Initiating Coverage:

ComfortSystemsUSA

$FIXing the Future With a Comfortable Compounder

Key Take-away: DeepSeek's scare in January sent $FIX stock tumbling 30% from all-time highs of $553.08. Fears of waning data center demand has caused investors to turn away from this MEP consolidator.

Yet, Comfort Systems USA (FIX) delivered record Q1 results, highlighted by 19% revenue growth, 54% operating income growth, and $6.9 billion backlog. A beneficiary of megatrends such as AI data center buildout, and manufacturing reshoring, FIX is a comfortable compounder with a proven strategy for growth.

Despite macro risks like cost inflation, we believe strong backlog visibility into 2026 and an entrenched position across the industrial economy positions FIX for sustained growth.

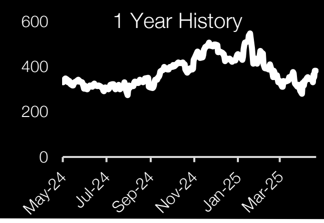
Modular Construction Scaling: Modular construction is the off-site prefabrication of mechanical, electrical, and plumbing (MEP) systems in controlled environments, reducing onsite labor and timeline risk by enabling 40% faster preparation and construction, while granting access to growing remote markets with lower energy costs and greater grid capacity. FIX has invested in modular construction capabilities, historically through acquisitions like EAS and TAS, and more recently with the purchase of Summit Industrial Construction. FIX now operates over 2.5 million square feet of modular fabrication and storage capacity. Modular systems represented 17% of total revenue in 2024, growing over 50% year-over-year. Notably, data center projects consume 80–90% of Comfort Systems' modular capacity.

Technology and Industrial Backlog Growth Hits Record Levels: Advanced technology customers (data centers, chip manufacturing, EV batteries) now make up 37% of Comfort Systems' total revenue, a substantial jump from 33% in Q1 2024. Industrial work overall represents 62% of total revenue. This shift towards larger, mission-critical industrial projects is creating durable visibility, with record backlog of $6.9 billion providing confidence into 2026 and beyond.

Valuation: We initiate coverage with a $475 PT.

Consortium Equity Research
Industrials | Building Services
April 28th, 2025

Stock Rating:	Overweight
Price Target:	$475.00
Price:	$394.90
Potential Upside:	20.28%
Ticker(s):	$FIX
Market Cap:	$13.9b
Shares Outstanding:	35mm
Free Float (%):	97.8%
Dividend Yield:	0.46%



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Peer Comparisons

Comparable Companies					
$mm					
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
EMCOR Group, Inc. (NYSE:EME)	$ 18,773	$ 17,784	19.2x	$ 14,566	$ 1,479
APi Group Corporation (NYSE:APG)	$ 10,658	$ 13,194	-45.7x	$ 7,018	$ 777
IES Holdings, Inc. (NasdaqGM:IESC)	$ 3,743	$ 3,712	17.4x	$ 3,000	$ 358
MasTec, Inc. (NYSE:MTZ)	$ 10,292	$ 12,600	63.9x	$ 12,304	$ 943
ComfortSystemsUSA	$ 13,453	$ 13,212	26.0x	$ 7,028	$ 892

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
EMCOR Group, Inc. (NYSE:EME)	12.0x	19.0%	10.2%	9.2%	15.8%
APi Group Corporation (NYSE:APG)	17.0x	8.6%	3.3%	1.4%	(7.7%)
IES Holdings, Inc. (NasdaqGM:IESC)	10.4x	13.2%	7.7%	3.5%	2.6%
MasTec, Inc. (NYSE:MTZ)	13.4x	19.8%	11.6%	7.3%	12.6%
ComfortSystemsUSA	14.8x	14.3%	8.2%	5.0%	14.2%

High	16.98x	19.8%	11.6%	9.2%	15.8%
75th Percentile	14.81x	19.0%	10.2%	7.3%	14.2%
Average	13.51x	15.0%	8.2%	5.3%	7.5%
Median	13.36x	14.3%	8.2%	5.0%	12.6%
25th Percentile	12.02x	13.2%	7.7%	3.5%	2.6%
Low	10.38x	8.6%	3.3%	1.4%	-7.7%

ComfortSystemsUSA Valuation	
Implied Enterprise Value (25th Percentile)	$ 10,720
Implied Enterprise Value (Median)	**$ 11,915**
Implied Enterprise Value (75th Percentile)	$ 13,212
Implied Share Price (25th Percentile)	$ 310.75
Implied Share Price (Median)	**$ 344.63**
Implied Share Price (75th Percentile)	$ 381.38

Source: (CapIQ)

Company Overview

Background: Comfort Systems USA (NYSE: FIX) was founded in 1997 through the consolidation of a dozen regional contractors and has since have grown into a national leader in mechanical, electrical, plumbing (MEP), and HVAC services, specializing in designing, installing, and maintaining heating, ventilation, air conditioning, electrical wiring, piping, controls, and energy management for new construction and retrofit projects.

Today, under the leadership of CEO Brian Lane, during whose tenure the stock has appreciated over 30x, Comfort Systems delivers critical infrastructure solutions across more than 180 locations, supporting sectors such as data centers, semiconductor manufacturing, healthcare, and advanced manufacturing. They have made 46 acquisitions since their founding.

Decentralized Model: The company utilizes a decentralized structure that allows them to employ local relationships while leveraging national resources. With 47 operating units, they have a very lean corporate office of ~130 people which handles back-office tasks, while the local operating units focus on operations, and enjoy autonomy as well as shared best practices.

NOT a Roll-Up: With ¾ of their free cash flow going towards acquisitions, Comfort Systems may appear at first glance to follow a roll-up model. This causes many investors to shy away from the stock, but its approach is fundamentally different. The company pursues a disciplined, cash-funded acquisition strategy, targeting profitable, culturally aligned regional MEP contractors that fit its decentralized operating structure. Acquisitions stem from longstanding relationships, with some extending over 25 years, such as Amteck. These are relationships with owners that are looking to retire or cash out. Management is in no rush to acquire, and emphasizes strategic fit and maintains a patient approach, allowing Comfort Systems to time acquisitions opportunistically and negotiate favorable terms. CEO Brian Lane notes in their most recent earnings call, "*Because of the relationships we have and our patience, we get good terms when we buy companies.*" Acquisitions are not required to sustain growth but serve as an additive lever to enhance long-term value creation.

Industry Overview

Fragmented Market: Comfort Systems USA operates within the mechanical, electrical, and plumbing (MEP) contracting industry, a $550B+ market that underpins virtually every commercial and industrial building in America. This space is very fragmented and labor-intensive. Composed of regional and local firms with limited scale, there is substantial runway for consolidation. FIX commands just over 2% market share.

Skilled Labor Shortage: Skilled labor shortages in HVAC, electrical, and plumbing have created capacity bottlenecks across the industry. CEO Brian Lane emphasizes constant recruiting, robust weekly training programs, and a culture that prioritizes employee loyalty. Comfort Systems has a reputation as an employer of choice in a tight labor market.

Aging Infrastructure: Aging infrastructure and rising energy efficiency standards are driving sustained investment in HVAC and MEP upgrades nationwide. The average U.S. commercial building is now over 50 years old, creating urgent demand for retrofit and modernization projects. Approximately 42% of Comfort Systems' revenue comes from retrofit/service work, both benefitting from this trend and creating a recurring revenue base that is resilient during construction downturns.

Surging Demand in Mission-Critical Infrastructure: Massive capital flows and federal subsidies are accelerating infrastructure buildouts across data centers, semiconductors, healthcare, and advanced manufacturing. The CHIPS Act is mobilizing over $280 billion in announced semiconductor fabrication projects in the U.S. On top of this, the Inflation Reduction Act (IRA) is directing over $370 billion toward clean energy and manufacturing incentives. According to CBRE, The U.S. data center market is projected to grow at a 10–12% CAGR through 2028, fueled by AI workload expansion and cloud computing growth. CBRE also forecasts that hyperscale data center construction will increase by ~30% by 2026 compared to pre-2023 levels. Healthcare construction remains a resilient secular trend, with hospital and outpatient facility spending expected to grow 5–6% annually through 2028, per Dodge Data

& Analytics. As of Q1 2025, Comfort Systems' $6.9 billion backlog up nearly $1 billion sequentially reflects surging demand across these sectors.

Investment Theses

Record Backlog Driven by Megatrends: Comfort Systems' $6.9 billion backlog, up $1 billion since the past quarter provides multi-year revenue visibility through 2026 and beyond, anchoring earnings growth even amidst potential macro volatility. With 37% of revenue tied to advanced technology customers and 62% to industrial sectors, we believe FIX is positioned to benefit from infrastructure investments in data centers, semiconductors, and advanced manufacturing, fueled by AI adoption, the CHIPS Act, and reshoring trends.

Decentralized Strength and Disciplined Expansion: Comfort Systems' decentralized operating model strengthens local execution while selective, cash-funded acquisition strategy drives further accretive growth on top of organic same-sales growth, all while being non-dilutive. Management's patience, paired with the leveraging of long-standing relationships, enables the company to opportunistically expand in a highly fragmented industry without the integration risks typical of roll-up models, while still having a long runway for expansion. This operating model, paired with this disciplined acquisition strategy primes FIX to grow earnings while maintaining financial resilience. Even outside of acquisitions, FIX boasts 15% top line same-store sales growth YoY, highlighting FIX's ability to grow organically.

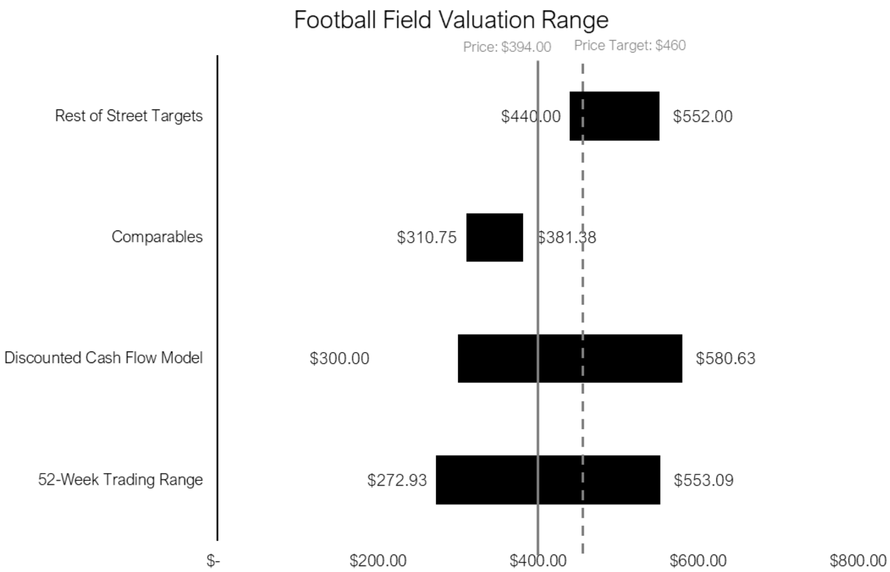
Modular Advantage: Modular construction provides a competitive advantage as demand for fast, labor efficient project delivery in mission-critical sectors booms. Modular construction allows Comfort Systems to mitigate skilled labor shortages, service the growing demand for data centers in remote markets and shorten project timelines. These are all key differentiators as backlogs continue to rise across data center, semiconductor and advanced manufacturing projects. Having continually invested in modular construction for a decade, FIX is well prepared to capture an outsized share of the secular infrastructure buildout.

Track Record and Strong Balance Sheet: Over 25 years of margin discipline, free cash flow generation, and dividend growth, combined with a net cash balance sheet, are clear indicators of Comfort Systems ability to compound over cycles. The company ended Q1 2025 with over $130 million in net cash and a Net Debt/EBITDA ratio near zero. This provides flexibility to fund growth in further acquisitions as we've seen with the acquisition of Century Contractors (southeastern mechanical contractor) in Q1 2025. Overall, we believe FIX's long-standing operational and financial conservatism reinforces its ability to deliver sustainable value.

Price Target & Valuation

Our analysis gives ($FIX) a price target of **$475.00** and an **Overweight** rating.

Our DCF-based valuation is based on organic growth without modeling future acquisitions explicitly. However, given Comfort Systems' proven track record of disciplined, cash-funded, accretive M&A, we view acquisitions as a potential source of upside to our base case estimates.



Potential Downsides to Our Rating

Macro Cycles: A broader economic slowdown could delay or reduce investment in the sectors FIX services. Comfort Systems' revenues are sensitive to macro cycles in non-residential construction, risking backlog and new bookings during downturns.

Supply Chain Disruption & Cost Inflation: Comfort Systems continues to face extended lead times for key equipment such as HVAC systems, switchgear, and large generators. Management anticipates these pressures may persist through 2025. Delays could impact project schedules, defer revenue recognition, or pressure margins if cost inflation outpaces contractual protections.

Our Price Target: $475.00

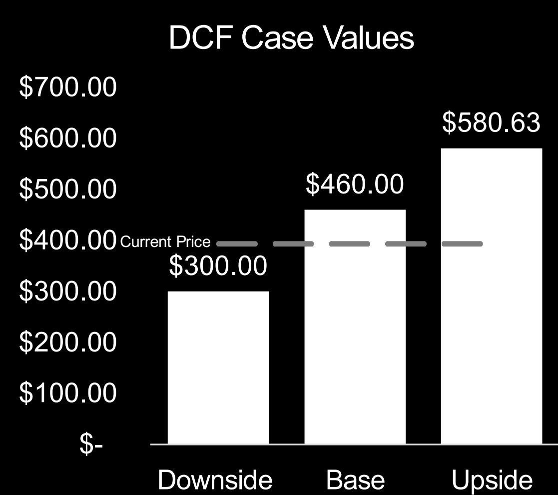
Our base case assumes high-single-digit organic revenue growth, stable margins, strong free cash flow generation, and continued secular demand across data centers, semiconductors, and advanced manufacturing. We model no contribution from future acquisitions. Given Comfort Systems' long-standing track record of disciplined, cash-funded, accretive M&A, we apply a modest premium to reflect potential upside from ongoing capital deployment.

Our Upside Case: $580.00

Our upside case assumes stronger-than-expected organic revenue growth driven by accelerated backlog expansion across mission-critical sectors. We assume Comfort Systems works through its elevated backlog more efficiently by improving project execution through modular and continued operational excellence.

Our Downside Case: $300.00

Our downside case assumes a moderation in infrastructure spending caused by a broader economic slowdown, slower backlog conversion due to supply chain disruption, and margin compression from rising labor costs and cost inflation. Under these conditions, organic revenue growth would slow to low-single digits, with margins contracting meaningfully.



Project Execution Risk: Earnings growth is dependent on operational excellence across a growing and increasingly complex backlog. Challenges in coordinating large-scale projects could pressure margins and revenue timing.

Projections

Income Statement ($mm)	2023A	2024A	2025E	2026E	2027E	CAGR%
Revenue	5,207	7,028	7,639	8,264	8,897	19.6%
EBITDA	490	892	956	1,022	1,086	30.4%
EBIT	409	746	805	865	925	31.3%
NOPAT	439	536	620	666	712	17.5%

Margin & Growth Data	2023A	2024A	2025E	2026E	2027E	AVG%
EBITDA Margin	9.4%	12.7%	12.5%	12.4%	12.2%	11.8%
EBIT Margin	7.9%	10.6%	10.5%	10.5%	10.4%	10.0%
Revenue Growth	25.8%	35.0%	8.7%	8.2%	7.7%	17.1%
EBIT Growth	62.0%	82.6%	7.8%	7.5%	7.0%	33.4%

Valuation Metrics	2023A	2024A	2025E	2026E	2027E	AVG%
P/FCF	27.1x	15.9x	17.3x	16.3x	15.4x	18.4x
EV/Sales	2.7x	2.0x	1.9x	1.7x	1.6x	2.0x
EV/EBITDA	15.9x	14.8x	13.9x	13.0x	12.3x	14.0x
FCF Yield	3.8%	6.4%	5.9%	6.2%	6.6%	5.6%

About $FIX

Comfort Systems USA, Inc. (NYSE: FIX) is a leading national provider of mechanical and electrical contracting services, specializing in heating, ventilation, and air conditioning (HVAC), plumbing, piping, electrical solutions, and modular construction. Headquartered in Houston, Texas, the company operates through a network of subsidiaries across the United States, serving diverse sectors including technology, healthcare, education, manufacturing, and commercial facilities.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry. **Underweight** means the team expects underperformance relative to the industry.

Appendix

DCF Analysis ($mm)	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/31/2028	FY2029 12/31/2029	FY2030 12/31/2030	FY2031 12/31/2031	FY2032 12/31/2032	FY2033 12/31/2033	FY2034 12/31/2034
Revenue	7,027.50	7,638.74	8,263.79	8,897.35	9,533.56	10,166.09	10,788.25	11,393.09	11,973.55	12,522.64	13,097.69
Revenue Growth	*35%*	*9%*	*8%*	*8%*	*7%*	*7%*	*6%*	*6%*	*5%*	*5%*	*5%*
Mechanical Services	5,527.60	6,000.52	6,487.23	6,984.58	7,489.02	7,996.61	8,503.06	9,003.80	9,494.01	9,968.71	10,467.14
Electrical Services	1,499.90	1,638.22	1,776.56	1,912.77	2,044.53	2,169.48	2,285.18	2,389.29	2,479.55	2,553.94	2,630.55
EBIT	746.34	804.61	864.94	925.32	985.13	1,043.72	1,100.40	1,154.50	1,205.34	1,252.26	1,309.77
EBIT Margin	*11%*	*11%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
Tax Expense	210.74	185.06	198.94	212.82	226.58	240.06	253.09	265.53	277.23	288.02	301.25
Effective Tax Rate	*28%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*
NOPAT	535.60	619.55	666.01	712.50	758.55	803.66	847.31	888.96	928.11	964.24	1,008.52
D&A	145.49	151.49	156.70	160.97	164.18	166.23	167.01	166.46	164.52	161.17	157.17
Capex	111.10	117.85	124.35	130.49	136.19	141.36	145.90	149.74	152.80	155.04	157.17
Changes in NWC	(322.30)	(162.71)	(170.23)	(177.06)	(183.04)	(188.07)	(192.03)	(194.82)	(196.37)	(196.61)	(196.47)
UFCF	892.28	815.90	868.59	920.03	969.59	1,016.61	1,060.45	1,100.51	1,136.19	1,166.98	1,204.99
PV of FCF	868.79	743.59	731.59	716.16	697.50	675.87	651.56	624.90	596.24	565.96	540.08

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.12%
Beta	0.99
Risk Free Rate	4.22%
Cost of Equity	8.11%
Weighted Average Cost of Debt	5.30%
Tax Rate	21.60%
Cost of Debt	0.09%
Total Equity	$13,912
Total Debt	$309
Equity/Total Capitalization	97.83%
Debt/Total Capitalization	2.17%
WACC	8.20%

Terminal Value	
Growth	2.50%
Terminal Value	$21,121.72
PV of Terminal Value	$9,467
PV of Projection Period	$7,412
Implied TEV	$15,551
(-) Debt	$309
(+) Cash	$550
Implied Equity Value	$15,792
Basic Shares Outstanding	35
Implied Share Price	447.6819165
Upside	13.51%

Implied BF EV/EBIT	$11.87

Terminal Value	
EV/EBITDA Exit Multiple	13x
Terminal Value	$19,070
PV of Terminal Value	$8,547
PV of Projection Period	$7,412
Implied TEV	$15,960
(-) Debt	$309
(+) Cash	$550
Implied Equity Value	$16,201
Diluted Shares Outstanding	35
Implied Share Price	$459.28
Upside	16.45%

Implied PGR	-5.16%

Blended Share Price	
Perpetutity Growth Method	50%
Exit Multiple Method	50%
Blended Share Price	$453.48
Upside/Downside	15.73%