



Comfort Systems USA, Inc. (\$FIX)

BUY Comfort Systems (FIX)

Business Overview

Comfort Systems USA, Inc. (FIX), is a contracting services company that provides an extensive range of services across its mechanical and electrical segments. Their mechanical services include heating, ventilation, and air conditioning (HVAC), plumbing, piping, controls, off-site construction, monitoring, and fire protection. Their electrical segment includes the installation and service of electrical systems which consistently require reconfigurations and replacements as systems age. Once these projects are built, FIX retains involvement with its customers through maintenance, repairs, monitoring, and replacements from their substantial footprint of 45 operating companies in 178 locations throughout 136 United States cities. Around 57% of 2024 revenue was attributable to installation services and 43% was attributable to renovation, expansion, and maintenance services in existing developments. An average project takes six to nine months to complete and has an average price of \$1.8 million. Distribution of 2024 revenue by end-use sectors is as follows:

Technology	33.2%
Manufacturing	27.3%
Education	10.0%
Healthcare	8.3%
Office Buildings	6.0%
Retail, Restaurants and Entertainment	5.4%
Government	5.4%
Multi-Family and Residential	2.0%
Other	2.4%

Recent Performance

Comfort System's recent Q3 FY2025 financial report showcased exceptional strength in fundamental metrics such as a YoY revenue growth of 35.2%, gross margin expansion from 21.1% – 24.8%, and EBITDA margin growth from 13.2% – 16.9%. Consensus EPS of \$6.29 (\$2.15B) was significantly under representation of FIX's financial position with actual EPS coming in \$1.96 overestimates at \$8.25 (\$2.45B). Since these results were announced, the company's stock has only seen a 10% return and consensus EPS for Q4 FY2025 is \$6.75. FIX has a long-standing history of beating earnings and has beaten consensus estimates by over \$1.00 over the past three quarters. Current Q3 2025 backlog of \$9.4B is up substantially over 2024 backlog of \$5.9B, representing increasing demand for their services and a future of accelerating, recurring, and projectable cash flows. FIX is one of the most financially sound companies in the industry with a debt / TTM EBITDA of 0.11, 26 consecutive years of positive free cash flow, and 13 years of increasing dividends. They have also repurchased \$124.4M in shares since the beginning of 2025, well above past share repurchases of \$57.9M in 2024 and \$21.2M in 2023.

December 1st, 2025

Industry: Industrials

Sector: Construction & Engineering

Ticker: **FIX**
Current Price: **\$1004.40**
Two Year Target: **\$1385.60**

Summary Data (mm)

Enterprise Value:	\$31,913.7
Net Debt:	\$457.5
Market Cap:	\$30,835.7

	LTM	NTM
Revenue	\$8,323	\$10,421
Gross Profit	\$1,955	\$2,501
EBITDA	\$1,252	\$1,563
EBIT	\$1,112	\$1,386
NI	\$838	\$1,058
EPS	\$23.67	\$30.09

Dividend Yield: 0.27%

Summary Multiples

	LTM	NTM
EV/Revenue	3.96x	3.83x
EV/GP	16.86x	15.94x
EV/EBITDA	26.33x	25.50x
EV/EBIT	29.62x	28.76x
P/E	39.89x	38.60x

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Investment Thesis

Over the next 12 – 24 months, FIX's industry leading reputation positions them to disproportionately outperform the market through their ability to capture continued spend on data centers with its concentrated tech/data-center mix, potential for strategic acquisitions with their strong balance sheet, and conversion of finished projects from their \$9.4B backlog to recurring, long-term, projectable revenue.

FIX's growing concentration around tech/data-center projects as a proportion of revenue is positioning them to capture massive investments during this pivotal point in history around the race towards AGI (Artificial General Intelligence). Combining this unprecedented demand with FIX's contractor execution model and an overall push for faster on-site starts from customers will lead to considerable margin growth due to the higher margin profile of these developments.

With a debt/TTM EBITDA of 0.11, FIX has a competitive advantage when it comes to making acquisitions such as their acquiring of FZ Electrical and Meisner Electric, which are expected to bring in more than \$200M in annual revenue. Management's ability to successfully integrate business acquisitions has broadened FIX's geographical and sector reach.

Drivers

Data Center & Cloud Computing Demand

Comfort Systems is directly benefiting from the current wave of tech related infrastructure investment centered around AI data centers and cloud computing – projected to grow at a CAGR of 7.0% and 17.1% respectively from 2025 to 2030. These developments need high precision cooling systems and Comfort Systems have proven their ability to win these contracts at an accelerating rate based on the exponential growth of their backlog. This industry carries higher margins than FIX's other services, which will make this concentrated growth a key factor in margin expansion.

Backlog Conversion to Recurring Revenue

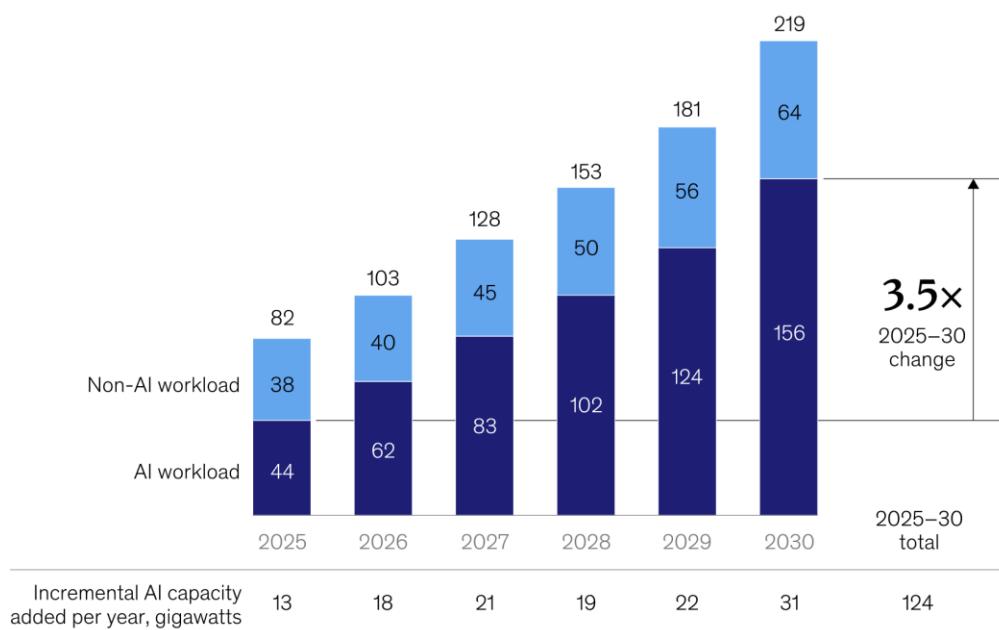
With a backlog of \$9.37B as of Q3 2025, Comfort Systems is positioned to make a significant amount of recurring revenue from the maintenance, renovation, and expansion of future installations. Given the lengthy useful life of the projects Comfort builds for customers, each development will provide years of consistent revenue from their Comfort CARE maintenance contracts. When you factor in the exponential growth of Comfort's backlog at a near 36% CAGR since 2020, the potential for growing stable revenue streams become evident in their future. This concentrated period of spending in tech infrastructure will only continue to build onto their existing backlog and create an even longer-term timeline for high margin recurring revenues which will lead to steady margin expansion.

M&A and Geographic Expansion

FIX's acquisitions strategy is one of their key drivers when it comes to long-term earnings because of management's proven ability to execute. These acquisitions expand their reach, increase exposure to high-growth projects like data centers, and overall enhance their service offering. They recently acquired 4 companies around the country, contributing to 2.3% of their 25.1% YoY growth in the first nine months of 2025 which shows the strength in execution and balance throughout their company. This umbrella of companies allows for significant cross selling opportunities, increased flexibility, and regional market capture in new industries. Combining management's ability with one of the healthiest balance sheets in the industry with a Debt / TTM EBITDA of 0.11 positions FIX to continue making accretive acquisitions for the foreseeable future and drive revenue growth. FIX's ability to make several acquisitions while still maintaining strong leverage metrics demonstrates management's discipline and reinforces the potential of this growth strategy.

Fit Within Macro Environment

Estimated global data center capacity demand, 'continued momentum' scenario, gigawatts



McKinsey analysts project global data center power demand to scale 3.5x by 2030, driven by increased AI workloads as shown above. With that, AI infrastructure spending is currently the strongest wave of CapEx the economy has ever seen, which should continue throughout 2026 as new Nvidia and AMD's MI400 chips are released. AI-related investment is nearly half a trillion dollars in 2025 alone and McKinsey estimates \$7 trillion in global data center infrastructure by 2030. Giants in the tech space will be racing to acquire every new chip and implement them into their data centers which will directly increase the demand for HVAC, electrical installation, cooling systems, and maintenance. FIX has already proven their ability to win large contracts in tech space, and we expect them to continue growing their backlog. Although specific clients are not disclosed, management has stated how most of its backlog is from high-margin tech developments. While the revenue from the companies utilizing the AI infrastructure will likely take years to materialize, the spending required to build this infrastructure will be realized immediately by FIX. As hyperscalers's continue to build, FIX will continue earning revenue and convert these projects into long-term revenue streams.

Looking into other aspects of the macro environment, consistent industrial spend, reshoring, and overall modernization of current developments reinforces the durability of FIX's revenue opportunities. Uncertainty around the future of US tariff policies is pushing companies to start producing domestically to offset cost pressures, increasing the presence of large manufacturing sites, semiconductor plants, and other industrial facilities across the US. These projects all require specialized infrastructure in areas that FIX already has scaled and proven execution ability. This

Consensus View

The street does currently view FIX as a strong player in the industry, but they see a normalization in performance after this wave of spending. Low to mid double-digit revenue growth with margin stabilization after this data center surge is the common consensus through the belief that FIX will return to their traditional lower-margin end markets. Recent margin expansion is also seen as mostly cyclical since it is heavily tied to the buildup of high-margin tech spending that will not continue long-term. Consensus also does not price in increasing M&A activity or share repurchase, despite FIX's ability to do so.

Variant View

After such an explosive growth in FIX's stock price, analysts seem reluctant to continue raising expectations from the fear of appearing optimistic compared to historical valuations. We believe that this has created an opportunity to capitalize

on an inefficiency in the market where FIX has yet to be realized as a structurally transitioning business with an unrecognizable amount of project shift towards high-margin end markets like data centers that will cement themselves within FIX's ecosystem for years to come through multiple cycles of chips, cooling expansions, and electrical upgrades. Where the street views this as a short-term driver, we see this as a fundamental transition into the most aggressive technological race the world has ever experienced.

With the arms-race level of incentive of AI dominance, we believe the competitors in this space will continue spending until they've exhausted every opportunity of increasing computing, training efficiency, and upgrading cooling systems to handle intensive levels of heat, which we see continuing through 2027 and beyond our time horizon if competition remains fierce. To keep an edge over peers, every jump in chip technology will require new installation costs, cooling expansions, and electrical recalibration: all of which will provide an inconceivable amount of recurring revenue that no analyst is modeling into long-term projections.

Beyond these organic growth drivers, FIX's exceptionally healthy balance sheet opens an opportunity for inorganic growth that the market overlooks as sporadic acquisitions rather than an integral part of management's long-term growth strategy. If the street were to properly value management's ability to execute on acquisitions that expand FIX's revenue mix towards higher-margin end markets, their revenue and margin estimates would not revert towards historical averages.

Risks to Thesis

Labor Retention: FIX operates in labor intensive mechanical and electrical contracting markets where wage inflation for skilled trades can pressure margins. If labor demand, especially for these trades, continues to outpace supply, FIX may face higher hiring and retention costs that can't fully be passed through to customers. This could create margin compression that offsets the higher margin data center projects.

Timely Conversion: Although FIX maintains a robust backlog, timely conversion depends on predictable access to materials and components. Disruptions in critical inputs can delay project starts and extend timelines. Sustained supply chain friction could push revenue recognition into later periods, show free cash flow generation, and reduce the timely realization of these expected high margin data center work.

Concentration Risk: While FIX's large exposure in data-center development is a central driver to our view, this increased specialization introduces some concentration risk. A slowdown in hyperscale spending, changes in AI infrastructure, or a broader pullback in tech related CapEx could affect FIX's growth. If AI driven investment normalizes faster than expected, FIX could face a deceleration in revenue growth and margin expansion relative to our thesis.

Model Integration

Base Case (\$1,385.60 PT, +38%)

In our base case, we assume that revenue growth remains just above the street through 3Q26. There, we see an inflection point, in line with our variant view of a multi-year expansion of data centers which will sustain the revenue growth. We see modest margin expansion through 3Q27 with the mix shift that management has alluded to. While management releases limited guidance, we expect to see a continued increase in dividends, which they have focused on the past year plus. This scenario reflects broader industry trends and the relative surprise we plan to see in margin expectations and sustainability of revenue growth.

Target Price Calculation			
Current Valuation		Projected Valuation	
Last Reported Quarter	FQ3 2025	Projected Last Quarter	FQ3 2027
Current Stock Price	\$ 1,004.40	Target Stock Price	\$ 1,385.60
Shares Outstanding	35,193	Shares Outstanding	35,088
Equity Value	\$ 32,371.2	Equity Value	\$ 48,617.7
Total Debt	\$ 423.7	Total Debt	\$ 503.7
Total Cash	\$ 881.2	Total Cash	\$ 2,623.6
Enterprise Value	\$ 31,913.7	Enterprise Value	\$ 46,497.9
LTM Income Statement Summary			
Revenue	\$ 8,323.4	Revenue	\$ 12,156.3
Gross Profit	\$ 1,954.9	Gross Profit	\$ 2,917.5
EBITDA	\$ 1,251.6	EBITDA	\$ 1,823.4
EBIT	\$ 1,112.4	EBIT	\$ 1,616.8
Net Income	\$ 837.6	Net Income	\$ 1,258.7
Current Multiples			
P / E	38.65x	P / E	38.6x
EV / Revenue	3.83x	EV / Revenue	15.94x
EV / Gross Profit	16.32x	EV / Gross Profit	15.94x
EV / EBITDA	25.50x	EV / EBITDA	25.50x
EV / EBIT	28.69x	EV / EBIT	28.76x

Target Return		
38%		
Sensitivity Analysis		
Exit Multiple	Exit EV	Exit Stock Price
24.5x	44,674.5	\$ 1,333.63
25.0x	45,586.2	\$ 1,359.62
25.5x	46,497.9	\$ 1,385.60
26.0x	47,409.6	\$ 1,411.59
26.5x	48,321.3	\$ 1,437.57

Multiples	LTM	NTM
P/E	38.65x	30.59923603
EV/Revenue	3.83x	3.062450686
EV/Gross Profit	16.32x	12.76021119
EV/EBITDA	25.50x	20.41633791
EV/EBIT	28.69x	23.02594501

Upside Case (\$1,887.75 PT, +88%)

In our upside case, we see FIX revenue growth continuing at a high level due to further expansion of data center spending, above what we expect but not beyond the realm of possibilities. Alongside this, FIX can efficiently capitalize on the mix shift opportunity, expanding their margins meaningfully. While not modeled in, we see potential for continued M&A with strong implementation which could boost the upside case even more. We did not factor this into our target prices to show organic growth. With this revenue and margin expansion, FIX will have excess cash which it can give back through dividends, increasing more than in the base case.

Target Price Calculation			
Current Valuation		Projected Valuation	
Last Reported Quarter	FQ3 2025	Projected Last Quarter	FQ3 2027
Current Stock Price	\$ 1,004.40	Target Stock Price	\$ 1,887.75
Shares Outstanding	35,193	Shares Outstanding	35,088
Equity Value	\$ 32,371.2	Equity Value	\$ 66,237.0
Total Debt	\$ 423.7	Total Debt	\$ 778.7
Total Cash	\$ 881.2	Total Cash	\$ 3,054.9
Enterprise Value	\$ 31,913.7	Enterprise Value	\$ 63,960.8
LTM Income Statement Summary			
Revenue	\$ 8,323.4	Revenue	\$ 14,273.4
Gross Profit	\$ 1,954.9	Gross Profit	\$ 3,626.9
EBITDA	\$ 1,251.6	EBITDA	\$ 2,413.6
EBIT	\$ 1,112.4	EBIT	\$ 2,413.6
Net Income	\$ 837.6	Net Income	\$ 1,862.2
Current Multiples			
P / E	38.65x	P / E	35.6x
EV / Revenue	3.83x	EV / Revenue	17.64x
EV / Gross Profit	16.32x	EV / Gross Profit	17.64x
EV / EBITDA	25.50x	EV / EBITDA	26.50x
EV / EBIT	28.69x	EV / EBIT	26.50x

Target Return		
88%		
Sensitivity Analysis		
Exit Multiple	Exit EV	Exit Stock Price
25.5x	61,547.2	\$ 1,818.96
26.0x	62,754.0	\$ 1,853.36
26.5x	63,960.8	\$ 1,887.75
27.0x	65,167.6	\$ 1,922.14
27.5x	66,374.4	\$ 1,956.54

Multiples	LTM	NTM
P/E	38.65x	25.43057665
EV/Revenue	3.83x	2.889409675
EV/Gross Profit	16.32x	11.83171059
EV/EBITDA	25.50x	18.57158809
EV/EBIT	28.69x	19.05534159

Downside Case (\$918.51 PT, -9%)

In our bear case, we see a steep drop off new spending from data centers, with the only revenue growth coming from the moving through of the current backlog. Margin expansion does not occur, and management is not able to produce, leaving margins sitting at around 22%. This would follow a larger market trend of decreased spending, but FIX is uniquely positioned to take less of a hit due to its large backlog.

Target Price Calculation										Target Return											
Current Valuation					Projected Valuation					Projected Last Quarter					FQ3 2027					-9%	
Last Reported Quarter					FQ3 2025					FQ3 2027					FQ3 2027						
Current Stock Price	\$	1,004.40	Target Stock Price	\$	918.51	23.5x	29,442.0	\$	882.81	Exit Multiple											
Shares Outstanding		35,193	Shares Outstanding		35,088	24.0x	30,068.4	\$	900.66	Exit EV											
Equity Value	\$	32,371.2	Equity Value	\$	32,228.7	24.5x	30,694.9	\$	918.51	Exit Stock Price											
Total Debt	\$	423.7	Total Debt	\$	463.7	25.0x	31,321.3	\$	936.37												
Total Cash	\$	881.2	Total Cash	\$	1,997.5	25.5x	31,947.7	\$	954.22												
Enterprise Value	\$	31,913.7	Enterprise Value	\$	30,694.9																
LTM Income Statement Summary										Projected Income Statement Summary											
Revenue	\$	8,323.4	Revenue	\$	10,673.3	38.65x	41.70866355			Projected Income Statement Summary											
Gross Profit	\$	1,954.9	Gross Profit	\$	2,320.2	3.83x	3.28207397														
EBITDA	\$	1,251.6	EBITDA	\$	1,252.9	16.32x	14.43679552														
EBIT	\$	1,112.4	EBIT	\$	1,044.7	25.50x	26.24194347														
Net Income	\$	837.6	Net Income	\$	806.5	EV/EBIT	28.69x	31.08914426													
Current Multiples										Projected Multiples											
P / E		38.65x	P / E		40.0x					Projected Multiples											
EV / Revenue		3.83x	EV / Revenue		13.23x																
EV / Gross Profit		16.32x	EV / Gross Profit		13.23x																
EV / EBITDA	25.50x	EV / EBITDA	24.50x																		
EV / EBIT		28.69x	EV / EBIT		29.38x																

Comparable Companies

Enter	Company	Ticker	Company Name	Market Cap	Enterprise Value	Shares Outstanding	Share Price	LTM Revenue	Revenue YoY %	Gross Profit	Gross Margin	LTM EBITDA	EBITDA Margin	LTM EBIT	EBIT Margin	Net Income	Net Margin	NTM EBITDA	LTM Revenue	LTM EBITDA	LTM EBIT	NTM Revenue	LTM EBITDA	LTM EBIT	Enterprise Value	Equity Value							
EME	NYSE:EME	EMCOR Group, Inc.		\$ 28,442.4	\$ 26,294.4	44.77	\$ 625.4	\$ 16,243.3	14.11	\$ 3,148.8	19.39	\$ 1,709.7	10.53	\$ 1,530.0	9.47	\$ 1,120.4	6.96	\$ 1,026.31	1.7x	9.0x	16.5x	18.3x	15.4x	25.2x	0.0x	9.9x	22.9x	37.3x	\$ (86.54)	60.63%	11x	2.0x	\$ 24.89
PSI	NYSE:PSI	PSI Energy Services, Inc.		\$ 8,600.0	\$ 8,600.0	1.00	\$ 460.0	\$ 2,700.0	1.00	\$ 800.0	1.00	\$ 400.0	1.00	\$ 300.0	1.00	\$ 200.0	1.00	\$ 1,926.99	2.4x	13.9x	13.9x	14.4x	14.4x	14.4x	0.0x	14.4x	14.4x	14.4x	\$ 0.00	100.00%	1.0x	1.0x	\$ 1.00
ADM	NYSE:ADM	ADM Industries Incorporated		\$ 2,720.0	\$ 4,055.1	61.22	\$ 14.5	\$ 6,327.9	1.27	\$ 1,960.7	19.43	\$ 444.3	5.20	\$ 269.3	4.15	\$ 165.9	3.74	\$ 141.00	6.6x	3.7x	9.2x	12.0x	7.9x	23.4x	0.0x	15x	NM	6.2x	\$ (72.40)	65.00%	1.0x	1.0x	\$ 1.05
VLDN	Nasdaq:VLDN	Villan Group, Inc.		\$ 1551.0	\$ 1598.7	15.17	\$ 105.2	\$ 651.9	0.30	\$ 240.0	30.05	\$ 62.5	3.59	\$ 44.9	6.88	\$ 41.5	6.37	\$ 77.70	2.4x	6.4x	25.4x	35.3x	20.4x	37.3x	0.0x	6.4x	23.3x	36.4x	\$ 0.4x	132.00%	14x	1.0x	\$ 2.90
FJK	NYSE:FPX	Comfort Systems USA, Inc.		\$ 35,356.6	\$ 34,699.1	35.19	\$ 1,049.7	\$ 8,323.4	22.71	\$ 1,954.4	24.9	\$ 1,251.6	15.04	\$ 112.4	13.36	\$ 877.6	10.05	\$ 1,491.58	4.2x	17.3x	27.3x	31.4x	23.3x	42.2x	0.0x	20.8x	90.2x	43.8x	\$ (129.49)	155.00%	12x	1.0x	\$ 23.64

Stock Price Graph

