

Q1 2017 Earnings Call

(NYSE: FIX)
April 27, 2017

Comfort Systems USA
Quality People. Building Solutions.



Q1 2017 Financial Results Highlights

Q1 Revenue of \$380.6 million vs. \$385.9 million in Q1 2016

Gross Profit was 20.0% vs. 19.0% in Q1 2016

SG&A increased \$5.1 million to \$63.2 million or 16.6% of revenue vs. \$58.2 million or 15.1% of revenue in Q1 2016

EPS of \$0.20 per diluted share

Q1 2017 Cash Flow from Operations was \$10.1 million

Q1 2017 Backlog of \$863.0 million

Key Financial Data – Income Statement

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

| | For the Three Months Ended | | | | Variance | |
|--|----------------------------|--------|------------------|--------|-------------------|---------------|
| | March 31, | | March 31, | | \$ | % |
| | 2017 | | 2016 | | | |
| Revenue | \$ 380,588 | 100.0% | \$ 385,942 | 100.0% | \$ (5,354) | -1.4% |
| Cost of Services | 304,634 | 80.0% | 312,440 | 81.0% | (7,806) | -2.5% |
| Gross Profit | 75,954 | 20.0% | 73,502 | 19.0% | 2,452 | 3.3% |
| Selling, General and Administrative Expenses | 63,247 | 16.6% | 58,190 | 15.1% | 5,057 | 8.7% |
| Goodwill Impairment | 1,105 | 0.3% | - | 0.0% | 1,105 | 100.0% |
| Gain on Sale of Assets | (154) | 0.0% | (145) | - | (9) | -6.2% |
| Operating Income | <u>\$ 11,756</u> | 3.1% | <u>\$ 15,457</u> | 4.0% | <u>\$ (3,701)</u> | <u>-23.9%</u> |
| Net Income | <u>\$ 7,477</u> | 2.0% | <u>\$ 9,841</u> | 2.5% | <u>\$ (2,364)</u> | <u>-24.0%</u> |
| Diluted EPS | <u>\$ 0.20</u> | | <u>\$ 0.26</u> | | <u>\$ (0.06)</u> | <u>-23.1%</u> |
| Adjusted EBITDA ⁽¹⁾ | <u>\$ 18,846</u> | 5.0% | <u>\$ 21,570</u> | 5.6% | <u>\$ (2,724)</u> | <u>-12.6%</u> |

⁽¹⁾ See Slide 9 for GAAP Reconciliation to Adjusted EBITDA

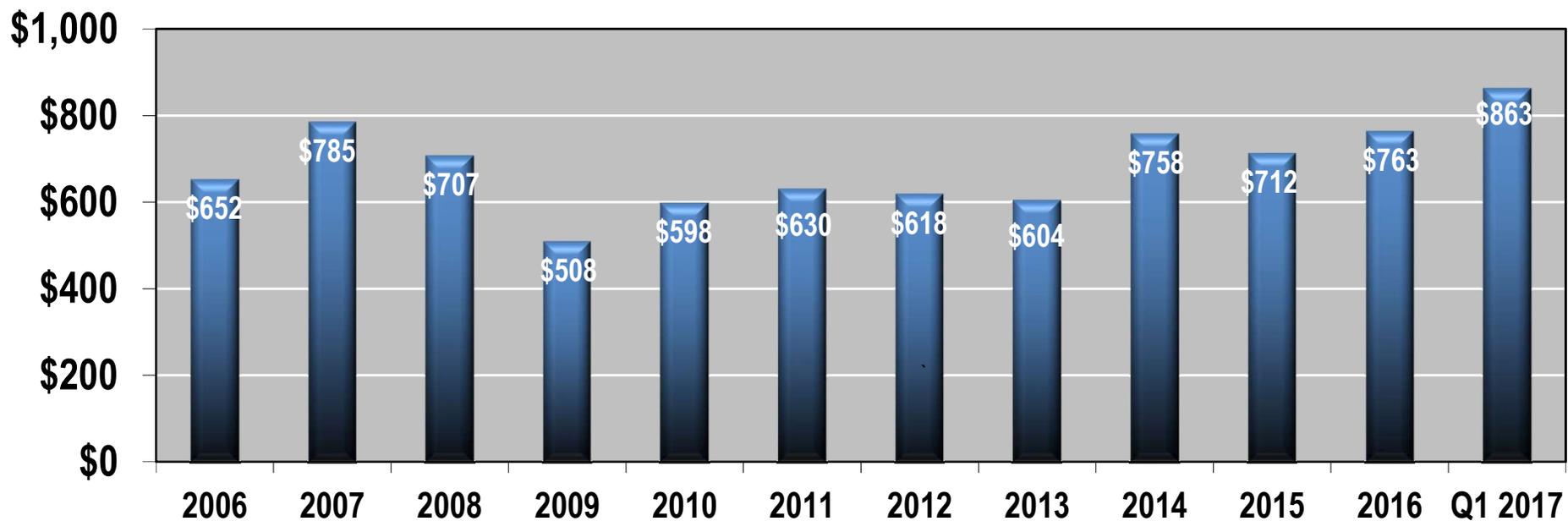
Key Financial Data – Balance Sheet

(\$ Millions)

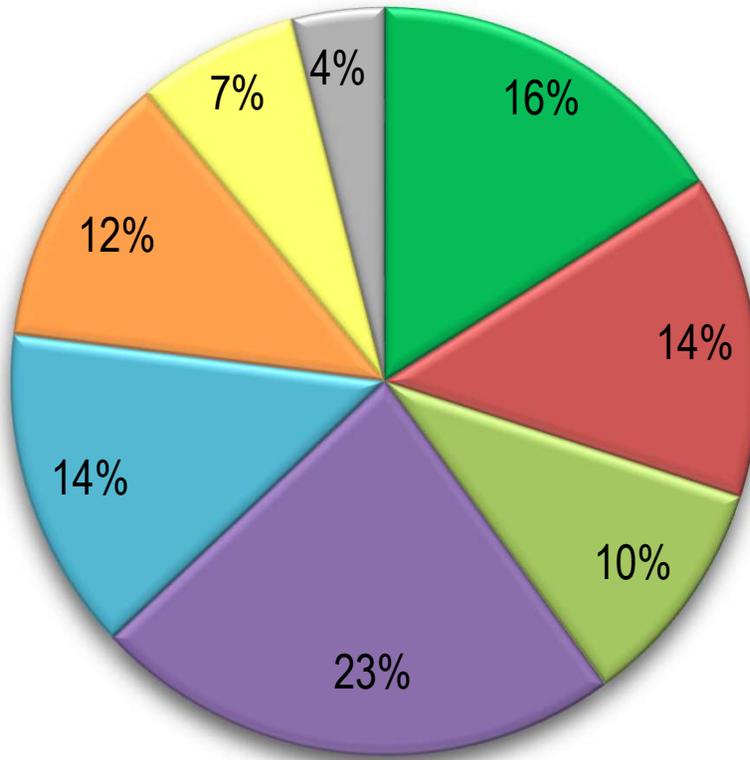
| | 3/31/2017 | 12/31/2016 |
|------------------------|-----------|------------|
| Cash | \$ 31.4 | \$ 32.1 |
| Working Capital | \$ 103.4 | \$ 98.3 |
| Goodwill | \$ 148.1 | \$ 149.2 |
| Intangible Assets, Net | \$ 40.9 | \$ 42.4 |
| Total Debt | \$ 2.0 | \$ 2.8 |
| Equity | \$ 382.0 | \$ 376.6 |

Backlog

(\$ Millions) (Unaudited)



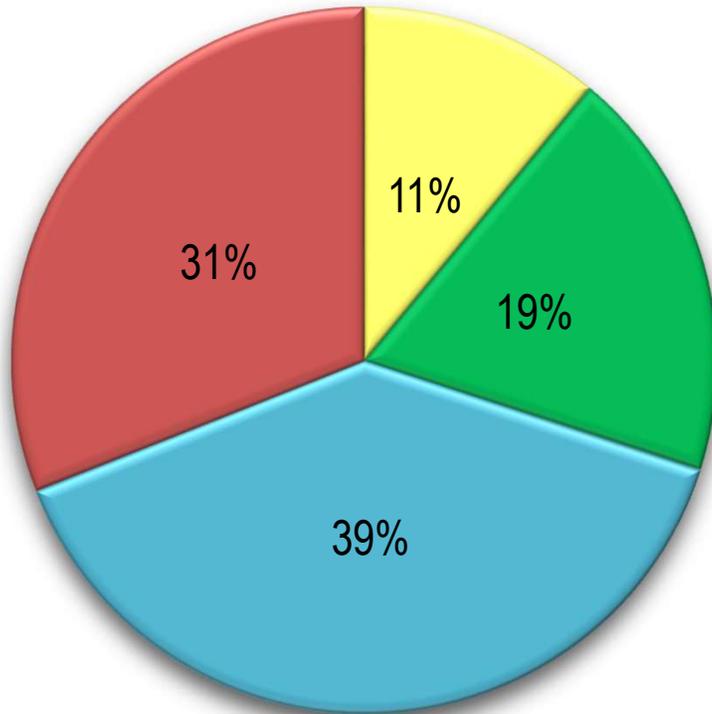
Revenue by Sector



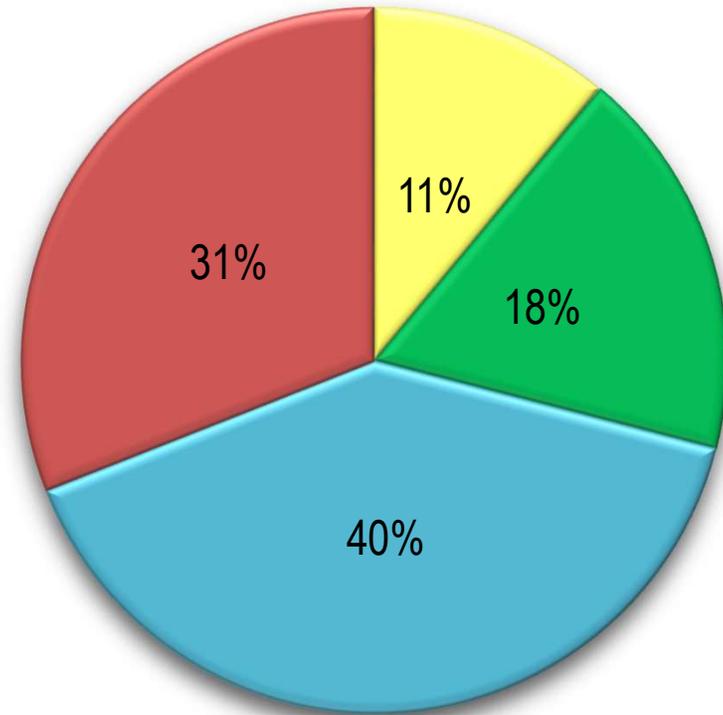
- Education
- Healthcare
- Government
- Industrial/Distribution
- Office Buildings
- Retail/Restaurants/Entertainment
- Multi-Family/Residential
- Other

Revenue by Activity

YTD March 2017



2016



 New Construction  Existing Building Construction  Service Projects  Service & Maintenance

APPENDIX

Appendix I – GAAP Reconciliation to Adjusted EBITDA

(Unaudited) (\$ Thousands)

| | Three Months Ended | |
|---|--------------------|------------------|
| | March 31, | |
| | 2017 | 2016 |
| Net Income Including Noncontrolling Interests | \$ 7,477 | \$ 9,841 |
| Income Tax Expense | 3,892 | 5,402 |
| Other Expense (Income), net | (18) | (486) |
| Changes in the Fair Value of Contingent | | |
| Earn-out Obligations | 26 | - |
| Interest Expense, net | 379 | 700 |
| Gain on Sale of Assets | (154) | (145) |
| Goodwill Impairment | 1,105 | - |
| Depreciation and Amortization | 6,139 | 6,258 |
| Adjusted EBITDA | <u>\$ 18,846</u> | <u>\$ 21,570</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)

| | Three Months Ended March 31, | |
|---|---------------------------------|-----------------|
| | 2017 | 2016 |
| Cash from Operating Activities | \$ 10,053 | \$ 13,117 |
| Purchases of Property and Equipment | (5,077) | (3,765) |
| Proceeds from Sales of Property and Equipment | 292 | 220 |
| Free Cash Flow | <u>\$ 5,268</u> | <u>\$ 9,572</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.