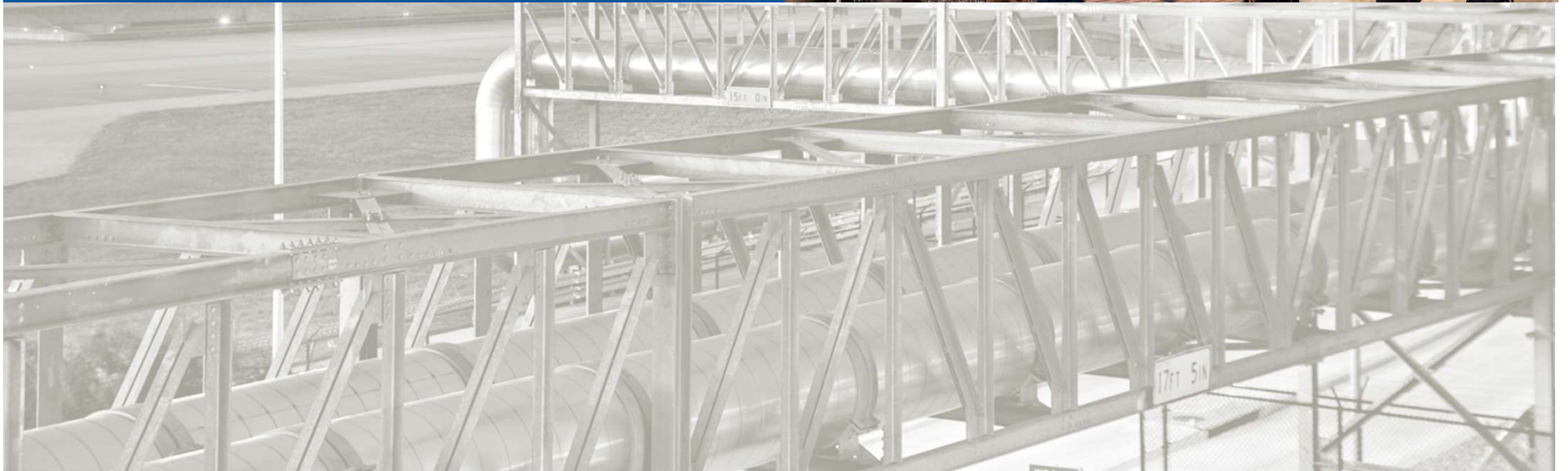


Q2 2018 Earnings Call

(NYSE: FIX)
July 27, 2018

Comfort Systems USA
Quality People. Building Solutions.



Q2 2018 Financial Results Highlights

Q2 Revenue increased \$69.6 million to \$535.0 million

Gross Profit was 20.8% vs. 20.6% in Q2 2017

SG&A increased \$4.6 million to \$71.2 million or 13.3% of revenue vs. \$66.6 million or 14.3% of revenue in Q2 2017

EPS was \$0.87 per diluted share

Q2 2018 Cash Flow from Operations was \$33.7 million

Q2 2018 Backlog of \$1.23 billion

Key Financial Data – Income Statement

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

	For the Three Months Ended				Variance	
	June 30,				\$	%
	2018		2017			
Revenue	\$ 535,043	100.0%	\$ 465,411	100.0%	\$ 69,632	15.0%
Cost of Services	423,860	79.2%	369,673	79.4%	54,187	14.7%
Gross Profit	111,183	20.8%	95,738	20.6%	15,445	16.1%
Selling, General and Administrative Expenses	71,208	13.3%	66,599	14.3%	4,609	6.9%
Goodwill Impairment	-	0.0%	-	0.0%	-	0.0%
Gain on Sale of Assets	(200)	0.0%	(126)	0.0%	(74)	58.7%
Operating Income	\$ 40,175	7.5%	\$ 29,265	6.3%	\$ 10,910	37.3%
Net Income	\$ 32,547	6.1%	\$ 17,972	3.9%	\$ 14,575	81.1%
Diluted EPS	\$ 0.87		\$ 0.48		\$ 0.39	81.3%
Adjusted EBITDA ⁽¹⁾	\$ 50,457	9.4%	\$ 39,899	8.6%	\$ 10,558	26.5%

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

2018 YTD Financial Results Highlights

2018 YTD Revenue increased \$154.0 million to \$1.00 billion (same-store increased \$128.5 million)

Gross Profit was 20.0% vs. 20.3% for the same period in 2017

SG&A increased \$11.4 million to \$141.2 million or 14.1% of revenue vs. \$129.8 million or 15.3% of revenue for the same period in 2017

EPS of \$1.31 per diluted share

2018 YTD Cash Flow from Operations was \$37.5 million

Key Financial Data – Income Statement

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

	For the Six Months Ended				Variance	
	June 30,				\$	%
	2018		2017			
Revenue	\$ 999,984	100.0%	\$ 845,999	100.0%	\$ 153,985	18.2%
Cost of Services	799,748	80.0%	674,307	79.7%	125,441	18.6%
Gross Profit	200,236	20.0%	171,692	20.3%	28,544	16.6%
Selling, General and Administrative Expenses	141,231	14.1%	129,846	15.3%	11,385	8.8%
Goodwill Impairment	-	0.0%	1,105	0.1%	(1,105)	100.0%
Gain on Sale of Assets	(411)	0.0%	(280)	0.0%	(131)	46.8%
Operating Income	\$ 59,416	5.9%	\$ 41,021	4.8%	\$ 18,395	44.8%
Net Income	\$ 49,206	4.9%	\$ 25,449	3.0%	\$ 23,757	93.4%
Diluted EPS	\$ 1.31		\$ 0.67		\$ 0.64	95.5%
Adjusted EBITDA ⁽¹⁾	\$ 78,727	7.9%	\$ 58,745	6.9%	\$ 19,982	34.0%

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

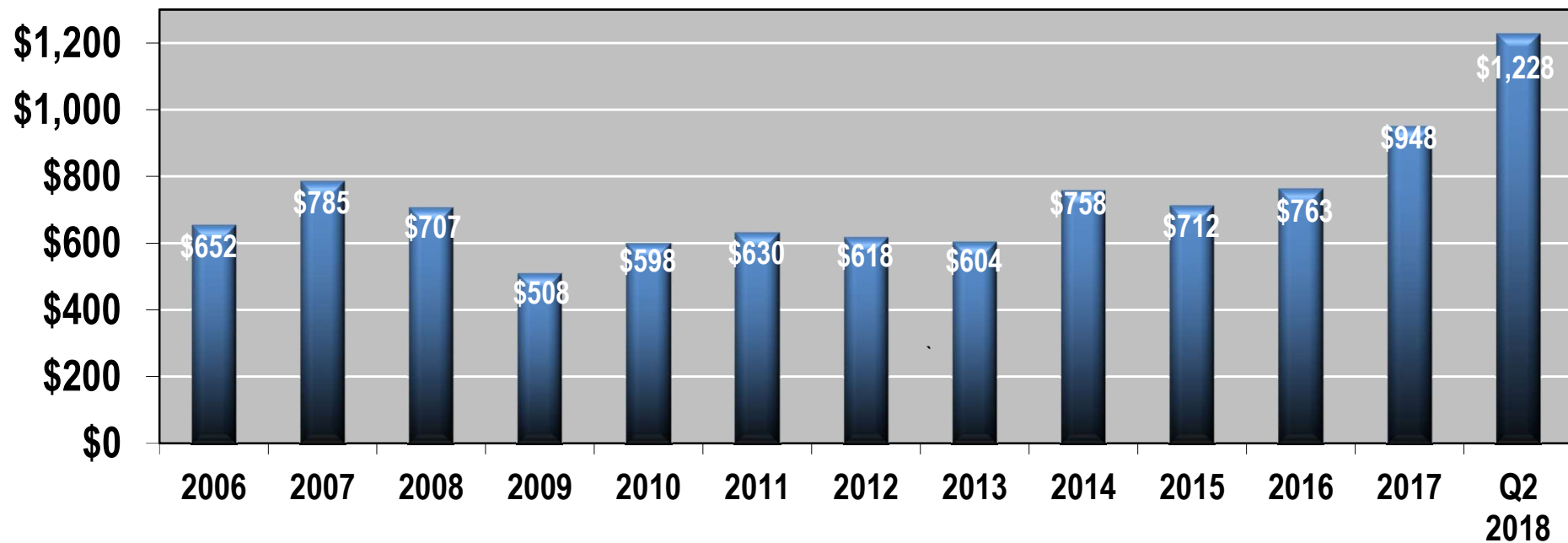
Key Financial Data – Balance Sheet

(\$ Millions)

	<u>6/30/2018</u> (Unaudited)	<u>12/31/2017</u>
Cash	\$ 28.0	\$ 36.5
Working Capital	\$ 143.5	\$ 115.6
Goodwill	\$ 205.2	\$ 200.6
Intangible Assets, Net	\$ 78.0	\$ 76.0
Total Debt	\$ 59.0	\$ 60.5
Equity	\$ 461.0	\$ 417.9

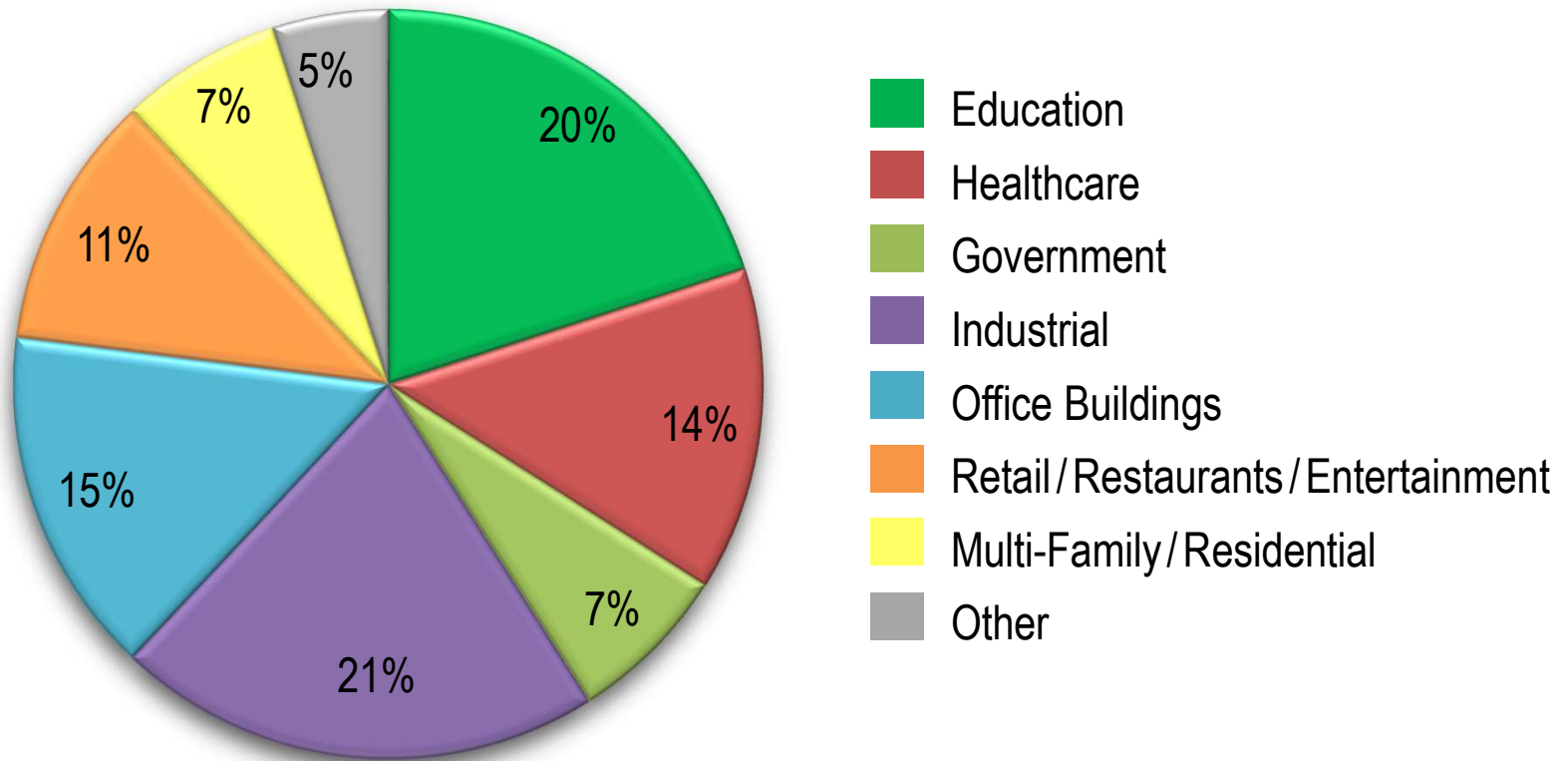
Backlog

(\$ Millions) (Unaudited)



Revenue by Type of Customer

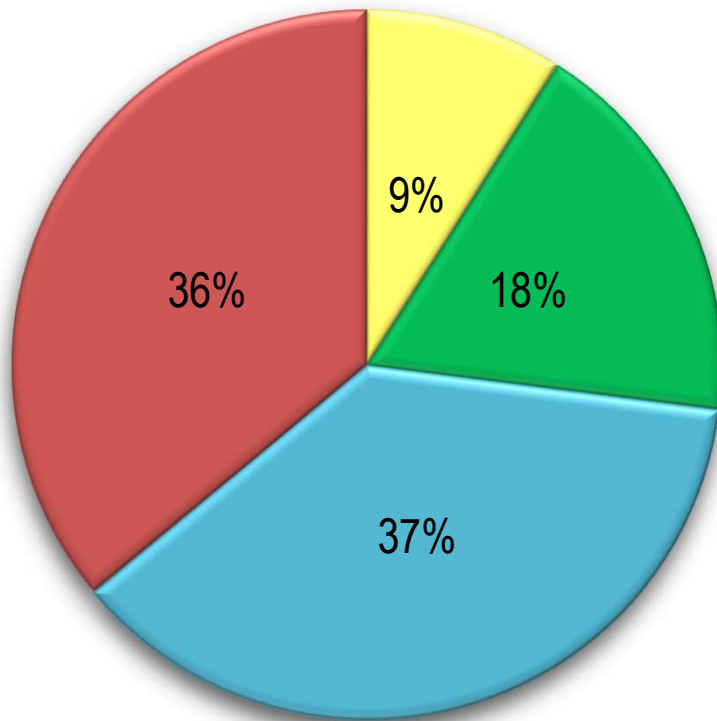
(Unaudited)



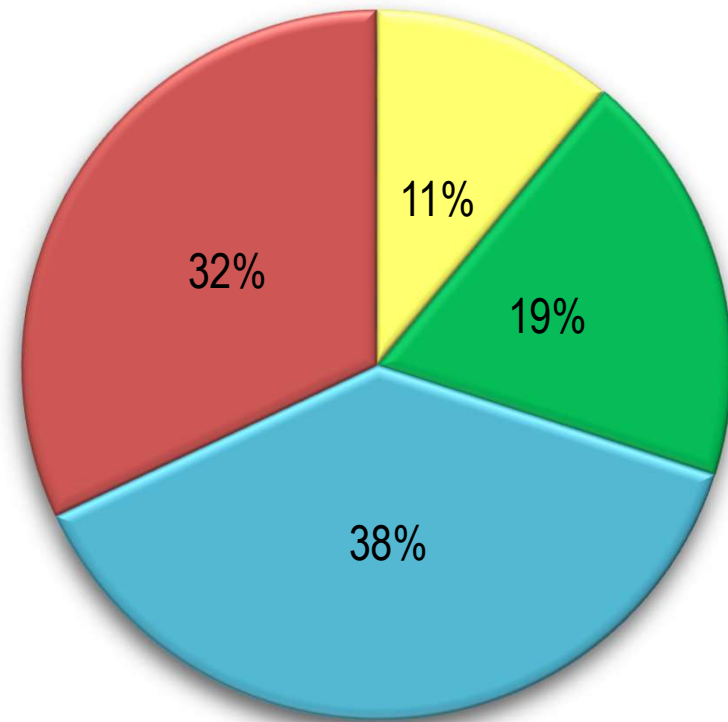
Revenue by Activity Type





(Unaudited)

YTD June 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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income	\$ 32,547	\$ 17,972	\$ 49,206	\$ 25,449
Income Tax Expense	10,797	9,711	12,871	13,603
Other Expense (Income), net	(3,985)	(29)	(4,023)	(47)
Changes in the Fair Value of Contingent Earn-out Obligations	94	598	(59)	624
Interest Expense, net	722	1,013	1,421	1,392
Gain on Sale of Assets	(200)	(126)	(411)	(280)
Goodwill Impairment	-	-	-	1,105
Depreciation and Amortization	10,482	10,760	19,722	16,899
Adjusted EBITDA	<u>\$ 50,457</u>	<u>\$ 39,899</u>	<u>\$ 78,727</u>	<u>\$ 58,745</u>

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 (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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cash from Operating Activities	\$ 33,667	\$ 11,127	\$ 37,518	\$ 21,180
Purchases of Property and Equipment	(8,535)	(6,569)	(14,123)	(11,646)
Proceeds from Sales of Property and Equipment	295	313	661	605
Free Cash Flow	<u>\$ 25,427</u>	<u>\$ 4,871</u>	<u>\$ 24,056</u>	<u>\$ 10,139</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.