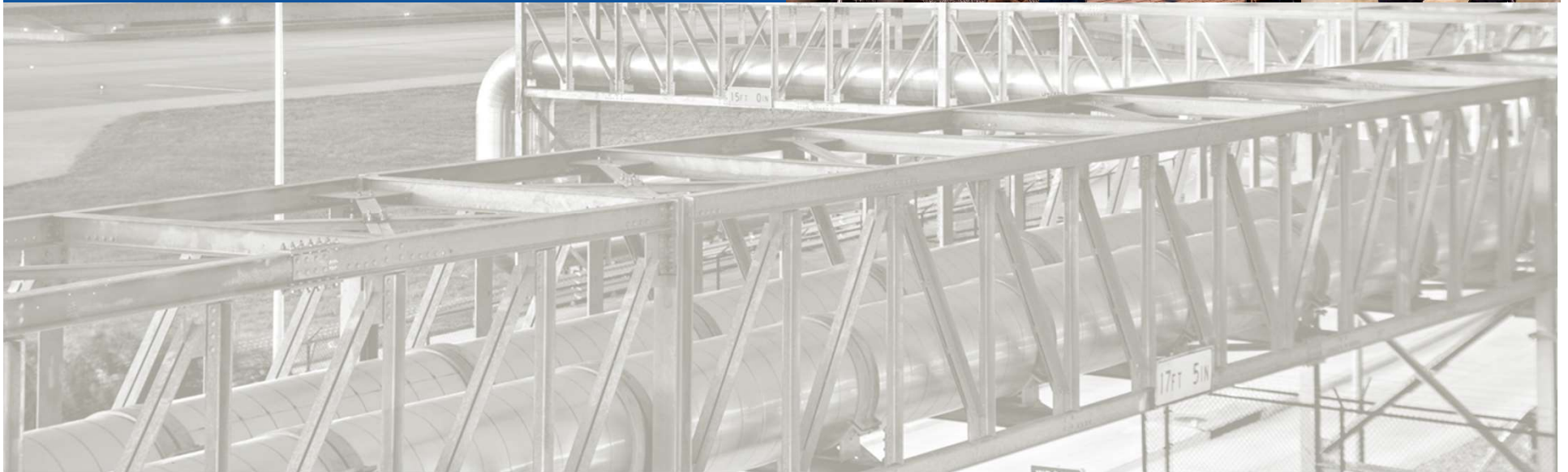


# Q2 2017 Earnings Call

(NYSE: FIX)  
July 28, 2017

**Comfort Systems USA**  
Quality People. Building Solutions.



# Q2 2017 Financial Results Highlights

Q2 Revenue increased \$37.9 million to \$465.4 million

Gross Profit was 20.6% vs. 20.9% in Q2 2016

SG&A increased \$5.6 million to \$66.6 million or 14.3% of revenue vs. \$61.0 million or 14.3% of revenue in Q2 2016

EPS of \$0.48 per diluted share

Q2 2017 Cash Flow from Operations was \$11.1 million

Q2 2017 Backlog of \$937.8 million

# Key Financial Data – Income Statement

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

|  | For the Three Months Ended |        |                  |        | Variance        |              |
|--|----------------------------|--------|------------------|--------|-----------------|--------------|
|  | June 30,                   |        |                  |        | \$              | %            |
|  | 2017                       |        | 2016             |        |                 |              |
| Revenue                                      | \$ 465,411                 | 100.0% | \$ 427,538       | 100.0% | \$ 37,873       | 8.9%         |
| Cost of Services                             | 369,673                    | 79.4%  | 338,112          | 79.1%  | 31,561          | 9.3%         |
| Gross Profit                                 | 95,738                     | 20.6%  | 89,426           | 20.9%  | 6,312           | 7.1%         |
| Selling, General and Administrative Expenses | 66,599                     | 14.3%  | 61,023           | 14.3%  | 5,576           | 9.1%         |
| Goodwill Impairment                          | -                          | 0.0%   | -                | 0.0%   | -               | 0.0%         |
| Gain on Sale of Assets                       | (126)                      | 0.0%   | (212)            | 0.0%   | 86              | 40.6%        |
| Operating Income                             | <u>\$ 29,265</u>           | 6.3%   | <u>\$ 28,615</u> | 6.7%   | <u>\$ 650</u>   | <u>2.3%</u>  |
| Net Income                                   | <u>\$ 17,972</u>           | 3.9%   | <u>\$ 17,717</u> | 4.1%   | <u>\$ 255</u>   | <u>1.4%</u>  |
| Diluted EPS                                  | <u>\$ 0.48</u>             |        | <u>\$ 0.47</u>   |        | <u>\$ 0.01</u>  | <u>2.1%</u>  |
| Adjusted EBITDA <sup>(1)</sup>               | <u>\$ 39,899</u>           | 8.6%   | <u>\$ 35,303</u> | 8.3%   | <u>\$ 4,596</u> | <u>13.0%</u> |

<sup>(1)</sup> See Slide 11 for GAAP Reconciliation to Adjusted EBITDA

# 2017 YTD Financial Results Highlights

2017 YTD Revenue increased \$32.5 million to \$846.0 million

Gross Profit was 20.3% vs. 20.0% for the same period in 2016

SG&A increased \$10.6 million to \$129.8 million or 15.3% of revenue vs. \$119.2 million or 14.7% of revenue for the same period in 2016

EPS of \$0.67 per diluted share

2017 YTD Cash Flow from Operations was \$21.2 million

# Key Financial Data – Income Statement

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

|  | For the Six Months Ended |        |            |        | Variance   |        |
|--|--------------------------|--------|------------|--------|------------|--------|
|  | June 30,                 |        |            |        | \$         | %      |
|  | 2017                     |        | 2016       |        |            |        |
| Revenue                                      | \$ 845,999               | 100.0% | \$ 813,480 | 100.0% | \$ 32,519  | 4.0%   |
| Cost of Services                             | 674,307                  | 79.7%  | 650,552    | 80.0%  | 23,755     | 3.7%   |
| Gross Profit                                 | 171,692                  | 20.3%  | 162,928    | 20.0%  | 8,764      | 5.4%   |
| Selling, General and Administrative Expenses | 129,846                  | 15.3%  | 119,213    | 14.7%  | 10,633     | 8.9%   |
| Goodwill Impairment                          | 1,105                    | 0.1%   | -          | 0.0%   | 1,105      | 100.0% |
| Gain on Sale of Assets                       | (280)                    | 0.0%   | (357)      | 0.0%   | 77         | -21.6% |
| Operating Income                             | \$ 41,021                | 4.8%   | \$ 44,072  | 5.4%   | \$ (3,051) | -6.9%  |
| Net Income                                   | \$ 25,449                | 3.0%   | \$ 27,558  | 3.4%   | \$ (2,109) | -7.7%  |
| Diluted EPS                                  | \$ 0.67                  |        | \$ 0.73    |        | \$ (0.06)  | -8.2%  |
| Adjusted EBITDA <sup>(1)</sup>               | \$ 58,745                | 6.9%   | \$ 56,873  | 7.0%   | \$ 1,872   | 3.3%   |

<sup>(1)</sup> See Slide 11 for GAAP Reconciliation to Adjusted EBITDA

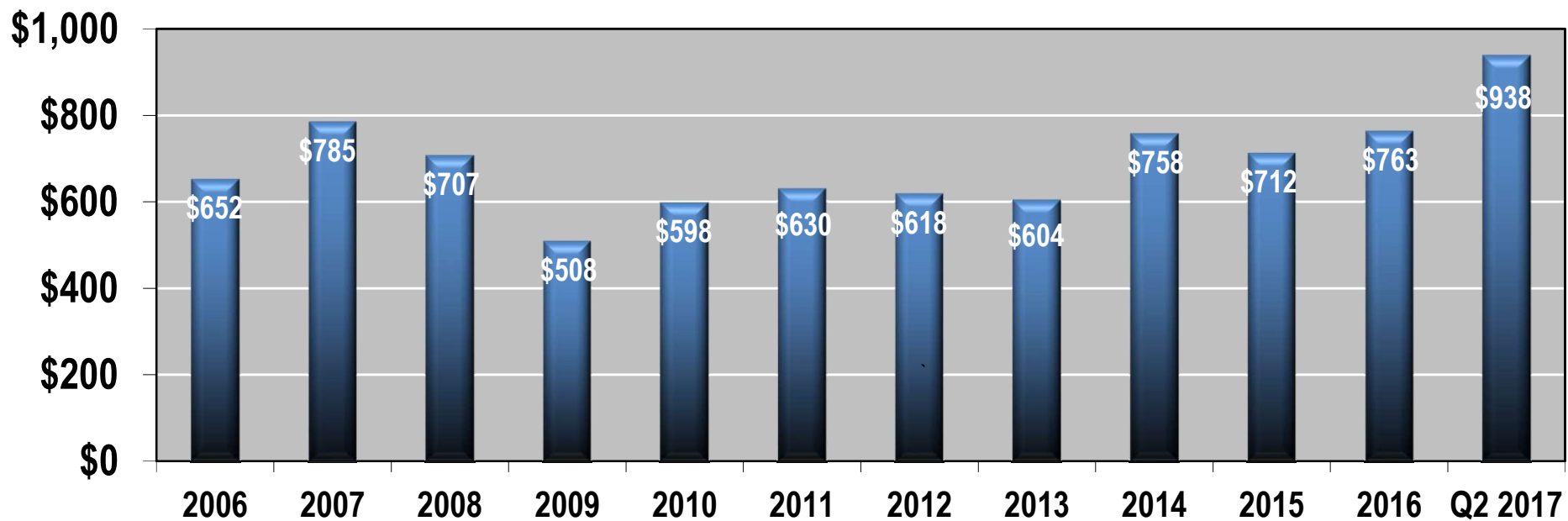
# Key Financial Data – Balance Sheet

(\$ Millions)

|                        | 6/30/2017   | 12/31/2016 |
|------------------------|-------------|------------|
|                        | (Unaudited) |            |
| Cash                   | \$ 34.5     | \$ 32.1    |
| Working Capital        | \$ 121.8    | \$ 98.3    |
| Goodwill               | \$ 203.2    | \$ 149.2   |
| Intangible Assets, Net | \$ 83.3     | \$ 42.4    |
| Total Debt             | \$ 104.7    | \$ 2.8     |
| Equity                 | \$ 396.9    | \$ 376.6   |

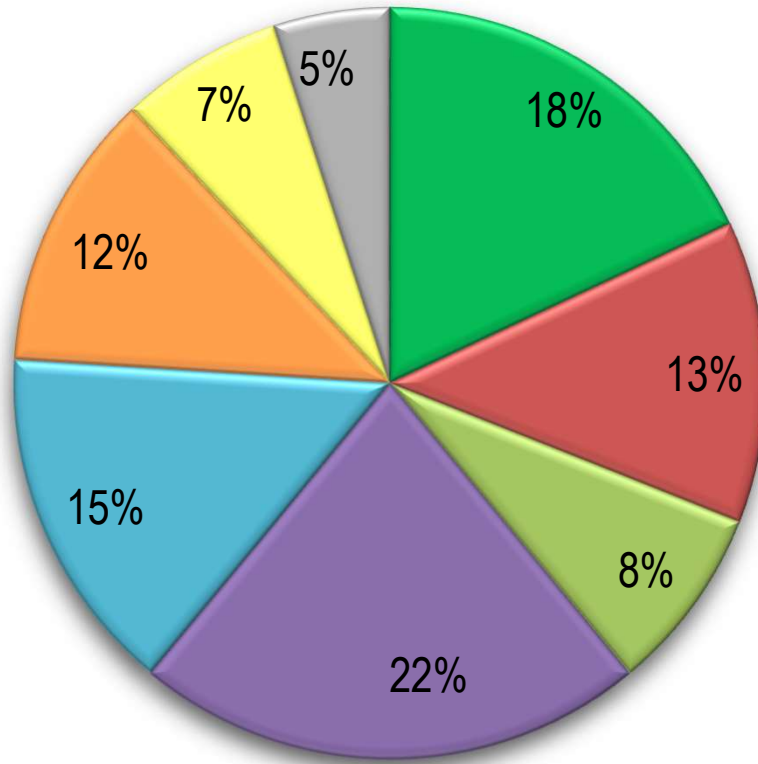
# Backlog

(\$ Millions) (Unaudited)



# Revenue by Sector

(Unaudited)



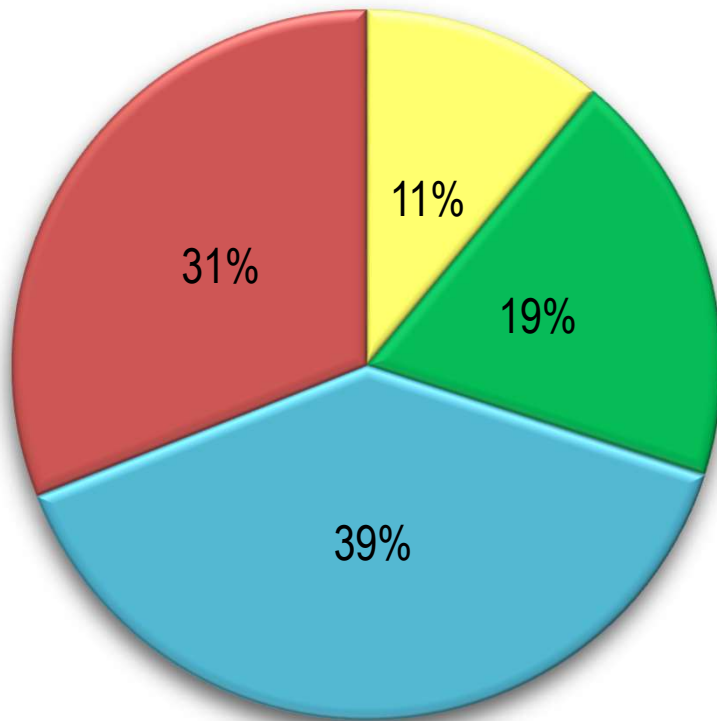
- Education
- Healthcare
- Government
- Industrial/Distribution
- Office Buildings
- Retail/Restaurants/Entertainment
- Multi-Family/Residential
- Other



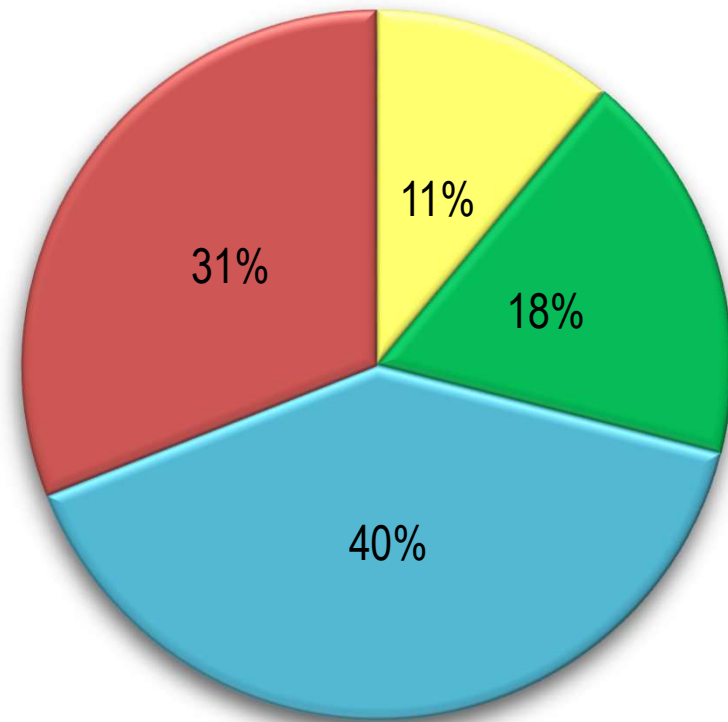
# Revenue by Activity

(Unaudited)

YTD June 2017



2016



 New Construction  Existing Building Construction  Service Projects  Service & Maintenance

# APPENDIX

# Appendix I – GAAP Reconciliation to Adjusted EBITDA

(\$ Thousands) (Unaudited)

|   | Three Months Ended |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | June 30,           |                  | June 30,         |                  |
|   | 2017               | 2016             | 2017             | 2016             |
| Net Income                              | \$ 17,972          | \$ 17,717        | \$ 25,449        | \$ 27,558        |
| Income Tax Expense                      | 9,711              | 9,847            | 13,603           | 15,249           |
| Other Expense (Income), net             | (29)               | 111              | (47)             | (375)            |
| Changes in the Fair Value of Contingent |                    |                  |                  |                  |
| Earn-out Obligations                    | 598                | 336              | 624              | 336              |
| Interest Expense, net                   | 1,013              | 604              | 1,392            | 1,304            |
| Gain on Sale of Assets                  | (126)              | (212)            | (280)            | (357)            |
| Goodwill Impairment                     | -                  | -                | 1,105            | -                |
| Depreciation and Amortization           | 10,760             | 6,900            | 16,899           | 13,158           |
| Adjusted EBITDA                         | <u>\$ 39,899</u>   | <u>\$ 35,303</u> | <u>\$ 58,745</u> | <u>\$ 56,873</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<br>June 30, |                  | Six Months Ended<br>June 30, |                  |
|---|--------------------------------|------------------|------------------------------|------------------|
|   | 2017                           | 2016             | 2017                         | 2016             |
| Cash from Operating Activities                | \$ 11,127                      | \$ 23,304        | \$ 21,180                    | \$ 36,421        |
| Purchases of Property and Equipment           | (6,569)                        | (7,139)          | (11,646)                     | (10,904)         |
| Proceeds from Sales of Property and Equipment | 313                            | 274              | 605                          | 494              |
| Free Cash Flow                                | <u>\$ 4,871</u>                | <u>\$ 16,439</u> | <u>\$ 10,139</u>             | <u>\$ 26,011</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.