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A Strong Balance Sheet And The Ability To Grow Through Acquisitions As Well As A Growing Service Component Has Comfort Systems USA, Inc. Positioned To Capture Market Share In The HVAC Installation And Service For The Commercial, Industrial And Institutional Space In 2010

**Industrial Goods
General Contractors
(FIX-NYSE)**

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William F. Murdy
**Chairman, CEO, Interim President
and Chairman of Fin. Committee**

BIO:

William F. Murdy is Chairman and Chief Executive Officer of Comfort Systems USA (NYSE:FIX), a \$1 billion company providing heating, ventilation, air conditioning (HVAC) installation and services in the commercial/industrial sector countrywide. Comfort Systems operates from over 75 locations employing more than 6,000 people.

Prior to Comfort he was President and Chief Executive Officer of Club Quarters,

a privately owned, rapidly growing chain of membership hotels catering to corporate travelers to major cities in the U.S. and Europe. Until July of 1999, he was Chairman, President and CEO of Land-Care USA, Inc. (NYSE: GRW). Land-Care grew to be the country's largest commercial landscape and tree services company (\$500 MM revenues) before merging with ServiceMaster (NYSE:SVM) in 1999. Prior to Land-Care, Mr. Murdy was President and Chief Executive Officer for 8 years of General Investment and Development, a large, privately held, diversified real estate investment, development and operating company, and before that, from 1981 to 1989, Managing General Partner of the Morgan Stanley Venture Capital Fund and President of its associated management company. From 1974 to 1981 he served in a number of positions including chief operating officer of Pacific Resources (NYSE: PRI), a rapidly growing \$1 billion company in the oil and gas sector.

He is a graduate of the Harvard Business School and the United States Military Academy at West Point. He served in the United States Army from 1964 to 1974, including two tours of duty in Viet Nam and three years teaching at West Point. He serves on the Board of Directors, as well as, the Audit and Compensation Committees of UIL Holdings (NYSE: UIL); the Board and is the Chairman of the Compensation Committee of Kaiser Aluminum (NASDAQ: KALU); and the Boards Compact Power Equipment Company. He is a member of the National Board and Executive Committee of Business Executives for National Security, the

Vietnam Veterans Memorial Corporate Council and the Council of Foreign Relations. He is married with two grown children and resides in New Canaan, Connecticut and Houston, Texas.

Company Profile:

Comfort Systems USA is a leading national installation and service provider for heating, ventilation, and air conditioning systems, and related mechanical services in the commercial, industrial, and institutional markets.

**Interview conducted by:
Walter Banks, Publisher**

CEOCFO: Mr. Murdy, the economy had its problems in 2009; would you reflect on that and if it affected you industry and specifically, Comfort Systems USA?

Mr. Murdy: There is no doubt that we are in a challenging economy, especially as it relates to non-residential construction, which is the focus of Comfort Systems USA. We are both in the non-residential construction and the service business, all in the commercial / industrial area. The story of 2009 for us was that we basically worked off a very large and robust backlog that we had established prior to 2009. The difference in our backlog from the start of 2009 to the end is somewhat breath taking in the sense of overall volume. We have returned to the levels of backlog that we had in 2005 and 2006. We, however believe that we have reached a stable point here, which is to say that we are adding as much to our construction backlog as we are working off. But 2010 will be challenging. Non-residential construction activity lags the general economy by 12 to

18 months, because there is so much planning, permitting and financing related to non-residential construction. Of course, we have a very substantial service business, which is basically a business that is done where there already are commercial industrial HVAC installations. I would admit that some of that service had been deferred, but we are seeing that stabilize as well and people are starting to maintain, service, repair and retrofit their equipment, but not at the pace that we saw in 2007/2008. So we are in a challenging time, but our focus has been on productivity and it has held us in good stead for 2009 and we think it will in 2010.

CEOCFO: Have the banking difficulties affected Comfort Systems and/or the industry?

Mr. Murdy: It certainly has affected the pace and size of new non-residential development. There is no doubt about that. We operate in some sectors where the effect has not been as great, mainly the government and schools and hospital sector. In fact, more than half of our construction revenues come from those sectors. We ourselves have not been affected by any financing problems in the sense that we don't borrow any money. We have substantial cash on the balance sheet, so we aren't affected, but the people that we work with and for have been.

CEOCFO: You have cash on your balance sheet, you have a growth strategy of both organic and acquisitions; how did that balance out over 2009 and what does it look like for the future?

Mr. Murdy: Our organic growth was flat to down for 2009 and in 2010, I think that will be repeated. The economy and the non-residential piece of it is just not growing. I think that we will be able to maintain our current levels on the same store basis, but we are looking to add operations to Comfort Systems. We just recently announced the acquisition of two fairly large companies; one in Raleigh, North Carolina and another in Nashville, Tennessee. In addition, we have added a

number of smaller companies, which will probably operate independently for a while, but they will be adjuncted to other operations going forward. We will continue our efforts to find the best companies that are available in jurisdictions where we are not physically represented. We have a fairly large target list of cities in that regard. The summary is that organic growth will be flat and that acquisitions will continue. People ask us all of the time, 'with economic conditions where they are, aren't a lot of people interested in selling? The answer is yes, but were interested in good companies and their motivation for becoming part of Comfort Systems are not solely based on this economy. A lot of these good companies have been through difficult times

We are certainly a stable platform; we have a very solid balance sheet, we've got opportunities to grow our company via acquisitions, as well as, organic growth. Additionally, we have the service component to our company. Remember we are installing mechanical equipment in these commercial non-residential installations and they need service, repair, retrofit on a continuing basis. That business will go on. Then if you add to that the continuing and growing interest in energy efficiency that we can assist with, I think that we have a pretty good story, as long as you keep operating efficiently, which is one of the hall marks of what we do.

- William F. Murdy

before but there are other motivations for them wanting to come to Comfort Systems, whether it is estate planning or simply wanting to become part of a larger more professional organization.

CEOCFO: You have a strong balance sheet; is that typical in your industry or is that kind of the divider between you and your competition?

Mr. Murdy: Actually, it is becoming more typical for people to operate with more of a cushion. Right now, the public construction, architect engineering construction, construction management firms do generally are not levered substantially. I think the same private companies, and of course there are no statistics generally available, but a lot of the private companies have borrowed and they are concerned about that going forward in an

economy like this. So it is a competitive advantage and one of the big advantages of having a strong balance sheet is that our surety is willing to bond most things that they can put in front of us. They depend on our balance sheet strength.

CEOCFO: As you go forward, are you still in the position where you won't need to borrow to grow your business should you see another potential acquisition or as you begin to blend in your recent acquisitions?

Mr. Murdy: In a word, yes. We have substantial cash and our last report something in excess of \$100 million. However, we are not going to use that all to make acquisitions. When we acquire a company, we use our cash and ask the owners

of that company to take back some debt, and we also structure earn outs. So we don't use all cash to buy companies. We are still very careful with our cash and we are going to always operate that way. We have been in a situation where we were over levered and that wasn't very comfortable.

CEOCFO: Are you still spending a lot on training your employees or has that come down since we spoke last?

Mr. Murdy: We are continuing to train, especially at the local level and we do national training. We had truncated it

some in 2009 as an economic measure, but we will start that up in earnest in 2010. We've had some pretty good momentum from past training that we had done corporately.

CEOCFO: You have a very large, nationwide business; how do you keep it all together?

Mr. Murdy: I think we have a pretty good system. Comfort System is as strong as its operating constituents parts. They have a lot of autonomy, as we are trying to preserve the entrepreneurial drive that exists in those operations. From a central source, we are providing them various resources including procurement, legal, healthcare, 401K, training and surety. However, we are not deciding their day-to-day activities. So when you say, keep it

together, it stays together because it makes sense to stay together, not because we are mandating it to stay together.

CEO CFO: Address potential investors who may be looking at Comfort Systems USA and why they should consider you?

Mr. Murdy: We are certainly a stable platform; we have a very solid balance sheet, we've got opportunities to grow our company via acquisitions, as well as, organic growth. Additionally, we have the service component to our company. Remember we are installing mechanical equipment in these commercial non-residential installations and they need service, repair, retrofit on a continuing basis. That business will go on. Then if you add to that the continuing and grow-

ing interest in energy efficiency that we can assist with, I think that we have a pretty good story, as long as you keep operating efficiently, which is one of the hall marks of what we do.

CEO CFO: So you have multiple revenue opportunities that you can lean on?

Mr. Murdy: You can say that. We have the construction side of our business, we have maintenance, both periodic and casual maintenance, and then we've got repair and retrofit. Ultimately, all mechanical equipment needs to be repaired and retrofitted. It can not last forever and it doesn't operate efficiently forever. So we have the opportunities for future business out there for us. It is competitive, as there is a lot of people doing it, but we think

that we are very good at it and have demonstrated a lot of productivity.

CEO CFO: Final thoughts, the installation of HVAC for commercial, industrial and institutional markets is a large industry at about \$40 billion, with Comfort Systems USA having about 3% of that; do you see that changing over the coming year?

Mr. Murdy: We are growing our base by bringing in new entities, so certainly we will grow the 3%. I think the total volume of business in the sector is probably stabilized for a while and not going to grow overall, but we will grow because we are adding new companies.

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