



Comfort Systems USA, Inc. (\$FIX)



Investment Management Academy

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Bennett Schultz & Sam Aldrich

BUY

38% Upside

Price Target: \$1385.60

Last Close (12/4): \$1004.40



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Analysts

Sam Aldrich and Bennett Schultz

Sector and Group

Industrials – Construction & Engineering

Portfolio Allocation

17.5%

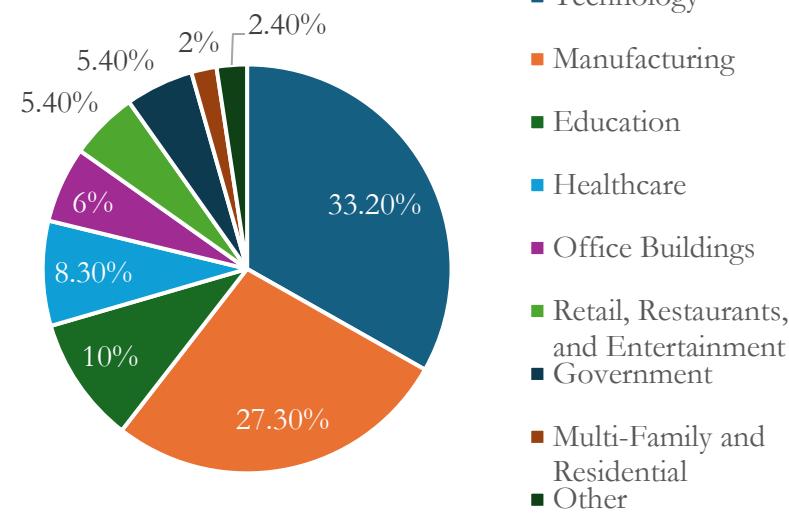
Analyst Recommendation

BUY \$FIX

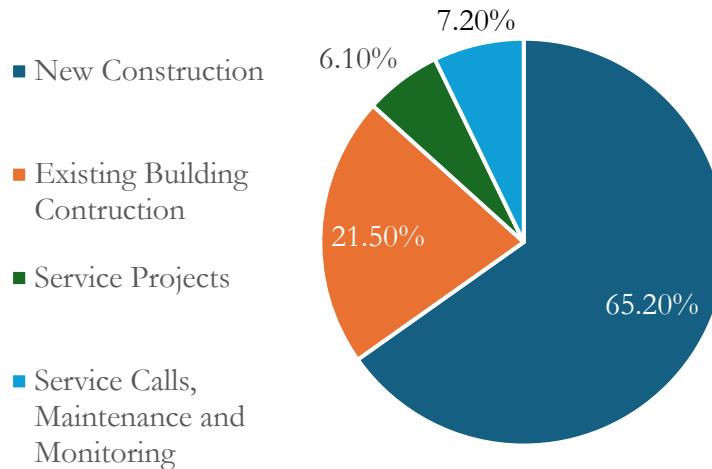
What is Comfort Systems?

- **Contracting services** company that provides services across their mechanical and electrical segments
- Umbrella company made of **45 operating companies** in 178 locations in the US
- Mechanical: HVAC, plumbing, piping, controls, off site construction, monitoring, fire protection
- Electrical: installation and servicing of electrical systems which require reconfigurations and replacements
- FIX retains involvement with customers through **maintenance, repairs, monitoring, and replacement**

Revenue by End-Use



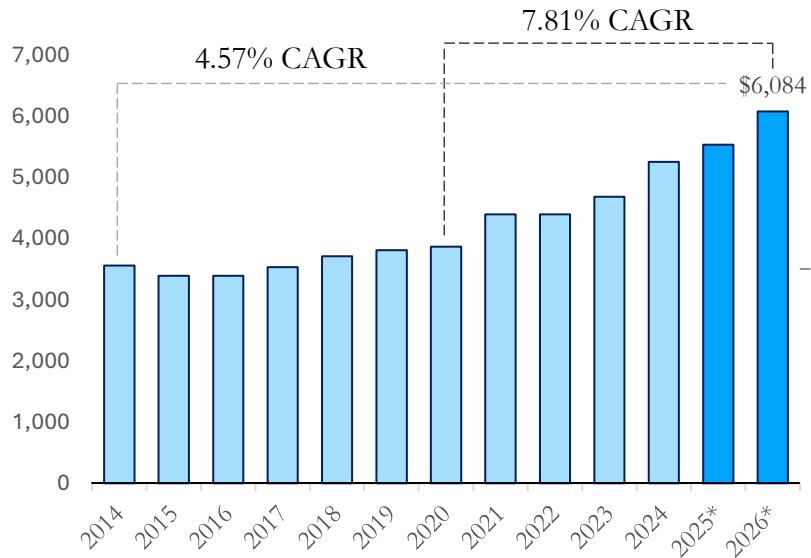
Revenue by Activity Type



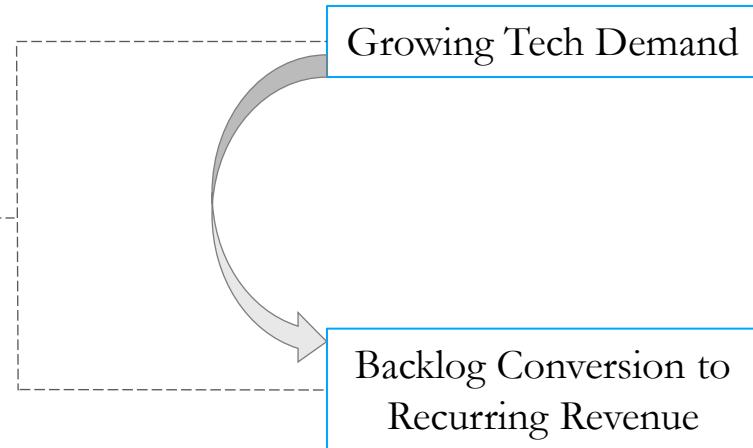
Investment Thesis

Sustained demand in high-margin tech infrastructure will accelerate backlog buildup that converts to durable, recurring cashflow streams once installed, supporting margin expansion and revenue growth

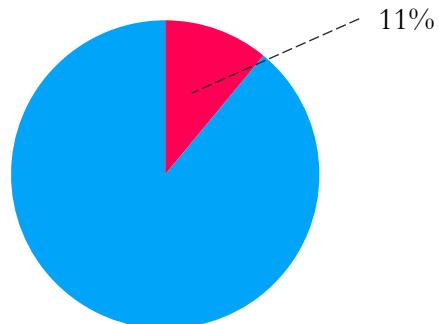
Worldwide IT Spending in \$Billions (2014-2026)



Growing Tech Demand

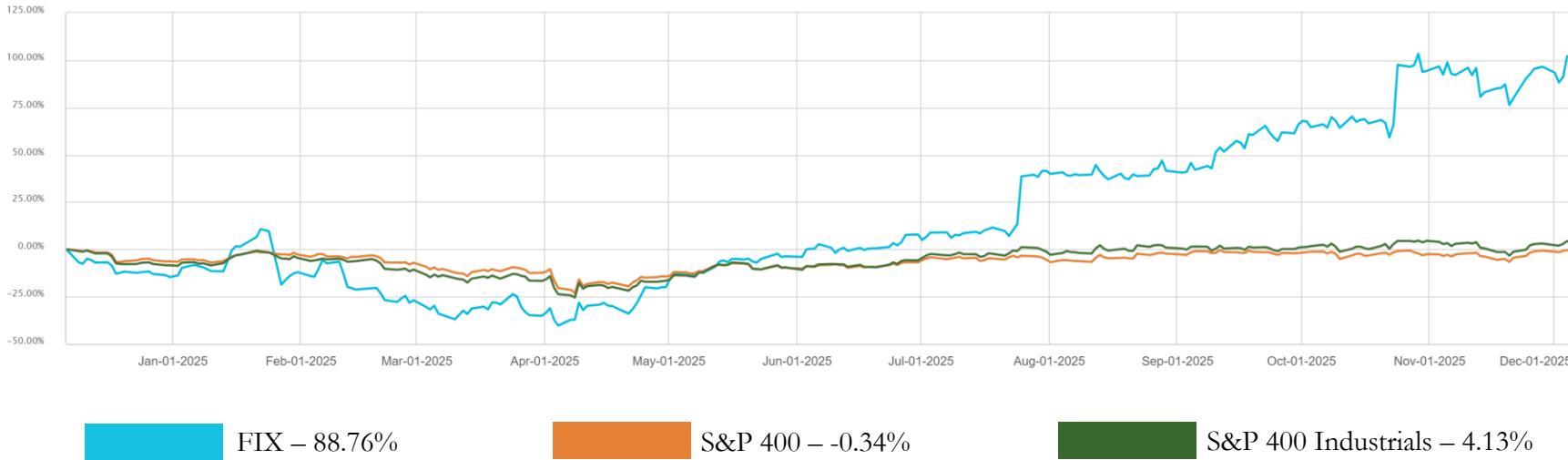


FIX's Debt / TTM EBITDA

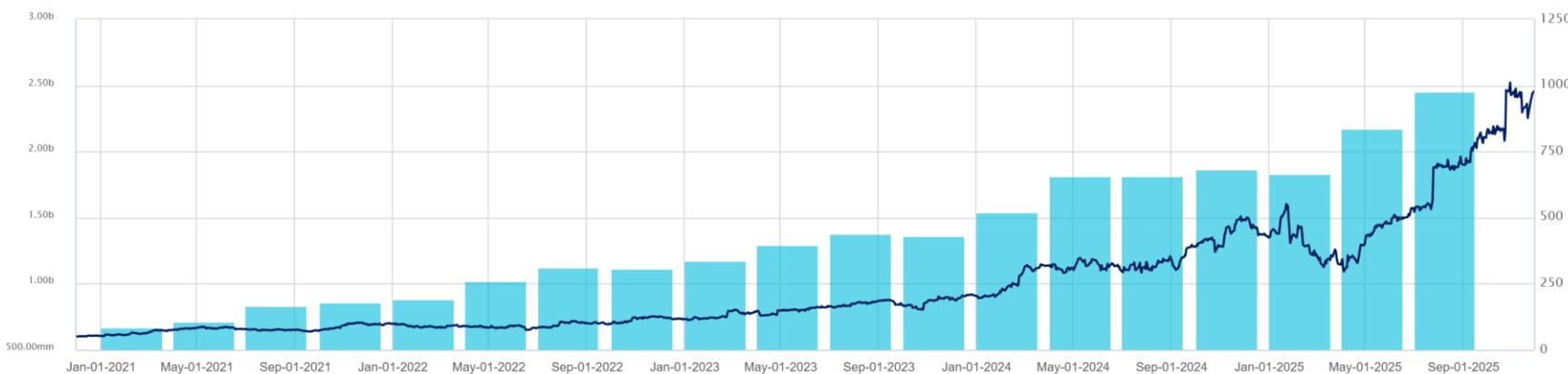


M&A Potential

FIX 1-Year Stock Performance vs S&P 400 vs S&P 400 Industrials

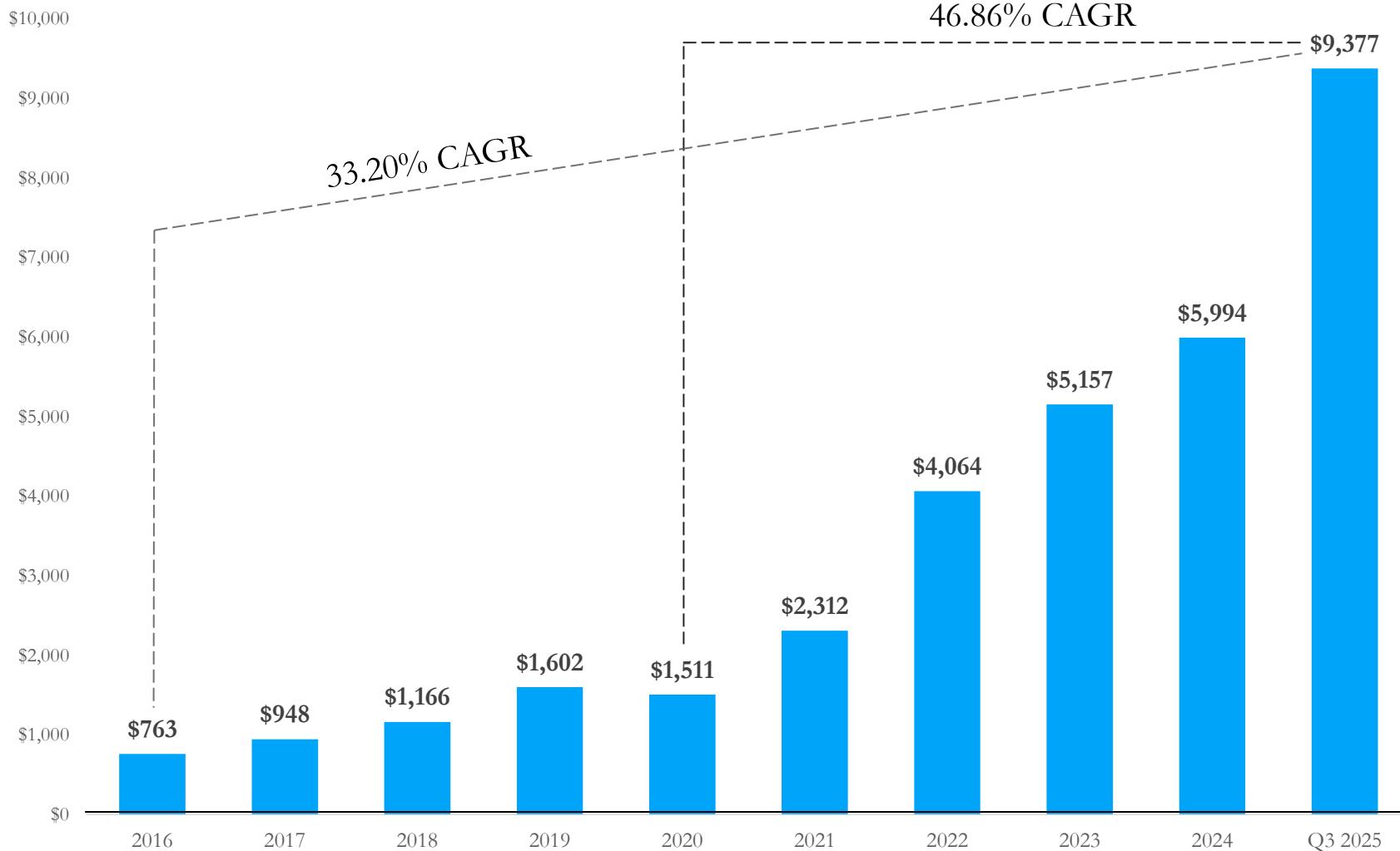


FIX 5-Year Stock Performance vs Quarterly Revenue



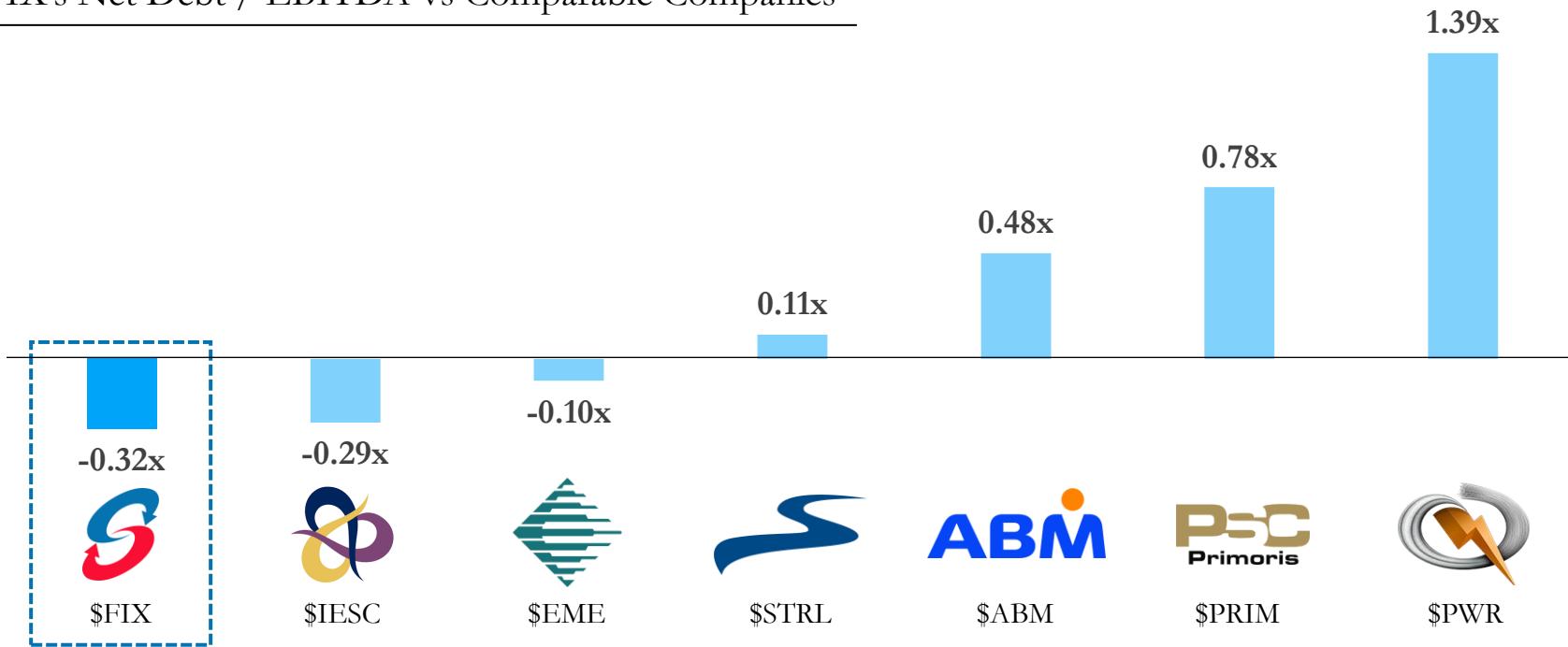
Backlog Conversion

FIX's Backlog in \$millions

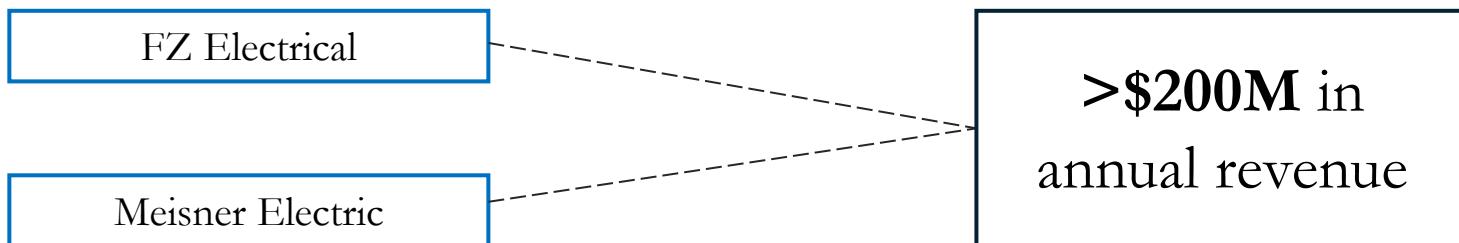


FIX's accelerating backlog from the explosive demand in tech infrastructure will convert a significant amount of installation revenue to long-term, projectable, and consistent streams of recurring revenue for the entire useful life of the development

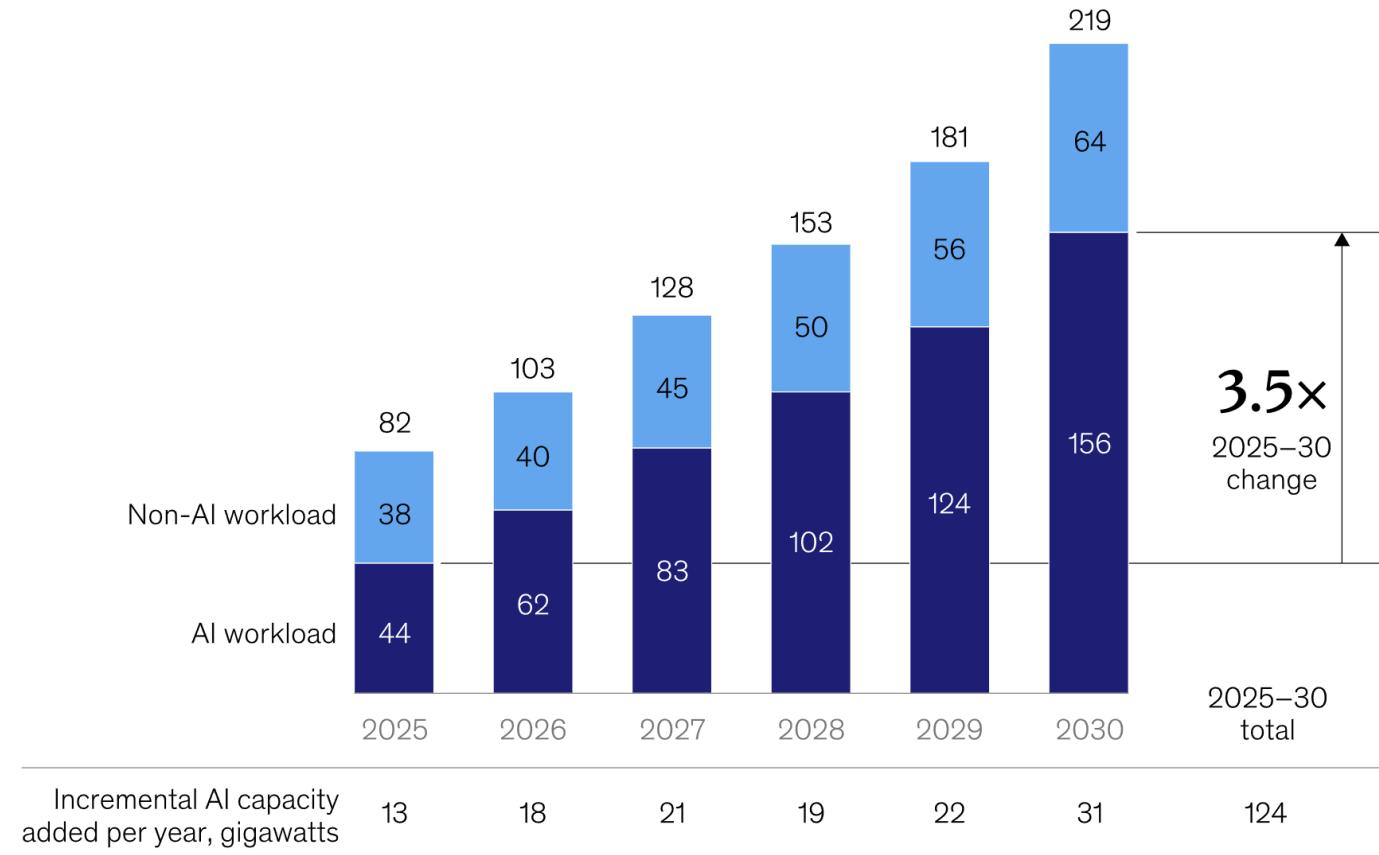
FIX's Net Debt / EBITDA vs Comparable Companies



Recent M&A Activity

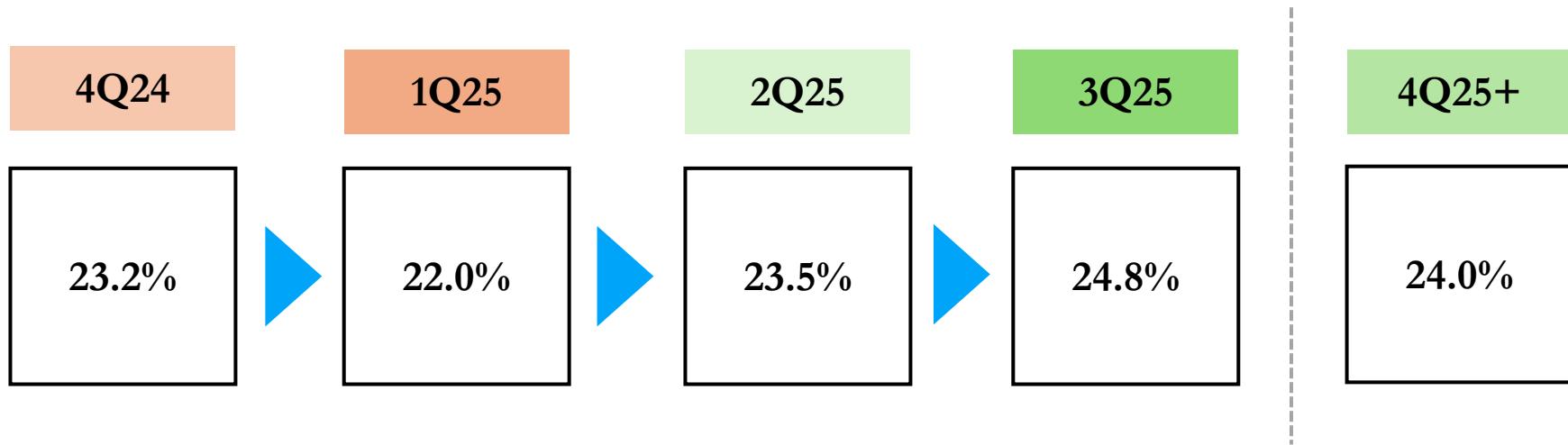


Estimated global data center capacity demand, ‘continued momentum’ scenario, gigawatts



Revenue Mix Shift

Over the past 3 quarters, FIX has improved their gross margin in both of their segments meaningfully.
In our base case, we hold margins at slightly under 3Q25 due to the continued top line expansion



We see potential for a **revenue mix shift**, allocating more resources and capturing more revenue from higher margin segments, improving their profits

Revenue By Activity Type		FQ4 2023	FQ1 2024	FQ2 2024	FQ3 2024	FQ4 2024	FQ1 2025	FQ2 2025	FQ3 2025	FQ4 2025	FQ1 2026	FQ2 2026	FQ3 2026	FQ4 2026	FQ1 2027	FQ2 2027	FQ3 2027
Base Case		745.09	898.98	1,082.27	949.04	1,054.25	1,065.08	1,256.87	1,597.45	1,603.72	1,412.28	1,416.24	1,519.05	1,542.45	1,373.80	1,535.07	1,749.15
New Construction	% of Total Revenue	54.9%	58.5%	59.8%	52.4%	56.4%	58.2%	57.8%	65.2%	65.0%	60.0%	54.0%	51.0%	51.0%	51.0%	51.0%	51.0%
Existing Building Construction	% of Total Revenue	362.94	390.37	446.57	570.29	537.86	492.60	607.24	527.14	542.80	564.91	695.01	789.31	801.47	713.84	797.64	908.87
Service Projects	% of Total Revenue	111.10	104.11	126.28	125.25	113.31	119.21	146.27	150.38	143.10	176.53	288.49	387.21	393.17	323.25	361.19	411.56
Service Calls, Maintenance, More	% of Total Revenue	138.44	143.56	155.16	167.79	162.39	154.39	162.95	176.00	177.64	200.07	222.93	282.96	287.32	282.84	316.04	360.12
Total Revenue	% of Total Revenue	10.2%	9.3%	8.6%	9.3%	8.7%	8.4%	7.5%	7.2%	7.2%	8.5%	8.5%	9.5%	9.5%	10.5%	10.5%	10.5%
Check		Correct															

(Represented in upside case)

Consensus View

FactSet Consensus

	Dec '23	Dec '24	Mar '25	Jun '25	Sep '25	Dec '25E	Dec '25E	Mar '26E	Jun '26E	Sep '26E	Dec '26E	Dec '26E	Dec '27E
			Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
Sales	5,207	7,027	1,831	2,173	2,451	2,333	8,789	2,218	2,558	2,707	2,607	10,160	11,077
Cost of Sales	4,216	5,551	1,428	1,663	1,843	1,762	6,697	1,701	1,945	2,047	1,994	7,698	8,373
Gross Income	991	1,476	403	510	608	562	2,083	495	604	652	630	2,421	2,612
EBITDA	499	892	243	334	414	345	1,336	304	401	447	390	1,558	1,752
Operating Income	419	749	209	300	379	315	1,203	268	364	408	358	1,417	1,535
Pretax Income	389	667	208	296	370	306	1,181	267	365	408	359	1,391	1,544
Tax Expense	72	144	39	66	79	72	255	60	82	92	82	322	357
Net Income	323	522	169	231	292	241	933	207	283	316	278	1,089	1,195

Period	Event Date	After Event	Mean	Surp (%)
Dec '25E	-	-	6.73	-
Sep '25	24 Oct '25	8.25	6.29	31.3
Jun '25	25 Jul '25	6.53	4.84	35.1
Mar '25	25 Apr '25	4.75	3.71	28.1
Dec '24	21 Feb '25	4.09	3.73	9.7
Sep '24	25 Oct '24	4.09	3.97	2.9
Jun '24	26 Jul '24	3.74	3.14	19.1
Mar '24	26 Apr '24	2.69	2.01	33.6
Dec '23	23 Feb '24	2.55	2.21	15.6
Sep '23	27 Oct '23	2.74	2.13	28.5
Jun '23	27 Jul '23	1.93	1.56	23.7
Mar '23	27 Apr '23	1.51	1.06	43.1
Dec '22	23 Feb '23	1.54	1.39	10.8
Sep '22	27 Oct '22	1.67	1.37	21.7
Jun '22	28 Jul '22	1.17	0.99	18.2
Mar '22	28 Apr '22	0.91	0.83	10.3
Dec '21	24 Feb '22	1.04	1.04	0.2
Sep '21	28 Oct '21	1.27	0.99	28.0
Jun '21	29 Jul '21	0.77	0.91	-15.1
Mar '21	29 Apr '21	0.70	0.53	32.2
Dec '20	26 Feb '21	0.79	0.83	-4.5

The street has a pessimistic view on FIX's ability to continue accelerating revenue, projecting **negative QoQ growth** over the next 2 quarters

Very modest projected gross income growth at just a **11.98% CAGR** from Q4 '25E to Q4 '27E

18 Quarters in a row of earnings surprises and analysts are still conservative on the next quarters EPS

Key Takeaway

Analysts are waiting for a cyclical slowdown that is not happening, pricing FIX as a company at peak cycle

Our View

1. **Structural transition** towards higher-margin end markets instead of a cyclical trend
2. Tech related **spending will continue through and beyond 2027** in an all-or-nothing AI race
3. Significant **expansion in recurring revenue** from fast-paced tech jumps that require renovation
4. Industry leading balance sheet health positions FIX for **consistent over sporadic acquisitions**

UBS Holt CFROI % for FIX

Operations



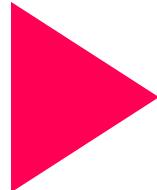
Valuation Model Default

Price USD	1,005	upside +96%
Warranted Price ⓘ	1,965	
Economic PE Ratio ⓘ	45.4x	
HOLT Price to Book ⓘ	15.0x	
Dividend Yield ⓘ	0.24%	

Price Targets

Current
Price

\$1004.40



Upside: \$1,887.75 = 88% return

Base: \$1,385.60 = 38% return

Downside: \$918.51 = -9% return

Downside Case

- Widespread, steep **drop off of new data center spending**
- Revenue growth from slow move through of **current backlog**
- Management can't execute on margin expansion, leaving them sitting around **22%**

Base Case

- Short term revenue growth remains just above the street
- Inflection point occurs, in line with variant view, of **multi-year expansion of data centers**
- Sustained revenue growth and **continued strong margins** through time horizon due to spending and mix shift
- Meaningful dividend increases, in line with historical data

Upside Case

- Revenue growth continues at elevated levels due to **further expansion of spending**, above our original expectations
- FIX effectively capitalizes on mix shift opportunity, **expanding margins** meaningfully
- More potential M&A could occur here

Buy \$FIX
