
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **October 23, 2018**

Comfort Systems USA, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-13011
(Commission
File Number)

76-0526487
(IRS Employer
Identification No.)

675 Bering Drive, Suite 400
Houston, Texas
(Address of principal executive offices)

77057
(Zip Code)

Registrant's telephone number, including area code **(713) 830-9600**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02 Results of Operations and Financial Condition

Attached and incorporated herein by reference as Exhibit 99.1 is a copy of a press release of Comfort Systems USA, Inc. (the "Company") dated October 25, 2018 reporting the Company's financial results for the third quarter of 2018.

The above information and attached press release are being furnished pursuant to Item 2.02 of Form 8-K and General Instruction B.2 thereunder. The information included herein and in the attached press release shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**(d) Director Appointment**

On October 23, 2018, based on the recommendation of the nominating and governance committee of the Board of Directors (the "Board") of the Company, the Board appointed Pablo G. Mercado as a director. Mr. Mercado will begin his term as a director on November 1, 2018. Mr. Mercado has also been appointed as a member of the Audit Committee and Nominating and Governance Committee, effective November 1, 2018.

Mr. Mercado, age 42, has served as Senior Vice President and Chief Financial Officer of Forum Energy Technologies, Inc. since March 2018. Since November 2011, Mr. Mercado served in various roles at Forum Energy Technologies, Inc., including as Senior Vice President, Finance from June 2017 to March 2018; Vice President, Operations Finance from August 2015 to June 2017; Vice President, Corporate Strategy and Treasurer from January 2014 to August 2015; Vice President, Corporate Development & Strategy from February 2013 to January 2014; and Vice President, Corporate Development from November 2011 to February 2013. From May 2005 to October 2011, Mr. Mercado was an investment banker in the Oil and Gas Group of Credit Suisse Securities (USA) LLC where he worked with oilfield services companies. From 1998 to 2001 and 2003 to May 2005, Mr. Mercado was an investment banker at other firms, primarily working with companies in the oil and gas industry. Mr. Mercado holds a B.B.A. from the Cox School of Business, a B.A. in Economics from the Dedman College at Southern Methodist University, and an M.B.A. from The University of Chicago Booth School of Business. Mr. Mercado has extensive public company finance and accounting experience, and he has significant experience in corporate strategy and operations.

There are no arrangements or understandings between Mr. Mercado and any other person pursuant to which he was elected to the Board.

Mr. Mercado will be compensated for his service on the Company's Board in a manner consistent with the Company's other non-employee directors. The Company's compensation package for non-employee directors consists of an annual retainer of \$60,000, additional fees for service as the chair of a committee or chairman of the Board, and an annual award of fully vested shares of the Company's common stock having a maximum fair market value on the grant date equal to \$160,000. Additional details about the Company's non-employee director compensation program is available on pages 13 and 14 of the Company's most recent proxy statement, filed with the SEC on April 13, 2018. In connection with his appointment to the Board, Mr. Mercado will enter into the Company's standard director indemnification agreement.

On October 25, 2018, the Company issued a press release announcing Mr. Mercado's appointment to the Board. A copy of the press release is furnished herewith as Exhibit 99.3.

ITEM 8.01 Other Events

Attached and incorporated herein by reference as Exhibit 99.2 is a copy of a press release of the Company dated October 25, 2018 reporting the Company's declaration of a quarterly dividend on the Company's common stock to stockholders of record as of the close of business on the record date, November 9, 2018.

ITEM 9.01 Financial Statements and Exhibits

The following Exhibits are included herein:

Exhibit 99.1 Press Release of Comfort Systems USA, Inc. dated October 25, 2018 reporting the Company's financial results for the third quarter of 2018.

Exhibit 99.2 Press Release of Comfort Systems USA, Inc. dated October 25, 2018 reporting the Company's declaration of a quarterly dividend on the Company's common stock to stockholders of record as of the close of business on the record date, November 9, 2018.

Exhibit 99.3 Press Release of Comfort Systems USA, Inc. dated October 25, 2018, announcing the appointment of Pablo G. Mercado to the Company's Board of Directors.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Title or Description</u>
99.1	<u>Press Release of Comfort Systems USA, Inc. dated October 25, 2018 reporting the Company's financial results for the third quarter of 2018.</u>
99.2	<u>Press Release of Comfort Systems USA, Inc. dated October 25, 2018 reporting the Company's declaration of a quarterly dividend on the Company's common stock to stockholders of record as of the close of business on the record date, November 9, 2018.</u>
99.3	<u>Press Release of Comfort Systems USA, Inc. dated October 25, 2018, announcing the appointment of Pablo G. Mercado to the Company's Board of Directors.</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COMFORT SYSTEMS USA, INC.

By: /s/ Trent T. McKenna
Trent T. McKenna, Senior Vice President and General
Counsel

Date: October 25, 2018



CONTACT: William George
Chief Financial Officer
713-830-9650

675 Bering Drive, Suite 400
Houston, Texas 77057
713-830-9600

FOR IMMEDIATE RELEASE

COMFORT SYSTEMS USA REPORTS THIRD QUARTER 2018 RESULTS

Houston, TX — October 25, 2018 — 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 \$38.5 million or \$1.02 per diluted share, for the quarter ended September 30, 2018, as compared to \$22.3 million or \$0.59 per diluted share, for the quarter ended September 30, 2017. The Company reported revenue of \$594.5 million in the current quarter, as compared to \$480.9 million in 2017. The Company reported free cash flow of \$23.0 million in the current quarter, as compared to \$39.5 million in 2017. Backlog as of September 30, 2018 was \$1.25 billion as compared to \$1.23 billion as of June 30, 2018 and \$901.2 million as of September 30, 2017.

Brian Lane, Comfort Systems USA's President and Chief Executive Officer, said, "Thanks to superb execution and commitment by our field teams, we are happy to report our best ever quarterly results. These strong earnings are accompanied by extraordinary same-store revenue growth, strong cash flow, and a record year-over-year increase in same-store backlog."

The Company reported net income of \$87.7 million or \$2.33 per diluted share, for the nine months ended September 30, 2018, as compared to \$47.7 million or \$1.27 per diluted share, in 2017. Earnings in the first quarter of 2018 included a \$0.07 per diluted share increase due to a discrete tax item. Earnings in the second quarter of 2018 included an \$0.08 per diluted share benefit from a legal settlement. The Company also reported revenue of \$1.59 billion, as compared to \$1.33 billion in 2017. Free cash flow for the nine months ended September 30, 2018 was \$47.0 million, as compared to \$49.6 million in 2017.

Mr. Lane concluded, "Our pre-tax operating income for the first nine months of 2018 significantly exceeds last year's record-setting full-year pre-tax operating income. We are optimistic about the fourth quarter and about our 2019 prospects, and we believe that our recent and ongoing investments have positioned us to continue to capitalize on the continuing market strength in the majority of our markets."

The Company will host a webcast and conference call to discuss its financial results and position on Friday, October 26, 2018 at 10:00 a.m. Central Time. The call-in number for this conference call is 1-866-318-8620 and enter 99721804 as the passcode. 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 premier provider of business solutions addressing workplace comfort, with 127 locations in 113 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 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 September 30, (Unaudited)				Nine Months Ended September 30, (Unaudited)			
	2018	%	2017	%	2018	%	2017	%
Revenue	\$ 594,536	100.0 %	\$ 480,851	100.0 %	\$ 1,594,520	100.0 %	\$ 1,326,850	100.0 %
Cost of services	466,668	78.5 %	379,993	79.0 %	1,266,416	79.4 %	1,054,300	79.5 %
Gross profit	127,868	21.5 %	100,858	21.0 %	328,104	20.6 %	272,550	20.5 %
SG&A	75,297	12.7 %	66,707	13.9 %	216,528	13.6 %	196,553	14.8 %
Goodwill impairment	—	—	—	—	—	—	1,105	0.1 %
Gain on sale of assets	(219)	—	(184)	—	(630)	—	(464)	—
Operating income	52,790	8.9 %	34,335	7.1 %	112,206	7.0 %	75,356	5.7 %
Interest expense, net	(1,127)	(0.2)%	(945)	(0.2)%	(2,548)	(0.2)%	(2,337)	(0.2)%
Changes in the fair value of contingent earn-out obligations	434	0.1 %	2,469	0.5 %	493	—	1,845	0.1 %
Other income (expense)	39	—	10	—	4,062	0.3 %	57	—
Income before income taxes	52,136	8.8 %	35,869	7.5 %	114,213	7.2 %	74,921	5.6 %
Provision for income taxes	13,595		13,585		26,466		27,188	
Net income	<u>\$ 38,541</u>	6.5 %	<u>\$ 22,284</u>	4.6 %	<u>\$ 87,747</u>	5.5 %	<u>\$ 47,733</u>	3.6 %
Income per share								
Basic	<u>\$ 1.03</u>		<u>\$ 0.60</u>		<u>\$ 2.36</u>		<u>\$ 1.28</u>	
Diluted	<u>\$ 1.02</u>		<u>\$ 0.59</u>		<u>\$ 2.33</u>		<u>\$ 1.27</u>	
Shares used in computing income per share:								
Basic	37,294		37,232		37,236		37,259	
Diluted	37,667		37,626		37,634		37,684	

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018	%	2017	%	2018	%	2017	%
Net income	\$ 38,541		\$ 22,284		\$ 87,747		\$ 47,733	
Provision for income taxes	13,595		13,585		26,466		27,188	
Other expense (income), net	(39)		(10)		(4,062)		(57)	
Changes in the fair value of contingent earn-out obligations	(434)		(2,469)		(493)		(1,845)	
Interest expense, net	1,127		945		2,548		2,337	
Gain on sale of assets	(219)		(184)		(630)		(464)	
Goodwill impairment	—		—		—		1,105	
Depreciation and amortization	11,010		10,437		30,732		27,336	
Adjusted EBITDA	<u>\$ 63,581</u>	10.7 %	<u>\$ 44,588</u>	9.3 %	<u>\$ 142,308</u>	8.9 %	<u>\$ 103,333</u>	7.8 %

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, 2018 <u>(Unaudited)</u>	December 31, 2017
Cash and cash equivalents	\$ 19,248	\$ 36,542
Billed accounts receivable, net	497,861	382,867
Unbilled accounts receivable	40,251	—
Costs and estimated earnings in excess of billings	11,008	30,116
Other current assets	31,311	39,832
Total current assets	599,679	489,357
Property and equipment, net	102,960	87,591
Goodwill	231,190	200,584
Identifiable intangible assets, net	98,712	76,044
Other noncurrent assets	27,399	27,544
Total assets	<u>\$ 1,059,940</u>	<u>\$ 881,120</u>
Current maturities of long-term debt	\$ 3,279	\$ 613
Accounts payable	150,880	132,011
Billings in excess of costs and estimated earnings	131,152	106,005
Other current liabilities	160,535	135,099
Total current liabilities	445,846	373,728
Long-term debt	93,672	59,926
Other long-term liabilities	27,655	29,521
Total liabilities	567,173	463,175
Total stockholders' equity	492,767	417,945
Total liabilities and stockholders' equity	<u>\$ 1,059,940</u>	<u>\$ 881,120</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cash provided by (used in):				
Operating activities	\$ 30,484	\$ 44,512	\$ 68,002	\$ 65,692
Investing activities	\$ (59,139)	\$ (16,155)	\$ (86,269)	\$ (110,906)
Financing activities	\$ 19,902	\$ (33,326)	\$ 973	\$ 42,636
Free cash flow:				
Cash from operating activities	\$ 30,484	\$ 44,512	\$ 68,002	\$ 65,692
Purchases of property and equipment	(7,936)	(5,184)	(22,059)	(16,830)
Proceeds from sales of property and equipment	416	179	1,077	784
Free cash flow	<u>\$ 22,964</u>	<u>\$ 39,507</u>	<u>\$ 47,020</u>	<u>\$ 49,646</u>

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.



CONTACT: William George
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713-830-9650

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Houston, Texas 77057
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FOR IMMEDIATE RELEASE

COMFORT SYSTEMS USA INCREASES QUARTERLY DIVIDEND

Houston, TX — October 25, 2018 — Comfort Systems USA, Inc. (NYSE: FIX), a leading provider of mechanical services including heating, ventilation, air conditioning, plumbing, piping and controls, today announced that its board of directors declared a quarterly dividend of \$0.090 per share, which is a \$0.005 increase from the Company's most recent dividend, on Comfort Systems USA, Inc. common stock. The dividend is payable on November 20, 2018 to stockholders of record at the close of business on November 9, 2018.

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FOR IMMEDIATE RELEASE

COMFORT SYSTEMS ANNOUNCES NEW BOARD MEMBER

Houston, TX – October 25, 2018 – Comfort Systems USA, Inc. (NYSE:FIX), a leading provider of mechanical services including heating, ventilation, air conditioning, plumbing, piping and controls, today announced the appointment of Pablo G. Mercado to its Board of Directors (the “Board”).

Mr. Mercado brings to the Board added depth of experience in finance and accounting coupled with fresh insight on best practices in corporate governance and operational excellence. Mr. Mercado, age 42, has served as Senior Vice President and Chief Financial Officer of Forum Energy Technologies, Inc. since March 2018. Since November 2011, Mr. Mercado served in various roles at Forum Energy Technologies, Inc., including as Senior Vice President, Finance from June 2017 to March 2018; Vice President, Operations Finance from August 2015 to June 2017; Vice President, Corporate Strategy and Treasurer from January 2014 to August 2015; Vice President, Corporate Development & Strategy from February 2013 to January 2014; and Vice President, Corporate Development from November 2011 to February 2013. From May 2005 to October 2011, Mr. Mercado was an investment banker in the Oil and Gas Group of Credit Suisse Securities (USA) LLC where he worked with oilfield services companies. From 1998 to 2001 and 2003 to May 2005, Mr. Mercado was an investment banker at other firms, primarily working with companies in the oil and gas industry. Mr. Mercado holds a B.B.A. from the Cox School of Business, a B.A. in Economics from the Dedman College at Southern Methodist University, and an M.B.A. from The University of Chicago Booth School of Business. Mr. Mercado has extensive public company finance and accounting experience, and he has significant experience in corporate strategy and operations.

“We are pleased to announce an exceptional new member to our Board. Pablo is committed to excellence in driving outstanding strategic performance, and his expertise in finance and accounting brings fresh understanding and best practices to our Board,” said Brian Lane, President and CEO of the Company.

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