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**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) **February 21, 2019**

**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.

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**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 February 21, 2019 reporting the Company's financial results for the fourth quarter and full year 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 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 February 21, 2019 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, March 11, 2019.

**ITEM 9.01 Financial Statements and Exhibits**

(d) The following Exhibits are included herein:

Exhibit 99.1 Press Release of Comfort Systems USA, Inc. dated February 21, 2019 reporting the Company's financial results for the fourth quarter and full year of 2018.

Exhibit 99.2 Press Release of Comfort Systems USA, Inc. dated February 21, 2019 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, March 11, 2019.

**EXHIBIT INDEX**

| <b>Exhibit<br/>Number</b> | <b>Exhibit Title or Description</b>   |
|---------------------------|---|
| 99.1                      | <a href="#"><u>Press Release of Comfort Systems USA, Inc. dated February 21, 2019 reporting the Company's financial results for the fourth quarter and full year of 2018.</u></a>   |
| 99.2                      | <a href="#"><u>Press Release of Comfort Systems USA, Inc. dated February 21, 2019 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, March 11, 2019.</u></a> |

**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/ Laura F. Howell  
Laura F. Howell, Vice President and General Counsel

Date: February 21, 2019



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 FOURTH QUARTER AND FULL YEAR 2018 RESULTS**

**Houston, TX — February 21, 2019 — 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 \$25.2 million or \$0.67 per diluted share, for the quarter ended December 31, 2018, as compared to \$7.5 million or \$0.20 per diluted share, for the quarter ended December 31, 2017. Earnings per share for the fourth quarter of 2017, adjusted for the remeasurement of net deferred tax assets for the corporate tax rate reduction of \$9.5 million, or \$0.25 per diluted share, were \$0.45 per diluted share. The Company reported revenue of \$588.4 million in the current quarter, as compared to \$461.1 million in 2017. The Company reported free cash flow of \$74.6 million in the current quarter, as compared to \$30.3 million in 2017. Backlog as of December 31, 2018 was \$1.17 billion as compared to \$1.25 billion as of September 30, 2018 and \$948.4 million as of December 31, 2017.

Brian Lane, Comfort Systems USA's President and Chief Executive Officer, said, "We are happy to report record annual and fourth quarter free cash flow, revenue and earnings per share. Revenue increased by 28% since the fourth quarter of 2017, and quarterly earnings per share increased sharply over the same period. During the fourth quarter we had positive free cash flow of approximately \$74.6 million, a result that reflects fantastic focus and execution by our field teams in each of the markets we serve."

The Company reported net income of \$112.9 million, or \$3.00 per diluted share, for the twelve months ended December 31, 2018, as compared to \$55.3 million, or \$1.47 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. Earnings in the first quarter of 2017 included a goodwill impairment of \$0.02 per diluted share. Earnings per share for 2017, adjusted for the fourth quarter remeasurement of net deferred tax assets discussed above and the first quarter goodwill impairment, were \$1.74 per diluted share. The Company also reported revenue of \$2.18 billion, as compared to \$1.79 billion in 2017. Free cash flow for the twelve months ended December 31, 2018 was \$121.6 million, as compared to \$80.0 million in 2017.

Mr. Lane concluded, "Our operations achieved unprecedented success in 2018, with annual earnings per share growing by more than 60% from 2017 to 2018. In 2018, we benefited from favorable tax rate changes; however, our pre-tax income was also up markedly, increasing by 47.3% as a result of improving execution and strong same store growth. In light of our substantial increase in backlog compared to the end of 2017, and given our perception that industry conditions continue to be strong, we believe that we are well positioned for continued success in 2019."

The Company will host a webcast and conference call to discuss its financial results and position on Friday, February 22, 2019 at 10:00 a.m. Central Time. The call-in number for this conference call is 1-888-339-2688, and enter 55116829 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](http://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 128 locations in 114 cities around the nation. For more information, visit the Company's website at [www.comfortsystemsusa.com](http://www.comfortsystemsusa.com).

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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 —

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Comfort Systems USA, Inc.  
Consolidated Statements of Operations  
(In Thousands, Except per Share Amounts)

|  | Three Months Ended<br>December 31,<br>(Unaudited) |         |                 |         | Twelve Months Ended<br>December 31, |         |                  |         |
|--|---|---------|-----------------|---------|-------------------------------------|---------|------------------|---------|
|  | 2018  | %       | 2017            | %       | 2018                                | %       | 2017             | %       |
| Revenue  | \$588,359   | 100.0 % | \$461,072       | 100.0 % | \$2,182,879                         | 100.0 % | \$1,787,922      | 100.0 % |
| Cost of services   | 470,184   | 79.9 %  | 367,341         | 79.7 %  | 1,736,600                           | 79.6 %  | 1,421,641        | 79.5 %  |
| Gross profit   | 118,175   | 20.1 %  | 93,731          | 20.3 %  | 446,279                             | 20.4 %  | 366,281          | 20.5 %  |
| SG&A   | 80,458  | 13.7 %  | 70,033          | 15.2 %  | 296,986                             | 13.6 %  | 266,586          | 14.9 %  |
| Goodwill impairment  | —   | —       | —               | —       | —                                   | —       | 1,105            | 0.1 %   |
| Gain on sale of assets   | (315)   | (0.1)%  | (206)           | —       | (945)                               | —       | (670)            | —       |
| Operating income   | 38,032  | 6.5 %   | 23,904          | 5.2 %   | 150,238                             | 6.9 %   | 99,260           | 5.6 %   |
| Interest expense, net  | (1,089)   | (0.2)%  | (749)           | (0.2)%  | (3,637)                             | (0.2)%  | (3,086)          | (0.2)%  |
| Changes in the fair value of<br>contingent earn-out<br>obligations | (2,559)   | (0.4)%  | 1,870           | 0.4 %   | (2,066)                             | (0.1)%  | 3,715            | 0.2 %   |
| Other income (expense)   | 79  | —       | 992             | 0.2 %   | 4,141                               | 0.2 %   | 1,049            | —       |
| Income before income<br>taxes                                      | 34,463  | 5.9 %   | 26,017          | 5.6 %   | 148,676                             | 6.8 %   | 100,938          | 5.6 %   |
| Provision for income taxes   | 9,307   |         | 18,478          |         | 35,773                              |         | 45,666           |         |
| Net income   | <u>\$ 25,156</u>                                  | 4.3 %   | <u>\$ 7,539</u> | 1.6 %   | <u>\$ 112,903</u>                   | 5.2 %   | <u>\$ 55,272</u> | 3.1 %   |
| Income per share   |   |         |                 |         |                                     |         |                  |         |
| Basic  | <u>\$ 0.68</u>                                    |         | <u>\$ 0.20</u>  |         | <u>\$ 3.03</u>                      |         | <u>\$ 1.48</u>   |         |
| Diluted  | <u>\$ 0.67</u>                                    |         | <u>\$ 0.20</u>  |         | <u>\$ 3.00</u>                      |         | <u>\$ 1.47</u>   |         |
| Shares used in computing<br>income per share:                      |   |         |                 |         |                                     |         |                  |         |
| Basic  | 37,102  |         | 37,232          |         | 37,202                              |         | 37,239           |         |
| Diluted  | 37,467  |         | 37,626          |         | 37,592                              |         | 37,672           |         |

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

|  | Three Months Ended<br>December 31, |       |                  |       | Twelve Months Ended<br>December 31, |       |                   |       |
|--|------------------------------------|-------|------------------|-------|-------------------------------------|-------|-------------------|-------|
|  | 2018                               | %     | 2017             | %     | 2018                                | %     | 2017              | %     |
| Net income   | \$ 25,156                          |       | \$ 7,539         |       | \$ 112,903                          |       | \$ 55,272         |       |
| Provision for income taxes                                   | 9,307                              |       | 18,478           |       | 35,773                              |       | 45,666            |       |
| Other expense (income), net                                  | (79)                               |       | (992)            |       | (4,141)                             |       | (1,049)           |       |
| Changes in the fair value of contingent earn-out obligations | 2,559                              |       | (1,870)          |       | 2,066                               |       | (3,715)           |       |
| Interest expense, net  | 1,089                              |       | 749              |       | 3,637                               |       | 3,086             |       |
| Gain on sale of assets                                       | (315)                              |       | (206)            |       | (945)                               |       | (670)             |       |
| Goodwill impairment  | —                                  |       | —                |       | —                                   |       | 1,105             |       |
| Depreciation and amortization                                | 11,957                             |       | 10,120           |       | 42,689                              |       | 37,456            |       |
| Adjusted EBITDA  | <u>\$ 49,674</u>                   | 8.4 % | <u>\$ 33,818</u> | 7.3 % | <u>\$ 191,982</u>                   | 8.8 % | <u>\$ 137,151</u> | 7.7 % |

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)

|  | <u>December 31,</u><br><u>2018</u> | <u>December 31,</u><br><u>2017</u> |
|--|------------------------------------|------------------------------------|
| Cash and cash equivalents                          | \$ 45,620                          | \$ 36,542                          |
| Billed accounts receivable, net                    | 481,366                            | 382,867                            |
| Unbilled accounts receivable                       | 37,180                             | —                                  |
| Costs and estimated earnings in excess of billings | 10,213                             | 30,116                             |
| Other current assets                               | 35,321                             | 39,832                             |
| Total current assets                               | <u>609,700</u>                     | <u>489,357</u>                     |
| Property and equipment, net                        | 99,618                             | 87,591                             |
| Goodwill   | 235,182                            | 200,584                            |
| Identifiable intangible assets, net                | 95,275                             | 76,044                             |
| Other noncurrent assets                            | 22,789                             | 27,544                             |
| Total assets                                       | <u>\$ 1,062,564</u>                | <u>\$ 881,120</u>                  |
| Current maturities of long-term debt               | \$ 3,279                           | \$ 613                             |
| Accounts payable                                   | 176,167                            | 132,011                            |
| Billings in excess of costs and estimated earnings | 130,986                            | 106,005                            |
| Other current liabilities                          | 156,626                            | 135,099                            |
| Total current liabilities                          | <u>467,058</u>                     | <u>373,728</u>                     |
| Long-term debt                                     | 73,639                             | 59,926                             |
| Other long-term liabilities                        | 23,820                             | 29,521                             |
| Total liabilities                                  | <u>564,517</u>                     | <u>463,175</u>                     |
| Total stockholders' equity                         | <u>498,047</u>                     | <u>417,945</u>                     |
| Total liabilities and stockholders' equity         | <u>\$ 1,062,564</u>                | <u>\$ 881,120</u>                  |

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

|   | Three Months Ended<br>December 31, |                  | Twelve Months Ended<br>December 31, |                  |
|---|------------------------------------|------------------|-------------------------------------|------------------|
|   | 2018                               | 2017             | 2018                                | 2017             |
| Cash provided by (used in):                   |                                    |                  |                                     |                  |
| Operating activities                          | \$ 79,188                          | \$ 48,398        | \$ 147,190                          | \$ 114,090       |
| Investing activities                          | \$ (9,441)                         | \$ (18,062)      | \$ (95,710)                         | \$ (128,968)     |
| Financing activities                          | \$ (43,375)                        | \$ (23,290)      | \$ (42,402)                         | \$ 19,346        |
| Free cash flow:                               |                                    |                  |                                     |                  |
| Cash from operating activities                | \$ 79,188                          | \$ 48,398        | \$ 147,190                          | \$ 114,090       |
| Purchases of property and equipment           | (5,209)                            | (18,637)         | (27,268)                            | (35,467)         |
| Proceeds from sales of property and equipment | 621                                | 575              | 1,698                               | 1,359            |
| Free cash flow                                | <u>\$ 74,600</u>                   | <u>\$ 30,336</u> | <u>\$ 121,620</u>                   | <u>\$ 79,982</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  
Chief Financial Officer  
713-830-9650

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

**FOR IMMEDIATE RELEASE**

**COMFORT SYSTEMS USA INCREASES QUARTERLY DIVIDEND**

**Houston, TX — February 21, 2019 — 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 \$0.095 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 March 22, 2019 to stockholders of record at the close of business on March 11, 2019.

Comfort Systems USA® is a premier provider of business solutions addressing workplace comfort, with 128 locations in 114 cities around the nation. For more information, visit the Company's website at [www.comfortsystemsusa.com](http://www.comfortsystemsusa.com).

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