

**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) **October 31, 2007**

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.)

777 Post Oak Boulevard, Suite 500
Houston, Texas
(Address of principal executive offices)

77056
(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))

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 October 31, 2007 reporting the Company's financial results for the third quarter of 2007.

ITEM 7.01 REGULATION FD DISCLOSURE.

On the 1st day of November, Comfort Systems USA, Inc., a Delaware corporation (the "Company"), a leading provider of commercial/industrial heating, ventilation and air conditioning services, posted to the "Investor" section of its Internet website (www.comfortsystemsusa.com) an investor presentation slideshow. The Company intends to use this presentation in making presentations to analysts, potential investors, and other interested parties.

The information included in the investor presentation includes financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's management uses these non-GAAP measures in its analysis of the Company's performance. The Company believes that the presentation of certain non-GAAP measures provides useful supplemental information that is essential to a proper understanding of the operating results of the Company's core businesses. These non-GAAP disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

The information in this Form 8-K being furnished under Item 7.01 shall not be deemed to be "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liabilities of such section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing. The investor presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the Company's expectations and involve risks and uncertainties that could cause the Company's actual results to differ materially from those set forth in the statements. These risks are discussed in the Company's filings with the Securities and Exchange Commission, including an extensive discussion of these risks in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

A copy of the presentation is furnished herewith as Exhibit 99.3



CONTACT: William George
Chief Financial Officer
713-830-9600

777 Post Oak Blvd, Suite 500
Houston, Texas 77056
713-830-9600
Fax 713-830-9696

FOR IMMEDIATE RELEASE

COMFORT SYSTEMS USA REPORTS THIRD QUARTER RESULTS

—Strong Increases in Profits, Backlog and Cash Flows—

—Acquires Strong Service Company in the Northwest—

Houston, TX — October 31, 2007 — Comfort Systems USA, Inc. (NYSE: FIX), a leading provider of commercial, industrial and institutional heating, ventilation and air conditioning (“HVAC”) services, today announced net income of \$11,478,000 or \$0.28 per diluted share, for the quarter ended September 30, 2007, as compared to net income of \$8,962,000 or \$0.22 per diluted share, in the third quarter of 2006.

Bill Murdy, Comfort Systems USA’s Chairman and CEO, said, “We are happy to report our strongest earnings in over five years. The vast majority of our locations performed superbly during the quarter, resulting in combined earnings increasing by more than 25% compared to a year ago. Operating income margins were strong and exceeded 6%.”

The Company reported revenues from continuing operations of \$286,090,000 in the current quarter, as compared to \$287,676,000 in 2006. The Company also reported free cash flow of \$14,109,000 in the current quarter, as compared to \$3,265,000 in 2006. Backlog as of September 30, 2007 was \$818,485,000, compared to \$719,967,000 as of June 30, 2007. Backlog as of September 30, 2006 was \$678,858,000.

The Company reported net income for the nine months ended September 30, 2007 of \$23,785,000 or \$0.57 per diluted share, as compared to net income of \$21,210,000 or \$0.52 per diluted share in 2006. The Company also reported revenues from continuing operations of \$816,250,000 for the first nine months of 2007, as compared to \$788,451,000 in 2006. Free cash flow for the nine months ended September 30, 2007 was \$17,911,000 as compared to negative free cash flow of \$5,401,000 in 2006.

Murdy continued, “Revenues have increased markedly during the first nine months of this year, however, revenues in the third quarter were down just slightly over the same quarter last year. This temporary flattening reflects the effect of our transition to a decreased emphasis on certain multi-family operations. Atlas, our large multi-family operation that is based in Houston, had revenues in this quarter that were lower by over \$20 million as compared to a year ago. By contrast, revenues in our other companies grew strongly during the third quarter. Given our large increase in backlog and our strong cash performance, we feel confident that, like the temporary decrease in total backlog we experienced a year ago, this temporary flattening of total revenue will be followed by renewed growth.”

Separately, Comfort Systems USA today announced that it has acquired Air Systems Engineering, Inc. (“ASEI”), a service-oriented commercial HVAC company based in Tacoma, Washington. ASEI had 2006 revenues of approximately \$12 million, and if ASEI had been part of Comfort Systems in 2006 we believe it would have contributed earnings before interest, taxes, depreciation and amortization of at least \$1 million.

Bill Murdy noted, “We are very pleased to bring Air Systems Engineering into the Comfort Systems USA family of companies. ASEI has an outstanding reputation for service excellence in the Tacoma and

Seattle area, and with a strong technical workforce and team-based culture we expect ASEI to continue to grow and excel.”

Bill Murdy concluded, “We are continuing to seek incremental growth through prudent acquisitions, and we are optimistic about our prospects in that area. Overall, demand for our services remains solid and our growing and well-priced backlog helps us to remain confident that we will continue to demonstrate strong results as we finish 2007 and look forward to 2008.”

As previously announced, the Company will host a conference call to discuss its financial results and position in more depth on Thursday, November 1, 2007 at 10:00 a.m. Central Time. The call-in number for this conference call is 1-888-396-2298 and enter 64596935 as the passcode. The call can also be accessed on the Company’s website at www.comfortsystemsusa.com under the Investor tab. A replay of the entire call will be available until 6:00 p.m. Central Time, Thursday, November 8, 2007 by calling 1-888-286-8010 with the conference passcode of 19062252, and will also be available on our website on the next business day following the call.

Comfort Systems USA is a premier provider of business solutions addressing workplace comfort, with 62 locations in 54 cities around the nation. For more information, visit the Company’s website at www.comfortsystemsusa.com.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the current plans and expectations of Comfort Systems USA, Inc. and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual results to differ include, among others, national or regional weakness in non-residential construction activity, difficulty in obtaining or increased costs associated with bonding, shortages of labor and specialty building materials, the use of incorrect estimates for bidding a fixed price contract, undertaking contractual commitments that exceed our labor resources, retention of key management, the Company’s backlog failing to translate into actual revenue or profits, errors in the Company’s percentage of completion method of accounting, the result of competition in the Company’s

markets, seasonal fluctuations in the demand for HVAC 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 and other risks detailed in the Company's reports filed with the Securities and Exchange Commission. Important factors that could cause actual results to differ are discussed under "Item 1A. Company Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. These forward-looking statements speak only as of the date of this release. Comfort Systems USA, Inc. expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Comfort Systems USA, Inc.'s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

— Financial tables follow —

Comfort Systems USA, Inc.
Consolidated Statements of Operations
For the Three Months and Nine Months Ended September 30, 2007 and 2006
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2007	%	2006	%	2007	%	2006	%
Revenues	\$ 286,090	100.0%	\$ 287,676	100.0%	\$ 816,250	100.0%	\$ 788,451	100.0%
Cost of services	231,792	81.0%	241,467	83.9%	673,715	82.5%	663,010	84.1%
Gross profit	54,298	19.0%	46,209	16.1%	142,535	17.5%	125,441	15.9%
SG&A	36,173	12.6%	32,139	11.2%	105,757	13.0%	92,296	11.7%
Loss (gain) on sale of assets	32	—	(85)	—	(14)	—	(154)	—
Operating income	18,093	6.3%	14,155	4.9%	36,792	4.5%	33,299	4.2%
Interest income, net	735	0.3%	555	0.2%	1,815	0.2%	1,462	0.2%
Other income (expense)	(17)	—	14	—	40	—	32	—
Income before income taxes	18,811	6.6%	14,724	5.1%	38,647	4.7%	34,793	4.4%
Income tax expense	7,333	—	5,757	—	14,862	—	13,575	—
Income from continuing operations	11,478	4.0%	8,967	3.1%	23,785	2.9%	21,218	2.7%
Discontinued operations:								
Operating loss, net of income tax expense of \$—, \$27, \$—, and \$132	—	—	(5)	—	—	—	(217)	—
Estimated gain on disposition, including income tax benefit of \$—, \$—, \$—, and \$209	—	—	—	—	—	—	209	—
Net income	\$ 11,478		\$ 8,962		\$ 23,785		\$ 21,210	
Income per share:								
Basic-								
Income from continuing operations	\$ 0.28		\$ 0.22		\$ 0.59		\$ 0.53	
Discontinued operations -								
Loss from operations	—		—		—		(0.01)	
Estimated gain on disposition	—		—		—		0.01	
Net income	\$ 0.28		\$ 0.22		\$ 0.59		\$ 0.53	
Diluted -								
Income from continuing operations	\$ 0.28		\$ 0.22		\$ 0.57		\$ 0.52	
Discontinued operations -								
Loss from operations	—		—		—		(0.01)	
Estimated gain on disposition	—		—		—		0.01	
Net income	\$ 0.28		\$ 0.22		\$ 0.57		\$ 0.52	
Shares used in computing income per share:								
Basic	40,731		40,406		40,629		40,177	
Diluted	41,479		41,242		41,397		41,098	

Note 1: The diluted earnings per share data presented above reflects the dilutive effect, if any, of stock options and contingently issuable restricted stock which were outstanding during the periods presented.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2007	%	2006	%	2007	%	2006	%
Net income	\$ 11,478		\$ 8,962		\$ 23,785		\$ 21,210	
Discontinued operations	—		5		—		8	
Income taxes	7,333		5,757		14,862		13,575	
Other (income) expense	17		(14)		(40)		(32)	
Interest income, net	(735)		(555)		(1,815)		(1,462)	
Loss (gain) on sale of assets	32		(85)		(14)		(154)	
Depreciation and amortization	1,698		1,335		4,921		3,850	
Adjusted EBITDA	\$ 19,823	6.9%	\$ 15,405	5.4%	\$ 41,699	5.1%	\$ 36,995	4.7%

Note 1: The Company defines adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) as net income, excluding discontinued operations, income taxes, other (income) expense, interest income, net, loss (gain) on sale of assets 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)

September 30,
2007

December 31,
2006

	(unaudited)	
Cash and cash equivalents	\$ 97,727	\$ 90,286
Accounts receivable, net	266,228	234,763
Costs and estimated earnings in excess of billings	24,355	23,680
Assets related to discontinued operations	5	221
Other current assets	26,958	28,326
Total current assets	415,273	377,276
Property and equipment, net	19,278	15,504
Goodwill	65,833	62,954
Other noncurrent assets	5,684	6,031
Total assets	\$ 506,068	\$ 461,765
Current maturities of long-term debt	\$ —	\$ —
Accounts payable	81,437	81,180
Billings in excess of costs and estimated earnings	87,934	65,949
Other current liabilities	72,548	70,886
Liabilities related to discontinued operations	334	450
Total current liabilities	242,253	218,465
Long-term debt	—	—
Other long-term liabilities	1,257	586
Total liabilities	243,510	219,051
Total stockholders' equity	262,558	242,714
Total liabilities and stockholders' equity	\$ 506,068	\$ 461,765

Selected Cash Flow Data (in thousands) (unaudited):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Cash provided by (used in)				
Operating activities	\$ 17,145	\$ 5,556	\$ 25,541	\$ (6,366)
Investing activities	\$ (3,036)	\$ (2,580)	\$ (12,052)	\$ 19,230
Financing activities	\$ (4,314)	\$ (1,149)	\$ (6,048)	\$ 461
Free cash flow:				
Cash from operating activities	\$ 17,145	\$ 5,556	\$ 25,541	\$ (6,366)
Purchases of property and equipment	(3,109)	(2,440)	(7,826)	(6,483)
Proceeds from sales of property and equipment	73	149	196	428
Taxes paid related to the sale of businesses	—	—	—	7,020
Free cash flow	\$ 14,109	\$ 3,265	\$ 17,911	\$ (5,401)

Note 1: Free cash flow is defined as cash flow from operating activities excluding items related to sale of businesses, 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) 830-9600

777 Post Oak Blvd, Suite 500
Houston, Texas 77056
713-830-9600
Fax 713-830-9696

FOR IMMEDIATE RELEASE

COMFORT SYSTEMS USA INCREASES QUARTERLY DIVIDEND

Houston, TX — October 31, 2007 — Comfort Systems USA, Inc. (NYSE: FIX), a leading provider of commercial, industrial and institutional heating, ventilation and air conditioning (“HVAC”) services, today announced that the Board of Directors declared a quarterly dividend of \$0.045 per share on Comfort Systems USA, Inc. common stock. The dividend is payable on December 20, 2007 to shareholders of record at the close of business on November 30, 2007.

Comfort Systems USA is a premier provider of business solutions addressing workplace comfort, with more than 62 locations in 54 cities around the nation. For more information, visit the Company’s website at www.comfortsystemsusa.com.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the current plans and expectations of Comfort Systems USA, Inc. and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual results to differ include, among others, retention of key management, national or regional weakness in non-residential construction activity, difficulty in obtaining or increased costs associated with bonding, shortages of labor and specialty building materials, seasonal fluctuations in the demand for HVAC systems and the use of incorrect estimates for bidding a fixed price contract, the Company’s backlog failing to translate into actual revenue or profits, errors in the Company’s percentage of completion method of accounting, the result of competition in the Company’s markets, the imposition of past and future liability from environmental, safety, and health regulations including the inherent risk associated with self-insurance, adverse litigation results and other risks detailed in the Company’s reports filed with the Securities and Exchange Commission. Important factors that could cause actual results to differ are discussed under “Item 1A. Company Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006. These forward-looking statements speak only as of the date of this release. Comfort Systems USA, Inc. expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Comfort Systems USA, Inc.’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Quality People. Building Solutions.

**COMFORT
SYSTEMS USA**



As of November 1, 2007

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the current plans and expectations of Comfort Systems USA, Inc. and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual results to differ include, among others, national or regional weakness in non-residential construction activity, difficulty in obtaining or increased costs associated with bonding, shortages of labor and specialty building materials, the use of incorrect estimates for bidding a fixed price contract, undertaking contractual commitments that exceed our labor resources, retention of key management, the Company’s backlog failing to translate into actual revenue or profits, errors in the Company’s percentage of completion method of accounting, the result of competition in the Company’s markets, seasonal fluctuations in the demand for HVAC 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 and other risks detailed in the Company’s reports filed with the Securities and Exchange Commission. Important factors that could cause actual results to differ are discussed under “Item 1A. Company Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006. These forward-looking statements speak only as of the date of this filing. Comfort Systems USA, Inc. expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Comfort Systems USA, Inc.’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Vision

***To be the nation’s premier
HVAC and mechanical
systems installation
and services provider.***



To provide the best value HVAC and mechanical systems installation and service, principally in the mid-market commercial, industrial, and institutional sectors, while caring for our customers, employees and the **environment** and realizing superior returns for our stockholders.

- Act with honesty and integrity.
- Show respect for all stakeholders.
- Exceed customer expectations.
- Seek “win-win” solutions.
- Demonstrate spirit and drive.
- Pursue innovation.
- Achieve premier safety performance.
- Commit to energy efficiency.
- Communicate openly.
- Impact our communities positively.
- Think national. Act local.



- **National**
- **Commercial, Industrial, Institutional**
- **HVAC/Piping/Plumbing**

- **Strong balance sheet**
- **Profitable/cash flow positive in tough 2001-2003 conditions**
- **Good results in 2004**
- **Growth, increased profitability and strong cash flow in 2005-2006-2007**

- **55% new construction; 45% service, repair, retrofit**
- **Revenue run rate \$1.1 billion**



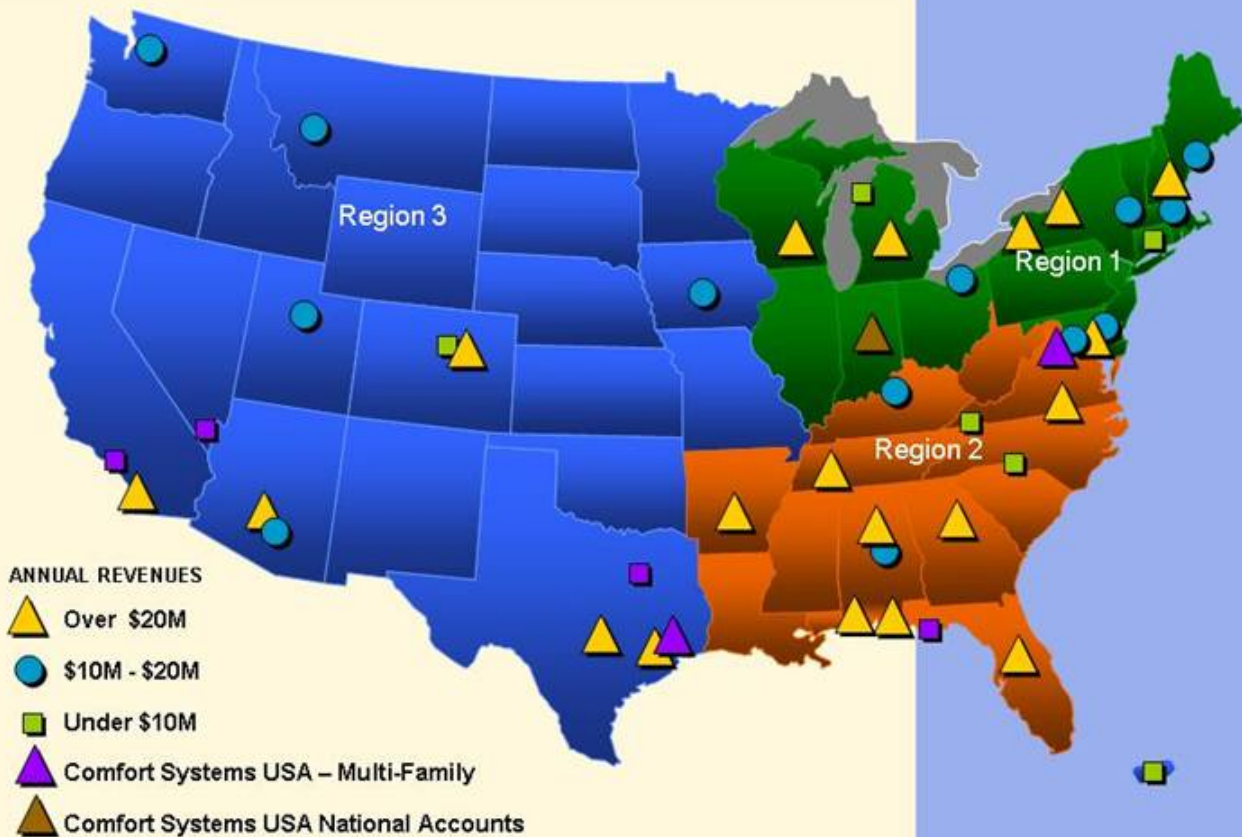
Comfort Systems USA – Long-term Goals

- Expanding margins - #1 priority
 - Focus on job selection, estimating, execution, continuous improvement
- Double-digit EPS growth
- Double-digit revenue growth
- Expand service
- Prudent acquisitions in our sector



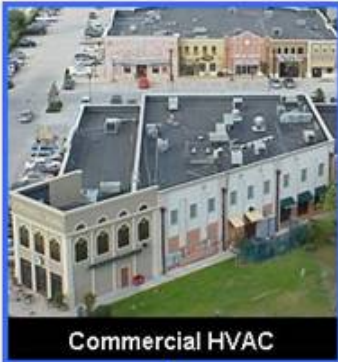
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Comfort Today



8

What We Do



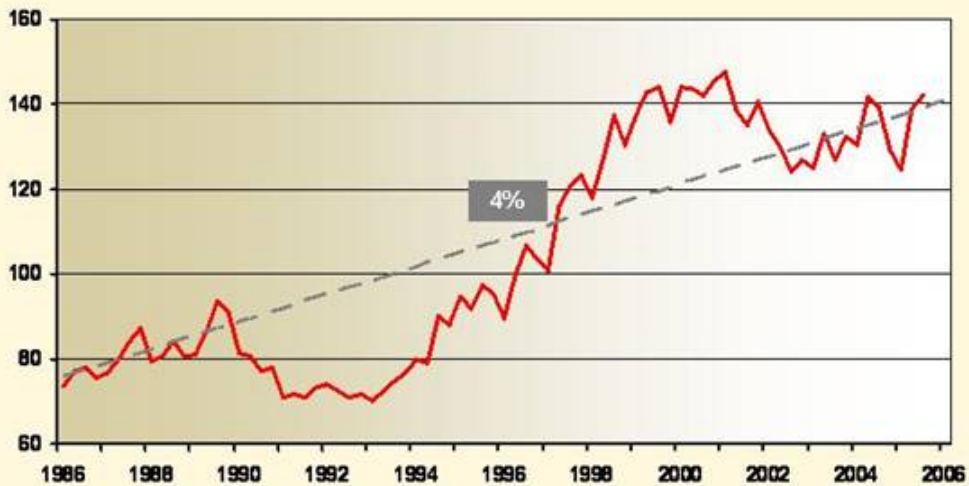
*Quality
People.
Building
Solutions.*

What We Do



Long Term Industry Growth

Commercial, Industrial, Institutional HVAC – A \$40B+ Industry

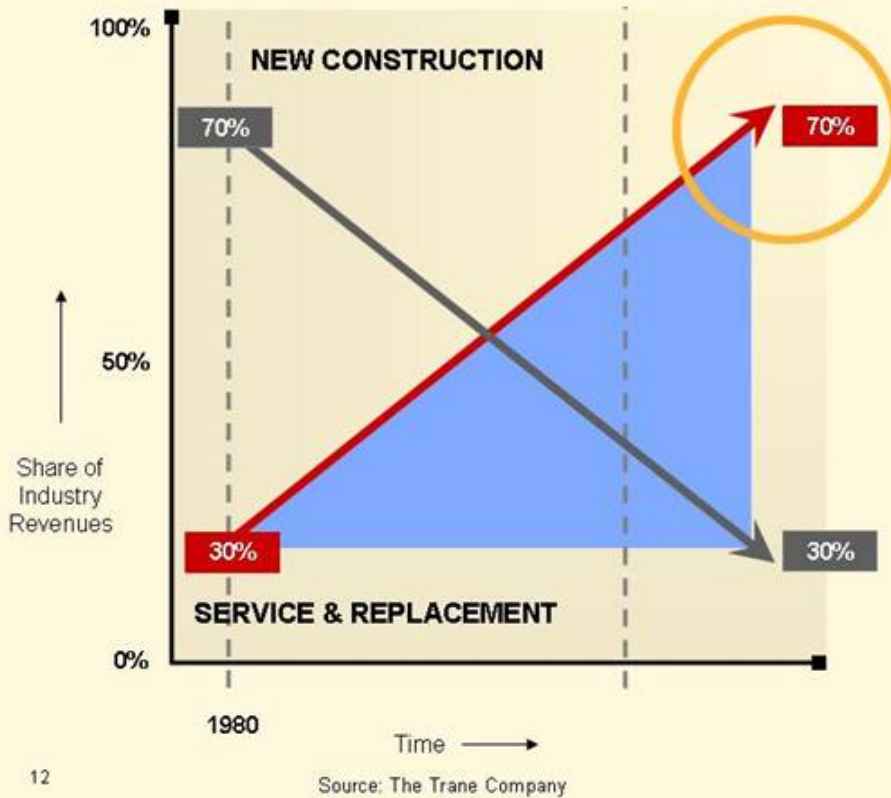


The Dodge Index for Nonresidential Building Construction
1996=100

DRIVERS

- Building comfort a "necessity"
- Mechanical equipment – requires service, repair, replacement
- Increasing technical content and building automation
- Energy efficiency and IAQ emerging
- Outsourcing

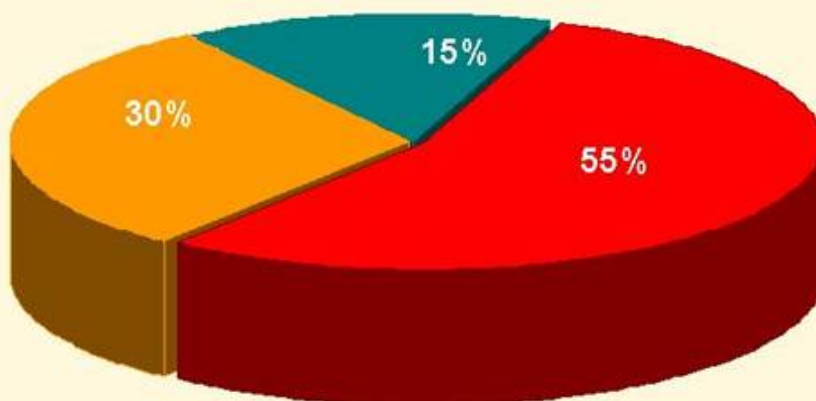
Industry Trend Toward Service & Replacement (Recurring Revenue)



- 5+ million commercial buildings (DOE)
- Recurring service
- 20 year replacement cycle
- "Inventory" of future business
- OEMs note significant deferred maintenance & replacement over recent years

Revenues by Activity

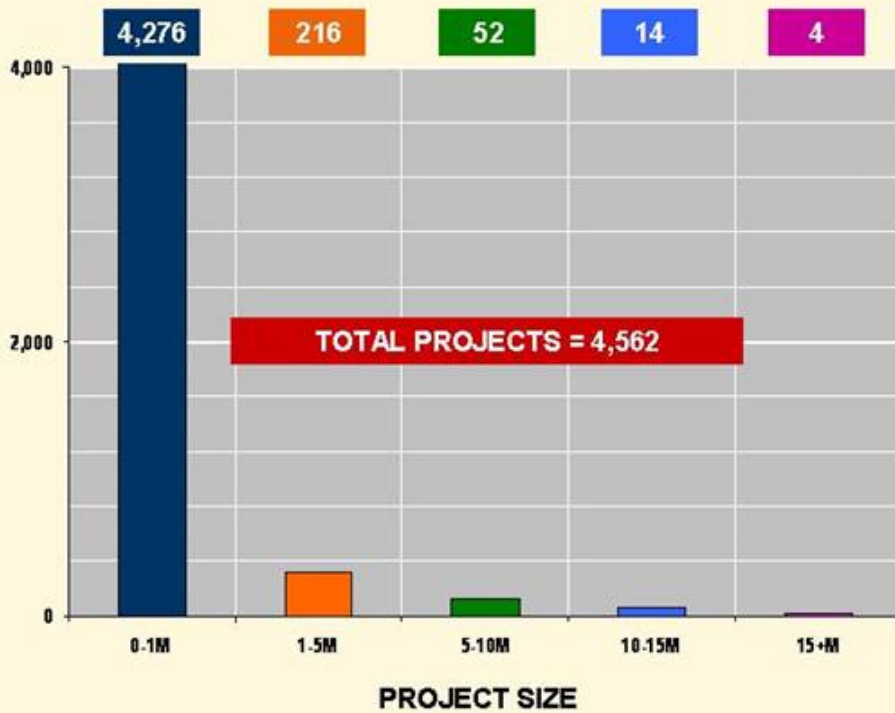
YTD September 2007



- Service and Maintenance
- New Construction/Installation
- Replacement

Diverse Project Mix

OF PROJECTS (As of September 30, 2007)



Average Project Size

\$390,000

Average Project Length

6-9 months

Value of Projects >\$1M

\$1,092.0M

Value of Projects <\$1M

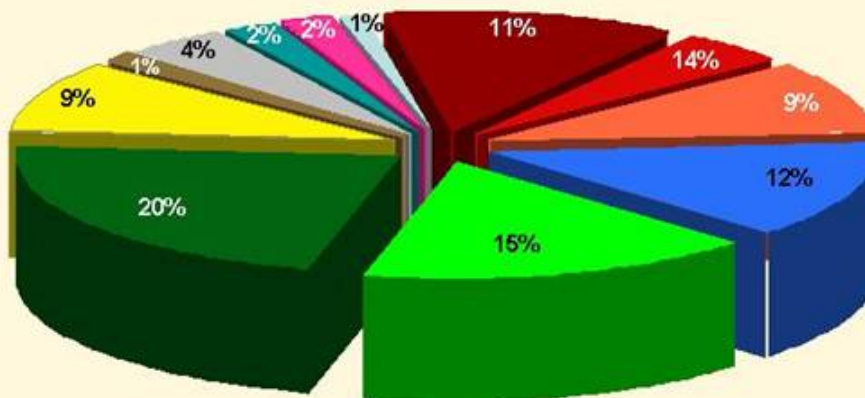
\$693.2M

Select General Contractors



Diverse End-Use Base

YTD September 2007



Top Ten Customers

- Served by 13 different Comfort operating units
- Largest customer = less than 4% of revenues



Omni Orlando Resort at Championsgate
Orlando, Florida



University United Methodist Church
Syracuse, New York



HarborWalk Village
Destin, Florida



University Hospital
Little Rock, Arkansas

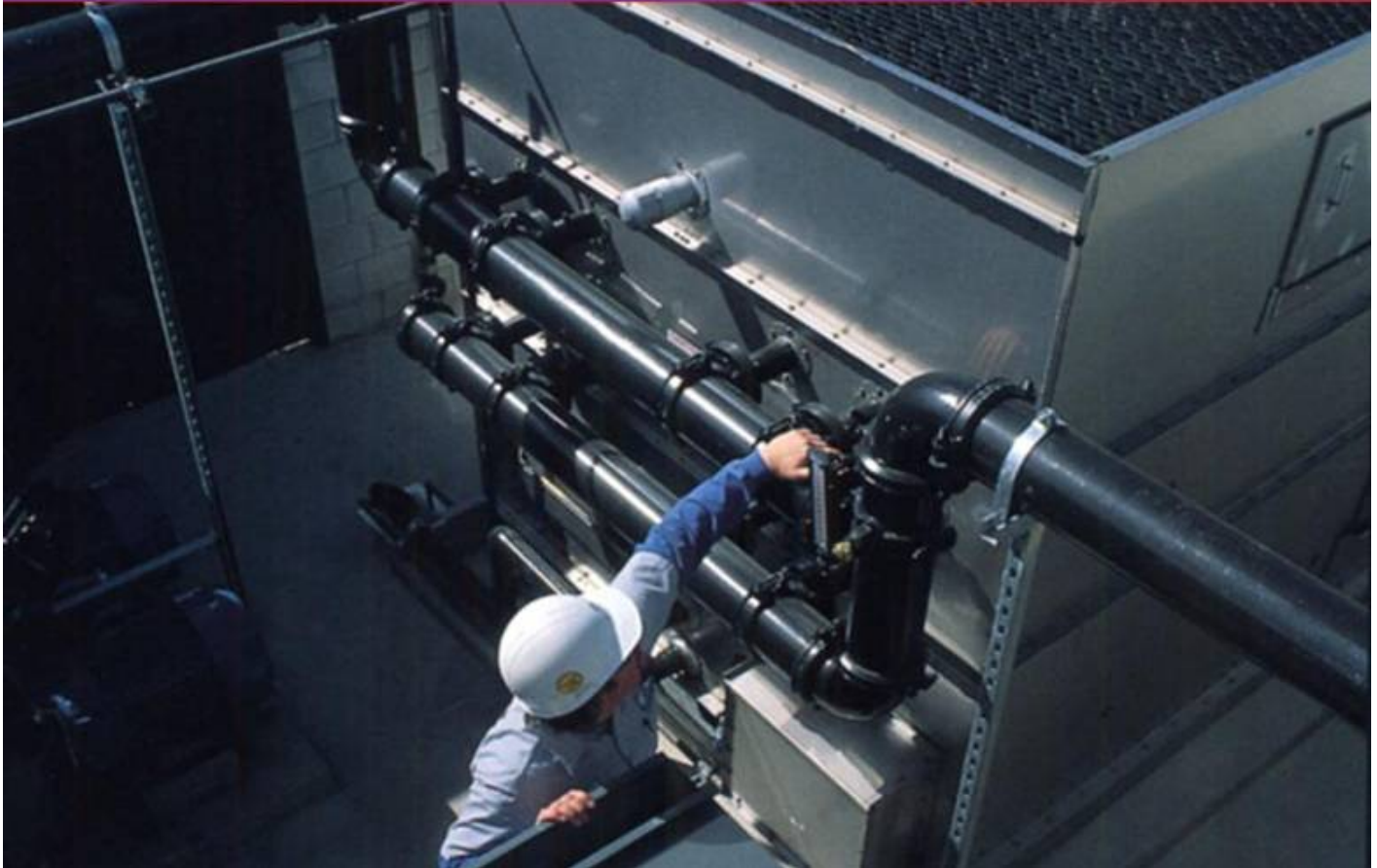
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Competitive Advantages

- High quality operations
- Ability to leverage and proliferate technical expertise
- Ability to collaborate on large jobs and share labor
- National multi-location service capability
- Purchasing economics
- Financing
- Bonding and insurance



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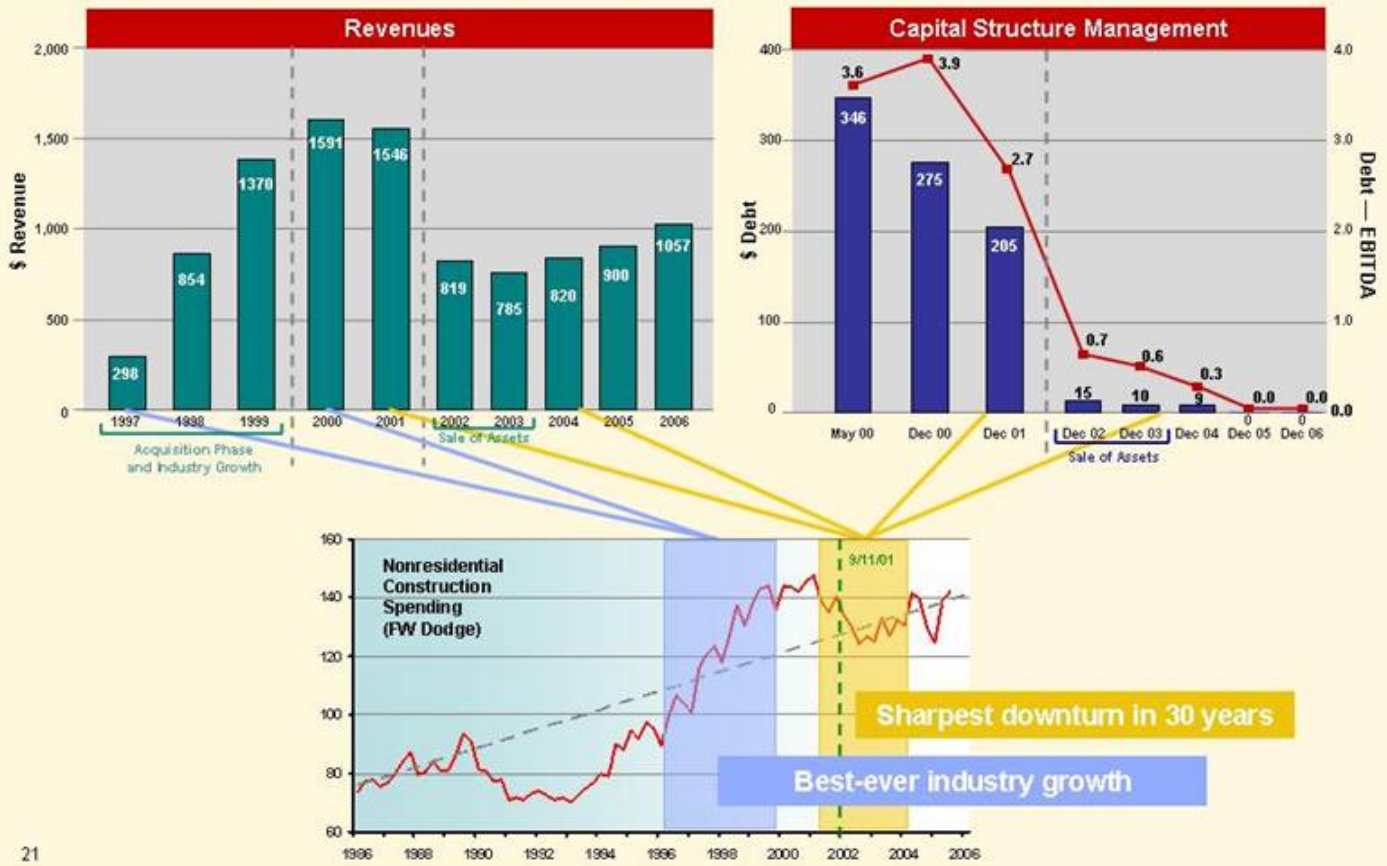


History

- 1997 to 1999 – IPO, rapid acquisition growth, strong organic growth
- 2000 – Integration challenges, trough in profits, high leverage, start of rationalization of operations
- 2001 – Working capital conservation increases cash flow/reduces debt
- 2002 to 2003 – Sale of assets; smaller stronger platform weathers worst industry conditions in 30 years
- 2004 – Renewed growth
- 2005 – Increased growth and profitability
- 2006 – Growth; push to increase service, repair, retrofit
- 2007 – Increased productivity and growth; push to increase service, repair, retrofit



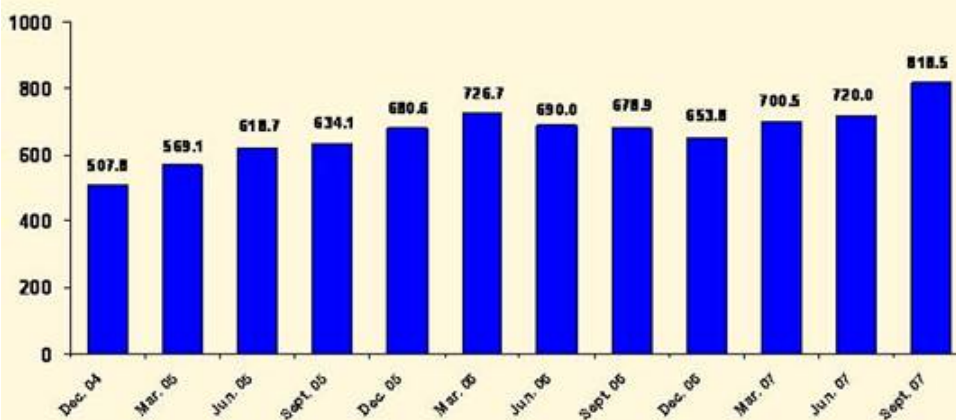
History – Financial



- If project > 10% TTM revenues or new technical application
 - Then Senior Vice President review required prior to bid process
 - This may include blind estimate by another Comfort unit experienced in type/size of project
- Bonding qualification
- Project management training
- Sarbanes/Oxley compliant
- Monthly POC Review
 - COO, CFO, Controller, SRVP and Regional Controller
 - Review POC detail for 15 largest projects at each of 40 operating units
 - Focus on underbillings and estimate changes
- Cost-to-complete reviews at units
 - SRVP or Regional Controller participates in cost-to-complete for every unit at least once a quarter
 - SRVP and Regional Controller participate in multiple units' cost-to-completes at quarter-end

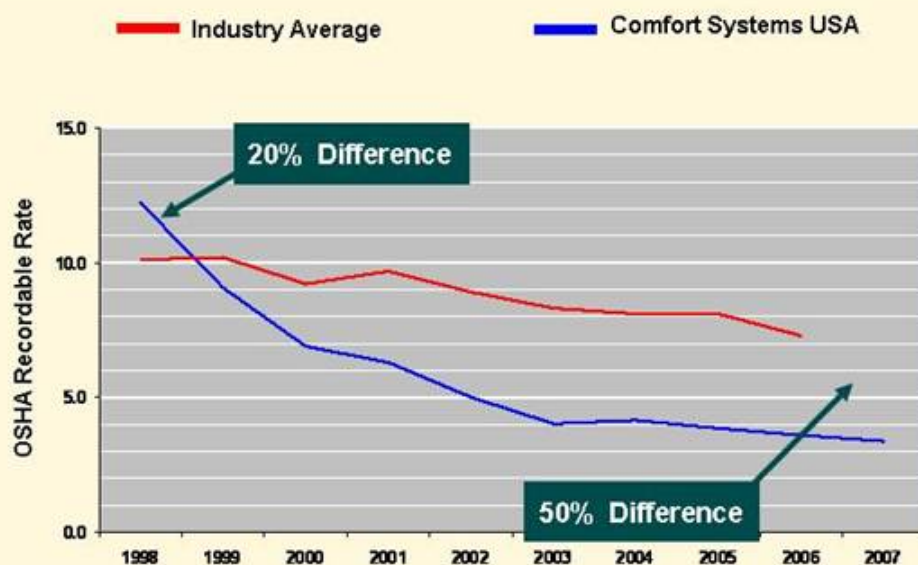


Backlog (in millions)



- Backlog remains strong
- Multi-family backlog has decreased from a year ago
- All other categories have continued to grow

Note: Excludes all divested and discontinued operations



Source: Bureau of Labor Statistics, Standard Industry Classification (SIC) Code 20 17 10 – Specialty Trades Contractors – HVAC and Plumbing & North American Industry Classification System (NAICS) Code 23822

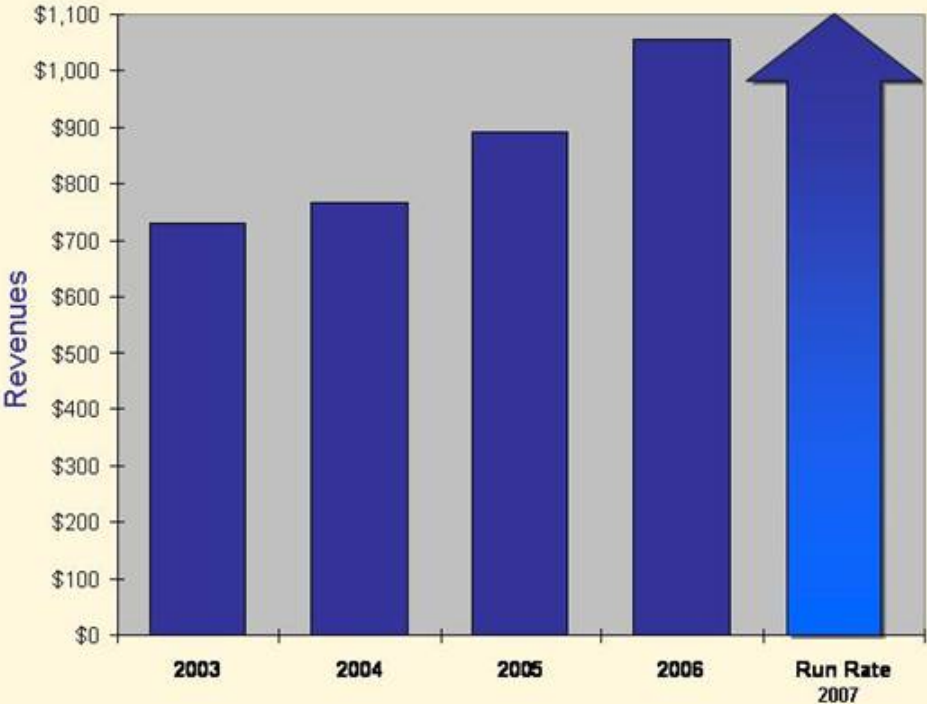
Our safety record is no accident.

- Safe employees
- Valued by customers
- Lost time accident rate is 80% less than industry average
- Claims cost per payroll dollar down from 4.6% to 1.7%
- We can change behavior

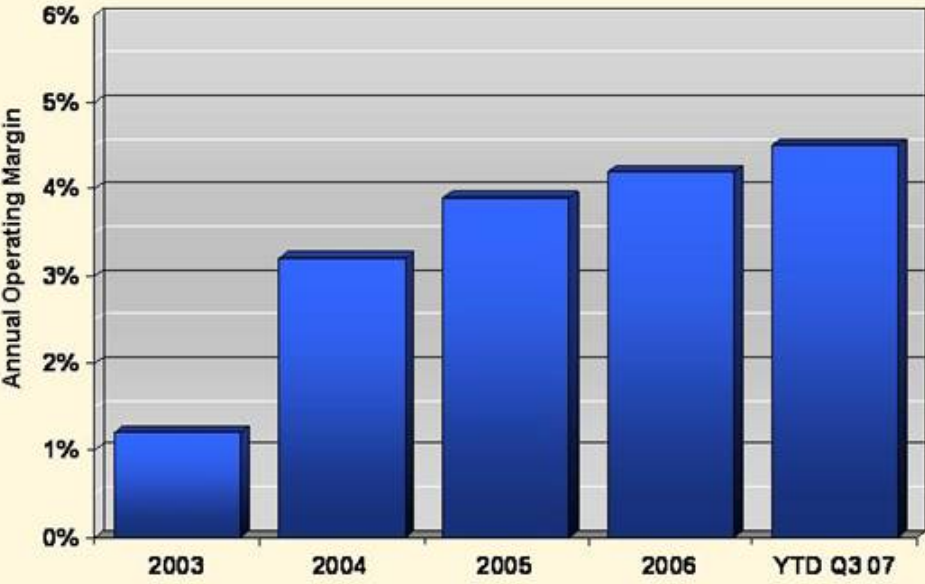
Financial Profile – Ongoing Operations

	3Q		YTD 3Q	
	07	06	07	06
Revenues.....	\$ 286.1	\$ 287.7	\$ 816.3	\$ 788.5
Adjusted EBITDA.....	\$ 19.8	\$ 15.4	\$ 41.7	\$ 37.0
% Revenue.....	6.9%	5.4%	5.1%	4.7%
Operating Income	\$ 18.1	\$ 14.2	\$ 36.8	\$ 33.3
% Revenue.....	6.3%	4.9%	4.5%	4.2%
Net Income - Contg Ops.....	\$ 11.5	\$ 9.0	\$ 23.8	\$ 21.2
% Revenue.....	4.0%	3.1%	2.9%	2.7%
Diluted EPS - Contg Ops.....	\$ 0.28	\$ 0.22	\$ 0.57	\$ 0.52
Free Cash Flow.....	\$ 14.1	\$ 3.3	\$ 17.9	\$ (5.4)
Debt	\$ 0.0	\$ 0.0		
Cash.....	\$ 97.7	\$ 68.9		
Backlog.....	\$ 818.5	\$ 678.9		

Revenues



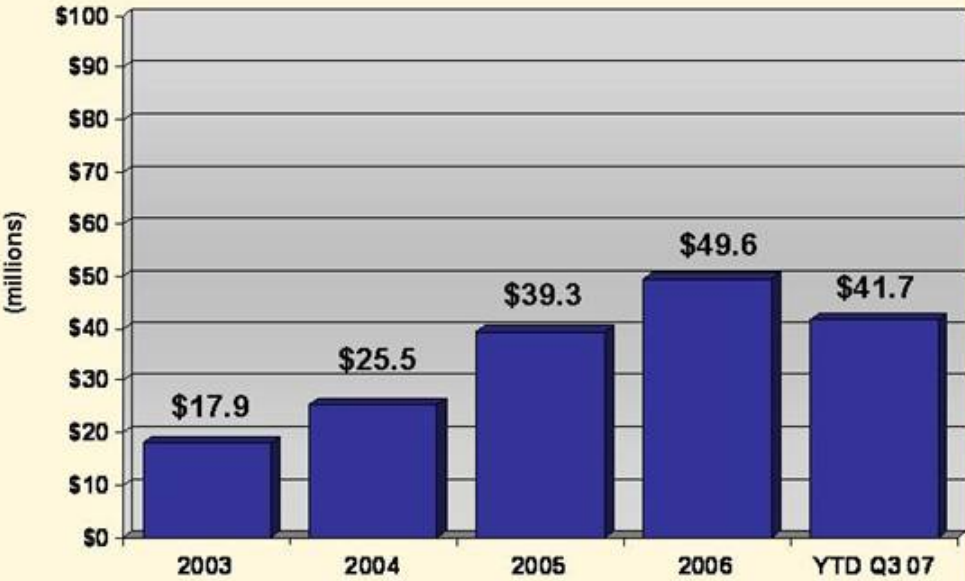
Operating Margins ^(a)



(a) This table includes non-GAAP financial information as the information provided excludes goodwill impairment charges of \$2.7 million, \$0.6 million and \$33.9 million for 2003, 2004 and 2005, respectively. No goodwill impairment charge was recorded for 2006.



Adjusted EBITDA – Continuing Operations



Strong Cash Flows

(\$ in millions)	<u>YTD 9/30/07</u>	<u>2006</u>	<u>2005</u>
Funds From Operations ^(a)	\$ 25.5	\$ 24.7	\$37.4
CapEx, Net ^(b)	<u>(7.6)</u>	<u>(7.6)</u>	<u>(5.4)</u>
Free Cash Flow	<u>\$ 17.9</u>	<u>\$ 17.1</u>	<u>\$ 32.0</u>

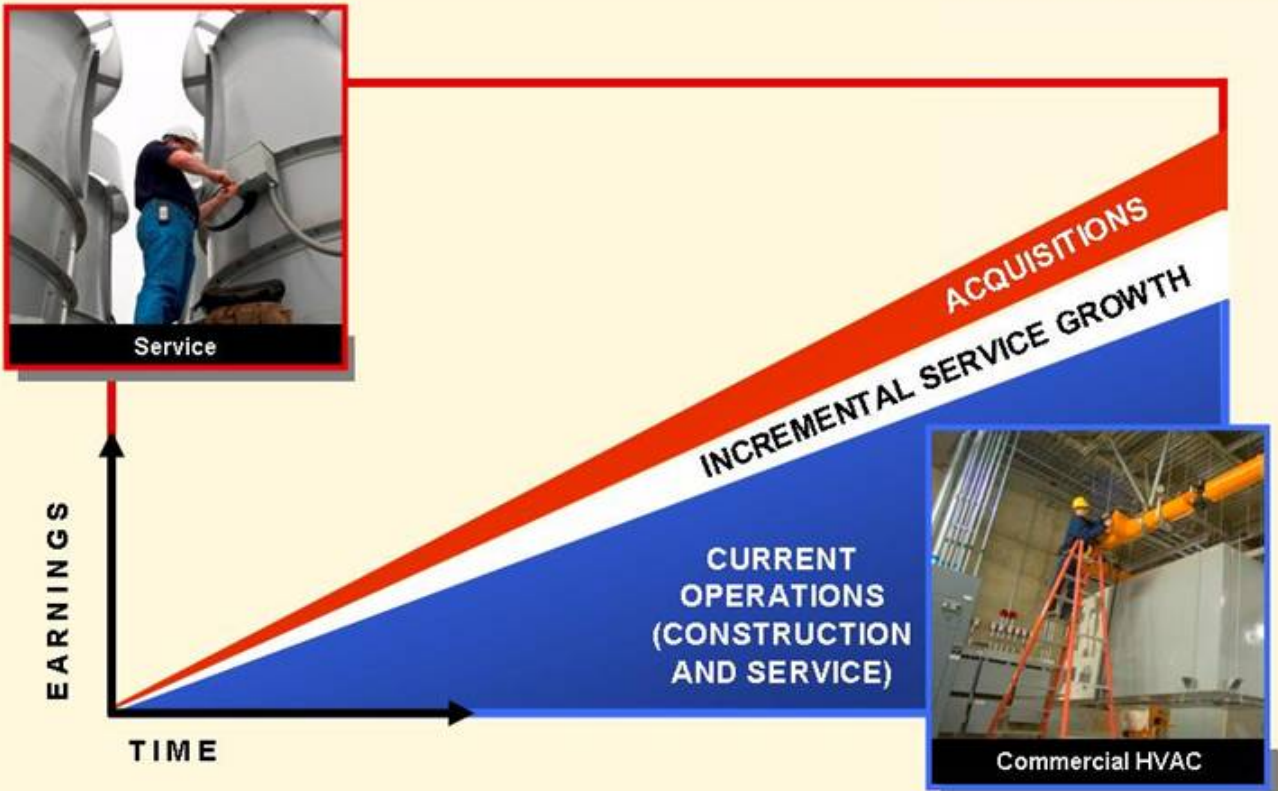
- (a) Funds From Operations is defined as net cash provided by operating activities adjusted by taxes paid related to the sale of businesses of \$7.0 million in 2006.
- (b) CAPEX, Net represents capital expenditures net of proceeds from the sale of assets

Financial Strengths

- Market share up – revenue and profit performance better than industry
- Commitment to cost containment
- \$97.7 million cash at 9/30/07; substantial credit capacity if needed
- Positive free cash flow for last eight calendar years



Profile For Growth

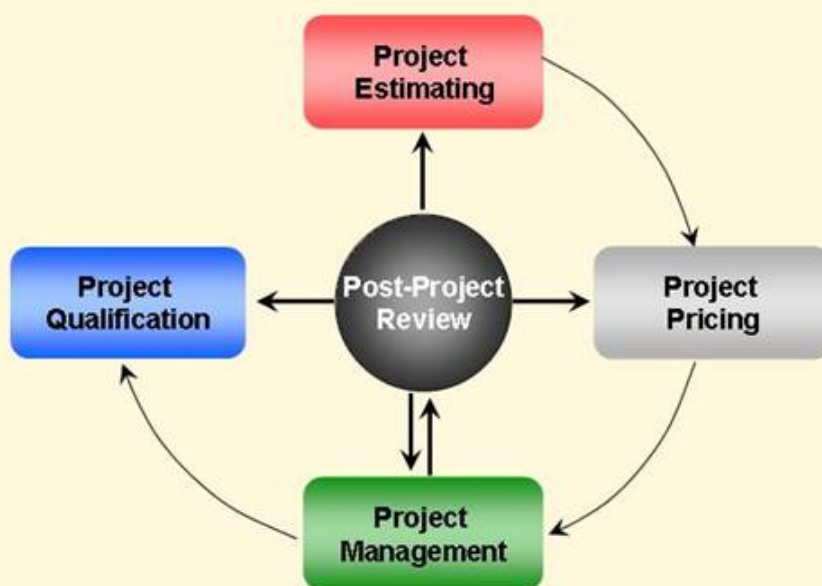


Increase Productivity

- **Education**
 - Leadership
 - Project Managers
 - Superintendents
 - Service Sales
 - Service Operations
 - Craft
- **Best Practices**
 - Project Loop
 - Estimating
- **Cooperation with suppliers**
- **Prefabrication**
- **New materials and methods**
- **Focus**
 - Leadership
 - Management



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We review projects and apply what we have learned to improve our performance.

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The only things that evolve by themselves in an organization are disorder, friction and malperformance.

-Peter Drucker

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Strategy

Increase Service*

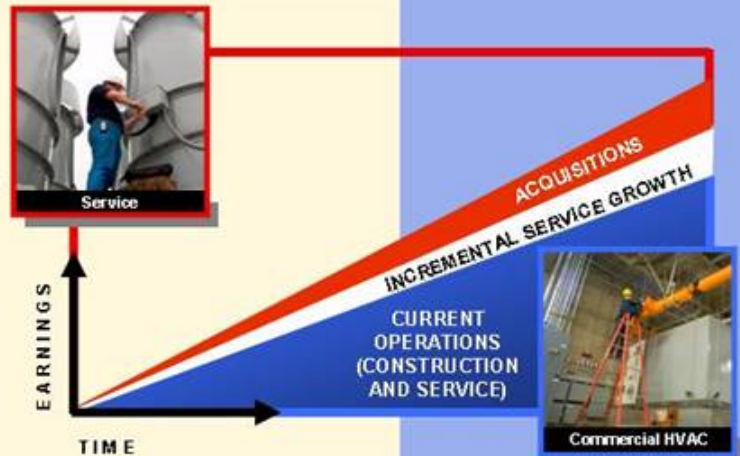
- **Grow Maintenance Base**
- **Education**
 - Sales
 - Sales Management
 - Service Operations
- **Benchmarking**
- **Target Retrofit Projects**
 - Energy Efficiency
 - IAQ

* Maintenance, service, repair, retrofit



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- Higher margin opportunity
- Full maintenance contracts/
life of installation
- Recurring revenue
- National accounts
- \$2.50+ of repair and replacement
for every \$1.00 of maintenance





37 *Trademarks and logos are the property of their respective owners.

Grow

- **Internal Growth**
 - More of what we do best
 - Service
- **Step Out Growth**
 - Start ups in new geographies
 - New locations for existing companies
 - Techs "on their own"
- **Targeted acquisitions**



The Ideal Candidate

- \$20 million in revenue
- Full service mechanical
- In a growing market where we are not now
- Company that has performed well in the past and has continuing demonstrable upside
- Organizational structure capable of sustaining/improving the company
- Ownership/management that wants to stay on to operate company



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Target Cities

(Listed East to West)

- Boston, MA
- Ft. Lauderdale, FL
- Norfolk, VA
- Richmond, VA
- Raleigh/Durham, NC
- Savannah, GA
- Charleston, SC
- Columbia/Florence, SC
- Tampa, FL
- Spartanburg/Greenville, SC
- Atlanta, GA (Service)
- Nashville, TN
- Omaha, NE
- Dallas/Fort Worth, TX
- San Antonio, TX
- El Paso, TX
- Albuquerque, NM
- Boise, ID
- Los Angeles, CA
- Portland, OR
- Seattle, WA

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- **20 year CAGR – 4%**

(F.W. Dodge)

- **Nonresidential new construction increasing**

(U.S. Census Bureau - Construction Put In Place)

- **Deferred maintenance and replacement**

Dodge Forecast
Non-Res. Building
Winter 07

2006 +18%

2007 +7%

2008 - 2%

2009 +1%

2010 +5%

Long-Term

- \$40+ billion fragmented industry
- HVAC is a basic necessity
- Commercial construction strong
- Growing installed base for recurring maintenance, service, repair and retrofit
- Scale opportunities – service, purchasing, bonding, best practices
- Diverse customer base and geography
- Energy efficiency and IAQ
- Financially and operationally sound – ready to grow



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CONTACT:

Bill George

Executive Vice President and CFO

1-800-723-8431

bgeorge@comfortsystemsusa.com

www.comfortsystemsusa.com

