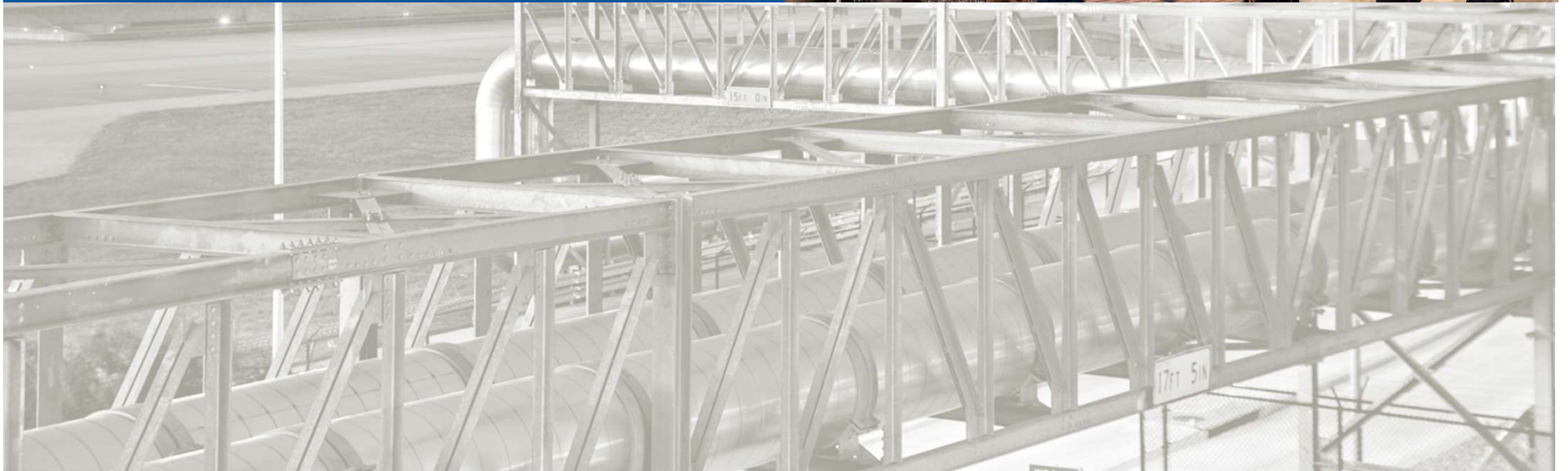


Q3 2017 Earnings Call

(NYSE: FIX)
October 27, 2017

Comfort Systems USA
Quality People. Building Solutions.



Q3 2017 Financial Results Highlights

Q3 Revenue increased \$52.1 million to \$480.9 million

Gross Profit was 21.0% vs. 21.6% in Q3 2016

SG&A increased \$5.7 million to \$66.7 million or 13.9% of revenue vs. \$61.0 million or 14.2% of revenue in Q3 2016

EPS of \$0.59 per diluted share

Q3 2017 Cash Flow from Operations was \$44.5 million

Q3 2017 Backlog of \$901.2 million

Key Financial Data – Income Statement

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

	For the Three Months Ended				Variance	
	September 30,				\$	%
	2017		2016			
Revenue	\$ 480,851	100.0%	\$ 428,760	100.0%	\$ 52,091	12.1%
Cost of Services	379,993	79.0%	335,944	78.4%	44,049	13.1%
Gross Profit	100,858	21.0%	92,816	21.6%	8,042	8.7%
Selling, General and Administrative Expenses	66,707	13.9%	61,032	14.2%	5,675	9.3%
Gain on Sale of Assets	(184)	0.0%	(166)	0.0%	(18)	-10.8%
Operating Income	\$ 34,335	7.1%	\$ 31,950	7.5%	\$ 2,385	7.5%
Net Income	\$ 22,284	4.6%	\$ 20,471	4.8%	\$ 1,813	8.9%
Diluted EPS	\$ 0.59		\$ 0.54		\$ 0.05	9.3%
Adjusted EBITDA ⁽¹⁾	\$ 44,588	9.3%	\$ 38,297	8.9%	\$ 6,291	16.4%

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

2017 YTD Financial Results Highlights

2017 YTD Revenue increased \$84.6 million to \$1,326.9 million

Gross Profit was 20.5% vs. 20.6% for the same period in 2016

SG&A increased \$16.3 million to \$196.6 million or 14.8% of revenue vs. \$180.2 million or 14.5% of revenue for the same period in 2016

EPS of \$1.27 per diluted share

2017 YTD Cash Flow from Operations was \$65.7 million

Key Financial Data – Income Statement

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

	For the Nine Months Ended				Variance	
	September 30,				\$	%
	2017		2016			
Revenue	\$ 1,326,850	100.0%	\$ 1,242,240	100.0%	\$ 84,610	6.8%
Cost of Services	1,054,300	79.5%	986,496	79.4%	67,804	6.9%
Gross Profit	272,550	20.5%	255,744	20.6%	16,806	6.6%
Selling, General and Administrative Expenses	196,553	14.8%	180,245	14.5%	16,308	9.0%
Goodwill Impairment	1,105	0.1%	-	0.0%	1,105	100.0%
Gain on Sale of Assets	(464)	0.0%	(523)	0.0%	59	-11.3%
Operating Income	\$ 75,356	5.7%	\$ 76,022	6.1%	\$ (666)	-0.9%
Net Income	\$ 47,733	3.6%	\$ 48,029	3.9%	\$ (296)	-0.6%
Diluted EPS	\$ 1.27		\$ 1.27		\$ -	0.0%
Adjusted EBITDA ⁽¹⁾	\$ 103,333	7.8%	\$ 95,170	7.7%	\$ 8,163	8.6%

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

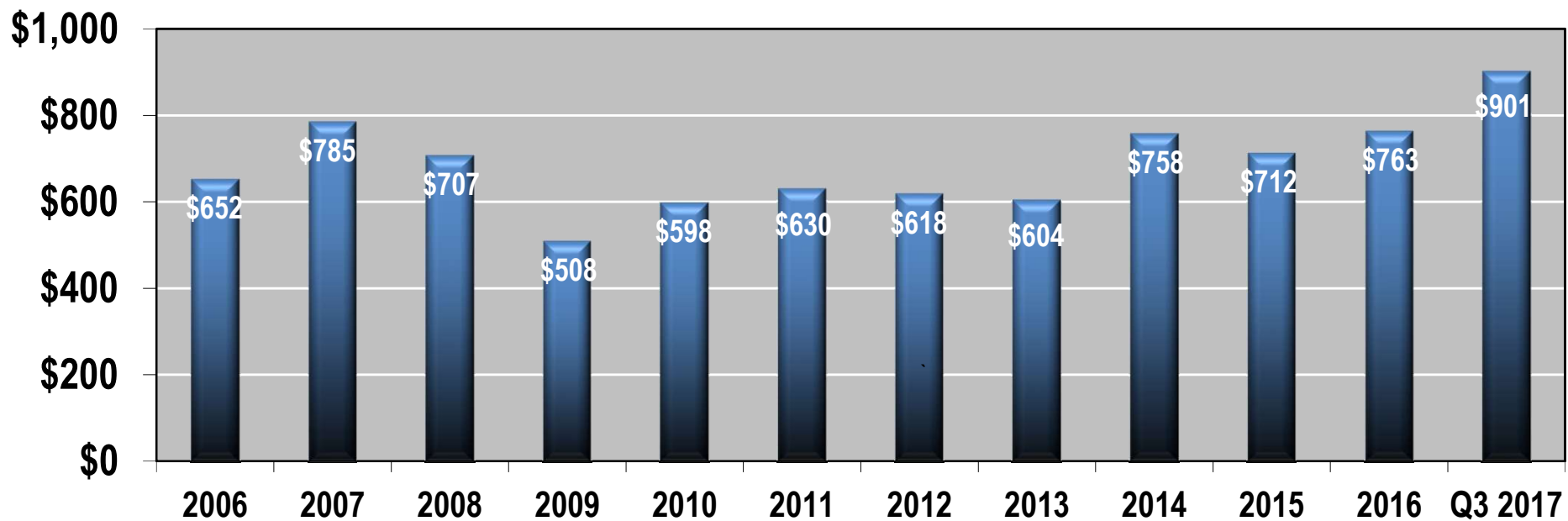
Key Financial Data – Balance Sheet

(\$ Millions)

	<u>9/30/2017</u> (Unaudited)	<u>12/31/2016</u>
Cash	\$ 29.5	\$ 32.1
Working Capital	\$ 121.6	\$ 98.3
Goodwill	\$ 203.8	\$ 149.2
Intangible Assets, Net	\$ 78.5	\$ 42.4
Total Debt	\$ 81.7	\$ 2.8
Equity	\$ 411.9	\$ 376.6

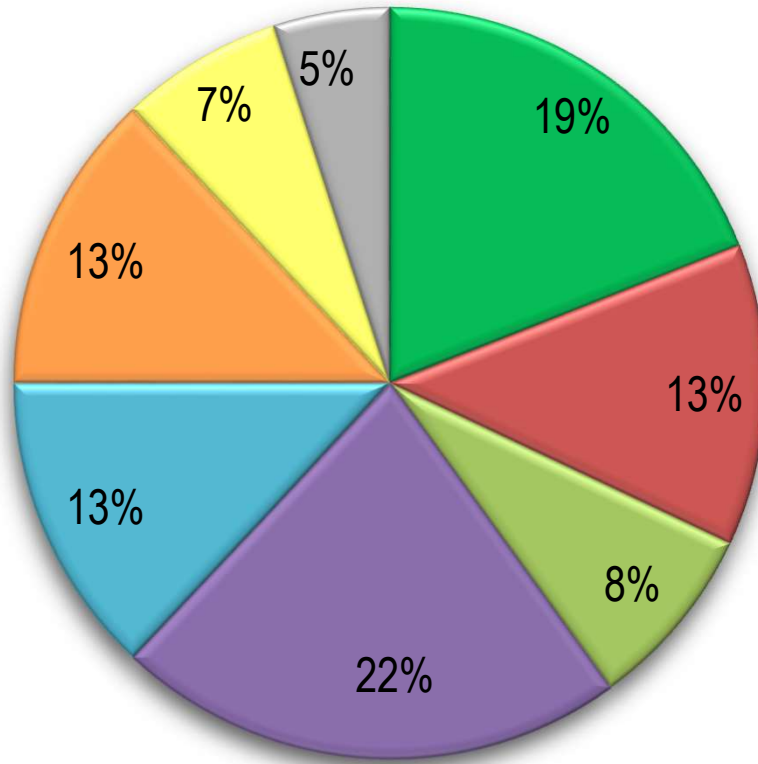
Backlog

(\$ Millions) (Unaudited)



Revenue by Sector

(Unaudited)

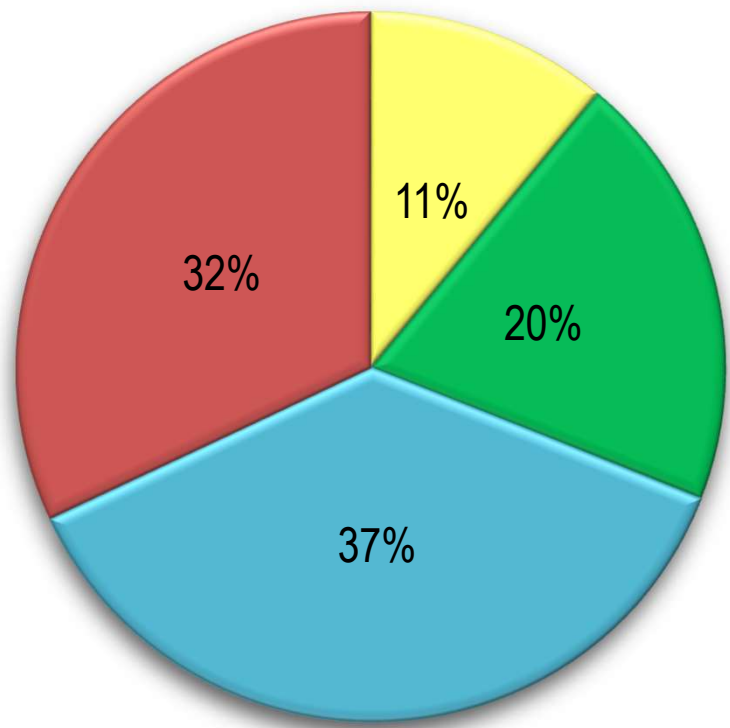


- Education
- Healthcare
- Government
- Industrial/Distribution
- Office Buildings
- Retail/Restaurants/Entertainment
- Multi-Family/Residential
- Other

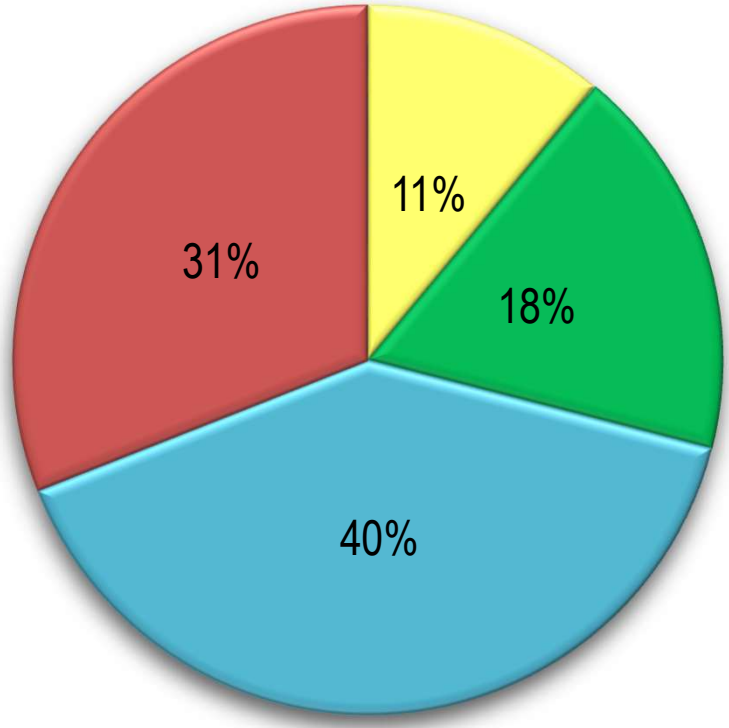
Revenue by Activity

(Unaudited)

YTD September 2017



2016



■ New Construction ■ Existing Building Construction ■ Service Projects ■ Service & Maintenance

APPENDIX

Appendix I – GAAP Reconciliation to Adjusted EBITDA

(\$ Thousands) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income	\$ 22,284	\$ 20,471	47,733	\$ 48,029
Income Tax Expense	13,585	11,803	27,188	27,052
Other Expense (Income), net	(10)	(80)	(57)	(455)
Changes in the Fair Value of Contingent Earn-out Obligations	(2,469)	(804)	(1,845)	(468)
Interest Expense, net	945	560	2,337	1,864
Gain on Sale of Assets	(184)	(166)	(464)	(523)
Goodwill Impairment	-	-	1,105	-
Depreciation and Amortization	10,437	6,513	27,336	19,671
Adjusted EBITDA	<u>\$ 44,588</u>	<u>\$ 38,297</u>	<u>\$ 103,333</u>	<u>\$ 95,170</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 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cash from Operating Activities	\$ 44,512	\$ 13,333	\$ 65,692	\$ 49,754
Purchases of Property and Equipment	(5,184)	(6,353)	(16,830)	(17,257)
Proceeds from Sales of Property and Equipment	179	353	784	847
Free Cash Flow	<u>\$ 39,507</u>	<u>\$ 7,333</u>	<u>\$ 49,646</u>	<u>\$ 33,344</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.