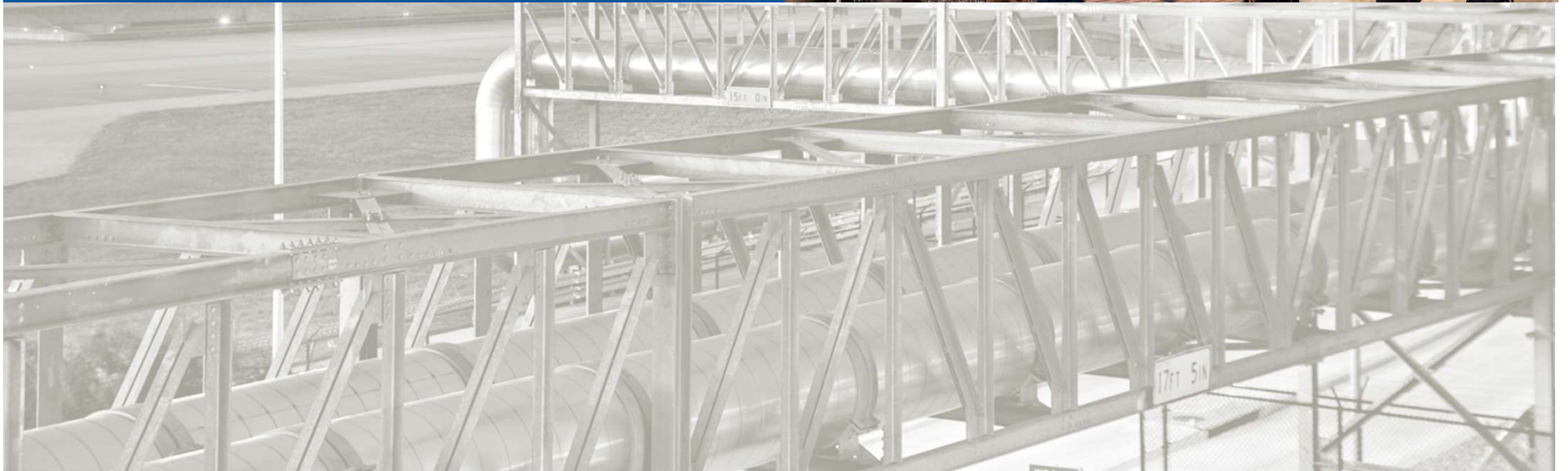


Q3 2018 Earnings Call

(NYSE: FIX)
October 26, 2018

Comfort Systems USA
Quality People. Building Solutions.



Q3 2018 Financial Results Highlights

Q3 Revenue increased \$113.7 million to \$594.5 million

Gross Profit was 21.5% vs. 21.0 % in Q3 2017

SG&A increased \$8.6 million to \$75.3 million or 12.7% of revenue vs. \$66.7 million or 13.9% of revenue in Q3 2017

EPS was \$1.02 per diluted share

Q3 2018 Cash Flow from Operations was \$30.5 million

Q3 2018 Backlog of \$1.25 billion

Key Financial Data – Income Statement

(\$ Thousands, Except Per Share Data) (Unaudited)

	For the Three Months Ended				Variance	
	September 30,				\$	%
	2018		2017			
Revenue	\$ 594,536	100.0%	\$ 480,851	100.0%	\$ 113,685	23.6%
Cost of Services	466,668	78.5%	379,993	79.0%	86,675	22.8%
Gross Profit	127,868	21.5%	100,858	21.0%	27,010	26.8%
Selling, General and Administrative Expenses	75,297	12.7%	66,707	13.9%	8,590	12.9%
Goodwill Impairment	-	0.0%	-	0.0%	-	0.0%
Gain on Sale of Assets	(219)	0.0%	(184)	0.0%	(35)	19.0%
Operating Income	\$ 52,790	8.9%	\$ 34,335	7.1%	\$ 18,455	53.7%
Net Income	\$ 38,541	6.5%	\$ 22,284	4.6%	\$ 16,257	73.0%
Diluted EPS	\$ 1.02		\$ 0.59		\$ 0.43	72.9%
Adjusted EBITDA ⁽¹⁾	\$ 63,581	10.7%	\$ 44,588	9.3%	\$ 18,993	42.6%

⁽¹⁾ See Slide 11 for GAAP Reconciliation to Adjusted EBITDA

2018 YTD Financial Results Highlights

2018 YTD Revenue increased \$267.7 million to \$1.59 billion (same-store increased \$214.9 million)

Gross Profit was 20.6% vs. 20.5% for the same period in 2017

SG&A increased \$20.0 million to \$216.5 million or 13.6% of revenue vs. \$196.6 million or 14.8% of revenue for the same period in 2017

EPS of \$2.33 per diluted share

2018 YTD Cash Flow from Operations was \$68.0 million

Key Financial Data – Income Statement

(\$ Thousands, Except Per Share Data) (Unaudited)

	For the Nine Months Ended				Variance	
	September 30,				\$	%
	2018		2017			
Revenue	\$ 1,594,520	100.0%	\$ 1,326,850	100.0%	\$ 267,670	20.2%
Cost of Services	1,266,416	79.4%	1,054,300	79.5%	212,116	20.1%
Gross Profit	328,104	20.6%	272,550	20.5%	55,554	20.4%
Selling, General and Administrative Expenses	216,528	13.6%	196,553	14.8%	19,975	10.2%
Goodwill Impairment	-	0.0%	1,105	0.1%	(1,105)	100.0%
Gain on Sale of Assets	(630)	0.0%	(464)	0.0%	(166)	35.8%
Operating Income	\$ 112,206	7.0%	\$ 75,356	5.7%	\$ 36,850	48.9%
Net Income	\$ 87,747	5.5%	\$ 47,733	3.6%	\$ 40,014	83.8%
Diluted EPS	\$ 2.33		\$ 1.27		\$ 1.06	83.5%
Adjusted EBITDA ⁽¹⁾	\$ 142,308	8.9%	\$ 103,333	7.8%	\$ 38,975	37.7%

⁽¹⁾ See Slide 11 for GAAP Reconciliation to Adjusted EBITDA

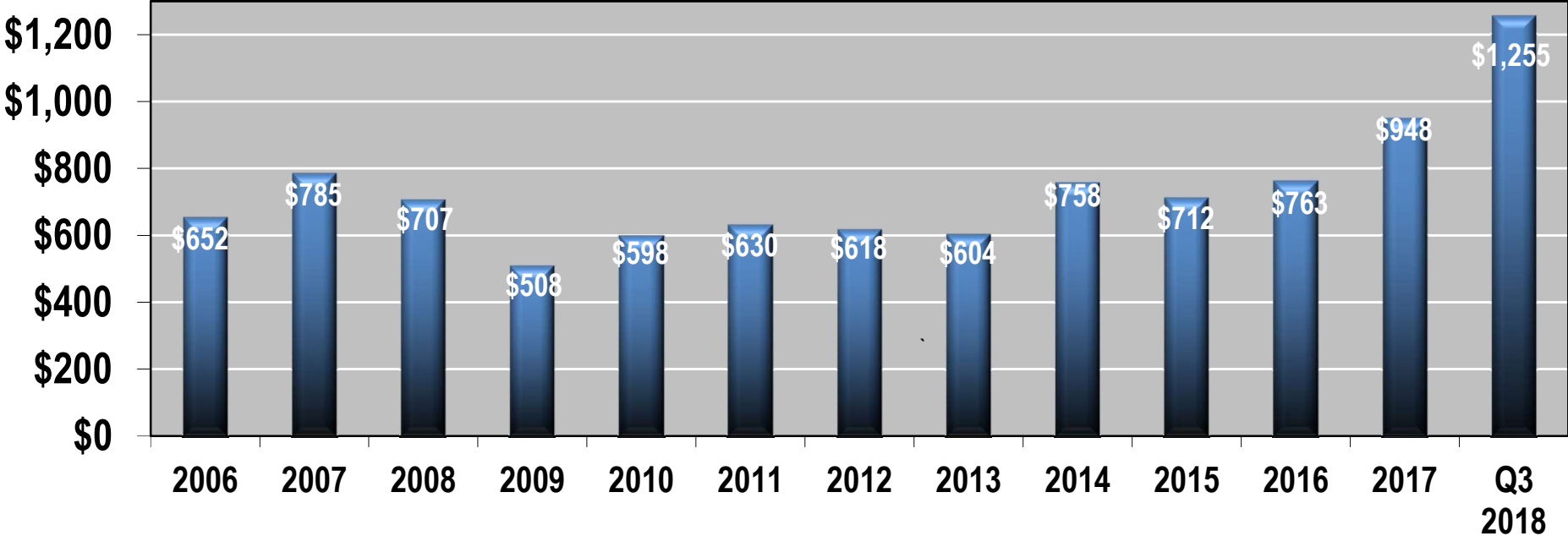
Key Financial Data – Balance Sheet

(\$ Millions)

	<u>9/30/2018</u> (Unaudited)	<u>12/31/2017</u>
Cash	\$ 19.2	\$ 36.5
Working Capital	\$ 153.8	\$ 115.6
Goodwill	\$ 231.2	\$ 200.6
Intangible Assets, Net	\$ 98.7	\$ 76.0
Total Debt	\$ 97.0	\$ 60.5
Equity	\$ 492.8	\$ 417.9

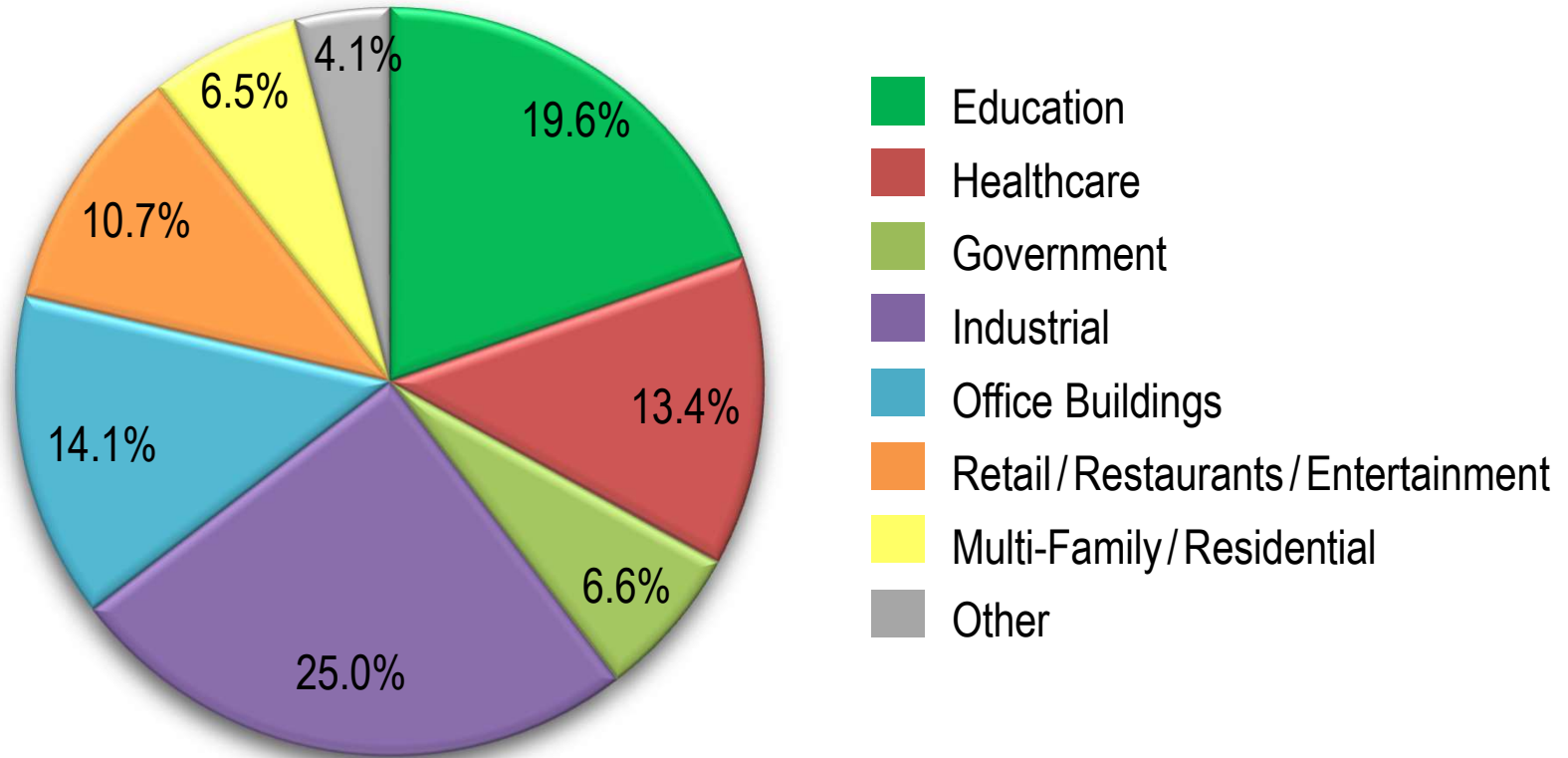
Backlog

(\$ Millions) (Unaudited)



Revenue by Type of Customer

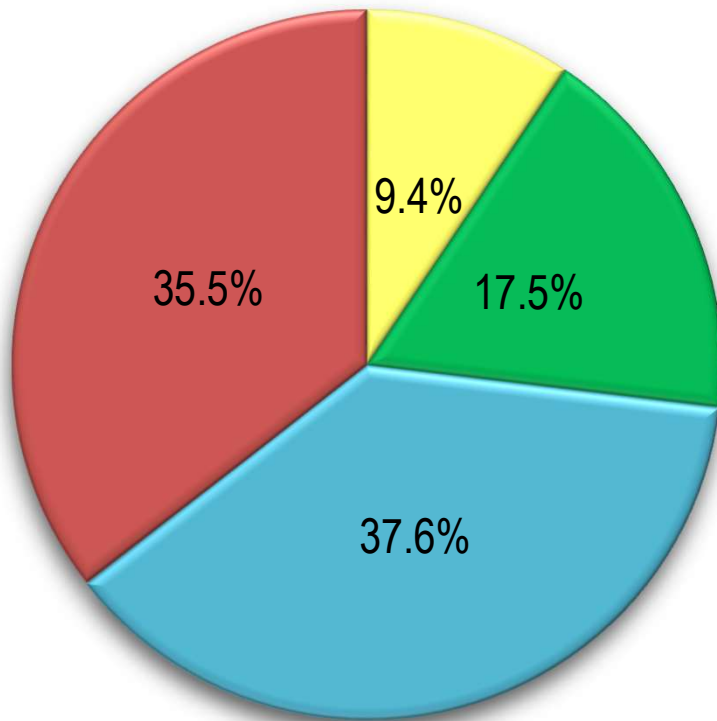
(Unaudited)



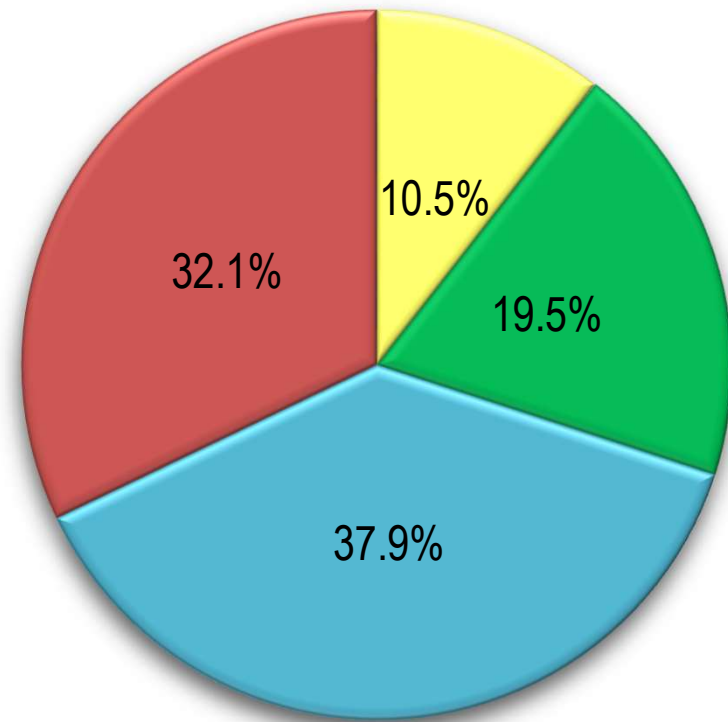
Revenue by Activity Type





(Unaudited)

YTD September 2018



FY 2017



 New Construction  Existing Building Construction  Service Projects  Service Calls, Maintenance & Monitoring

APPENDIX

Appendix I – GAAP Reconciliation to Adjusted EBITDA

(\$ Thousands) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income	\$ 38,541	\$ 22,284	87,747	47,733
Income Tax Expense	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>	<u>\$ 44,588</u>	<u>\$ 142,308</u>	<u>\$ 103,333</u>

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 (loss), net income (loss), or cash flows as determined under generally accepted accounting principles and as reported by the Company.

Appendix II – GAAP Reconciliation to Free Cash Flow

(\$ Thousands) (Unaudited)

	Three Months Ended September		Nine Months Ended September	
	2018	2017	2018	2017
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.