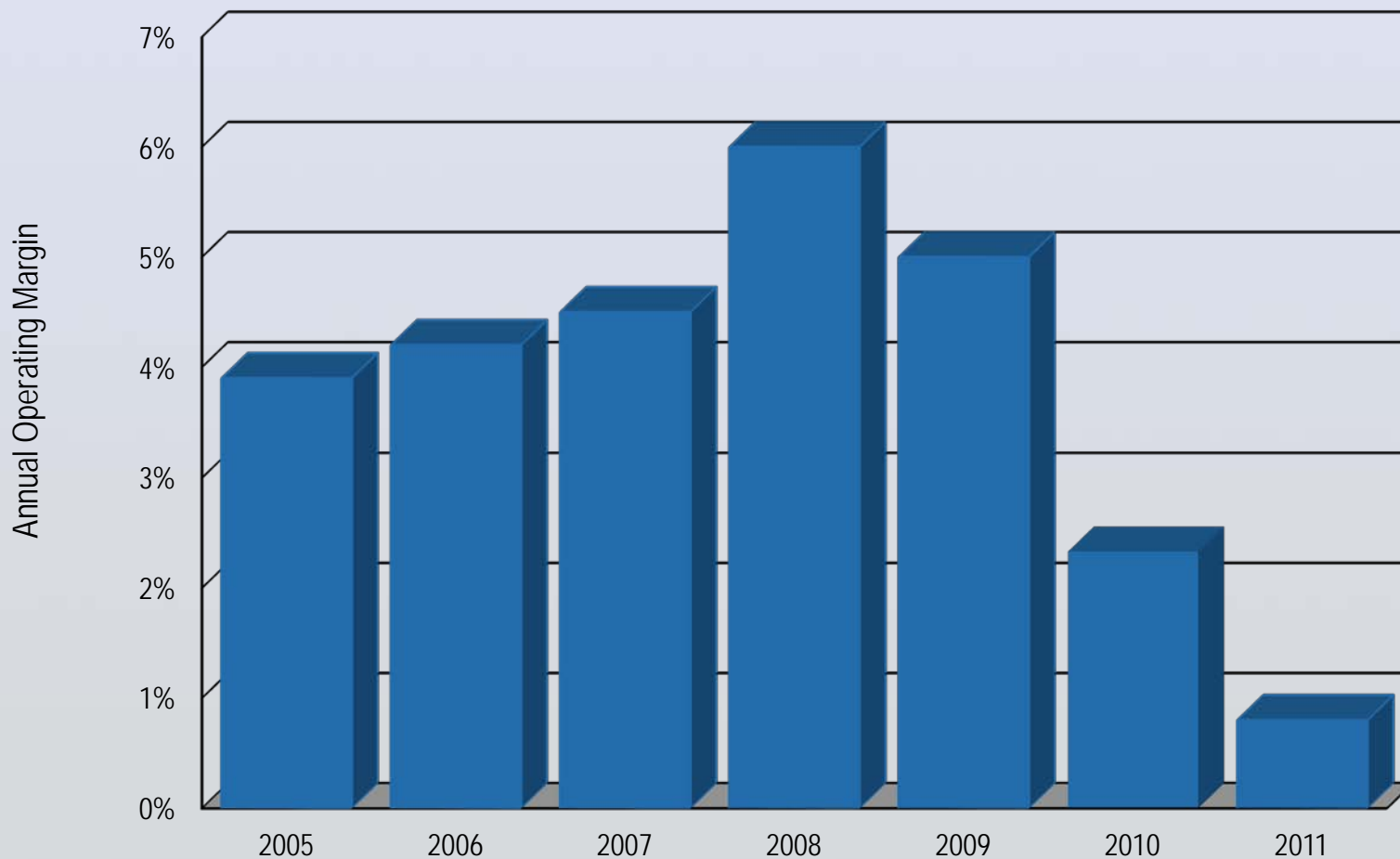
|                                     | <u>12/31/2011</u> | <u>12/31/2010</u> |
|-------------------------------------|-------------------|-------------------|
| Cash                                | \$ 51,237         | \$ 86,346         |
| Working Capital                     | \$ 109,311        | \$ 134,738        |
| Goodwill                            | \$ 107,093        | \$ 147,818        |
| Identifiable Intangible Assets, Net | \$ 48,349         | \$ 39,616         |
| Total Debt                          | \$ 15,381         | \$ 29,936         |
| Equity                              | \$ 283,106        | \$ 312,784        |

# Revenue



Note: Excludes all divested and discontinued operations

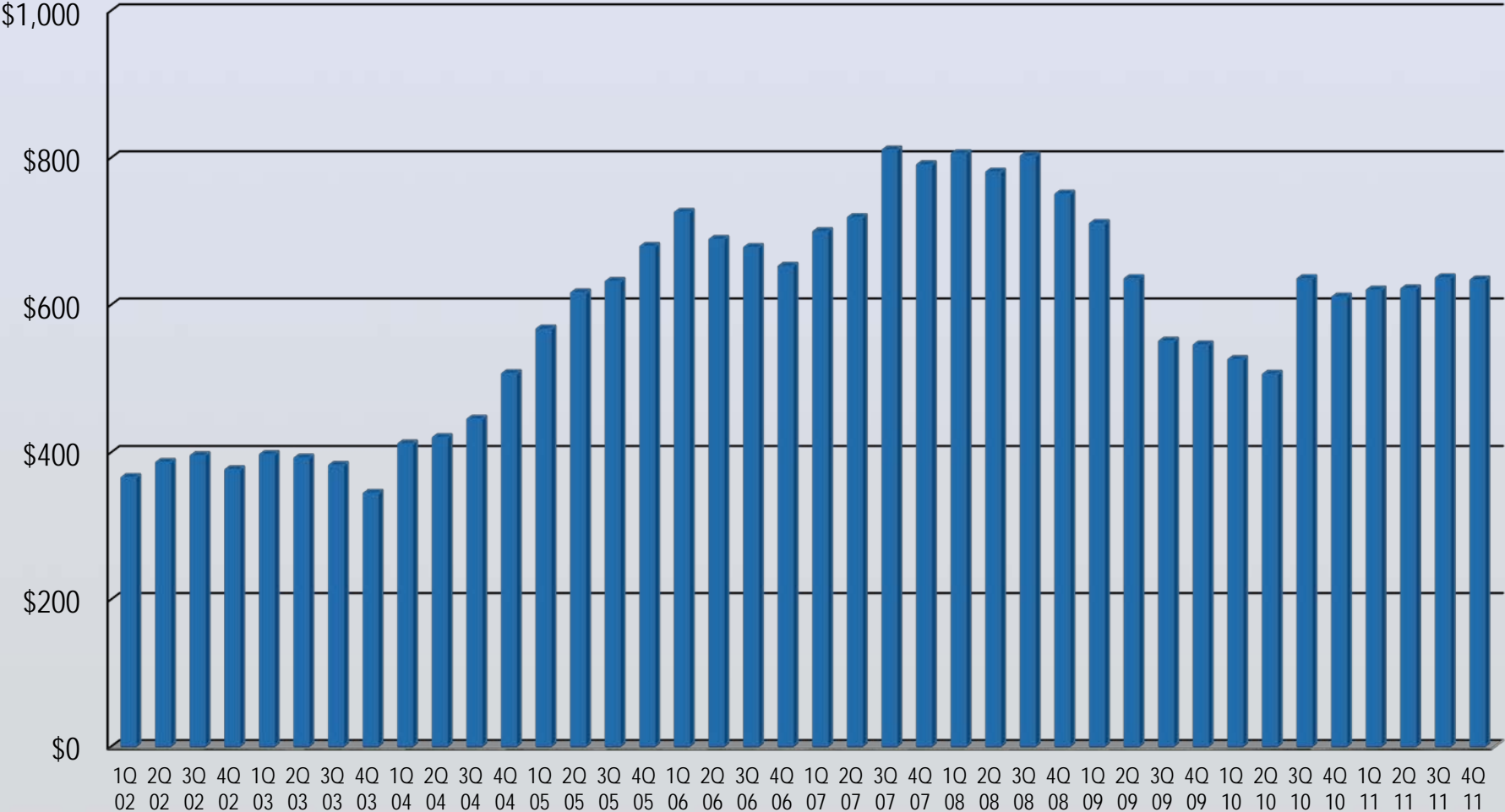
# Operating Margins<sup>(a)</sup>



(a) This table includes non-GAAP financial information because the information provided excludes goodwill and other intangible asset impairment charges of \$33.9 million for 2005, \$5.7 million for 2010 and \$58.9 million for 2011. No goodwill impairment charge was recorded for 2006, 2007, 2008 or 2009.



# Backlog (in millions)

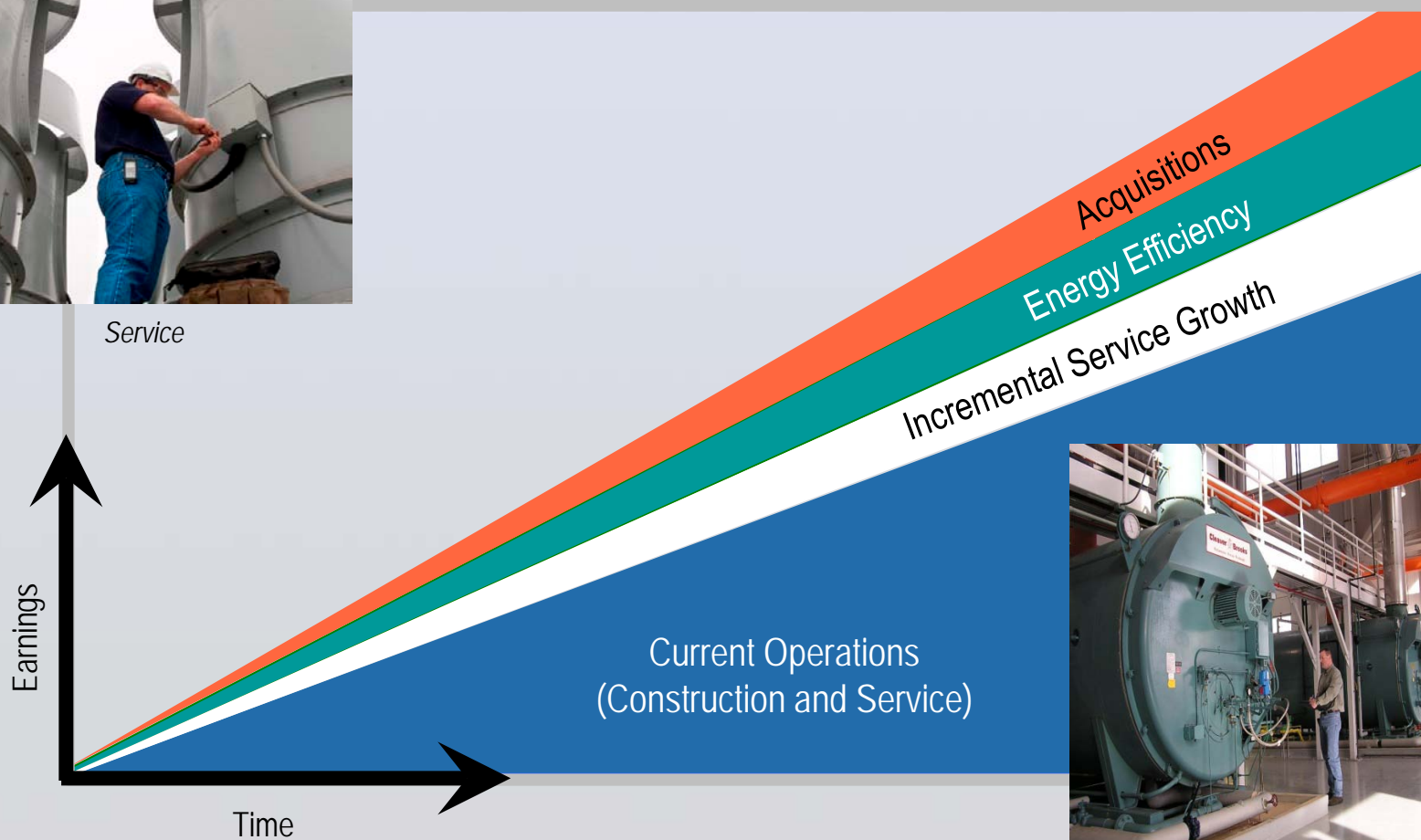


Note: Excludes all divested and discontinued operations

# Profile for Growth



Service



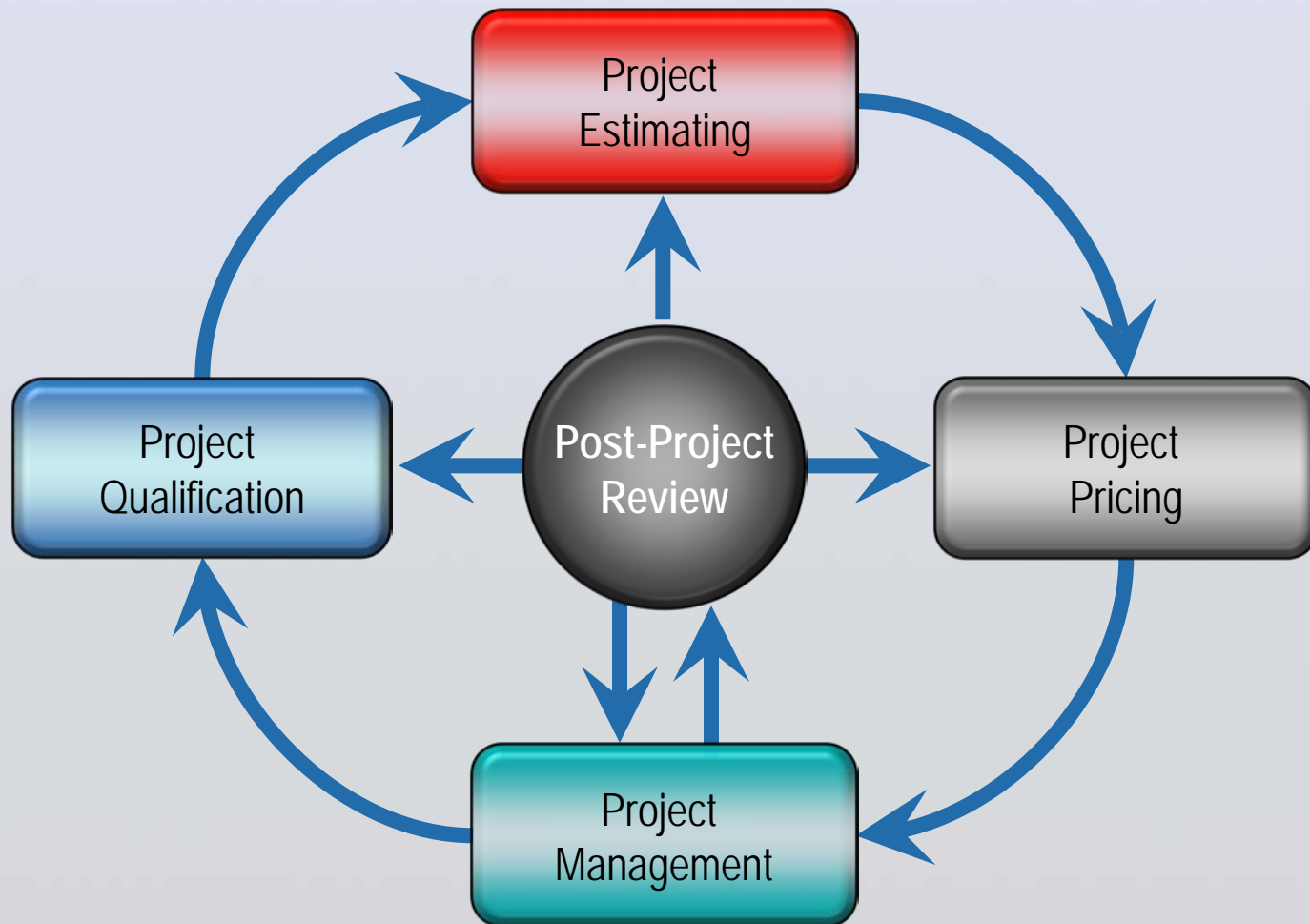
Commercial HVAC

## Increase Productivity

- Education
  - Leadership
  - Project Managers
  - Superintendents
  - Service Sales
  - Service Operations
  - Craft
  - Safety
- Best Practices
  - Project Management
  - Estimating
- Cooperation with suppliers
- Prefabrication
- New materials and methods



We review projects and apply what we have learned to improve our performance.





The only things that evolve by themselves in an organization  
are disorder, friction and malperformance.

Peter Drucker

## Increase Service\*

- Grow maintenance base
- Education
  - Employees and Customers
- Higher margin opportunity
- Recurring revenue
- National accounts
- \$2.50+ of repair and replacement for every \$1.00 of maintenance
- Target retrofit projects
  - Energy Efficiency
  - Indoor Air Quality (IAQ)

\* Maintenance, service, repair, retrofit



# National Account Customers

COMFORT SYSTEMS USA.

CONVERSE

K  
kmart

Eye Care Centers of America, Inc.

THE HOME DEPOT

Total Wine & MORE

Pamida

ShopKo STORES INC.

fred's  
Super Dollar

BOSS  
HUGO BOSS

NIKE

Sears

RACK ROOM SHOES

SPEEDY CASH

DAVID'S BRIDAL

Coca-Cola Enterprises

Charlotte Russe.

PETCO.com  
Where the pets go online.

Cole Haan  
OUTLET

ORIGINS

CARmax  
THE AUTO SUPERSTORE

EVERY SEASON STARTS AT  
DICK'S  
SPORTING GOODS.

MC SPORTS

TIRE KINGDOM  
SERVICE • BRAKES • BATTERIES • MORE

GOLF GALAXY



## Green is Part of Our Business

- Energy costs drive need for efficiency.
- HVAC accounts for 30% - 50% of electricity usage.
- Energy Star (Department of Energy/EPA) / LEED (USGBC)
- 2 - 4 year pay outs depending on electric rates, usage, age, incentives.



*Use Our Energy to Save Yours!™*



# Growth

- Internal
  - More of what we do best
  - Service
  - Energy efficiency
- Step-Out Growth
  - New locations for existing companies
  - Techs “on their own”
- Targeted acquisitions
  - Best HVAC-oriented mechanical in new area



# The Ideal Acquisition Candidate

- \$20M+ in revenue
- Construction and service
- In a growing market in new area
- Company that has performed well in the past and has continuing demonstrable upside
- Organizational structure capable of sustaining/improving the company
- Ownership/management that wants to stay on to operate the company



# Target Markets



- Atlanta, GA
- Boise, ID
- Charleston, SC
- Columbia/Florence, SC
- Dallas/Fort Worth, TX
- El Paso, TX
- Ft. Lauderdale, FL
- Greensboro, NC
- Jackson, MI
- Los Angeles, CA
- Omaha, NE
- Portland, OR
- San Antonio, TX
- Savannah, GA
- Spartanburg/Greenville, SC
- Tampa, FL

(Listed Alphabetically)



## Long-Term

- \$40B+ fragmented industry
- HVAC a basic necessity
- Commercial construction continuing
- Growing installed base for recurring maintenance, service, repair and retrofit
- Scale opportunities – service, purchasing, prefab, bonding, best practices
- Diverse customer base and geography
- Energy efficiency and Indoor Air Quality
- Financially and operationally sound – continuing to grow organically and by acquisition





# Appendix I – Supplemental Non-GAAP Information

(\$ Thousands, except per share information) (Unaudited)



|  | Three Months Ended<br>December 31, |                 | Year Ended<br>December 31, |                  |
|--|------------------------------------|-----------------|----------------------------|------------------|
|  | 2011                               | 2010            | 2011                       | 2010             |
| Net income (loss) from continuing operations attributable to Comfort Systems USA   | \$ 1,747                           | \$ 5,796        | \$ (36,830)                | \$ 14,017        |
| Goodwill and other intangible impairments (after tax)  | 824                                | 642             | 45,710                     | 3,316            |
| Changes in fair value of contingent earn-out obligations (after tax)   | 123                                | (520)           | (5,276)                    | (934)            |
| Tax valuation allowances (after tax)   | -                                  | -               | 2,056                      | -                |
| Net income from continuing operations excluding goodwill and other intangible asset impairments, changes in fair value of contingent earn-out obligations and tax valuation allowances   | <u>\$ 2,694</u>                    | <u>\$ 5,918</u> | <u>\$ 5,660</u>            | <u>\$ 16,399</u> |
| Diluted income (loss) per share from continuing operations attributable to Comfort Systems USA   | \$ 0.05                            | \$ 0.15         | \$ (0.99)                  | \$ 0.37          |
| Goodwill and other intangible impairments  | 0.02                               | 0.02            | 1.22                       | 0.09             |
| Changes in fair value of contingent earn-out obligations   | -                                  | (0.01)          | (0.14)                     | (0.03)           |
| Tax valuation allowances   | -                                  | -               | 0.06                       | -                |
| Diluted income per share from continuing operations attributable to Comfort Systems USA excluding goodwill and other intangible impairments, changes in fair value of contingent earn-out obligations and tax valuation allowances | <u>\$ 0.07</u>                     | <u>\$ 0.16</u>  | <u>\$ 0.15</u>             | <u>\$ 0.43</u>   |

Note : Operating results from continuing operations attributable to Comfort Systems USA, Inc., excluding goodwill and other intangible asset impairments, changes in fair value of contingent earn-out obligations and tax valuation allowances are presented because the Company believes it reflects the results of the core ongoing operations of the Company, and because we believe it is responsive to frequent questions we receive from third parties. However, this measure is not considered a primary measure of an entity's financial results under generally accepted accounting principles, and accordingly, this amount should not be considered an alternative to operating results as determined under generally accepted accounting principles and as reported by the Company.

## Appendix II– GAAP Reconciliation To Adjusted EBITDA

(\$ Thousands) (Unaudited)



|   | Three Months Ended<br>December 31, |                  | Year Ended<br>December 31, |                  |
|---|------------------------------------|------------------|----------------------------|------------------|
|   | 2011                               | 2010             | 2011                       | 2010             |
| Net Income (Loss) Including Noncontrolling Interests            | \$ 2,085                           | \$ 5,796         | \$ (36,492)                | \$ 14,740        |
| Discontinued Operation  | -                                  | -                | -                          | (723)            |
| Income Taxes  | (693)                              | 2,196            | (8,172)                    | 6,360            |
| Other (Income) Expense, net                                     | (1,002)                            | (242)            | (934)                      | (267)            |
| Changes in the Fair Value of Contingent<br>Earn-out Obligations | 38                                 | (924)            | (5,528)                    | (1,574)          |
| Interest Expense, net   | 392                                | 283              | 1,758                      | 1,506            |
| Gain on Sale of Assets  | (77)                               | (23)             | (239)                      | (525)            |
| Goodwill and Other Intangible Impairments                       | 3,788                              | 1,288            | 58,922                     | 5,734            |
| Depreciation and Amortization                                   | 5,825                              | 5,560            | 20,053                     | 17,442           |
| Adjusted EBITDA   | <u>\$ 10,356</u>                   | <u>\$ 13,934</u> | <u>\$ 29,368</u>           | <u>\$ 42,693</u> |

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

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