



Comfort Systems USA, Inc. (FIX)

Updated April 26th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$397	5 Year CAGR Estimate:	18.7%	Market Cap:	\$14.0 B
Fair Value Price:	\$459	5 Year Growth Estimate:	15.0%	Ex-Dividend Date:	05/15/25
% Fair Value:	87%	5 Year Valuation Multiple Estimate:	2.9%	Dividend Payment Date:	05/27/25
Dividend Yield:	0.5%	5 Year Price Target	\$922	Years Of Dividend Growth:	13
Dividend Risk Score:	A	Sector:	Industrials	Rating:	Buy

Overview & Current Events

Comfort Systems USA provides mechanical and electrical contracting services across the U.S. The company specializes in HVAC, plumbing, piping, controls, and electrical system installations and services, running 47 units with 178 locations in 136 cities. Serving primarily commercial, industrial, and institutional markets, Comfort Systems USA works in sectors like manufacturing, healthcare, education, and government. The company generated \$7.0 billion in revenues last year, with 56.7% of it coming from new facility installations and 43.3% coming from services for existing buildings.

On April 24th, 2025, Comfort Systems raised its dividend by 12.5% QoQ or 50% YoY to a quarterly rate of \$0.45.

On the same day, the company posted its Q1 results for the period ending March 31st, 2025. Revenue for the period was \$1.83 billion, up 19.1% compared to last year. The rise included strong same-store activity growth and contributions from acquisitions. The same-store revenue growth was largely driven by continued strength in market conditions, particularly in data centers and chip plants. The mechanical segment recorded revenue growth of over 20% year-over-year, fueled by robust organic growth in construction and services. The electrical segment also maintained solid performance, reflecting sustained demand.

EPS increased by about 76% to \$4.75. The company's backlog remained strong, reaching \$6.89 billion at the end of March, compared to \$5.99 billion in December and \$5.91 billion last year. For FY2025, we believe the company will achieve EPS of \$19.94.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.32	\$1.74	\$1.48	\$3.03	\$3.10	\$4.11	\$3.95	\$6.84	\$9.03	\$14.64	\$19.94	\$40.11
DPS	\$0.25	\$0.28	\$0.30	\$0.33	\$0.40	\$0.43	\$0.48	\$0.56	\$0.85	\$1.20	\$1.80	\$3.62
Shares¹	37.9	37.8	37.7	37.6	37.1	36.7	36.5	36.0	35.9	35.8	35.6	34.0

Over the past decade, Comfort Systems USA's sales growth has been fueled by several key factors. The rising demand for energy-efficient HVAC and electrical systems, driven by increasing awareness of sustainability and stricter environmental regulations, has been a major contributor. As businesses and institutions have prioritized reducing energy consumption and meeting green building standards, the need for modern, efficient mechanical and electrical systems has surged.

Also, the growth in construction and renovation activities across the commercial, industrial, and institutional sectors has driven demand for the company's installation and maintenance services. The growth of healthcare facilities, educational institutions, and tech hubs has further contributed to this growth, as these sectors require sophisticated and reliable mechanical, electrical, and plumbing (MEP) systems.

These factors led to revenues growing at a CAGR of 17.4% between 2015 and 2024. EPS grew at a CAGR of 30.6% during this period, further boosted by an underlying margin expansion and modest buybacks. The company has also grown its dividend for 13 consecutive years, at a CAGR of 19.0% over the past decade. It's also worth noting that the company's massive backlog provides significant cash flow visibility.

¹ Share count is in millions.

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Looking ahead, the company is well-positioned to continue its growth trajectory. The ongoing demand for energy-efficient HVAC and electrical systems, driven by trends in sustainability and regulatory changes, will likely drive new business opportunities. For this reason, we have our earnings and dividend growth at 15% through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.2	17.2	23.3	14.8	16.1	11.0	17.6	13.6	15.9	19.7	19.9	23.0
Avg. Yld.	1.2%	0.9%	0.9%	0.7%	0.8%	1.0%	0.7%	0.6%	0.6%	0.4%	0.5%	0.4%

Comfort Systems USA has historically traded at a P/E in the mid-teens. The stock is now trading at roughly 20 times our expected EPS. This above-average multiple is due to exceptional revenue growth along with a margin expansion that has led to exceptional earnings growth prospects. We believe the company’s growth deserves a premium. In fact, we have set our fair multiple to a more bold 23 times earnings. Regarding the yield, it has historically been weak. While the company has grown the dividend rapidly, share price gains have outpaced this growth. We expect this trend to endure.

Safety, Quality, Competitive Advantage, & Recession Resiliency

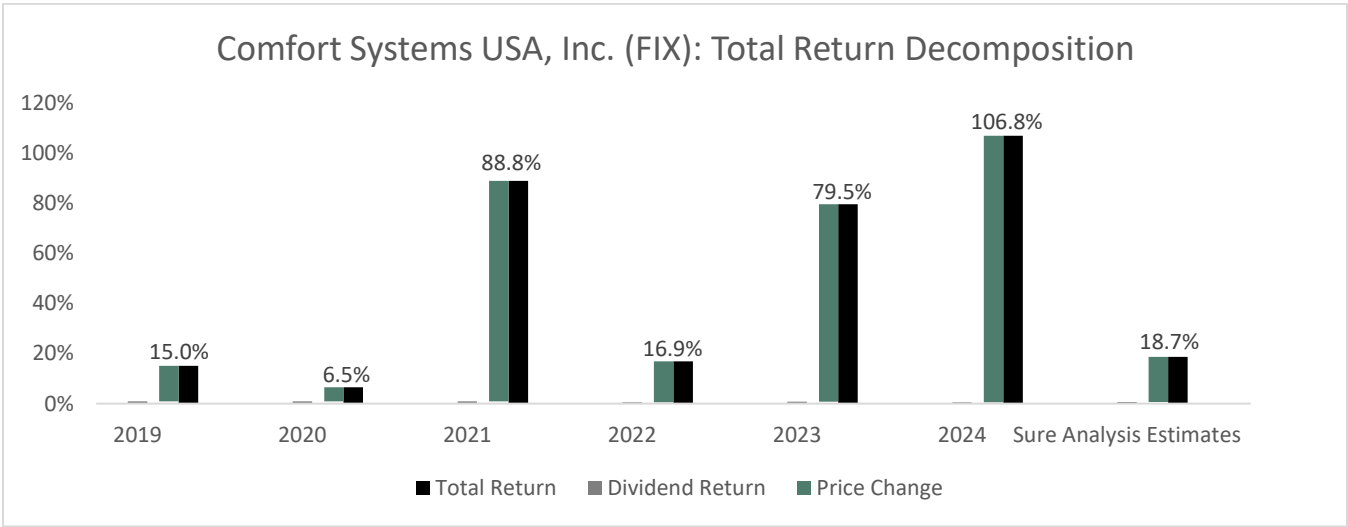
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	19%	16%	20%	11%	13%	10%	12%	8%	9%	8%	9%	9%

Comfort Systems USA as several qualities, such as a diversified service portfolio and a broad geographic which provide a competitive edge. Its expertise in critical services like HVAC, electrical, and plumbing systems gives it a stable demand, particularly in areas like healthcare and education, which are less sensitive to economic downturns. The company's ability to secure long-term contracts for maintenance and upgrades ensures steady revenue streams too. However, despite these strengths, the company's reliance on new construction projects, which are more vulnerable to economic cycles, could pose challenges during a recession. Regardless, we believe the dividend is safe.

Final Thoughts & Recommendation

Comfort Systems USA has experienced strong growth thanks to rising demand for energy-efficient systems and its broad service capabilities across key sectors. Its diverse service offerings and extensive geographic presence provide stability and competitive advantages, though its dependence on new construction projects can introduce some variability. We believe the stock can achieve annualized returns of 18.7% moving forward, driven by our growth estimates, the tiny dividend, and by possibility of a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,581	1,634	1,788	2,183	2,615	2,857	3,074	4,140	5,207	7,027
Gross Profit	318	344	366	446	502	547	563	742	991	1,476
Gross Margin	20.1%	21.0%	20.5%	20.4%	19.2%	19.1%	18.3%	17.9%	19.0%	21.0%
SG&A Exp.	229	243	267	297	340	358	376	489	574	730
D&A Exp.	23	26	37	43	52	61	69	81	82	145
Operating Profit	89	101	100	149	162	189	187	252	416	746
Operating Margin	5.6%	6.2%	5.6%	6.8%	6.2%	6.6%	6.1%	6.1%	8.0%	10.6%
Net Profit	49	65	55	113	114	150	143	246	323	522
Net Margin	3.1%	4.0%	3.1%	5.2%	4.4%	5.3%	4.7%	5.9%	6.2%	7.4%
Free Cash Flow	77	68	79	120	110	262	158	253	545	738
Income Tax	31	36	46	36	37	41	47	(10)	65	144

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	692	709	881	1,063	1,505	1,757	2,209	2,597	3,306	4,711
Cash & Equivalents	56	32	37	46	51	55	59	57	205	550
Acct. Recv.	302	319	383	481	619	620	774	1,024	1,319	1,861
Inventories	8	9	10	12	10	13	22	35	66	59
Goodwill & Intang.	185	192	277	330	492	696	897	886	947	1,310
Total Liabilities	327	332	463	565	920	1,061	1,403	1,598	2,028	3,006
Accounts Payable	107	103	132	176	196	204	255	337	420	655
Long-Term Debt	11	3	61	77	226	236	388	256	44	68
Shareholder's Equity	347	377	418	498	585	696	806	1,000	1,278	1,705
LTD/E Ratio	0.03	0.01	0.14	0.15	0.39	0.34	0.48	0.26	0.03	0.04

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.3%	9.3%	7.0%	11.6%	8.9%	9.2%	7.2%	10.2%	11.0%	13.0%
Return on Equity	14.4%	17.5%	13.9%	24.7%	21.1%	23.4%	19.1%	27.2%	28.4%	35.0%
ROIC	13.4%	17.2%	12.9%	21.4%	16.5%	17.2%	13.5%	20.1%	25.1%	33.8%
Shares Out.	37.9	37.8	37.7	37.6	37.1	36.7	36.5	36.0	35.9	35.8
Revenue/Share	41.74	43.22	47.46	58.07	70.43	77.76	84.32	114.86	145.06	196.44
FCF/Share	2.03	1.80	2.09	3.19	2.97	7.14	4.33	7.02	15.18	20.63

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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