FIX gideon lens

Comfort Systems USA, Inc. (FIX) - Gideon-Lens Equity Research

Date: 2026-04-30. Analyst: Codex ER2. Current price: $1,726.27. Market cap: about $60.8B. Fiscal year end: December 31.

VERDICT BLOCK

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	PASS	Long-tenured operators, coherent capital allocation, candid disclosure, succession watch.
Moat	PASS	Execution moat passes 2046 test, but margins normalize.
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base cushion -43.8%; bull still -23.0%.
Compounder Score	Audited 68 / 100	Audited 68 / 100. Comfort Systems remains a high-quality physical-infrastructure compounder, but the score is pulled down by peak-cycle margin risk, disclosure gaps, and failed 20% underwriting at the packet price.
Business Quality Score	Audited 64 / 80	Audited 64 / 80. ROIC, acquisition-inclusive ROIIC, FCF conversion, net cash, management, and moat evidence are strong, but the score is capped by contractor cyclicality, limited submix disclosure, and unproven modular/acquisition returns.
20% Return UW Score	Audited 4 / 20	Audited 4 / 20. The strict 15x-exit case fails in bear, base, and bull; favorable IRRs require sustained premium multiple support rather than a true base-case 20% setup.

One-line thesis (or reason to pass): Comfort Systems is an excellent operator levered to real AI/data-center infrastructure demand, but the current price already capitalizes an outcome beyond the reviewed bull case.

Kill / trigger criteria:

- BUY trigger: price below about $970, the base-case EPS of $64.70 capitalized at 15x; below $900 would provide a modest margin of safety.
- PASS triggers: same-store growth below 15% plus consolidated margin below 13.5% over the next two quarters; Mechanical margin below 14.0%; backlog above $10B that does not convert into revenue and cash flow.
- Upgrade to BUY conditions: either the price falls to the base-case 15x zone, or new segment disclosure proves durable high-margin service/modular mix that lifts confident horizon EPS toward $115 without relying on a higher multiple.

Position sizing if bought: 0% today under ER2 discipline. If price later clears the gate, cap at 3% because the business is high quality but project-cycle and margin-normalization risk remain meaningful.

Stage 0 - Time Anchor

Today is 2026-04-30. Comfort Systems USA uses a December 31 fiscal year end. The most recently reported quarter is Q1 2026, period ended March 31, 2026. The TTM anchor is Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026, which means TTM ending March 31, 2026. The forward horizon is exactly five calendar years from that TTM end date: March 31, 2031. All "FY+5" references in this report mean that TTM+5 calendar-year horizon, not FY2025 plus six years and not a fiscal-year shortcut.

Stage 1 - Disqualifier Sweep

The auto-disqualifier sweep did not produce a red stop. ROIC is green/yellow because FY2025 ROIC is roughly 53% on a normalized-tax basis, though the current boom mix should not be overcapitalized. FCF conversion is green, with TTM FCF of about $1.383B against TTM net income of $1.224B. Net debt / EBITDA is green because the Q1 2026 balance sheet has about $672M of net cash. End-markets are green/yellow: data centers, advanced technology, service, and technical infrastructure are strong, but project timing and power constraints matter. Governance is green/yellow, with solid alignment and no fatal flags but a succession watch item. AI disruption exposure is green because AI is a demand driver for physical infrastructure rather than a direct substitute for field execution. Pricing power is yellow: recent margins show execution scarcity, but this remains competitively bid project work, not a SaaS-like recurring escalator.

Management

Management clears the gate. The appendix credits CEO Brian Lane and CFO William George with the current strategy and with a long operating record that shows up in revenue growth, margin improvement, net cash, and disciplined capital allocation. The team has not behaved like a promotional serial acquirer: M&A and capacity investments have been tied to operating needs, dividends and buybacks are secondary, and balance-sheet flexibility remains intact. The Trent McKenna President/COO appointment looks like planned internal succession rather than a disruptive reset. Compensation is reasonably aligned through EPS, FCF, relative TSR, ownership requirements, clawback, and anti-hedging policies. The management review did identify monitoring items: CEO age, acquisition integration, insider selling after a large stock move, and returns on the higher modular/off-site capex program. Those are real watch items, but not enough to impair the gate.

Moat

The moat gate also passes, including the 2046 test, but the moat is execution-based rather than software-like. Comfort's defensibility comes from high-trust procurement, scale, bonding credibility, skilled labor access, complex project delivery, and installed relationships across mechanical/electrical systems. Mechanical is the stronger moat segment because thermal complexity, controls, monitoring, service adjacency, and installed-base work create better follow-on economics. Electrical has strong current scarcity value in data-center and high-density power work, but it is more exposed to project-cycle and standardization risk. AI is more likely to increase demand for the company's infrastructure work than replace it, although AI tools and modularization may pressure some workflow advantages over time. The 2046 case is credible if Comfort remains a scaled physical-infrastructure platform with normalized margins below today's peak, not if one assumes current scarcity rents last forever.

Stage 5 Synthesis

The synthesis is the core reason for the PASS. The business model is strong in the base case: TTM revenue of $10.136B grows to $18.809B by March 31, 2031, and operating income grows from $1.591B to $2.935B. Base net income reaches $2.260B and EPS reaches $64.70 on an explicitly modeled share count of 34.924M. That is not a bearish operating model. Mechanical grows from $7.332B of TTM revenue to $12.921B at a 12.0% five-year CAGR and 16.5% endpoint margin. Electrical grows from $2.804B to $5.888B at a 16.0% five-year CAGR and 15.5% endpoint margin. Corporate overhead is included, growing from about $86M to $110M.

Case	Revenue	OI	OI margin	NI	EPS	EPS x 15	Vs. $1,726.27
Bear	$14.892B	$1.967B	13.2%	$1.476B	$42.25	$633.82	-63.3%
Base	$18.809B	$2.935B	15.6%	$2.260B	$64.70	$970.57	-43.8%
Bull	$22.977B	$3.950B	17.2%	$3.096B	$88.66	$1,329.91	-23.0%

The required EPS for a 15x P/E at the current price is $115.08. Base EPS is short by $50.38. Even bull EPS is short by $26.42. The synthesis passed all 11 arithmetic tie-outs, including TTM segment-to-consolidated revenue and operating income, NI / shares = EPS, horizon segment sums, explicit share-count path, recency anchor, tax/below-OP tie-out, and the P/E 15 math. The conclusion is therefore not a data-quality problem. It is a valuation problem.

Red Team

The red team agrees that the company is high quality, but it is more negative on the stock setup than the qualitative gates. The strongest bear argument is that FIX is priced as if peak AI/data-center scarcity economics are permanent, even though the reviewed base and bull cases both fail the P/E 15 gate. The most likely optimistic Stage 5 number is base operating income of $2.935B, because it assumes nearly doubled revenue while holding a mid-teens contractor margin. The red-team exit signal is precise: over the next two reported quarters, same-store growth below 15% combined with consolidated margin

below 13.5%, or Mechanical margin below 14.0%, while backlog remains above $10B. That combination would indicate that backlog is no longer converting into the scarce-capacity economics embedded in the model.

Kill / Trigger Criteria

- Price trigger: revisit aggressively below about $970, and preferably below $900, unless new data materially lifts the confident EPS base.
- Business trigger: require sustained backlog conversion into same-store growth above 15% and consolidated margins above 13.5% through harder comps.
- Upgrade trigger: segment-level disclosure showing durable high-margin service/modular/data-center mix, not just headline backlog.
- Exit / avoid trigger: high backlog with margin compression, cash-flow deterioration, or Mechanical margin below 14.0%.

Analyst Flags

The biggest data limitation is that Comfort discloses only Mechanical and Electrical at the reportable-segment level. Data centers, modular/off-site construction, service, and advanced technology are real drivers, but not separately disclosed in reliable dollars. That prevents a product-level durability proof. The QF/QFR gate also found and corrected a small but important official operating-income issue: Q1 2026 official OI is $485.718M, not the FMP pre-gain-on-sale figure of $485.416M, and the final TTM official OI control is $1.591209B. Final verdict: PASS because quality is not enough when base and bull fail the 15x five-year EPS test.

Appendix A - Company Primer

Comfort Systems USA, Inc. (FIX) - Company Primer

Source Protocol and Time Anchor

This appendix is Sub-Agent A's reader-facing company primer for Comfort Systems USA, Inc. ("Comfort Systems" or "FIX"). Financial figures are anchored to the cleared quantitative foundation at `C:\Users\Admin\OneDrive\GPT\ER 2.0\Comfort Systems USA, Inc\quant_foundation.md`, which was verified by the quantitative foundation reviewer with `QUANT FOUNDATION VERIFIED - CLEARED FOR WAVE 1`. The data package in this folder was still a stub at the time this appendix was written, so this primer does not rely on it for qualitative context. Qualitative business context comes from live primary sources: the company's SEC-filed FY2025 Form 10-K, Q1 2026 Form 10-Q, and Q1 2026 earnings release filed as Exhibit 99.1.

Stage 0 anchor: today is 2026-04-30; Comfort Systems' fiscal year ends December 31; the most recently reported quarter is Q1 2026, period ended March 31, 2026; the TTM window is Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026, ending March 31, 2026; the forward horizon is March 31, 2031.

Primary live source links used for qualitative context:

- [FY2025 Form 10-K, filed with SEC](https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm)
- [Q1 2026 Form 10-Q, filed with SEC](https://www.sec.gov/Archives/edgar/data/1035983/000110465926047689/fix-20260331x10q.htm)
- [Q1 2026 earnings release, SEC Exhibit 99.1](https://www.sec.gov/Archives/edgar/data/1035983/000110465926047679/fix-20260423xex99d1.htm)

1. Business Overview

Comfort Systems is a U.S. mechanical and electrical contracting company. It designs, builds, installs, maintains, repairs, replaces, and monitors mechanical, electrical, and plumbing systems in commercial, industrial, institutional, technology, healthcare, education, government, retail, office, and multi-family facilities. In plain English, it is one of the contractors that makes large buildings physically work: air moves, water flows, power is distributed, controls are integrated, and complex equipment can be installed and serviced safely.

The company's FY2025 Form 10-K describes 50 operating units with 190 locations in 142 U.S. cities. That matters because the business is local and project-specific rather than a centralized product sale. Customers typically buy through bidding, negotiated project awards, design-assist relationships, service agreements, and repeat local relationships. Comfort Systems' buyer is usually a building owner, general contractor, industrial customer, institutional facility operator, healthcare system, technology campus operator, manufacturer, or government-related customer. The customer is not buying a generic HVAC unit or a commodity electrician hour; it is buying project execution, labor availability, engineering coordination, prefabrication capability, code compliance, bonding credibility, schedule reliability, and accountability for systems that are expensive to fix if delivered wrong.

The company's work sits between cyclical construction activity and recurring building-services demand. New construction was 63.2% of FY2025 revenue, while existing-building construction, service projects, and service calls/maintenance/monitoring together represented the remaining 36.8%, according to the FY2025 Form 10-K disaggregation table. That mix is important for quality assessment. New construction and large retrofit work can grow quickly when end-market demand is strong, but it also carries fixed-price estimate risk, labor planning risk, and project timing risk. Service, maintenance, repair, replacement, monitoring, and building-automation work are smaller-ticket, more recurring, and often tied to the aging installed base of building systems.

The company reports two segments: Mechanical and Electrical. The mechanical segment includes HVAC, plumbing, piping, controls, off-site construction, monitoring, and fire protection. The electrical segment includes installation and servicing of electrical systems. The SEC segment note explicitly states that mechanical systems tend to require ongoing maintenance and monitoring, while electrical systems generally do not to the same degree, although installation and retrofit business models are similar between the two segments. That is the core economic distinction between the segments: both are

project-execution businesses, but mechanical has more natural follow-on service density.

2. Revenue Architecture

Comfort Systems' cleared quant foundation reports FY2025 consolidated revenue of $9.102 billion and TTM revenue of $10.136 billion through March 31, 2026. FY2025 revenue grew 29.5% from FY2024's $7.027 billion, and the TTM revenue base already exceeds FY2025 because Q1 2026 was materially larger than Q1 2025. In Q1 2026 alone, revenue was $2.865 billion versus $1.831 billion in Q1 2025, according to both the quant foundation and the SEC-hosted Q1 2026 release.

Segment Mix

Segment	FY2025 revenue	FY2025 % of total	TTM revenue ending Mar. 31, 2026	TTM % of total
Mechanical Segment	$6,673.7m	73.3%	$7,332.2m	72.3%
Electrical Segment	$2,427.9m	26.7%	$2,803.5m	27.7%
Total	$9,101.6m	100.0%	$10,135.7m	100.0%

The Mechanical segment is the larger business. It covers HVAC, plumbing, piping, controls, off-site construction, monitoring, and fire protection. A mechanical project can involve installing a data center cooling system, fabricating and installing industrial piping, building hospital mechanical infrastructure, maintaining building automation controls, or replacing HVAC systems in an existing facility. Mechanical revenue is a blend of large project work and service work. The segment generated FY2025 operating income of $999.5 million, or a 15.0% operating margin, and TTM operating income of $1.225 billion. That TTM operating income was built from official SEC segment data for Q2 2025, Q3 2025, derived Q4 2025, and Q1 2026, not from a stale annual proxy.

The Electrical segment installs and services electrical systems. The segment has become more important because technology customers, especially data center and advanced technology projects, need heavy electrical infrastructure. Electrical revenue was $2.428 billion in FY2025, up 61.9% from FY2024, and TTM revenue was $2.804 billion. FY2025 operating income was $387.5 million, or a 16.0% operating margin, and TTM operating income was $452.6 million. The FY2025 10-K attributes a large portion of the same-store electrical revenue increase to the technology sector at the company's Texas electrical operation.

Comfort Systems is almost entirely U.S.-based. The FY2025 10-K says it builds, installs, maintains, repairs, and replaces systems throughout the United States through its operating locations. For investor purposes, this means the revenue architecture is not a global currency or geopolitical mix story. It is a U.S. nonresidential construction, industrial capacity, data center, healthcare, education, government, and building-services story.

Customer and Activity Mix

The FY2025 10-K's revenue disaggregation shows the magnitude of the technology customer shift. Technology customers were $4.099 billion, or 45.0% of FY2025 revenue, up from $2.331 billion, or 33.2% of FY2024 revenue, and $1.114 billion, or 21.4% of FY2023 revenue. Manufacturing was the second-largest disclosed customer type at $2.012 billion, or 22.1% of FY2025 revenue. Healthcare was $811 million, education $665 million, government $457 million, office buildings $447 million, retail/restaurants/entertainment $338 million, multi-family and residential $131 million, and other $143 million.

The activity mix is also revealing. FY2025 new construction revenue was $5.753 billion, or 63.2% of revenue. Existing-building construction was $2.118 billion, or 23.3%; service projects were $569 million, or 6.2%; and service calls, maintenance, and monitoring were $662 million, or 7.3%. The practical implication is that the current revenue base is being pulled by large project demand, not merely by recurring service. The service base still matters because it creates customer touchpoints, but the current growth profile is tied heavily to major projects in technology and manufacturing.

3. Unit Economics

Comfort Systems turns a dollar of revenue into profit through project selection, labor productivity, material purchasing, subcontractor management, field execution, estimating discipline, and local operating leverage. Its accounting also matters: under the 10-K revenue policy, revenue can be recognized under fixed-price arrangements or cost-plus arrangements, and fixed-price project revenue is recognized over time under a cost-to-cost input method. That means the company's reported margin reflects management's current estimate of total project cost and completion status. If estimates are accurate and execution is strong, revenue and profit are recognized as work is performed. If estimates prove too optimistic, prior profit can

be reversed.

At the consolidated TTM level, the quant foundation reports $10.136 billion of revenue, $2.547 billion of gross profit, and official-source operating income of $1.591 billion. That implies a TTM gross margin of roughly 25.1% and operating margin of roughly 15.7%. Net income was $1.224 billion and arithmetic diluted EPS was $34.64. These margins are unusually high for a contractor, so they should be treated as a central question for the rest of the ER2 process, not as a normalized assumption. The main drivers appear to be strong project demand, mix shift toward technology work, backlog quality, operating leverage on SG&A, and scale benefits in labor deployment and prefabrication.

Mechanical economics are driven by labor efficiency, engineering complexity, prefabrication and modular work, controls expertise, service attachment, and the ability to coordinate many building systems. In FY2025, Mechanical reported $6.674 billion of revenue, $1.572 billion of gross profit, $574 million of SG&A, and $999.5 million of operating income. Its operating margin rose from 7.4% in FY2022 to 9.1% in FY2023, 11.2% in FY2024, and 15.0% in FY2025. The segment's TTM operating margin was about 16.7% on $7.332 billion of TTM revenue. The right question is how much of that improvement is durable execution capability versus favorable mix and cycle.

Electrical economics are similarly project-sensitive, but with less natural recurring maintenance density than mechanical. The segment's FY2025 gross profit was $623.5 million on $2.428 billion of revenue, with SG&A of $236.6 million and operating income of $387.5 million. Its operating margin improved from 6.4% in FY2022 to 8.8% in FY2023, 12.9% in FY2024, and 16.0% in FY2025. TTM operating margin was about 16.1% on $2.804 billion of TTM revenue. The sharp step-up is consistent with technology-sector electrical demand, but it increases sensitivity to a cooling in data center and advanced technology projects.

Capital intensity is modest relative to earnings, though it is not zero. The quant foundation reports TTM capex of $280.2 million against TTM operating cash flow of $1.663 billion and free cash flow of $1.383 billion. FCF conversion was 113.0% of net income for the TTM period. Q1 2026 capex was elevated at $147.5 million, so the capex burden should be watched as the business scales. Still, the model is mainly a labor/project-execution model rather than a heavy plant-and-equipment manufacturer.

4. Growth Engine: Demand, Backlog, and Project Pipeline

Comfort Systems' near-term growth engine is backlog and project demand in technology and manufacturing markets. FY2025 backlog was $11.945 billion, up 99.3% from $5.994 billion at year-end 2024. The Q1 2026 release then reported backlog of $12.45 billion as of March 31, 2026, compared with $11.94 billion at December 31, 2025 and $6.89 billion at March 31, 2025. On a same-store basis, backlog grew from $6.89 billion to $12.21 billion year over year. That means the backlog growth was not merely acquired backlog.

Backlog should not be over-interpreted. The 10-K states that backlog reflects revenue still to be recognized under contracted or committed installation and replacement project work. It generally excludes service agreement revenue, service work, and short-duration projects that are billed as performed. It is also a near-term directional indicator rather than a multi-year revenue guarantee because project work generally lasts less than one year and because cancellations, scope changes, and profitability can change. Still, for a contractor, a backlog nearly as large as TTM revenue is a major demand signal.

The 2025 10-K explains that same-store backlog increases were primarily driven by project bookings and strong market conditions in technology, including Texas modular operations, North Carolina operations, Indiana operations, Texas operations, and Texas electrical operations. This should be read alongside the customer-mix table: technology was 45.0% of revenue in 2025. Comfort Systems is therefore not simply a broad nonresidential HVAC roll-up. It has become a contractor with substantial exposure to power, cooling, modular, and MEP needs tied to technology infrastructure, especially data centers and related advanced facilities.

Q1 2026 extended the same pattern. The SEC-hosted Q1 release reported revenue of $2.87 billion, operating cash inflows of $388.8 million, net income of $370.4 million, and diluted EPS of $10.51. The release also included management commentary that organic revenue growth was 51% compared with the prior-year quarter and that backlog increased even with higher burn rates. This is powerful current momentum, but it also raises the bar for a five-year forecast. A high-quality compounder case cannot simply extrapolate Q1 2026 growth; it must decide whether data center and technology demand can remain strong enough for margins and backlog conversion to normalize above historical levels.

5. Operating Model and Acquisition Pattern

Comfort Systems operates through local operating units with decentralized day-to-day responsibility, supported by regional leadership and centralized administrative functions. The 10-K identifies local teams that include engineers, energy-efficiency and sustainability experts, sales personnel, customer service personnel, installation and service technicians, sheet-metal and prefabrication technicians, estimators, and administrative personnel. Corporate centralizes insurance, employee benefits, training, safety programs, and cash management so local management can focus on business development and execution.

That structure is typical of successful specialty contracting platforms. Local relationships and field execution matter, but the parent can add value through capital allocation, safety systems, bonding capacity, shared purchasing, prefabrication knowledge, leadership development, back-office discipline, and acquisition integration. The risk is that decentralization can hide execution problems until a large project turns, while rapid growth can pressure labor availability and internal controls.

M&A is part of the model but was not the primary driver of FY2025 growth. The 2025 10-K states that FY2025 revenue increased 29.5%, with 3.4% related to acquisitions and 26.1% from same-store activity. Recent acquisitions included Century Contractors in January 2025, Right Way Plumbing & Mechanical in May 2025, a small New York mechanical service provider in May 2025, and Feyen Zylstra and Meisner Electric in October 2025. The acquisitions expanded mechanical and electrical capabilities in Florida, North Carolina, the Midwest, the South, and other markets. The 10-K also notes that these recently acquired businesses were excluded from management's internal control assessment at year-end 2025 because integration was not yet complete; collectively they were 7.0% of assets and 2.2% of FY2025 revenue.

The acquisition strategy should be evaluated as an adjacency enhancer rather than a roll-up that has to buy all growth. In FY2025, organic and same-store demand did the heavy lifting. That is favorable because acquisition-fueled contractor roll-ups can look better than they are if purchased revenue masks weak organic execution. Here, the current question is different: can the company deploy capital into bolt-ons without damaging controls or culture while also managing a large organic backlog cycle?

6. Balance Sheet, Cash Conversion, and Capital Allocation Capacity

Comfort Systems entered the Q1 2026 anchor with a strong balance sheet. The quant foundation reports cash and equivalents of $1.050 billion, total debt of $378.6 million, and net cash of $671.6 million at March 31, 2026. TTM EBITDA was $1.733 billion, so net debt/EBITDA is negative. The Q1 2026 Form 10-Q also states that the company had no outstanding borrowings on its revolving credit facility, $82.8 million in letters of credit outstanding, and $1.02 billion of credit available as of March 31, 2026.

Cash conversion has been strong. TTM operating cash flow was $1.663 billion and TTM free cash flow was $1.383 billion, equal to 113.0% of TTM net income. Q1 2026 operating cash flow was $388.8 million, and the company's Q1 release defined free cash flow as operating cash flow less customary capex plus asset-sale proceeds. Strong cash conversion gives Comfort Systems flexibility to fund organic working capital, buy equipment, invest in prefabrication and safety, make acquisitions, pay dividends, repurchase shares, and retain a conservative balance sheet.

The caveat is that working-capital timing can be volatile in project businesses. Costs, billings, retainage, customer payments, and project milestones can move cash flow materially quarter to quarter. Q1 2025, for example, had operating cash outflows while Q1 2026 had large inflows. A five-year model should therefore use TTM or multi-year conversion rather than a single quarter. The clean balance sheet gives the company resilience, but project accounting and working-capital timing still require discipline.

7. Key Risks and Investor Watch Items

The first risk is fixed-price project estimation. The 10-K revenue policy describes revenue recognition under cost-to-cost accounting. If Comfort Systems underestimates labor, material, subcontractor, or schedule costs, margins can be overstated before they reverse. The current margin level increases this risk because a small normalization in gross margin or operating margin would have a large effect on earnings.

The second risk is technology concentration. Technology customers were 45.0% of FY2025 revenue, and management's 2025 discussion repeatedly attributes same-store growth and backlog growth to technology-sector demand. That is attractive while data center, advanced technology, and power/cooling investment remain strong, but it is a concentration risk. A slowdown in hyperscale or advanced-manufacturing project starts would not necessarily destroy the business, but it could reset growth and margins.

The third risk is labor capacity. Comfort Systems sells execution by skilled field labor, project managers, estimators, engineers, prefabrication teams, and local leadership. If the company wins more work than its labor resources can support,

profitability can suffer even when demand is strong. The company's own forward-looking risk factors in the Q1 release identify labor resources, material shortages, subcontractor performance, and project-estimate accuracy as important risks.

The fourth risk is backlog quality. Backlog is high and growing, but the 10-K warns that it may not translate into actual revenue or profit because projects can be cancelled, adjusted, delayed, or repriced through scope changes. The right downstream question is not only "how much backlog exists?" but "at what margin, customer quality, and working-capital intensity will it convert?"

The fifth risk is acquisition integration and controls. Recent acquisitions are not large enough to dominate revenue, but the company has been active. The internal-control exclusion for recent acquisitions is normal but worth monitoring because decentralized contracting businesses can accumulate small operational risks across many locations.

8. Primer Takeaways for the ER2 Run

Comfort Systems is a high-performing specialty contractor with two reportable segments, both currently generating mid-teens operating margins on a TTM basis. Mechanical is the larger segment and has more natural service and monitoring adjacency; Electrical is smaller but has accelerated rapidly with technology-sector demand. The company has a U.S.-focused, decentralized local operating model supported by central safety, cash, benefits, training, and administrative functions.

The current financial base is unusually strong. TTM revenue is $10.136 billion, official-source TTM operating income is $1.591 billion, TTM net income is $1.224 billion, arithmetic TTM diluted EPS is $34.64, and TTM free cash flow is $1.383 billion. Net cash was $671.6 million at March 31, 2026. This is not a levered contractor with weak cash conversion; it is a cash-generative contractor operating in a very strong demand environment.

The research burden is normalization. FY2025 and Q1 2026 results show excellent demand, backlog, margins, and cash flow, but the company's exposure to technology infrastructure means the cycle is currently favorable. The downstream segment, moat, management, and synthesis work should focus on whether the step-change in technology and data-center demand has created a durable higher-margin platform or whether the current TTM base is a peak-cycle reference point. The correct ER2 question is not whether Comfort Systems is a good business today. It is whether the business can compound from this elevated base through March 31, 2031 at a price that still clears the Gideon requirement.

Appendix M - Management Assessment

Comfort Systems USA, Inc. (FIX) - Management Assessment

Run date: 2026-04-30. Fiscal year end: December 31. Latest quarter: Q1 2026 ended March 31, 2026. TTM anchor: Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026, ending March 31, 2026. Forward horizon: March 31, 2031. Sources used: cleared `data_package.md` Sections 7 and 9 for capital allocation and recent corporate actions; live SEC 2026 DEF 14A, FY2025 Form 10-K, Q1 2026 Form 10-Q and 8-K exhibits; live FMP stable `earning-call-transcript-dates` and `earning-call-transcript` endpoints for the last eight quarterly calls through Q1 2026. No investing data warehouse cache was used for transcript analysis.

1. Who is running the company

Comfort Systems USA is run by a long-tenured, internally developed executive group. Brian E. Lane has served as Chief Executive Officer since December 2011 and was also President from December 2011 through December 2025. The FY2025 Form 10-K says Lane joined Comfort Systems in October 2003, became COO in January 2009, and came from engineering, industrial, energy and government-service roles at Halliburton, Kvaerner and Capstone Turbine. He therefore owns the current operating model: decentralized local operating companies, disciplined project selection, bolt-on acquisitions, and a deliberate push into complex industrial, technology, modular and electrical work.

William George, Executive Vice President and CFO, has been CFO since May 2005 and was part of the founding management team when Comfort Systems was formed in 1997. His tenure is unusual for a public contractor CFO and matters because the company has used the same capital allocation pattern through very different cycles: keep balance sheet risk low, buy small and mid-sized local operators, repurchase stock when cash exceeds acquisition deployment, and maintain a modest but rising dividend. George also serves as a regional vice president, so his role is not purely finance.

The operating succession has already begun. The company announced on December 19, 2025 that Trent T. McKenna would become President and COO effective January 1, 2026, while Lane remains CEO. The FY2025 10-K says McKenna joined in 2004, was COO from 2022 through 2025, and has held regional, legal and operating leadership roles. For an ER2 management gate this is a positive succession design: the promoted executive has more than twenty years inside the company and has already been visible on calls discussing backlog, modular capacity, labor and project selection. Rachel Eslicker became General Counsel at year-end 2025 after seven years in the legal organization, while former GC Laura Howell moved to an advisory role for 2026.

Segment-level external leadership is not separately disclosed in the same way a software or industrial company might disclose product heads. The public operating structure is two reportable segments, Mechanical and Electrical, backed by a network of local operating companies and regional leadership. That is not a disclosure weakness by itself because the business is intentionally decentralized; the material named operating leader is McKenna as President and COO, with George also carrying regional responsibility.

Board oversight is adequate. The 2026 proxy lists ten director nominees. Nine are independent; Lane is the only management director. Franklin Myers is independent Board Chair and has been chair since 2014. The board has relevant construction, engineering, real estate, finance, energy, infrastructure and public-company experience. The main governance caveat is tenure: Myers, Bulls, Anderson and Skidmore have all served for more than a decade, so refreshment should remain active. Recent additions, including Hardy in 2023 and Kapoor in 2024, reduce the entrenchment concern.

2. Tenure and track record

Lane has been CEO for more than fourteen years. That is long enough to own both the upside and the risks in the current strategy. Under this team, Comfort Systems grew from a contractor with FY2021 revenue of $3.074 billion and operating income of $188 million to FY2025 revenue of $9.102 billion and operating income of $1.315 billion, according to the cleared data package and QF/QFR foundation. TTM revenue through Q1 2026 is $10.136 billion and official/control TTM operating income is $1.591 billion. This is not a short-cycle accident; the company compounded through acquisitions, organic end-market exposure, better project selection, labor deployment, and modular/off-site capability.

Lane's first major decision was to preserve a decentralized acquisition culture rather than over-centralize the platform. The outcome is visible in the five-year record: the company completed recurring small and mid-sized acquisitions while keeping net leverage conservative. Goodwill and intangibles rose with acquisitions, but Q1 2026 ended with net cash of roughly $672

million and TTM EBITDA of $1.733 billion. That is the right posture for a contractor exposed to project risk.

The second major decision was to shift capacity toward complex industrial and technology work, especially advanced technology and data centers. Q1 2026 call commentary and the SEC-hosted Q1 release show record backlog of $12.45 billion, 51% same-store revenue growth, and advanced technology as the dominant revenue driver. Mechanical TTM revenue is $7.332 billion and Electrical TTM revenue is $2.804 billion. Electrical is smaller but is scaling rapidly; the data package shows FY2025 Electrical revenue of $2.428 billion versus $1.500 billion in FY2024. This strategy has produced margin expansion as well as growth: FY2025 operating margin was 14.4% versus 6.1% in FY2021.

The third decision was to invest in modular/off-site capacity when demand became supply-constrained. On the Q1 2026 call, George explained the move from leasing toward owning some facilities because automation and heavy equipment make owned sites more economical when customers commit to multi-year volumes. This is a more capital-intensive version of Comfort's model; it raises the bar for utilization discipline. The evidence so far is favorable: management is adding capacity against booked work, customer commitments and repeat demand, not speculative greenfield ambition.

Mistakes are harder to identify because the public record does not show a large failed deal, impairment or strategy reversal in the last several years. The practical risk is not a disclosed failed acquisition but execution stretch. The FY2025 10-K notes acquired companies from 2025 were excluded from the internal-control assessment due to recency, collectively representing 7.0% of total assets and 2.2% of revenues. That is normal accounting treatment after recent acquisitions, but it is the area to monitor if acquisition pace rises.

3. Capital allocation behavior

The cleared data package Section 7 gives the five-year cash deployment record. Capex rose from $22 million in FY2021 to $155 million in FY2025, still only 1.7% of revenue in FY2025. Buybacks were $27 million in FY2021, $38 million in FY2022, $21 million in FY2023, $58 million in FY2024 and $216 million in FY2025. Dividends rose from $17 million in FY2021 to $69 million in FY2025. M&A spend was $227 million, $49 million, $102 million, $235 million and $280 million across FY2021-FY2025. The pattern is clear: acquisitions and organic operating capacity get priority, while repurchases and dividends are secondary.

This is mostly consistent with management's stated strategy. The company is not trying to be an asset-light consultant; it is building labor, fabrication, modular, mechanical and electrical capacity where customer demand exceeds supply. Q1 2026 changed the capex profile materially: George guided full-year capex to about 5% of revenue after a large modular assembly building purchase in Texas and related automation investments. That is a step-up from the historical 1% to 2% range and is justified only if large customers keep making multi-year volume commitments. Management was direct about that condition on the Q1 call, which supports the decision but does not eliminate cyclicality risk.

M&A remains disciplined but active. Section 9 of the data package lists Right Way Plumbing & Mechanical for $65 million in May 2025, Feyen-Zylstra and Meisner Electric in October 2025 with expected annual revenue above $200 million and EBITDA of $15 million to $20 million, Century Contractors during 2025, and a pending Q1 2026 electrical acquisition expected to close in early May with roughly $250 million of annualized revenue and 8% to 10% EBITDA margins. These deals are strategically coherent: they add local operating capacity, mechanical/electrical depth and technology-market reach. The risk is integration at a time when backlog and organic growth are already running hot.

Buybacks look opportunistic over a long period but less obviously price-sensitive in 2025. The FY2025 10-K says the company repurchased 0.4 million shares for about $217.9 million at an average price of $489.40, and cumulative program repurchases since inception were 10.9 million shares at an average $50.15. The long-run record is excellent; the late-2025 repurchases occurred at much higher prices, including November and December average prices above $900. Given Q1 2026 earnings momentum those purchases may still prove acceptable, but they are no longer obviously bargain repurchases. The positive offset is that the balance sheet remained net cash.

4. Compensation alignment

The 2026 proxy compensation design is better than average. Annual cash incentives are tied primarily to EPS and free cash flow, with a smaller individual-performance component. Target annual incentive opportunity is 125% of salary for Lane and 100% for George and McKenna. For 2025, actual corporate financial incentive payouts were high because EPS and FCF performance were high; Lane received $2.875 million from the corporate financial incentive component and George received $1.395 million.

Long-term incentives are meaningful and performance-linked. Lane's 2025 LTI target was 500% of salary, split 50% RSUs and 50% PSUs. George and McKenna each received 200% of salary. PSUs for 2025 used EPS and relative TSR over a three-year performance period, with EPS and relative TSR each weighted 50%. The proxy says the committee expects 2026 PSU awards to become share-denominated rather than dollar-denominated and to adjust performance conditions while retaining EPS and TSR. That change should strengthen upside/downside alignment if implemented as described.

Ownership is real, though not founder-control level. The 2026 proxy reports beneficial ownership as of March 1, 2026 of 171,523 shares for Lane, 37,824 for George and 21,639 for McKenna. At recent share prices, these are material personal stakes. The proxy also states that each executive officer was in compliance with stock ownership requirements as of December 31, 2025. Perquisites are low. The company has a clawback policy, added a Dodd-Frank compliant policy in 2023, and prohibits directors, executives and employees from hedging or pledging company stock.

Dilution is not a concern in the available five-year data. Comfort pays stock awards, but the repurchase program and high free cash flow have more than offset the practical dilution risk. The bigger compensation question is whether EPS as a dominant annual and long-term measure can reward cyclical peak margins. Relative TSR and FCF help, but the committee should consider ROIC or return-on-invested-capital style measures as the modular-capex and acquisition base grows.

5. Disclosure quality and candor

I reviewed live FMP transcript dates and transcripts for the last eight quarterly calls: Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025 and Q1 2026. Management's call style is direct, numerically specific and unusually plain-spoken for a contractor. The team regularly gives backlog dollars, same-store growth, segment growth, gross margin, capex, modular square footage, service mix, sector mix, and when necessary one-time items.

The best evidence of candor is Q1 2026. George explicitly quantified a $43 million favorable development from late-stage projects and change orders, explained that it added almost $1 per share, and gave a normalized gross-margin view excluding it. That is the right behavior: disclose the non-repeatable benefit while still explaining why underlying margins remain strong. When analysts pressed on capex durability, management did not hide behind generic growth language. George described facility purchases, automation investments and the need for customer commitments before adding capacity. On labor, he said the constraint remains workforce capacity, not demand. On data-center regulation, McKenna answered that the company was not seeing state-level proposals affecting current geographies, while acknowledging the issue must be watched.

There is little evasive disclosure in the last eight calls. My live transcript scan found no recurring "we do not disclose" pattern. The common hedges are operationally appropriate: management often says demand is strong but conversion is limited by labor, project selection and capacity. Guidance has been conservative rather than promotional. For example, despite a 51% same-store revenue increase in Q1 2026 and backlog growth outpacing revenue, management guided FY2026 same-store growth to a mid-to-high 20s percentage because second-half comparisons are harder and profit matters more than revenue volume.

Voluntary disclosure is strong for a contractor but not software-level. The company does not disclose customer concentration by hyperscaler, contract-level economics, or segment-level backlog in the granular way a public investor might want. That is understandable given competitive sensitivity and project-based work. The provided metrics are still enough to assess direction: backlog definition requires price, scope and binding obligation; modular revenue was 17% of Q1 2026 revenue; advanced technology and industrial mix were disclosed in the Q1 call.

6. Strategic coherence

The FY2025 10-K describes Comfort Systems as a national provider of comprehensive mechanical and electrical installation, renovation, maintenance, repair and replacement services, operating primarily in commercial, industrial and institutional markets. That simple identity matches the investment pattern. The company is not chasing unrelated adjacencies. It buys local mechanical and electrical contractors, invests in modular/off-site capability, hires skilled labor, expands electrical capacity, and stays tied to customers that need complex project execution.

The five-to-ten-year destination is coherent: remain a preferred scarce-capacity provider for advanced technology, industrial, institutional and service customers while using local operating companies and modular capacity to improve throughput. Management names the core constraint directly: labor. It also names competitive threats indirectly through project selection, pricing for risk, customer choice and capacity discipline. The company does not present the market as unchallenged; it repeatedly emphasizes that not all work is worth taking and that overcommitting would damage execution. That is the right contractor mindset.

The new capex intensity is the main strategic watch item. Historical Comfort Systems was high-return partly because it could grow with low capex relative to revenue. If modular capacity pushes capex toward 5% of revenue for several years, returns must be judged on utilization, customer commitments and margin durability, not only revenue growth. Management appears aware of this tradeoff.

7. Governance flags

No dual-class structure exists. The proxy says 35,183,967 common shares were outstanding as of the record date, with one common class. The audit committee is fully independent, Deloitte was reappointed for 2026, and the FY2025 10-K reports effective internal control over financial reporting. The same 10-K notes recent 2025 acquisitions were excluded from the internal-control assessment because they had not yet been fully integrated; Deloitte's control opinion carries the same scope exclusion. That is not a material weakness, but it is a normal acquisition-integration caveat.

Related-party disclosures are modest. The 2026 proxy says director Gaurav Kapoor is CFO and operations officer of AECOM, and Comfort subsidiaries occasionally engage AECOM in the ordinary course. Payments were less than $250,000 in 2025 and Kapoor was not involved in those decisions. The proxy also says the company employed no relatives of executive officers or directors in 2025. The Section 16 disclosure included one late report by Herman Bulls for an 800-share charitable donor advised fund contribution. I do not view that as a material governance flag.

Insider selling is visible but not thesis-breaking. A live SEC submissions/Form 4 check for filings since April 30, 2025 found sales by several directors and officers, including Lane, George, Myers, Anderson and others. Lane sold 41,523 shares across four transactions in the period reviewed; George sold 34,306 across four. This is material in dollars because the stock appreciated substantially, but it is not a clustered abandonment signal when compared with continued ownership: the proxy still reports Lane at 171,523 shares and George at 37,824 shares as of March 1, 2026. There were no Q4 2025 officer/director 10b5-1 plan adoptions or terminations disclosed in the FY2025 10-K.

8. Peer comparison

The relevant peer CEO set includes Anthony Guzzi at EMCOR Group, Duke Austin at Quanta Services, and Russ Becker at APi Group. All three are credible operators. EMCOR is the cleanest peer on disclosure and capital allocation because Guzzi has paired organic execution with buybacks, dividends and strategic M&A. Quanta under Austin has a broader infrastructure and utility-services platform with excellent long-term strategic positioning, but it is a different asset and acquisition model. APi under Becker is more recurring-service oriented and has built a strong inspection/service-first strategy.

Against these peers, Lane and George rank highly on per-dollar stewardship. Comfort's scale is smaller than EMCOR and Quanta, but its FY2021-FY2025 revenue, margin and cash conversion improvement are exceptional, and the company reached net cash while funding acquisitions, capex, dividends and repurchases. Communication is also strong. EMCOR arguably provides a more mature large-cap disclosure template; Quanta provides broader long-horizon infrastructure framing; APi provides a clearer recurring-service narrative. Comfort's edge is the specificity of project selection, backlog, modular capacity and labor constraints on calls. On a five-year stewardship basis, I would rank Comfort's management at least even with the better peer set, with the caveat that Lane succession and modular-capex returns are not yet fully proven through a downcycle.

9. Verdict on the management gate

Management gate verdict: PASS.

Comfort Systems clears the Gideon management gate. The CEO and CFO have owned the strategy for more than a decade, the operating successor has been developed internally for more than twenty years, incentives are meaningfully tied to EPS, free cash flow and relative TSR, and the team communicates with unusual candor about margins, backlog quality, labor constraints, capex and one-time benefits. Capital allocation has produced a strong outcome: revenue rose from $3.074 billion in FY2021 to $9.102 billion in FY2025, operating margin expanded from 6.1% to 14.4%, and Q1 2026 still ended with net cash despite active M&A and a larger buyback year. The watch items are real but manageable: CEO age and succession, integration of 2025 acquisitions, insider selling after a large stock move, and the higher capital intensity of owned modular capacity. None of these rises to a YELLOW gate today because management has disclosed the issues, retained balance-sheet flexibility, and tied capacity expansion to observable customer demand.

Appendix W - Moat and 2046 Durability

Comfort Systems USA, Inc. - Moat and 2046 Durability

Run date: 2026-04-30. Fiscal year end: December 31. Latest quarter: Q1 2026, ended March 31, 2026. TTM window: Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026. 2046 test date: 2046-04-30. ER2 horizon: March 31, 2031.

Source note: this appendix uses the DR-cleared `data_package.md`, the company primer, Comfort Systems' FY2025 Form 10-K, the Q1 2026 Form 10-Q and SEC-hosted Q1 2026 earnings release, and FMP transcript evidence summarized in the cleared data package. The segment appendices `appendix_B_mechanical.md` and `appendix_B_electrical.md` existed at drafting time but were still placeholders, so per-segment appendix integration was unavailable. Segment conclusions below therefore use the data package and primer, not completed segment-deep-dive moat sections.

1. Moat Taxonomy Applied

Comfort Systems USA, Inc. ("Comfort Systems" or "FIX") does not have a software-style network effect. There is no two-sided marketplace, user graph, or data flywheel where each customer directly improves the product for the next. The only limited network-like effect is internal: 50 operating units, 190-plus locations, and a national specialty-contractor platform can share safety practices, prefabrication know-how, insurance and bonding support, recruiting standards, references, and acquisition sourcing. That is a scale learning loop, not a true network effect.

Switching costs are real but project-specific. At initial award, customers can bid work to multiple contractors. After award, switching becomes expensive because Comfort Systems is integrating labor, design-assist input, equipment, subcontractors, sequencing, safety, commissioning, code compliance, and customer-specific scope into a live schedule. Replacing a contractor mid-project risks delays, claims, quality issues, bonding complications, and coordination failure. Mechanical has stronger follow-on switching costs because HVAC, controls, plumbing, piping, monitoring, and fire-protection work often lead into maintenance, repair, replacement, and controls service. Electrical switching costs are weaker after the original install, but still matter on complex data center and industrial power jobs.

Scale economies are the most concrete moat source. FY2025 revenue was $9.102 billion, TTM revenue through March 31, 2026 was $10.136 billion, and Q1 2026 backlog was $12.45 billion. That scale supports bonding credibility, large-project qualification, multi-market coverage, purchasing leverage, safety infrastructure, recruiting reach, prefabrication/modular capacity, balance-sheet resilience, insurance administration, and working-capital absorption. It also fits the decentralized operating-unit model: local teams keep customer intimacy while corporate supplies cash management, training, safety, benefits, insurance, and acquisition integration. The evidence is not just size. Consolidated operating margin expanded from 6.1% in FY2021 and FY2022 to 14.4% in FY2025 and roughly 15.7% on the TTM bridge, while ROIC rose to 53.1% in FY2025 on the data package method.

Brand exists as a trust credential, not as consumer pull. Customers choose a contractor because it can staff the work, price the risk, pass safety and insurance screens, deliver on schedule, and stand behind the result. Comfort Systems' brand is therefore a record of projects, local relationships, safety, financial strength, bonding capacity, and references. This is a high-trust procurement moat, especially in technology-sector projects where late delivery is costly and customers are buying scarce execution capacity.

Regulatory moat is modest but non-zero. Mechanical and electrical work requires licenses, permits, inspections, safety compliance, code knowledge, environmental and health regulation compliance, insurance, and sometimes bonding. These do not block capable local competitors, but they raise the cost of failure and make buyer diligence more rigorous. Regulation helps most on complex, mission-critical, safety-sensitive projects.

IP and patents are not a meaningful moat. The company has no R&D line in the FMP income statement history used by the data package, and its economic engine is field execution rather than proprietary technology. Off-site construction, prefabrication, modular methods, controls integration, and project-management systems can create process know-how, but those are operational capabilities rather than legally protected IP. A competitor can copy the concept of prefabrication; what is harder to copy is the installed base of trained crews, operating managers, customer trust, vendor relationships, safety culture, and the ability to deliver large volumes without losing money.

The clearest moat label is therefore high-trust procurement plus scale in scarce skilled labor and complex project execution. Comfort Systems is not protected by monopoly assets. It is protected by the customer's fear of project failure, the scarcity of qualified labor and project managers, the balance-sheet and bonding requirements of large work, the cumulative learning from

complex mechanical/electrical jobs, and the ability to combine local operating units with national resources. This is a real moat, but it is an execution moat that must be re-earned on every project.

2. Per-Segment Moat

Mechanical Segment: Mechanical is the stronger moat segment. It represented 73.3% of FY2025 revenue and 72.3% of TTM revenue. The segment includes HVAC, plumbing, piping, controls, off-site construction, monitoring, fire protection, and related mechanical services. Its moat comes from complexity, labor density, service adjacency, installed-base knowledge, and mission-critical reliability. HVAC and thermal systems in data centers, hospitals, schools, industrial facilities, and advanced manufacturing plants require field labor, design coordination, code compliance, commissioning, and often ongoing service. The 5-year durability is strong because backlog, technology-sector demand, and skilled-labor scarcity are current. The 10-year durability is also strong if Comfort Systems keeps labor quality, safety, and project discipline. The 20-year durability is good but less certain because data-center architecture, cooling methods, energy systems, and modular construction may change. What would break the moat is chronic fixed-price underbidding, labor dilution, loss of senior operating managers, or customer perception that Comfort Systems is no longer safer than regional specialists. The earliest observable signs would be margin compression, cost revisions, safety issues, weaker backlog conversion, or working-capital strain.

Electrical Segment: Electrical is a strong current growth segment but a somewhat more cyclical moat segment. It represented 26.7% of FY2025 revenue and 27.7% of TTM revenue, and FY2025 revenue grew 61.9%, heavily tied to technology-sector activity at the Texas electrical operation. The moat is large-project qualification, power-distribution expertise, labor availability, and high-trust execution for data centers and advanced facilities. The segment's operating margin reached 16.0% in FY2025 and remained strong on the TTM bridge, but the quality of that margin must be discounted for end-market mix. Electrical systems generally do not create the same recurring service density as mechanical systems, and the segment has more exposure to technology project starts. The 5-year moat is strong because customers need more power capacity, data-center electrical work is complex, and hyperscaler demand is currently supply-constrained. The 10-year moat is moderate-to-strong if grid, power, and data center capital spending remain elevated. The 20-year moat is more conditional: it survives if Comfort Systems remains one of the trusted execution platforms for high-density power work, but it weakens if electrical installation commoditizes or technology customers internalize more standardized modular electrical packages. The earliest observable warning signal would be a decline in technology backlog, pressure at the Texas electrical operation, or segment margin reverting toward mid-single digits despite healthy volume.

Blended company moat: The blended company moat is weaker than Mechanical alone but stronger than a typical contractor. Mechanical's service adjacency, scale, and thermal-complexity exposure create a durable core. Electrical adds growth and data-center relevance, but also adds project-cycle and technology-customer concentration risk. The blend is acceptable because Electrical is not a separate weak business; it shares many of the same high-trust procurement, labor, safety, and project-execution requirements. Still, the equity should not be priced as if all revenue carries the strongest mechanical service moat. A fair moat rating should recognize that a meaningful portion of current profit is tied to unusually favorable advanced technology and data-center demand.

3. Margin Persistence Evidence

Margin evidence supports a moat, with the caveat that the current base is cyclically favorable. Consolidated revenue increased from $3.074 billion in FY2021 to $9.102 billion in FY2025. Operating income increased from $188 million to $1.315 billion over the same period. Operating margin was 6.1% in FY2021, 6.1% in FY2022, 8.0% in FY2023, 10.7% in FY2024, and 14.4% in FY2025. TTM revenue through Q1 2026 was $10.136 billion and official TTM operating income was $1.591 billion, implying roughly 15.7% operating margin. This is not mere margin stability; it is a step-change.

Mechanical margins show the same pattern. Mechanical revenue rose from $3.179 billion in FY2022 to $6.674 billion in FY2025. Operating margin rose from 7.4% in FY2022 to 9.1% in FY2023, 11.2% in FY2024, and 15.0% in FY2025. The recent quarterly sequence is even stronger: Q2 2025 at 14.5%, Q3 2025 at 15.9%, Q4 2025 at 16.5%, and Q1 2026 at 19.3%. Electrical also expanded from 6.4% in FY2022 to 8.8% in FY2023, 12.9% in FY2024, and 16.0% in FY2025, with recent quarters at 15.0%, 16.9%, 17.5%, and 14.9% from Q2 2025 through Q1 2026.

This degree of expansion is moat evidence because it occurred while the company scaled rapidly and operated in markets with visible competition, labor inflation, material cost risk, and fixed-price execution risk. However, it is not proof that 15%-17% operating margins are normalized. The 10-K identifies strong technology-sector demand, especially data centers, as a major driver of same-store growth, and the data package notes advanced technology was 56% of Q1 2026 revenue based on the call. The proper conclusion is that Comfort Systems has a real execution and procurement moat, but the recent margin peak

probably includes favorable mix, scarcity pricing, backlog selectivity, and operating leverage that may normalize.

4. AI Disruption Stress Test

Mechanical is not primarily a workflow that a foundation model can replicate. AI can assist estimating, scheduling, BIM coordination, energy modeling, predictive maintenance, procurement, document control, safety analytics, and project management. It cannot physically install piping, ductwork, chillers, air handlers, fire protection, controls, modular assemblies, or cooling systems inside a live building or data center. The segment is chokepoint economics because skilled labor, local licenses, physical capacity, safety, bonding, and customer trust are binding. It is also platform-adjacent because AI infrastructure increases demand for data-center cooling, thermal management, electrical-mechanical integration, and modular execution.

Electrical is more exposed to standardization but still protected by physical chokepoints. AI can help design layouts, optimize load planning, detect conflicts, and automate documentation. It may also accelerate modular electrical packages that reduce field labor per megawatt. That creates some risk: if hyperscalers and equipment vendors standardize electrical rooms, switchgear interfaces, and power modules more aggressively, the contractor share of value could decline. But complex site-specific installation, utility interconnection, commissioning, safety, and schedule accountability remain physical, regulated, and local. Electrical is therefore not an AI workflow business either. It is exposed to AI-enabled standardization, not AI substitution.

The segment most exposed to AI disruption is Electrical, because data-center electrical design and modular packages may become more standardized and vendor-led over time. The segment most protected is Mechanical, particularly service, controls, monitoring, thermal retrofit, and mission-critical cooling work, because physical systems age, sites differ, and customers need ongoing maintenance. AI is more likely to expand Comfort Systems' addressable market through data-center demand than to eliminate its role. The bear case is not "AI replaces contractors"; it is "AI enables customers and OEMs to standardize enough of the build that contractors compete more on labor availability and less on integration value."

5. The 2046 Test

As of 2046-04-30, a credible Comfort Systems business description still exists. The company sells design-assist, installation, prefabrication, modular assembly, maintenance, retrofit, monitoring, and controls integration for mechanical and electrical systems in U.S. commercial, industrial, institutional, healthcare, education, government, manufacturing, and technology facilities. Its largest profit pools are still mechanical and electrical infrastructure, but the vocabulary has shifted toward thermal management, power distribution, onsite energy integration, grid-interactive building systems, water and piping systems, fire/life-safety systems, controls, predictive maintenance, and modular infrastructure.

The buyers are still facility owners, general contractors, hyperscalers, industrial manufacturers, healthcare systems, universities, government entities, and large property operators. The purchase rationale is still high-trust execution: can this contractor deliver critical physical infrastructure safely, on time, with enough skilled labor, and stand behind it for years? Mechanical remains larger and more durable because buildings still need air, water, thermal control, piping, safety, monitoring, and maintenance. Electrical likely remains larger than it was historically because electrification, power-density growth, distributed energy, resilience, and compute infrastructure require more electrical work. Some low-complexity work may be automated, bundled by OEMs, or done by local specialists. Data centers may no longer be the same growth story they were in 2025-2026, but the installed base requires decades of retrofit, maintenance, power/cooling upgrades, and replacement.

Directionally, the 2046 operating margin should be stable to lower than the Q1 2026/TTM peak but higher than the pre-2023 baseline. A reasonable qualitative range is not a precise forecast, but the business can still make high returns if it earns low-double-digit consolidated operating margins with high cash conversion and modest capital intensity. The reason it still makes money is that the moat that survives is not "data centers forever"; it is scarce skilled labor plus high-trust procurement plus scale in complex physical infrastructure. Comfort Systems can still make money in 2046 because customers still cannot afford failed power, thermal, safety, and building-system execution, and because a scaled national-local platform remains advantaged versus fragmented local contractors on the largest and most complex jobs.

The 2046 bear case is also specific. Hyperscalers, OEMs, and modular infrastructure vendors standardize a much larger share of mechanical and electrical systems, shifting value upstream into equipment packages and factory-built modules. Comfort Systems remains a labor and installation subcontractor, but project margins compress because design integration, procurement leverage, and schedule control move to the platform or OEM. At the same time, a data-center slowdown exposes peak-cycle technology over-indexing, acquisitions dilute culture, and fixed-price estimates turn. The observable path

would be high backlog with falling margins, cost revisions, weaker cash conversion, and segment margins returning toward 6%-9%.

That bear case is plausible but not the base case. The reason is that physical infrastructure rarely becomes fully standardized across sites, climates, codes, utilities, labor markets, retrofit conditions, and customer risk tolerances. Even if modules become more standardized, someone must engineer, stage, permit, install, integrate, commission, maintain, and retrofit them. A scaled contractor with financial strength, operating discipline, and customer trust can remain valuable in that chain. The 2046 test therefore passes, but only with a normalized-margin assumption rather than extrapolation of the FY2025-Q1 2026 peak.

6. Competitive Threat Inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
Technology/data-center cycle cools	Demand normalizes after hyperscaler and advanced technology buildout; backlog conversion slows and project selectivity weakens	Mechanical, Electrical	Backlog growth stalls, advanced technology mix falls, same-store growth decelerates sharply	High
Fixed-price execution and labor dilution	Company accepts work beyond available labor or underestimates labor/material/subcontractor costs	Mechanical, Electrical	Segment margin compression, adverse cost revisions, working-capital draw, safety issues	Medium-high
Standardization/OEM modular capture	Equipment vendors or customers capture more value through standardized power/cooling modules	Electrical first, Mechanical second	Lower gross margin on technology jobs despite volume; more customer-supplied modules	Medium
Regional specialists underbid	Local competitors win less complex work at lower price, especially in non-technology markets	Both, especially lower-complexity work	Lower win rates, weaker pricing, shift toward commodity revenue	Medium
Acquisition/culture integration failure	Decentralized acquisitions dilute execution standards and internal controls	Both	Higher SG&A, goodwill/intangible strain, acquired locations underperforming, control findings	Medium

7. Pricing Power Verification

The pricing-power evidence is visible but not perfect. The strongest evidence is margin expansion through labor inflation, material volatility, supply-chain risk, and intense competition. Consolidated gross margin in Q1 2026 was 26.3% versus 22.0% in Q1 2025, and operating margin was 17.0% versus 11.4% in the SEC-hosted release. Segment operating margins remained in the mid-to-high teens. That does not happen in a pure commodity contractor unless demand is unusually strong, mix is improving, or management can price scarcity and select work. Here, all three appear true.

Management commentary summarized in the data package supports this interpretation: executives tied margins to pricing for scarce workforce and risk, project selectivity, and execution rather than merely volume. Backlog credibility is also important. The data package notes management's explanation that backlog requires price, scope, and legally binding obligation; it is not a loose pipeline number. Q1 2026 backlog was $12.45 billion, and same-store revenue growth was 51% versus Q1 2025. This is not direct evidence of list-price increases or churn, because Comfort Systems does not disclose SaaS-style price adoption metrics. It is evidence that customers are awarding large volumes of work at margins above the company's history.

Contract structure cuts both ways. Fixed-price work can create pricing power when the contractor prices risk correctly and demand exceeds qualified capacity; it can destroy margin when estimates are wrong. Cost-plus and time-and-materials work reduce downside but typically carry lower margins. The FY2025 10-K risk factors make clear that Comfort Systems bears cost-overrun risk in many contracts and that inability to pass labor or material inflation through to customers could hurt profitability. Therefore the pricing-power verdict is "observable but not permanent." Comfort Systems currently has scarcity pricing and selection discipline, especially in complex technology and mechanical work. It does not have the recurring contractual escalators, minimum commitments, or churn metrics that would make pricing power mechanically durable.

8. Moat Verdict

Moat gate: PASS. Comfort Systems has a concrete moat in high-trust procurement, skilled-labor scarcity, large-project qualification, local operating relationships, modular/off-site capability, bonding/financial credibility, and scale advantages across complex U.S. mechanical and electrical work. The moat is strongest in Mechanical because service adjacency and thermal complexity create longer-lived customer relationships and more protected economics. Electrical adds attractive growth and data-center relevance, but it is more exposed to project-cycle and standardization risk.

2046 test: PASS. The company can be described specifically in 2046 as a scaled U.S. platform for mechanical, electrical, thermal, power, controls, modular, maintenance, and retrofit work in mission-critical physical infrastructure. The 2046 profit engine is not a claim that today's data-center boom lasts forever; it is that buildings and advanced facilities still need trusted physical execution, maintenance, retrofit, and integration. The main caveat is that margins should be normalized below the FY2025-Q1 2026 peak when underwriting durability. If the thesis requires 15%-17% operating margins for twenty years, it is too aggressive; if it requires Comfort Systems to remain a high-return, low-double-digit margin physical infrastructure platform, the moat case clears.

Appendix B1 - Mechanical Segment

Mechanical Segment - Segment Deep Dive

Company: Comfort Systems USA, Inc. (FIX) Segment: Mechanical Segment Prepared for: ER2 Comfort Systems USA segment model Stage 0 anchor: Today is 2026-04-30; fiscal year ends December 31; latest quarter is Q1 2026 ended March 31, 2026; TTM is Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026; horizon is March 31, 2031.

0. Segment boundary and taxonomy note

The Mechanical Segment boundary is stable for the relevant historical period. The cleared data package states that Comfort Systems USA currently reports two revenue segments, Mechanical Segment and Electrical Segment, and that the reporting structure appears stable across the last three completed fiscal years in the live-pulled FY2025, FY2024, and FY2023 10-Ks. FMP used older labels, "Mechanical Services" and "Electrical Services," for FY2021-FY2022, but QF/QFR treated those as label continuity rather than a segment realignment. The important boundary warning is not a segment restatement; it is a data-quality warning that FY2024 FMP quarterly revenue segmentation does not roll to the FY2024 annual endpoint or SEC annual segment note. This appendix therefore uses the annual SEC/FMP segment-note values for FY2024 historicals and the Q2 2025 through Q1 2026 quarterly values that QFR tied to SEC filings for the TTM anchor. No old-taxonomy dollar totals are compared to new-taxonomy dollar totals.

1. What this segment actually is

Comfort Systems USA's Mechanical Segment is a national portfolio of local and regional specialty contractors that design, fabricate, install, maintain, and repair mechanical systems for commercial, industrial, institutional, and technology-sector customers. The data package describes the segment as HVAC, plumbing, piping, controls, off-site construction, monitoring, fire protection, and related mechanical services. That definition matters because the segment is not just "air conditioning" in the residential sense. It is a project and service platform for high-complexity buildings and industrial facilities where the mechanical package can include chilled water, air handling, process piping, plumbing, building controls, fire-protection interfaces, prefabricated assemblies, and long-tail service work after the original installation.

The customer base is primarily U.S. commercial, industrial, and institutional customers. The company had 197 locations in 143 U.S. cities as of the Q1 2026 release, and the data package found no non-U.S. geographic revenue table in the live-pulled 10-K/10-Q materials. For modeling purposes, geographic exposure is therefore predominantly United States. The practical go-to-market is local execution backed by national scale: operating companies bid and execute projects in their markets, while Comfort's parent platform allocates capital, shares best practices, supports acquisitions, and increasingly benefits from national relationships in advanced technology and data-center work.

Revenue is a mix of project construction, retrofit, maintenance, repair, monitoring, and service. The data package does not provide dollar disclosure below the reportable Mechanical Segment level, so this appendix does not model HVAC, plumbing, controls, modular construction, fire protection, service, or data centers as separate revenue lines. Those are real operating drivers, but they are not separately audited dollar products in the cleared source set. The finest reliable dollar disclosure is the Mechanical Segment itself. Modular/off-site construction is better understood as a delivery capability and capacity multiplier; advanced technology and data centers are end-market mix; service is a recurring activity inside the segment; none is a separately disclosed product P&L in the data package.

Pricing is project-specific and labor-constrained rather than catalog-list pricing. For new construction and major retrofit work, pricing reflects scope, material packages, labor availability, risk transfer, schedule intensity, and the contractor's willingness to accept execution risk. For service work, pricing is closer to recurring or repeat customer work, with emergency repairs, maintenance, and monitoring creating a more durable relationship. Management's commentary in the data package indicates that segment margin expansion is tied to pricing for scarce workforce and project risk, not just to volume. The company can therefore grow revenue without necessarily accepting every available project. The segment's value proposition is the ability to deliver complex mechanical scope reliably when customers are short of qualified contractors.

Data centers and advanced technology campuses are the segment's most important current demand vector. Comfort's disclosed mix is consolidated rather than segment-specific: the data package says advanced technology was 56% of revenue on the Q1 2026 call and had risen from about one-third to the mid-40s of revenue year over year on the Q4 2025 call. That percentage should not be converted into Mechanical Segment dollars without a filing tie-out, but it is strategically important. Data centers increase demand for cooling, air handling, controls, piping, modular assemblies, and coordinated

mechanical/electrical execution. The mechanical scope becomes more mission-critical as rack density, liquid cooling, heat rejection, redundancy, and speed-to-market requirements rise.

The segment is also acquisitive. Comfort adds local operating companies, often keeping local management and customer relationships while providing broader purchasing, safety, financial, and project-selection discipline. The Q1 2026 10-Q acquisition note in the data package shows Right Way Plumbing & Mechanical, headquartered in Florida, was acquired on May 1, 2025 and included in the Mechanical Segment. This matters for forward modeling because reported growth can include both organic same-store growth and acquired revenue. The data package's same-store growth disclosures are consolidated, not segment-specific, so this appendix treats M&A as a supporting growth lever but does not assign undisclosed acquired dollars to the Mechanical Segment unless the company disclosed the segment assignment.

2. Current economics

The Mechanical Segment is the company's largest operating segment. In FY2025 it generated $6.674B of revenue, equal to 73.3% of total company revenue, and $1.000B of operating income, implying a 15.0% operating margin. Those figures come directly from data_package section 1 and section 3: FY2025 Mechanical Segment revenue of $6.674B and operating income of $1.000B, sourced to the live FMP annual revenue-product-segmentation pull and FY2025 Form 10-K Note 16 (https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm). The TTM anchor is stronger than FY2025 because Q1 2026 was a step-up quarter. Mechanical Segment TTM revenue is $7.332B, from the QF/QFR official TTM bridge in data_package section 5. Using the last four quarterly revenue and margin rows in data_package section 5, TTM segment operating income is approximately $1.224B and TTM operating margin is approximately 16.7%: Q2 2025 $1.639B at 14.5% from the Q2 2025 10-Q (https://www.sec.gov/Archives/edgar/data/1035983/000155837025009536/fix-20250630x10q.htm), Q3 2025 $1.810B at 15.9% from the Q3 2025 10-Q (https://www.sec.gov/Archives/edgar/data/1035983/000110465925101821/fix-20250930x10q.htm), Q4 2025 $1.822B at 16.5% from the FY2025 10-K, and Q1 2026 $2.061B at 19.3% from the Q1 2026 10-Q (https://www.sec.gov/Archives/edgar/data/1035983/000110465926047689/fix-20260331x10q.htm).

Current growth is exceptional. Mechanical Segment revenue grew from $5.528B in FY2024 to $6.674B in FY2025, or 20.7% year over year, after growing 40.1% in FY2024 and 24.1% in FY2023, per the FMP annual revenue-product-segmentation pull and SEC 10-K segment notes, including FY2025 Form 10-K Note 16. TTM revenue of $7.332B is 9.9% above FY2025 revenue even though it only replaces Q1 2025 with Q1 2026 and includes the last three quarters of FY2025. The latest quarterly trend is sharper still: Q1 2026 Mechanical Segment revenue was $2.061B, up 47.0% year over year, with a 19.3% operating margin, from the Q1 2026 Form 10-Q segment table (https://www.sec.gov/Archives/edgar/data/1035983/000110465926047689/fix-20260331x10q.htm). The Q1 margin is above the FY2025 and TTM averages, so the model must distinguish between sustainable structural improvement and quarterly mix/execution benefits that may normalize.

Capital intensity is low in the accounting sense. The data package gives consolidated capex of $0.155B in FY2025, or 1.7% of consolidated revenue, and $0.111B in FY2024, or 1.6% of revenue. R&D is not a disclosed line for this contractor business. Segment-level capex is not disclosed. The relevant constraint is not balance-sheet capital in the way it would be for a semiconductor fab, utility, or steel producer. It is skilled labor, foremen, project management, safety, bonding capacity, fabrication capacity, working capital discipline, and the ability to price risk. Modular/off-site construction may require facilities and equipment, but the data package does not disclose a separate modular capex line. This is why the segment can produce high returns on invested capital at the company level while still facing a hard physical constraint on revenue growth.

The key sub-products are not dollar-disclosed. The data package's product/sub-segment historical table lists the Mechanical Segment as the only dollar-disclosed line and then identifies modular/off-site construction, advanced technology/data centers, and service revenue as non-dollar-disclosed drivers. Modular/off-site construction is a delivery method tied to advanced technology/data-center work; advanced technology/data centers are an end-market mix category; service revenue is activity within segment operations. Backlog is a company dollar KPI, not a segment dollar KPI. Consolidated backlog increased from $8.10B in Q2 2025 (Q2 2025 Form 10-Q: https://www.sec.gov/Archives/edgar/data/1035983/000155837025009536/fix-20250630x10q.htm) to $9.38B in Q3 2025 (Q3 2025 Form 10-Q: https://www.sec.gov/Archives/edgar/data/1035983/000110465925101821/fix-20250930x10q.htm), $11.94B in Q4 2025 (FY2025 Form 10-K: https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm), and $12.45B in Q1 2026 (SEC-hosted Q1 2026 release: https://www.sec.gov/Archives/edgar/data/1035983/000110465926047679/fix-20260423xex99d1.htm). Because segment

backlog conversion is not disclosed, this appendix uses backlog as demand support rather than a mechanical revenue forecast.

3. Unit economics

Mechanical contracting unit economics are driven by the spread between risk-adjusted project pricing and the cost of labor, materials, subcontracted support, supervision, equipment, safety, insurance, and overhead. Revenue is recognized as work is performed on construction and installation contracts, while service revenue comes from maintenance, repair, monitoring, and repeat customer work. The segment earns attractive margins when it has enough labor density, prefabrication capacity, project-management control, and customer urgency to price scarce execution capability. It loses margin when it underestimates labor hours, accepts weak contract terms, faces schedule compression without compensation, incurs rework, or absorbs material inflation that cannot be passed through.

The historical margin path shows that something more than simple volume growth has happened. Mechanical Segment operating margin rose from 7.4% in FY2022 to 9.1% in FY2023, 11.2% in FY2024, 15.0% in FY2025, and roughly 16.7% for the TTM ended March 31, 2026. FY2021 same-level segment operating income was not separately disclosed in the cleared source set, so the margin trend begins in FY2022. The improvement coincided with strong demand, advanced technology mix, pricing discipline, and scale benefits. The important modeling question is whether 15%-19% margins are a new normalized range or a cyclical peak supported by unusually favorable project selection and customer urgency.

Labor is the first-order cost driver. Skilled mechanical labor is hard to source quickly, particularly for data centers and industrial facilities that require safety, coordination, and high reliability. The Bureau of Labor Statistics occupational outlook for construction laborers and helpers projects overall employment growth of 7% from 2024 to 2034 and about 149,400 openings each year, which supports the view that labor replacement and growth needs remain a continuing constraint rather than a one-year issue (BLS Occupational Outlook Handbook, Construction Laborers and Helpers: https://www.bls.gov/ooh/construction-and-extraction/construction-laborers-and-helpers.htm). Mechanical work also depends on plumbers, pipefitters, HVAC technicians, controls specialists, foremen, and project managers. Comfort's advantage is not that it avoids labor inflation; it is that a scaled and reputable contractor can recruit, train, deploy, and price scarce labor better than a fragmented local competitor.

Materials and equipment are the second major cost driver. HVAC equipment, piping, valves, sheet metal, controls, pumps, chillers, cooling towers, and fire-protection interfaces can create procurement and schedule risk. Tariffs, supply-chain bottlenecks, and long-lead electrical/mechanical equipment can change project economics. For fixed-price or guaranteed maximum price work, the contractor must price contingencies correctly or use contract terms that protect against input shocks. For cost-plus and service work, pass-through economics may be better, but the customer still has budget constraints. The company-level margin discipline commentary in the data package indicates management is aware that pricing for workforce and risk is central to segment economics.

Project mix changes margin. Data centers and advanced technology projects are large and complex, which can support premium pricing and high utilization if executed well. They can also be unforgiving: schedule delays, coordination errors, or design changes can be expensive. Service work generally has more repeatability, shorter duration, and customer stickiness; it can stabilize utilization and provide higher-quality earnings, but the data package does not disclose service dollars or service margin by segment. Modular/off-site construction can improve productivity by shifting work into controlled environments, reducing jobsite congestion, and standardizing assemblies. It can also require upfront process discipline and facility throughput. Because the data package treats modular as a capability, this appendix incorporates it as a margin and capacity driver, not as a separate revenue product.

Working capital is a hidden unit-economic lever. Specialty contractors often carry receivables, contract assets, and project timing risk. Fast growth can consume working capital even when projects are profitable. Conversely, strong customer credit, favorable billing terms, and disciplined project selection can produce cash conversion above accounting earnings. Comfort's consolidated free cash flow has been strong, reaching $1.031B in FY2025 in the FMP `cash-flow-statement?symbol=FIX&period=annual` pull, but segment-level cash conversion is not disclosed. The forward model therefore focuses on operating income, while recognizing that a high-growth mechanical backlog can still create timing swings in cash flow.

4. Competitive dynamics

Mechanical contracting is fragmented locally but increasingly scale-sensitive at the high end. Direct competitors include EMCOR, Limbach, Southland Industries, McKinstry, TDIndustries, ACCO Engineered Systems, Harris, and many private

regional mechanical contractors. In any single local market, Comfort may compete with long-standing union or non-union contractors that have strong customer relationships. In large, complex projects, the relevant competitor set narrows to contractors with bonding capacity, safety record, prefabrication capability, data-center experience, controls coordination, and enough labor to meet aggressive schedules.

ENR's 2025 Top 600 Specialty Contractors list is useful market-share context, though it is a survey ranking rather than a full industry denominator. ENR's 2025 list identified Comfort Systems USA as the No. 5 specialty contractor overall, firm type "M" for mechanical (ENR Top 600 Specialty Contractors preview: https://www.enr.com/toplists/2025-Top-600-Specialty-Contractors-Preview). ENR also reported that the Top 600 specialty contractors' prior-year revenue rose 11.8% to $239.9B in 2025 coverage (ENR article: https://www.enr.com/articles/61667-enr-top-600-specialty-contractors-data-surge-juices-market-rise). A publicly available ENR PDF reposted by MEI shows Comfort at total revenue of $5.9296B and new contracts of $6.7662B in that ranking table (https://meiindustrialsolutions.com/wp-content/uploads/2025/11/ENR_10.27.2025_Top600.pdf). Comfort's FY2025 Mechanical Segment revenue of $6.674B is not the same denominator as the ENR survey number, but the comparison indicates that Comfort is a top-tier national player while still holding only a low-single-digit share of the broader specialty-contractor revenue pool. The market remains too fragmented for Comfort to have monopoly-like share.

Pricing power is therefore selective, not universal. Comfort has pricing power where customers require execution certainty, local labor is scarce, the project is mission-critical, and there are few contractors capable of taking the scope. Data centers are the clearest example because customer delay costs can be large relative to contractor margin. CBRE's North America Data Center Trends H1 2025 report said 74.3% of under-construction capacity was already preleased, driven by cloud and AI providers trying to secure future infrastructure amid power and land constraints (https://www.cbre.com/insights/reports/north-america-data-center-trends-h1-2025). CBRE's 2025 data-center outlook also highlighted extended timelines where power infrastructure lags construction demand and noted that construction-worker shortages should push training programs toward more mechanical, electrical, and plumbing certifications (https://www.cbre.com/insights/books/us-real-estate-market-outlook-2025/data-centers). Those conditions support near-term contractor pricing power.

Entry barriers are practical rather than legal. A new entrant can start a small HVAC or plumbing contractor, but it cannot quickly create Comfort's combination of safety record, bonding capacity, local operating companies, customer references, project managers, prefabrication processes, and national balance sheet. The barrier rises with project complexity. A hyperscale data center customer may care less about the lowest bid than about schedule certainty, safety, and the ability to handle repeat work across locations. That creates a scale advantage for Comfort and EMCOR-like peers. At the same time, the segment is not protected by patents, network effects, or exclusive licenses. If demand weakens, local competitors can bid aggressively, and owners can rebid scopes.

Substitution risk is moderate. Mechanical systems cannot be eliminated from most buildings, but the design and delivery method can change. More efficient cooling designs, liquid cooling, modular plant rooms, standardized data-center designs, prefabricated racks, and controls automation can shift the labor mix. These changes are not necessarily bad for Comfort; modular/off-site construction and advanced controls can strengthen scaled contractors with fabrication capacity. The risk is that customers or general contractors standardize enough of the scope to reduce contractor differentiation, or that OEMs and design-build integrators capture more value. The five-year base case assumes the technology shift increases complexity and favors scaled contractors; the bear case assumes some of the urgency premium normalizes and competition catches up.

5. Moat at the segment level

The Mechanical Segment has a real but bounded moat. It is not a software-style moat with near-zero marginal cost and global network effects. It is an execution moat built from local density, labor access, safety, project references, decentralized operator relationships, acquisition integration, and willingness to walk away from underpriced work. The moat is strongest in large, complex, schedule-critical mechanical work and weaker in smaller local service or replacement jobs where many contractors can compete.

The first moat source is scarce skilled labor. Management's Q1 2026 commentary in the data package identifies labor as the core pinch point, and higher revenue forecasts must be tied to headcount, temporary labor, prefabrication, and automation capacity. A contractor that can offer steady work, safety, training, mobility, and career progression has an advantage in recruiting and retaining crews. Labor scarcity also allows pricing discipline: if customers need work done and qualified labor is limited, a contractor can price the workforce and risk. This moat is durable as long as demand exceeds the skilled-labor supply and Comfort remains an employer of choice in its markets.

The second moat source is project credibility. Complex mechanical work has asymmetric downside for customers. A failed mechanical system can delay opening, damage operations, compromise safety, or create costly rework. Comfort's national scale and local operating history reduce customer perceived risk. This is especially important in data centers, hospitals, industrial facilities, and institutional buildings where uptime and coordination are critical. The data package's backlog definition note matters here: reported backlog requires price, scope, and legally binding obligation; it is not a loose pipeline number. That makes backlog a higher-quality demand signal and suggests customers are committing to contractors they trust.

The third moat source is decentralized M&A. Comfort can acquire local operators with customer relationships and labor teams, then improve purchasing, risk management, safety, finance, and project selection without destroying local identity. The Q1 2026 data package acquisition note on Right Way Plumbing & Mechanical is a small example. The model should not assume M&A creates organic magic, but a national consolidator with a net-cash balance sheet has an advantage in a fragmented market. The main limitation is that acquisition targets must be culturally compatible and attractively priced. Overpaying for contractors near a cycle peak would weaken the moat rather than strengthen it.

The fourth moat source is off-site and modular capability. Prefabrication can improve labor productivity, quality control, and schedule certainty. It can also convert scarce field labor into more scalable shop labor. The data package explicitly says modular/off-site construction is not separately dollar-disclosed, but management commentary indicates demand is present. This capability protects margins if it allows Comfort to accept more work without proportional field-labor growth. The moat is not permanent because competitors can build prefabrication operations, but process knowledge, customer trust, and installed capacity can create a multi-year lead.

The durability assessment is favorable but not unlimited. Over a five-year horizon, the segment's moat should remain intact because data-center and advanced technology demand, labor scarcity, and backlog support high utilization. Over a ten-year horizon, the moat depends on whether Comfort continues to recruit, train, acquire, and execute better than peers. A recession, data-center overbuild, labor-cost spike, or project-loss cycle could compress margins. The base case therefore assumes a modest margin normalization from the TTM 16.7% to 16.5% rather than a straight-line expansion; the bull case requires sustained data-center scarcity and successful modular productivity; the bear case assumes pricing power fades enough to pull margins back toward 14.5%.

6. Historical growth rates reproduced from the data package

The data package is the single source of truth for company historicals. The Mechanical Segment is the only dollar-disclosed product/sub-segment line inside this segment. Modular/off-site construction, advanced technology/data centers, and service revenue are disclosed as drivers or commentary, not as separate dollar revenue lines. No back-solved product dollars are used.

6A. Five-year segment history

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Specific source
Mechanical Segment revenue	$2.543B [DP section 3, Mechanical row: Revenue]	$3.179B [DP section 3, Mechanical row: Revenue]	$3.946B [DP section 3, Mechanical row: Revenue]	$5.528B [DP section 3, Mechanical row: Revenue]	$6.674B [DP section 3, Mechanical row: Revenue]	FMP `revenue-product-segmentation?symbol=FIX&period=annual`; SEC 10-K segment notes, including FY2025 Note 16 https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm
YoY growth	n/a [DP section 3, Mechanical row: YoY]	25.0% [DP section 3, Mechanical row: YoY]	24.1% [DP section 3, Mechanical row: YoY]	40.1% [DP section 3, Mechanical row: YoY]	20.7% [DP section 3, Mechanical row: YoY]	data_package section 3, Mechanical Segment table
Operating income	n/d [DP section 3, Mechanical row: OI]	$0.237B [DP section 3, Mechanical row: OI]	$0.357B [DP section 3, Mechanical row: OI]	$0.617B [DP section 3, Mechanical row: OI]	$1.000B [DP section 3, Mechanical row: OI]	SEC 10-K segment notes; FY2025 Note 16 https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm
Operating margin	n/d [DP section 3, Mechanical row: margin]	7.4% [DP section 3, Mechanical row: margin]	9.1% [DP section 3, Mechanical row: margin]	11.2% [DP section 3, Mechanical row: margin]	15.0% [DP section 3, Mechanical row: margin]	data_package section 3, Mechanical Segment table

Arithmetic checks: $3.179B x 1.241 = $3.945B, tying to FY2023 $3.946B within rounding. $3.946B x 1.401 = $5.528B, tying to FY2024 $5.528B. $5.528B x 1.207 = $6.672B, tying to FY2025 $6.674B within rounding. No inconsistency above the 2% tolerance was found.

6B. Required product/sub-segment historical table

Product / sub-segment	FY-3 rev	FY-2 rev	FY-1 rev	3-yr CAGR	Most recent YoY	Specific source
Mechanical Segment (only dollar-disclosed line)	$3.946B [DP section 4 row: Mechanical Segment]	$5.528B [DP section 4 row: Mechanical Segment]	$6.674B [DP section 4 row: Mechanical Segment]	30.1% FY2023-FY2025 [calc from DP section 4 row: Mechanical Segment]	20.7% FY2025 YoY [DP section 3, Mechanical row: YoY]	FMP `revenue-product-segmentation?symbol=FIX&period=annual`; SEC 10-K segment notes, including FY2025 Note 16 https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm
Modular / off-site construction	n/d [DP section 4 row: Modular/off-site construction]	n/d [DP section 4 row: Modular/off-site construction]	n/d [DP section 4 row: Modular/off-site construction]	n/d [DP section 4 row: Modular/off-site construction]	n/d; management discussed demand, no dollars [DP section 4 row: Modular/off-site construction]	data_package section 4 product table row "Modular / off-site construction"; [DATA GAP: no separate modular/off-site revenue dollars]
Advanced technology / data centers	n/d [DP section 4 row: Advanced technology/data centers]	n/d [DP section 4 row: Advanced technology/data centers]	n/d [DP section 4 row: Advanced technology/data centers]	n/d [DP section 4 row: Advanced technology/data centers]	Advanced technology was 56% of consolidated Q1 2026 revenue; no segment dollars [DP section 4 KPI row]	data_package section 4 product/KPI row "Advanced technology / data centers"; [DATA GAP: no segment-level data-center revenue dollars]
Service revenue	n/d [DP section 4 row: Service revenue]	n/d [DP section 4 row: Service revenue]	n/d [DP section 4 row: Service revenue]	n/d [DP section 4 row: Service revenue]	Double-digit service revenue and profit growth in Q3 2025 call; no dollars [DP section 4 row: Service revenue]	data_package section 4 product table row "Service revenue"; [DATA GAP: no Mechanical service revenue dollars]

Row tie-out for the dollar-disclosed row: $3.946B x 1.401 = $5.528B, and $5.528B x 1.207 = $6.672B versus reported $6.674B. The two-year CAGR from FY2023 to FY2025 is 30.1%. The four-year CAGR from FY2021 to FY2025 is 27.3%. The table label "3-yr CAGR" is interpreted as the required FY-3 to FY-1 view from the dispatch template; with three fiscal-year observations, the mathematical CAGR covers two annual intervals.

6C. Recent quarterly anchor

Quarter	Revenue	YoY	Operating margin	Specific source
2025-Q2	$1.639B [DP section 5, Mechanical Q2 row]	12.9% [DP section 5, Mechanical Q2 row]	14.5% [DP section 5, Mechanical Q2 row]	Q2 2025 Form 10-Q https://www.sec.gov/Archives/edgar/data/1035983/000155837025009536/fix-20250630x10q.htm
2025-Q3	$1.810B [DP section 5, Mechanical Q3 row]	25.8% [DP section 5, Mechanical Q3 row]	15.9% [DP section 5, Mechanical Q3 row]	Q3 2025 Form 10-Q https://www.sec.gov/Archives/edgar/data/1035983/000110465925101821/fix-20250930x10q.htm
2025-Q4	$1.822B [DP section 5, Mechanical Q4 row]	25.5% [DP section 5, Mechanical Q4 row]	16.5% [DP section 5, Mechanical Q4 row]	FY2025 Form 10-K Note 16 https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm
2026-Q1	$2.061B [DP section 5, Mechanical Q1 row]	47.0% [DP section 5, Mechanical Q1 row]	19.3% [DP section 5, Mechanical Q1 row]	Q1 2026 Form 10-Q https://www.sec.gov/Archives/edgar/data/1035983/000110465926047689/fix-20260331x10q.htm
TTM ended 2026-03-31	$7.332B [DP section 5, consolidated TTM item: Mechanical TTM revenue]	n/a [calc not disclosed]	16.7% [calc from DP section 5 quarterly rows]	QF/QFR official bridge using Q2 2025, Q3 2025, Q4 2025 and Q1 2026 SEC filing rows above

TTM operating-income tie-out: $1.639B x 14.5% = $0.238B; $1.810B x 15.9% = $0.288B; $1.822B x 16.5% = $0.301B; $2.061B x 19.3% = $0.398B. Sum = $1.224B, or 16.7% of $7.332B TTM revenue, with small differences possible from rounded quarterly margins.

7. Management guidance quoted from data package section 6

The data package's management commentary is mostly consolidated or end-market oriented. The following items are relevant to Mechanical Segment because the segment is the larger mechanical, HVAC, piping, modular, and data-center

thermal-exposure business.

Data package row	Quote or excerpt	Interpretation for Mechanical Segment
Both segments - 2026 growth; Q1 FY2026 call, 2026-04-24; William George	"mid- to high 20% range"	Management framed FY2026 same-store revenue growth above FY2025 despite harder second-half comparisons. For Mechanical, this supports a strong near-term growth year, but it should be treated as FY2026 commentary rather than a five-year CAGR promise.
Mechanical - data-center demand; Q1 FY2026 call, 2026-04-24; Brian Lane	"data centers still exceeds the supply"	Demand appears supply-constrained, not demand-constrained. The base case can sustain above-industry growth as long as labor and modular capacity scale; the bear case should focus on supply, execution, and eventual demand normalization rather than immediate demand collapse.
Both - backlog quality; Q3 FY2025 call, 2025-10-24; Trent McKenna	"project pipelines remain at historically high levels"	Backlog and pipeline support revenue visibility into 2026. Timing can be lumpy, but this reduces the probability of a sudden near-term volume air pocket.
Mechanical - modular outlook; Q2 FY2025 call, 2025-07-25; William George	"demand is there"	Modular/off-site work is a capacity and margin lever for Mechanical, but it is not a separate dollar line. The forecast should credit modular productivity without double-counting revenue.
Both - labor constraint; Q1 FY2026 call, 2026-04-24; paraphrase	Labor remains the core pinch point.	Mechanical growth above low-double digits requires crew growth, temporary labor, prefabrication, automation, or better utilization. This is the main cap on bull-case revenue.
Both - backlog definition; Q3 FY2025 call, 2025-10-24; paraphrase	Reported backlog requires price, scope, and legally binding obligation.	Backlog is more credible than a loose sales pipeline. It supports the revenue base, but segment conversion timing is not disclosed.
Both - margin discipline; Q4 FY2025 call, 2026-02-20; paraphrase	Pricing for scarce workforce and risk drove margin expansion.	Segment margins are not simply volume-driven. Sustaining mid-to-high-teens margin requires continued project selectivity and risk pricing.
Both - capital deployment; Q4 FY2025 call, 2026-02-20; paraphrase	Cash flow can outpace acquisition deployment; buybacks and dividends are secondary after attractive M&A.	Mechanical can continue to benefit from tuck-in acquisitions, but M&A is not required to justify all growth because same-store growth is currently strong.

[DATA GAP: Management commentary rarely assigns backlog, modular capacity, data-center mix, or labor constraints to Mechanical versus Electrical separately. Segment-level forecast drivers are therefore inferred from segment exposure, not from explicit segment-only guidance.]

8. Forward growth assumptions, explicit and per product

The forecast horizon is exactly five calendar years from the TTM end date, March 31, 2026 to March 31, 2031. All revenue forecasts compound from Mechanical Segment TTM revenue of $7.332B. Because the Mechanical Segment is the only dollar-disclosed product line, the product-level model has one financial line. Modular/off-site construction, advanced technology/data centers, service, backlog, and M&A are treated as drivers in the justification column, not as additive product rows.

The near-term anchor is strong. Q1 2026 Mechanical revenue grew 47.0% year over year, and management discussed same-store growth in the "mid- to high 20% range" for 2026 at the consolidated level. However, the five-year endpoint should not simply extrapolate Q1 2026. The segment already has $7.332B TTM revenue, labor is the binding constraint, and data-center construction may move from acute shortage to a more balanced market by the end of the horizon. The base case assumes revenue growth decelerates from the current pace but remains far above nominal GDP because of backlog, data-center demand, modular capacity, service growth, and tuck-in M&A.

8A. Base-case growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Mechanical Segment	30.1% FY2023-FY2025 [DP section 4 row: Mechanical Segment]	47.0% Q1 2026 [DP section 5, Mechanical Q1 row]	Consolidated same-store "mid- to high 20% range" for FY2026 [DP section 6]	12.0%	Base growth decelerates materially from the 30.1% historical and 47.0% latest-quarter pace because labor, project management, and customer power constraints limit compounding at current rates. It remains high because backlog is record-level, data-center demand exceeds supply, and modular/off-site execution can convert some labor scarcity into throughput.

Base-case revenue path from the $7.332B TTM anchor: 2027E $8.212B (+12.0%), 2028E $9.197B (+12.0%), 2029E $10.301B (+12.0%), 2030E $11.537B (+12.0%), and TTM+5y $12.921B (+12.0%). This is not a one-year forecast by fiscal label; it is a TTM-to-horizon bridge. The implied five-year revenue increase is $5.589B. The growth rate is below the historical 27.3% FY2021-FY2025 CAGR and below the FY2023-FY2025 30.1% CAGR, but still assumes Comfort captures a meaningful share of high-complexity mechanical work.

The structural argument for 12.0% is that the company is in a favorable demand pocket but not in an unconstrained software market. CBRE's data-center reports support strong construction demand and preleasing, but also identify power, land, and labor constraints. Those constraints cut both ways: they support pricing and backlog visibility but prevent infinite volume growth. In a contractor, a durable 12% five-year CAGR from a $7.3B TTM base is already aggressive because it requires labor expansion, safety discipline, project manager depth, modular throughput, and acquisition integration. The base case assumes management continues to choose quality work and avoids diluting margins for volume.

8B. Bull-case growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Mechanical Segment	30.1% FY2023-FY2025 [DP section 4 row: Mechanical Segment]	47.0% Q1 2026 [DP section 5, Mechanical Q1 row]	Consolidated same-store "mid- to high 20% range" for FY2026 [DP section 6]	16.0%	Bull growth assumes the data-center and advanced-technology cycle remains supply-constrained through most of the horizon, Comfort adds labor and modular capacity faster than peers, and tuck-in M&A adds density without integration drag. The 16.0% CAGR is still a deceleration from current YoY because the starting base is now large and power/labor bottlenecks slow physical construction.

Bull-case revenue path from the $7.332B TTM anchor: 2027E $8.505B, 2028E $9.865B, 2029E $11.443B, 2030E $13.274B, and TTM+5y $15.400B. This case implies Comfort adds $8.068B of Mechanical Segment revenue over five years. It requires not only market demand but also internal scaling. The bull case is plausible only if modular/off-site construction becomes a real productivity lever, large customers continue to prioritize speed and certainty over price, and Comfort's acquisition pipeline supplies additional operators and labor pools at reasonable valuations.

The bull case does not extrapolate the 47.0% latest-quarter growth rate. That would produce an implausibly large contractor revenue base and would ignore labor bottlenecks. Instead, it assumes the first one to two years benefit from backlog and the management FY2026 same-store guide, then deceleration occurs as comparisons toughen. It also assumes competitor capacity remains tight enough that pricing stays favorable rather than reverting to lowest-bid behavior.

8C. Bear-case growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Mechanical Segment	30.1% FY2023-FY2025 [DP section 4 row: Mechanical Segment]	47.0% Q1 2026 [DP section 5, Mechanical Q1 row]	Consolidated same-store "mid- to high 20% range" for FY2026 [DP section 6]	8.0%	Bear growth assumes the current data-center urgency fades after backlog conversion, labor remains tight enough to cap volume, power/permitting delays push projects rightward, and local competition pressures new awards. The segment still grows because the backlog is high and the installed base creates service demand, but growth falls far below the recent historical CAGR.

Bear-case revenue path from the $7.332B TTM anchor: 2027E $7.919B, 2028E $8.552B, 2029E $9.236B, 2030E $9.975B, and TTM+5y $10.773B. The bear case is not a recession-collapse scenario; it is a normalization scenario. A true hard-landing case would require a lower company-level construction cycle assumption and likely belongs in the combined downside scenario. For the segment-level bear case, 8.0% reflects growth from service, backlog, and selective data-center work but assumes less pricing and fewer large project wins.

The downside driver is not that mechanical demand disappears. Buildings still need HVAC, piping, controls, maintenance, and repair. The downside is that the premium part of the market becomes more competitive or more delayed. If power availability slows data-center starts, if customers rebid projects after supply catches up, or if Comfort must pay more for labor without matching price increases, revenue and margin both compress relative to the base case.

9. Forward operating margin assumptions

Current Mechanical Segment profitability is high. FY2025 operating margin was 15.0%, and TTM operating margin is approximately 16.7% using the quarterly segment table in the data package. Q1 2026 alone reached 19.3%, but a single quarter should not be treated as the normalized run rate. The forward margin cases therefore use FY2025, TTM, and Q1 2026 together: FY2025 shows the last completed annual margin, TTM captures the recent step-up, and Q1 2026 indicates upside if mix and execution remain favorable.

9A. Margin case table

Product	Current margin anchor	Bear TTM+5y margin	Base TTM+5y margin	Bull TTM+5y margin	Justification
Mechanical Segment	16.7% TTM [calc from DP section 5 quarterly rows]; 15.0% FY2025 [DP section 3]	14.5%	16.5%	18.0%	Bear margin gives back 220 bps from TTM as pricing normalizes, labor inflation catches up, and project mix becomes less favorable. Base margin is roughly flat to TTM, assuming project selectivity offsets wage and execution pressure. Bull margin improves 130 bps from TTM as modular productivity, data-center scarcity, service mix, and scale leverage keep pricing above cost inflation.

The bear margin of 14.5% is still above FY2024's 11.2% and only modestly below FY2025's 15.0%. That is deliberate. The segment's recent improvement likely includes structural elements: better project selection, stronger advanced-technology mix, and scale. A bear case that immediately returned the business to 9%-11% would require evidence of major project losses, a severe construction downturn, or a pricing mistake cycle. The data package does not show that. Instead, the bear margin assumes a normal contractor squeeze: customers regain bargaining power, labor cost remains high, and backlog booked at peak urgency rolls off.

The base margin of 16.5% is 20 bps below the calculated TTM margin and 150 bps above FY2025. That may look conservative versus Q1 2026's 19.3%, but it is appropriate for a five-year endpoint. Quarterly margins can be helped by closeout, mix, timing, and utilization. Over five years, Comfort will need to hire, train, integrate acquisitions, and invest in capacity. Some of those costs should offset scale leverage. The base case assumes that the company keeps most of the structural margin gains, but not all of the latest-quarter peak.

The bull margin of 18.0% requires a specific mechanism: modular/off-site construction raises labor productivity; data-center and advanced-technology customers continue to pay for speed and certainty; service and maintenance become a larger profit

contributor; and large-scale purchasing, safety, and project controls reduce leakage. It does not assume unlimited margin expansion. Mechanical contracting still has labor, materials, insurance, safety, and execution risk. A sustained margin above 20% would require stronger evidence than the data package provides.

No product-level margin breakout is possible because no product-level revenue or margin dollars are disclosed below the Mechanical Segment. [DATA GAP: HVAC, plumbing, controls, fire protection, modular/off-site construction, advanced technology/data centers, and service margins are not separately disclosed.] The segment rollup therefore uses one revenue-weighted line.

10. Segment rollup built bottoms-up

Since the Mechanical Segment is the only dollar-disclosed line, the bottom-up rollup is mathematically identical to the one-line product model. This is not a shortcut around product modeling; it is the consequence of the data package's source rule. Adding undisclosed data-center, modular, or service dollar lines would double-count revenue already inside the segment.

Case	Product line	TTM revenue	5-year CAGR	TTM+5y revenue	TTM+5y margin	TTM+5y operating income	Probability
Bear	Mechanical Segment	$7.332B	8.0%	$10.773B	14.5%	$1.562B	20%
Base	Mechanical Segment	$7.332B	12.0%	$12.921B	16.5%	$2.132B	55%
Bull	Mechanical Segment	$7.332B	16.0%	$15.400B	18.0%	$2.772B	25%

Arithmetic tie-out: Bear revenue is $7.332B x 1.08^5 = $10.773B, and $10.773B x 14.5% = $1.562B. Base revenue is $7.332B x 1.12^5 = $12.921B, and $12.921B x 16.5% = $2.132B. Bull revenue is $7.332B x 1.16^5 = $15.400B, and $15.400B x 18.0% = $2.772B. Because there is one modeled financial line, segment totals reconcile to product-level assumptions exactly, subject only to rounding.

The probability-weighted endpoint is $13.111B of segment revenue, 16.6% operating margin, and $2.178B of operating income. The weighted result is close to the base case because the case probabilities are centered on base and the bull/bear revenue spread is roughly symmetric around the base in dollar terms. This should not be interpreted as a precise expected value; it is a synthesis input for the company model. The important conclusion is that Mechanical can plausibly compound revenue at high-single to mid-teens rates from the TTM anchor while sustaining mid-teens operating margins, but the margin of safety depends heavily on whether current data-center demand and pricing discipline persist.

11. Key risks and wildcards

Bear risk: data-center normalization. The segment's recent demand is heavily supported by advanced technology and data centers, but the data package does not provide segment-specific data-center dollars. If power constraints, permitting delays, AI capex digestion, or customer budget discipline slow starts after the current backlog, Mechanical revenue could decelerate faster than the base case. This would hurt both volume and pricing because contractors would compete more aggressively for replacement work.

Bear risk: labor cost and availability. Management identifies labor as the core pinch point. If Comfort cannot recruit and retain enough skilled workers, revenue growth is capped regardless of demand. If it can recruit only by paying materially higher wages, margins compress unless pricing keeps pace. The bear case's 14.5% margin mainly reflects this wage/price squeeze.

Bear risk: project execution. Large mechanical projects can produce losses if estimates are wrong, schedules slip, or design changes are not compensated. A small number of bad projects can damage annual margin. Comfort's historical margin expansion implies strong execution, but contractor margins can reverse when companies chase growth or underestimate complexity. The bull case requires execution to remain unusually good; the bear case assumes more normal leakage.

Bear/base risk: backlog conversion by segment is undisclosed. Consolidated backlog is a strong demand signal, but the data package does not disclose backlog by Mechanical versus Electrical or by data centers versus other end markets. Some modular bookings may extend into 2027 and 2028. Backlog cannot be mechanically converted into FY2026 Mechanical revenue. This matters because the Mechanical Segment is large; even a strong company backlog could be unevenly distributed across segments or timing windows.

Base risk: M&A integration. Acquisitions can add labor, customers, and local density, but they can also introduce cultural, safety, pricing, and control risks. The segment's decentralized model depends on retaining local operators while imposing enough discipline. Overpaying for businesses during a high-demand cycle would lower future returns. The base case assumes tuck-ins remain helpful but not transformative.

Bull wildcard: modular/off-site productivity. If Comfort's off-site construction capabilities let it shift more work from constrained jobsites into controlled environments, the company could expand revenue without a proportional increase in scarce field labor. That would support both the bull revenue CAGR and the 18.0% margin endpoint. This is the most important upside mechanism because it addresses the segment's main bottleneck.

Bull wildcard: service mix. The data package says service revenue and profit grew double-digit in the Q3 2025 call, but no Mechanical service dollars were fetched. If service is larger and more profitable than the data package can prove, segment margins may be more durable than the base case assumes. The model does not give explicit credit for a service margin breakout because the source data is unavailable; this is upside if later disclosures support it.

Base/bull wildcard: continued customer urgency. If hyperscalers and advanced technology customers continue to prioritize speed, reliability, and contractor certainty, Comfort can keep pricing risk appropriately. The data package's short quote that data-center demand "still exceeds the supply" is the clearest management anchor for this. The bull case assumes that condition lasts longer; the base case assumes it fades gradually; the bear case assumes it fades after backlog conversion.

Summary table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	$10.773B	14.5%	$1.562B	20%
Base	$12.921B	16.5%	$2.132B	55%
Bull	$15.400B	18.0%	$2.772B	25%

Primary data gaps inserted in this appendix: [DATA GAP: no separate modular/off-site revenue dollars], [DATA GAP: no segment-level data-center revenue dollars], [DATA GAP: no Mechanical service revenue dollars], [DATA GAP: FY2021 same-level Mechanical operating income not separately disclosed], [DATA GAP: management commentary rarely assigns backlog, modular capacity, data-center mix, or labor constraints to Mechanical versus Electrical separately], and [DATA GAP: product-level margins below Mechanical Segment are not separately disclosed].

Appendix B2 - Electrical Segment

Electrical Segment - Segment Deep Dive

Company: Comfort Systems USA, Inc. (FIX) Segment: Electrical Segment Run date: 2026-04-30 TTM anchor: Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026, ending March 31, 2026 Forward horizon: March 31, 2031, exactly five calendar years after the TTM end date Primary historical source: `data_package.md`, cleared by DR with `DATA PACKAGE VERIFIED - CLEARED FOR WAVE 2`

0. Segment Boundary + Taxonomy Note

Comfort Systems USA reports two revenue segments: Mechanical Segment and Electrical Segment. The Electrical Segment boundary is stable for the last three completed fiscal years in the cleared data package. The company and FMP use slightly different historical labels for older periods - "Electrical Services" in older FMP years and "Electrical Segment" in the current filing language - but QF/QFR treated that as label continuity, not a restatement or segment realignment [data_package Section 1, lines 9-17]. Therefore this appendix uses FY2021-FY2025 Electrical revenue as a continuous segment series, with one caveat: FY2024 annual values must come from SEC annual segment-note values and the FMP annual endpoint, not the sum of FMP quarterly segment values, because the data package flags an FMP quarterly endpoint defect for FY2024 [data_package Section 1, line 17; Section 10, line 171]. TTM ending March 31, 2026 is unaffected because it uses Q2 2025 through Q1 2026 and was independently tied to SEC filings by QFR [data_package Section 1, line 17].

1. What This Segment Actually Is

The Electrical Segment is Comfort Systems' installation and servicing business for electrical systems in commercial, industrial, institutional, and technology-sector facilities. The data package describes the reportable line as "electrical-system installation and servicing, including complex commercial, industrial, institutional, and technology-sector work" [data_package Section 1, line 14]. In practical terms, this includes the field and project-management work needed to bring power, controls, lighting, distribution, backup systems, low-voltage connectivity, and related electrical infrastructure into a building or campus. It is not a utility transmission business like Quanta's core grid exposure, and it is not merely a residential wiring contractor. It is a specialty contracting business that sits inside large, complicated construction projects where electrical scope is increasingly central to the customer's schedule and economic value.

The customer set is mostly U.S. commercial and industrial owners, general contractors, construction managers, technology companies, institutional customers, and facility operators. The company had 197 locations in 143 U.S. cities as of the Q1 2026 release, and the data package did not find a non-U.S. geographic revenue table, so this segment should be treated as predominantly U.S. exposed [data_package Section 1, line 9]. The segment benefits when demand is strong in advanced technology, data centers, manufacturing, healthcare, and other technically demanding facilities. It also has some ongoing service and maintenance exposure, but the data package explicitly says service revenue is not separately dollar-disclosed by segment [data_package Section 4, lines 73-74; Section 10, line 169].

The pricing model is project-based and labor-capacity based. Revenue is generated through contracts to install or service systems, usually with scope, price, and timing negotiated before or during project execution. This is not a software-like recurring revenue model. The key economic issue is whether Comfort can price the risk, secure skilled labor, manage procurement, avoid rework, and collect cash before project complexity erodes margin. In a normal construction market, specialty contractors can be price takers. In a capacity-constrained market, especially data centers and advanced technology facilities where electrical infrastructure is on the critical path, the best contractors can become scarce resources. That is the current bull case for Electrical: customers need reliable execution more than they need the lowest bid.

Go-to-market is local and relationship-heavy rather than centralized product sales. Comfort's model is a federation of operating locations and acquired businesses. The Electrical Segment therefore depends on reputation, local labor networks, project managers, bonding capacity, safety record, and repeat relationships with owners and general contractors. The October 2025 acquisitions of Feyen-Zylstra and Meisner Electric, expected to add more than $200 million of annual revenue and $15 million-$20 million of annual EBITDA, are evidence that Comfort is willing to add specialized electrical capacity through M&A [data_package Section 9, line 161]. Because acquired operations are included from their respective acquisition dates and same-store comparisons exclude the acquired operations, forward modeling should separate organic demand from capacity bought through acquisitions where possible [data_package Section 9, line 162].

The most important disclosure limitation is that Electrical is the finest reliable dollar line in the data package. Modular/off-site construction, advanced technology/data centers, service revenue, and specific operating companies are discussed as drivers, but they are not separately dollar-disclosed in the pulled sources [data_package Section 4, lines 72-82]. [DATA GAP: Product/sub-product dollar revenue below Electrical Segment is not separately disclosed in the cleared data package, so this appendix models Electrical Segment as one dollar-disclosed line and does not invent data-center, service, modular, or operating-company sub-lines.]

2. Current Economics

The Electrical Segment is now large enough to matter to the whole company. FY2025 Electrical revenue was $2.428 billion, or 26.7% of FY2025 revenue, with $0.388 billion of operating income and a 16.0% operating margin [data_package Section 1, line 14; Section 3, lines 50-53; FY2025 Form 10-K Note 16 URL cited in data_package Section 1]. On a TTM basis ending March 31, 2026, Electrical revenue was $2.804 billion [data_package Section 5, line 107]. QF's SEC-sourced TTM construction shows Electrical TTM operating income of $452.645 million, implying a TTM operating margin of about 16.1% [quant_foundation.md P4, line 125; data_package Section 5, line 107]. That TTM margin is very close to FY2025, but the quarter-to-quarter path matters: Q2 2025 margin was 15.0%, Q3 2025 was 16.9%, Q4 2025 was 17.5%, and Q1 2026 was 14.9% [data_package Section 5, lines 99-102; quarter-specific SEC 10-Q/10-K URLs cited in data_package Section 5]. The segment is not a smooth annuity; margin depends on project mix, labor availability, execution, and the timing of high-margin work.

Growth is extraordinary at the current scale. Electrical revenue rose from $1.261 billion in FY2023 to $1.500 billion in FY2024 and $2.428 billion in FY2025 [data_package Section 3, line 50]. That is a two-year CAGR of 38.8%. It also accelerated from 19.0% YoY in FY2024 to 61.9% in FY2025 [data_package Section 3, line 51]. The most recent four quarters were even stronger: Q2 2025 grew 49.1% YoY, Q3 2025 grew 71.4%, Q4 2025 grew 98.2%, and Q1 2026 grew 87.5% [data_package Section 5, lines 99-102]. This is not a steady-state growth rate. It is the output of a demand surge, acquired and organic capacity, technology-sector work, and backlog conversion from a smaller base.

Capital intensity at the consolidated company level is low for the growth being produced. The data package shows FY2025 capex of $155 million, or 1.7% of consolidated revenue, and no R&D line [data_package Section 7, lines 132-140]. Segment-level capex is not disclosed. For Electrical, the more relevant reinvestment need is not owned plant and equipment but people, project managers, prefabrication methods, safety systems, procurement discipline, and working capital. The latest balance sheet is net cash, so financial leverage is not the near-term constraint; the data package explicitly identifies labor, execution, modular/off-site capacity, and project selectivity as the operating constraints [data_package Section 8, lines 144-154].

Backlog is the main support for the near-term revenue base, but it is not segmented. Company backlog rose from $8.10 billion in Q2 2025 to $9.38 billion in Q3 2025, $11.94 billion in Q4 2025, and $12.45 billion in Q1 2026 [data_package Section 4, line 79; Section 9, line 164]. Because backlog is not disclosed by segment and some modular bookings extend into 2027 and 2028, it cannot be mechanically converted into Electrical revenue [data_package Section 10, line 173]. The correct treatment is to use backlog as evidence that demand and signed obligations are strong, but not as a precise segment revenue schedule.

3. Unit Economics

Electrical revenue becomes profit through labor productivity, job selection, procurement timing, and risk pricing. A large electrical project has material costs, subcontract costs, field labor, supervision, estimating, engineering coordination, project management, and warranty or rework risk. The segment does not own an obvious patented product. The value is in execution certainty and capacity. If Comfort prices a complex project well and runs the job with experienced managers and available crews, a large share of gross profit can drop to segment operating income because corporate overhead is not allocated as revenue segment expense in the same way a decentralized operating location bears field costs. If Comfort misprices scope, underestimates labor, absorbs schedule disruption, or gets trapped by material inflation, operating margin can compress quickly.

The historical margin trend shows real improvement. Electrical operating margin rose from 6.4% in FY2022 to 8.8% in FY2023, 12.9% in FY2024, and 16.0% in FY2025 [data_package Section 3, line 53]. TTM margin was about 16.1% [quant_foundation.md P4, line 125; data_package Section 5, line 107]. This is a remarkable expansion for a specialty contractor. It suggests that the company is not simply taking volume at low margins. The data package links margin discipline to pricing for scarce workforce and risk rather than volume alone [data_package Section 6, line 125]. In other words, the segment's recent profitability is a function of capacity scarcity and project selectivity, not only end-market demand.

The upside mechanism is operating leverage and mix. If the segment can hold scarce skilled crews, win more advanced technology and data-center work, use prefabrication/off-site methods to reduce field bottlenecks, and price risk upfront, operating income can compound faster than revenue. The downside mechanism is exactly the reverse. If demand remains high but labor, switchgear, transformers, permitting, or utility interconnection delays disrupt schedules, Comfort may face liquidated damages, overtime, lower productivity, or customer renegotiation. If it chases revenue because backlog looks attractive, margin can deteriorate even while revenue grows.

The segment's capital-light appearance should not be mistaken for low reinvestment. The company can grow without building factories at semiconductor-like cost, but it must continuously recruit, train, supervise, and retain skilled labor. External labor data supports this constraint. BLS projects electrician employment to grow 9% from 2024 to 2034, faster than the 3% average for all occupations, with about 81,000 openings per year [BLS Occupational Outlook Handbook, lines 242-244 and 416-428]. AGC/NCCER's 2025 workforce survey reported that 92% of construction companies had difficulty hiring for open positions [NCCER, lines 160-161]. Those data points explain why high demand does not automatically turn into unlimited revenue. Electrical contractors are constrained by qualified labor and project leadership, not by demand alone.

4. Competitive Dynamics

The competitive set includes national and regional specialty contractors, electrical contractors, mechanical/electrical contractors, utility-linked contractors, and local operators. At the large-company level, relevant names include EMCOR, Quanta Services, IES Holdings, Rosendin Electric, MYR Group, Everus, and other specialty contractors that can staff complex commercial, industrial, power, manufacturing, data-center, and telecom jobs. ENR's 2025 Top 600 Specialty Contractors list shows Quanta ranked No. 1, EMCOR No. 2, Comfort Systems No. 5, Rosendin Electric No. 7, MYR No. 8, and IES Holdings No. 11 [ENR Top 600 PDF, lines 2956-2967]. This matters because Comfort is not a niche local contractor anymore. It competes in a field where several firms have national scale, balance sheets, customer relationships, and labor pools.

The electrical market itself is large and growing. EC&M's 2025 Top 50 Electrical Contractors ranking reported record 2024 revenue for the Top 50 of $59.5 billion, up 15%, with data centers, energy infrastructure, and manufacturing cited as high-growth markets [EC&M 2025 Top 50 Electrical Contractors, lines 84-96]. ENR's specialty contractor data also identifies electrical as the largest specialty category in its revenue mix, with electrical at $67.3 billion and 28.1% of Top 600 specialty revenue [ENR Top 600 PDF, lines 47-57]. The takeaway is not that Comfort has a dominant share. It does not. The takeaway is that the segment operates in a very large, fragmented, labor-constrained market where scale and reputation can help but do not eliminate competition.

Data centers are the most important current demand vector. CBRE reported that North America primary data-center supply reached a record 8,155 MW in H1 2025, vacancy fell to 1.6%, under-construction capacity was 5,242.5 MW, and 74.3% of under-construction capacity was already preleased [CBRE H1 2025 North America Data Center Trends, lines 267-273]. CBRE also stated that power availability and infrastructure delivery timelines were decisive factors in site selection, leasing, and pricing [CBRE, line 273]. S&P Global's 2026 data center services outlook describes access to electricity as a key bottleneck for AI growth and projects U.S. data-center construction spending of more than $70 billion per quarter from 2025 to 2028 [S&P Global, lines 1306-1324 and 1348-1349]. These are not direct Comfort historicals, but they support the structural argument that electrical scope is moving closer to the center of project economics.

There is also a real risk of overbuild or project delay. S&P Global notes that some current data-center build plans may not materialize or may be delayed, and that power infrastructure is less agile than data-center developers' plans [S&P Global, lines 1309 and 1322-1324]. CBRE's H1 2025 report already showed under-construction capacity down from the H2 2024 peak, even though it remained far above H2 2023 levels [CBRE, line 271]. That nuance is critical for Electrical. Strong demand and constrained supply are bullish for pricing, but the very constraints that make scarce contractors valuable can also slow project starts, stretch schedules, and reduce near-term revenue conversion.

Pricing power is therefore project-specific rather than absolute. Comfort likely has pricing power where it has scarce labor, a trusted local operating company, advanced technology experience, and a customer that values schedule certainty. It has less pricing power in generic commercial electrical work where local competitors can bid aggressively and project owners can tolerate more execution risk. The segment's recent margin history suggests that Comfort has been selecting and pricing well. The competitive question for the next five years is whether the company can keep that discipline as the Electrical Segment scales from a $2.8 billion TTM revenue base toward $5 billion-$8 billion in the modeled cases.

5. Moat at the Segment Level

The Electrical Segment has a localized execution moat, not a classical global monopoly moat. The defensible assets are customer trust, operating-company reputation, project managers, craft labor access, safety record, procurement knowledge, and the ability to coordinate complex work inside time-sensitive projects. Those assets can protect margins for five to ten years if demand remains strong and Comfort keeps its decentralized operating culture intact. They are not permanent in the way a regulated utility franchise or proprietary software platform can be permanent. The moat is earned job by job.

The best evidence of segment moat is the combination of growth and margin expansion. A contractor with no differentiation would typically struggle to grow Electrical revenue 61.9% in FY2025 while expanding margin to 16.0% [data_package Section 3, lines 50-53]. The Q1 2026 Electrical revenue growth of 87.5% at a 14.9% margin also indicates that customers are buying capacity at attractive economics even after a very strong FY2025 [data_package Section 5, line 102]. Margin did step down from Q4's 17.5% to Q1's 14.9%, so the moat should not be overstated. But a mid-teens operating margin at this revenue growth rate is evidence of scarcity value.

The moat is reinforced by the industry labor constraint. BLS and AGC/NCCER data indicate that the electrician and construction labor markets are tight [BLS lines 242-244; NCCER lines 160-161]. Comfort can turn that constraint into moat if it has better recruiting, training, safety, and retention than smaller competitors. It can also use acquisitions to buy teams and local relationships, as it did with Feyen-Zylstra and Meisner Electric in 2025 [data_package Section 9, line 161]. But acquisition-led capacity is not free. Integration risk, culture dilution, and purchase-price discipline matter. A high-margin contractor that overpays for capacity during a demand boom can impair future returns even if the acquired revenue is real.

The strongest segment-level moat claim is in mission-critical and advanced technology work. For a hyperscale data-center customer, the electrical contractor's reliability can be more valuable than a modest price discount. Electrical failures, schedule slips, commissioning delays, and rework can affect an entire campus. CBRE's finding that large 10 MW+ deployments saw pricing increases of up to 19% because of tight contiguous power blocks, elevated build-out costs, and competition for high-density infrastructure supports the idea that power and electrical infrastructure are scarce [CBRE, lines 267-273]. S&P Global's discussion of high-density AI infrastructure and liquid cooling also shows that technical complexity is rising, which should favor contractors with relevant experience [S&P Global, lines 1362-1367].

The moat breaks if the company loses labor discipline, misprices risk, or if data-center demand cools faster than labor capacity. A five- to ten-year moat is plausible. A twenty-year moat requires more caution. Electrical contracting remains a competitive, cyclical, people-dependent industry. The right base case is that Comfort can defend above-normal margins for a while because demand, backlog, labor scarcity, and execution reputation align. The wrong base case is to assume the FY2025-Q1 2026 growth rate and margin are permanent.

6. Historical Growth Rates - Reproduced From Data Package

The table below uses the finest reliable dollar disclosure in the cleared data package: the reportable Electrical Segment. No product-level dollar histories are back-solved because the data package explicitly instructs downstream agents not to invent modular, data-center, service, or construction dollar histories [data_package Section 4, line 82].

Product / sub-segment	FY2023 rev	FY2024 rev	FY2025 rev	3-yr CAGR / available CAGR	Most recent YoY	Data package cite
Electrical Segment	$1.261B [data_package Section 3, line 50]	$1.500B [data_package Section 3, line 50]	$2.428B [data_package Section 3, line 50]	38.8% FY2023-FY2025 CAGR, calculated from the cited FY2023 and FY2025 values	61.9% FY2025 YoY [data_package Section 3, line 51]	Reportable segment only; installation and servicing of electrical systems [data_package Section 4, line 71]

Arithmetic tie-out:

Row	Check	Result
Electrical FY2024	$1.261B x 1.190 = $1.501B vs reported $1.500B	Pass within 2%; rounding difference only [data_package Section 3, lines 50-51]
Electrical FY2025	$1.500B x 1.619 = $2.429B vs reported $2.428B	Pass within 2%; rounding difference only [data_package Section 3, lines 50-51]
Electrical TTM	Q2 2025 $0.535B + Q3 2025 $0.641B + Q4 2025 $0.824B + Q1 2026 $0.805B = $2.805B vs QF/QFR official TTM $2.804B	Pass within rounding [data_package Section 5, lines 99-107]

Recent quarterly trend:

Quarter	Revenue	YoY growth	Operating margin	Data package cite
2025-Q2	$0.535B	49.1%	15.0%	[data_package Section 5, line 99]
2025-Q3	$0.641B	71.4%	16.9%	[data_package Section 5, line 100]
2025-Q4	$0.824B	98.2%	17.5%	[data_package Section 5, line 101]
2026-Q1	$0.805B	87.5%	14.9%	[data_package Section 5, line 102]
TTM ending Mar. 31, 2026	$2.804B	n/a	16.1%	[data_package Section 5, line 107; quant_foundation.md P4, line 125]

[DATA GAP: FY2021 Electrical operating income is not available at the same segment-note granularity in the cleared source set; this appendix uses FY2022 onward for margin history, as instructed by data_package Section 3, line 64 and Section 10, line 170.]

7. Management Guidance - Quoted From Data Package Section 6

Topic	Source / date / speaker	Verbatim excerpt / disclosure status	Interpretation for Electrical
2026 same-store growth	Q1 FY2026 call, 2026-04-24, William George, CFO [data_package Section 6]	"mid- to high 20% range"	This is consolidated same-store guidance, not Electrical-specific guidance. It is still relevant because Electrical entered 2026 with far higher growth than the company average. I use it as a near-term ceiling check, not as a five-year CAGR.
Electrical hyperscaler capacity	Q4 FY2025 call, 2026-02-20, William George, CFO [data_package Section 6]	"They would buy more if they could"	This directly supports the idea that near-term Electrical demand is capacity constrained rather than demand constrained. It does not justify assuming infinite labor capacity.
Backlog quality	Q3 FY2025 call, 2025-10-24, Trent McKenna, President/COO [data_package Section 6]	"project pipelines remain at historically high levels"	This supports the backlog-to-revenue runway but should not be treated as segment backlog because backlog is not disclosed by segment.
Electrical segment scaling	Q1 FY2026 call, 2026-04-24, William George, CFO [data_package Section 6]	Paraphrase only: Electrical revenue increased 88% in Q1 2026; management linked both segments to strong technology-sector demand	This is the main near-term growth anchor for Electrical. The base case starts above normal construction growth and then decelerates materially.
Labor constraint	Q1 FY2026 call, 2026-04-24, William George, CFO [data_package Section 6]	Paraphrase only: labor remains the core pinch point	This is the main cap on the bull case. A demand-led model that ignores labor would be too aggressive.
Backlog definition	Q3 FY2025 call, 2025-10-24, William George, CFO [data_package Section 6]	Paraphrase only: backlog requires price, scope, and legally binding obligation	This gives backlog more credibility than a loose pipeline number, but timing and segment conversion remain uncertain.
Margin discipline	Q4 FY2025 call, 2026-02-20, William George, CFO [data_package Section 6]	Paraphrase only: pricing for scarce workforce and risk	This supports a mid-teens margin base case, but only if Comfort remains selective.
Capital deployment	Q4 FY2025 call, 2026-02-20, William George, CFO [data_package Section 6]	Paraphrase only: cash flow can outpace acquisition deployment; M&A remains primary after attractive opportunities	This matters because the Electrical growth path can include tuck-in acquisitions, but acquisition supply and pricing are constraints.

[DATA GAP: Management commentary is mostly consolidated and end-market oriented. The cleared data package rarely assigns backlog, modular capacity, data-center exposure, service revenue, or labor constraints to Electrical specifically; segment-level forecast drivers are therefore inferred from Electrical revenue growth, margin history, and segment exposure, consistent with data_package Section 10, line 172.]

8. Forward Growth Assumptions - Explicit, Per Product

Because the only dollar-disclosed product line is the reportable Electrical Segment, the product forecast is a one-line build. That is less granular than ideal, but it is safer than inventing sub-product histories. The TTM base is $2.804 billion of revenue ending March 31, 2026 [data_package Section 5, line 107]. Every case compounds from that TTM base to March 31, 2031,

exactly five calendar years.

Base Case Growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Electrical Segment	38.8% FY2023-FY2025	87.5% in Q1 2026 [data_package Section 5, line 102]	Consolidated same-store growth in the "mid- to high 20% range" from William George, CFO, on the Q1 FY2026 call dated 2026-04-24 [data_package Section 6]	16.0%	Base assumes the current boom remains real but normalizes. Demand is supported by backlog, data centers, and technology-sector work, but labor, power delivery, and project timing cap growth. A staged path of roughly 27%, 20%, 15%, 10%, and 8% produces a five-year CAGR near 16%.

The base case is intentionally below the recent historical CAGR. A 38.8% two-year CAGR from FY2023-FY2025 and 87.5% Q1 2026 growth are not sustainable on a $2.8 billion TTM base unless Comfort continuously adds labor, operating companies, and large project wins at exceptional rates. The data package says William George, CFO, expected 2026 same-store growth in the mid- to high-20s range at the company level on the Q1 FY2026 call dated 2026-04-24 [data_package Section 6]. Electrical can exceed consolidated growth in the near term because it is smaller and more exposed to technology-sector demand, but by years three through five the base case assumes the law of large numbers, customer concentration risk, utility constraints, and labor constraints bring growth down.

Bull Case Growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Electrical Segment	38.8% FY2023-FY2025	87.5% in Q1 2026	Same-store guide in the "mid- to high 20% range" for the company from William George, CFO, on the Q1 FY2026 call dated 2026-04-24, with Electrical currently above company growth	22.0%	Bull assumes hyperscaler and advanced technology demand remains supply-constrained, Comfort adds capacity through hiring and acquisitions, and project selection stays disciplined. A staged path of roughly 36%, 29%, 23%, 17%, and 13% is aggressive but still decelerates sharply from Q1 2026.

The bull case requires several things to go right at once. First, large customers must continue to demand more capacity than Comfort can provide, consistent with William George's Q4 FY2025 call comment on 2026-02-20 that "They would buy more if they could" [data_package Section 6]. Second, the company must convert backlog without taking on too much fixed-price risk. Third, acquisitions such as Feyen-Zylstra and Meisner must add durable electrical capability rather than one-time revenue [data_package Section 9, line 161]. Fourth, the external data-center cycle must remain strong despite power constraints. CBRE's 74.3% preleasing of under-construction capacity and record-low primary market vacancy support that possibility [CBRE lines 267-273].

Bear Case Growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Electrical Segment	38.8% FY2023-FY2025	87.5% in Q1 2026	Same-store guide positive near term, but not segment-specific	8.0%	Bear assumes backlog conversion slows as power, permitting, equipment, and customer capital discipline delay projects. Growth remains positive because the segment starts with strong backlog and acquired capacity, but the post-boom revenue base compounds only slightly above nominal construction growth.

The bear case is not a collapse case. It still produces a larger Electrical Segment in 2031 than today because the starting backlog and customer demand are real. The bear case instead says the current Q1 2026 growth rate is a peak-cycle output, and the next five years include schedule delays, equipment bottlenecks, harder comps, and margin give-back. S&P Global's warning that some data-center build plans may not materialize or may be delayed is the external support for this scenario

[S&P Global lines 1309 and 1322-1324]. It also reflects the fact that backlog conversion timing is not disclosed by segment [data_package Section 10, line 173].

9. Forward Operating Margin Assumptions

The current margin base is high. Electrical TTM operating income was $452.645 million on $2.8035 billion of TTM revenue, or about 16.1% [quant_foundation.md P4, line 125; data_package Section 5, line 107]. FY2025 margin was 16.0%, and quarterly margins ranged from 14.9% to 17.5% across the latest four quarters [data_package Section 3, line 53; Section 5, lines 99-102]. The forecast should therefore not mechanically expand margin just because revenue grows. At this point the burden of proof is on further margin expansion.

Product	Current margin	Bear TTM+5y margin	Base TTM+5y margin	Bull TTM+5y margin	Mechanism
Electrical Segment	16.1% TTM [quant_foundation.md P4, line 125; data_package Section 5, line 107]	12.5%	15.5%	17.0%	Bear assumes underabsorbed labor, overtime, delay costs, and price competition after the boom. Base assumes Comfort keeps most of its scarce-labor pricing but gives back 60 bps from TTM as mix normalizes. Bull assumes scale, project selection, prefabrication, and mission-critical scarcity offset labor inflation and lift margin modestly.

The base case margin is slightly below current TTM margin because recent profitability may include favorable project mix and exceptional demand in a tight market. It is still far above the FY2022-FY2024 average because the segment's operating model appears structurally better than it was three years ago. The company has more scale, more technology-sector exposure, stronger backlog, and better evidence of pricing discipline. The base mechanism is not generic operating leverage; it is "hold price and selection while scaling capacity." That is a narrower and more defensible claim.

The bull case margin of 17.0% is only 90 bps above TTM. That may look conservative for a bull case, but the segment is still a labor-heavy contractor. A contractor can become better with scale, but it does not become a software company. Bull margin requires persistent scarcity in electrical labor, data-center and advanced technology mix, limited rework, strong procurement, and no large bad jobs. S&P Global's discussion of high-density AI infrastructure and liquid cooling suggests complexity is rising [S&P Global lines 1362-1367]. Complexity can support pricing for trusted contractors, but it also raises execution risk.

The bear margin of 12.5% is modestly below FY2024's 12.9% but still well above FY2023's 8.8% [data_package Section 3, line 53]. That is because the bear case is not assuming a return to pre-boom economics. It assumes Comfort remains a better, larger electrical contractor than it was in 2023, but loses a meaningful share of current scarcity rent. The mechanisms are project delays, higher wage rates, less favorable mix, more competition for stalled data-center work, and integration drag from acquisitions.

10. Segment Rollup - Bottoms-Up Arithmetic

The rollup has one product line because Electrical Segment is the only dollar-disclosed line. Segment totals therefore tie exactly to the product-level assumptions by construction. The model starts from TTM revenue of $2.8035 billion and TTM operating income of $452.645 million [data_package Section 5, line 107; quant_foundation.md P4, line 125].

Case	Product line	TTM revenue base	5-year revenue CAGR	TTM+5y revenue	TTM+5y operating margin	TTM+5y operating income
Bear	Electrical Segment	$2.804B	8.0%	$4.119B	12.5%	$0.515B
Base	Electrical Segment	$2.804B	16.0%	$5.888B	15.5%	$0.913B
Bull	Electrical Segment	$2.804B	22.0%	$7.577B	17.0%	$1.288B

Arithmetic checks:

Case	Revenue math	Operating income math	Tie-out
Bear	$2.8035B x 1.08^5 = $4.119B	$4.119B x 12.5% = $0.515B	Pass
Base	$2.8035B x 1.16^5 = $5.888B	$5.888B x 15.5% = $0.913B	Pass
Bull	$2.8035B x 1.22^5 = $7.577B	$7.577B x 17.0% = $1.288B	Pass

Probability-weighted view:

Case	Probability	Revenue	Operating income	Weighted operating income
Bear	25%	$4.119B	$0.515B	$0.129B
Base	55%	$5.888B	$0.913B	$0.502B
Bull	20%	$7.577B	$1.288B	$0.258B
Probability-weighted	100%	n/a	n/a	$0.889B

The probability-weighted operating income of roughly $0.889 billion is close to the base case because the bull case's upside is partly offset by the meaningful chance that today's growth rate proves peak-cycle. This is the right shape for the Electrical Segment: the business has genuine upside because the starting demand environment is unusually strong, but the downside cannot be dismissed because the segment is labor- and project-execution intensive.

11. Key Risks and Wildcards

- Bear case - Data-center timing risk. Data-center demand is strong, but power availability, permitting, equipment, and community opposition can delay projects. S&P Global explicitly warns that some data-center build plans may be delayed or may not materialize [S&P Global lines 1309 and 1322-1324]. Electrical revenue can miss even if end-demand remains high.

- Bear case - Labor bottleneck. The data package says labor is the core pinch point [data_package Section 6, line 123]. BLS and AGC/NCCER data confirm tight electrician and construction labor markets [BLS lines 242-244; NCCER lines 160-161]. If Comfort cannot hire and retain skilled crews, revenue growth and margin both suffer.

- Bear case - Margin normalization. Electrical margin rose from 6.4% in FY2022 to about 16% in FY2025/TTM [data_package Section 3, line 53; quant_foundation.md P4, line 125]. That is a large move. If current margins contain peak scarcity rent, a return toward 12%-13% is plausible.

- Base case - Acquisition integration. Feyen-Zylstra and Meisner Electric add electrical capacity, but acquired capacity must be integrated without weakening job discipline [data_package Section 9, line 161]. The segment's decentralized culture is an asset only if acquisitions preserve operating quality.

- Base case - Backlog conversion ambiguity. Backlog is disclosed in dollars, but not by segment or end market, and some bookings extend into 2027 and 2028 [data_package Section 10, line 173]. A high backlog figure supports demand but does not provide a precise Electrical forecast.

- Bull case - Mission-critical scarcity. If AI data-center and advanced technology projects continue to compete for trusted electrical capacity, Comfort can hold mid-teens or better margins while scaling revenue. CBRE's record-low vacancy and high preleasing support this scenario [CBRE lines 267-273].

- Bull case - Prefabrication and productivity. The data package says modular/off-site capability is a driver but not a dollar-disclosed line [data_package Section 4, line 72]. If Comfort improves labor productivity through off-site work, standardized assemblies, and better project controls, it can grow faster without proportional field labor growth.

- Wildcard - Electrical technology shift. High-density AI facilities are changing power distribution, backup, cooling coordination, and commissioning requirements. S&P Global notes rising interest in liquid cooling and high-density infrastructure [S&P Global lines 1362-1367]. This can be a competitive advantage for experienced contractors, but also raises the cost of mistakes.

Final segment summary:

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	$4.119B	12.5%	$0.515B	25%

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Base	$5.888B	15.5%	$0.913B	55%
Bull	$7.577B	17.0%	$1.288B	20%

The Electrical Segment deserves a strong but disciplined forecast. It has the best recent growth profile in the company, a large TTM base, mid-teens margins, record company backlog support, and direct exposure to electrical infrastructure scarcity. But the exact traits that make the segment attractive - labor scarcity, data-center complexity, long-lead power infrastructure, and customer urgency - also define the risk. The base case assumes Comfort keeps most of its current advantage while decelerating sharply from the recent boom. That is the most defensible position from the cleared data package.

Appendix S - Synthesis (Combined Earnings Model)

Comfort Systems USA, Inc. - Synthesis (Combined Earnings Model)

Company: Comfort Systems USA, Inc. Ticker: FIX Run date: 2026-04-30 Output owner: ER2 Sub-Agent S, synthesis / combined earnings model Owned file: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Comfort Systems USA, Inc\appendix_synthesis.md`

This appendix combines the cleared Mechanical and Electrical Segment models into a TTM+5y company earnings bridge. It uses the Stage 0 anchors supplied by the orchestrator, the cleared data package, and the reviewed segment appendices without re-fetching the market price or changing segment case outputs. The synthesis is therefore a model assembly and tie-out exercise, not a new segment forecast. The result is favorable on business quality and unfavorable on valuation: the base case produces high absolute growth, but it does not clear the ER2 price discipline at the current price of $1,726.27.

1. Anchors

Item	Anchor
Today	2026-04-30
FY end	December 31
TTM anchor end date	2026-03-31
TTM quarters	Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026
Latest completed FY label	FY2025
Horizon date	2031-03-31
Compounding span	Exactly 5.0 calendar years from TTM end
Current price	$1,726.27
TTM diluted share count	35.33M
Required EPS for P/E 15 at current price	$115.08

The TTM anchor is the four-quarter period ending March 31, 2026, not FY2025 and not a six-fiscal-year bridge. The data package Section 5 and quant foundation P4 identify the TTM period as Q2 2025 through Q1 2026. Consolidated TTM revenue is $10.1357B, official/control operating income is $1.591209B, income before tax is $1.5676B, net income is $1.2236B, and diluted EPS is $34.64 using the average quarterly diluted share count. The latest balance sheet is Q1 2026, with $1.0502B of cash, $0.3786B of total debt, and net cash of $0.6716B. Those anchors matter because the company has stepped up sharply since FY2025: Q1 2026 revenue alone was $2.8653B, and Q1 2026 official/control operating income was $485.718M.

The latest completed FY is used only as a historical tie-out. FY2025 consolidated revenue was $9.1016B, official operating income was $1.3146B, net income was $1.0226B, diluted EPS was $28.88, and diluted share count was 35.41M. The forward bridge compounds from the TTM revenue base of $10.1357B and segment TTM revenue bases of $7.3322B for Mechanical and $2.8035B for Electrical.

2. Segment-Level Forward Assumptions

The following table reproduces the reviewed segment outputs. Mechanical comes from `appendix_B_mechanical.md` Sections 8 through 10, especially the rollup table in Section 10. Electrical comes from `appendix_B_electrical.md` Sections 8 through 10, especially the bottom-up arithmetic table in Section 10. No segment case output is changed here.

Segment	TTM revenue	Bear TTM+5y revenue	Base TTM+5y revenue	Bull TTM+5y revenue	Bear OI margin	Base OI margin	Bull OI margin	Source
Mechanical Segment	$7.332B	$10.773B	$12.921B	$15.400B	14.5%	16.5%	18.0%	Mechanical appendix Sections 8-10
Electrical Segment	$2.804B	$4.119B	$5.888B	$7.577B	12.5%	15.5%	17.0%	Electrical appendix Sections 8-10
Total modeled segments	$10.136B	$14.892B	$18.809B	$22.977B	n/a	n/a	n/a	Synthesis sum

Mechanical remains the larger dollar contributor. Its base case grows from $7.332B to $12.921B at a 12.0% five-year CAGR, with a 16.5% endpoint operating margin and $2.132B of segment operating income. This is below the segment's FY2023-FY2025 growth rate and below Q1 2026 growth, but still requires continued labor additions, modular/off-site capacity, project selection, and data-center / advanced-technology demand.

Electrical is smaller but faster-growing. Its base case grows from $2.8035B to $5.888B at a 16.0% five-year CAGR, with a 15.5% endpoint operating margin and $0.913B of segment operating income. The Electrical appendix explicitly decelerates from Q1 2026's 87.5% growth rate and from the recent two-year historical CAGR because the segment is labor-constrained, project-based, and exposed to power / permitting / equipment timing risk.

The two segment appendices use one dollar-disclosed product line each because the data package did not find reliable product-dollar disclosure below the reportable Mechanical and Electrical Segment level. Modular/off-site construction, service, data centers, advanced technology, and operating-company additions are therefore drivers inside the two reportable segments, not separate revenue lines. This avoids double counting.

3. Combined Revenue Build

There are no corporate revenue lines or eliminations in the cleared data package. The data package Section 1 says Corporate is an overhead line only and has no revenue. The TTM and FY2025 segment revenue sums tie to consolidated revenue in the quant foundation, so the forward revenue build is simply the sum of Mechanical and Electrical.

Line	Bear	Base	Bull
Mechanical TTM+5y revenue	$10.773B	$12.921B	$15.400B
Electrical TTM+5y revenue	$4.119B	$5.888B	$7.577B
Sum of segment TTM+5y revenue	$14.892B	$18.809B	$22.977B
Corporate eliminations	$0.000B	$0.000B	$0.000B
Combined TTM+5y revenue	$14.892B	$18.809B	$22.977B
Implied TTM to TTM+5y CAGR	8.0%	13.2%	17.8%

The combined base case is a very large business by 2031: $18.809B of revenue versus $10.136B at the TTM anchor. This is not a weak forecast. It assumes Comfort Systems almost doubles revenue from an already elevated post-Q1 2026 base. The valuation failure later in this appendix is therefore not caused by punitive operating assumptions. It is caused by the current share price requiring an even more extreme earnings outcome to support a 15x terminal multiple.

4. Combined Operating Income Build

Segment operating income must be bridged to consolidated operating income by corporate overhead. The quant foundation P4 TTM construction shows Mechanical TTM operating income of $1.224994B, Electrical TTM operating income of $0.452645B, Corporate operating income of $(0.086430)B, and consolidated operating income of $1.591209B. Therefore the current unallocated corporate expense run-rate is $86.430M.

For the horizon model, corporate overhead is grown at 5.0% per year for exactly five years. That is above inflation and below the company revenue CAGR in every case. The resulting TTM+5y corporate overhead is $110.309M, calculated as $86.430M x 1.05^5. This is a conservative but not punitive assumption: it gives the company scale leverage because revenue grows materially faster than corporate cost, while still recognizing a larger organization, more public-company complexity, acquisition integration, modular facilities, compliance, and management depth.

Line	Bear	Base	Bull
Mechanical segment OI	$1.562B	$2.132B	$2.772B
Electrical segment OI	$0.515B	$0.913B	$1.288B
Sum of segment TTM+5y OI	$2.077B	$3.045B	$4.060B
Unallocated corporate expense	$(0.110)B	$(0.110)B	$(0.110)B
Combined TTM+5y OI	$1.967B	$2.935B	$3.950B
Implied OI margin	13.2%	15.6%	17.2%

The base case operating margin of 15.6% is above the FY2025 consolidated margin of 14.4% and roughly flat with the TTM official margin of 15.7%. This is intentional. The segment appendices assume the company keeps most of the recent margin improvement but does not treat the Q1 2026 peak as the full-cycle normal. The bear case still produces $1.967B of operating income and a 13.2% margin, which is materially better than FY2024's 10.7% margin. The bull case produces $3.950B of operating income and a 17.2% margin, which requires persistent scarcity, strong execution, and modular / off-site productivity.

5. Net Income and EPS Build

The model uses the operating-income bridge above, then applies net interest / other income, tax, and the explicit share-count path from Section 6. TTM net interest and other items were approximately $(23.6)M because TTM income before tax of $1.5676B was below official/control operating income of $1.591209B. The latest balance sheet is net cash, so the forward below-the-line assumption is modest: bear uses $(25)M of net expense, base uses $0M, and bull uses $20M of net income. This gives no major financial-engineering credit to the net cash balance.

Tax rates are 24% in bear, 23% in base, and 22% in bull. The TTM effective tax rate implied by the quant foundation is approximately 21.9%: ($1.5676B pre-tax income less $1.2236B net income) / $1.5676B. The base case steps that up to 23% to avoid over-crediting any favorable discrete or mix items; bear uses 24% and bull uses 22%.

Line	Bear	Base	Bull
Combined TTM+5y OI	$1.967B	$2.935B	$3.950B
Net interest / other income	$(0.025)B	$0.000B	$0.020B
Pre-tax income	$1.942B	$2.935B	$3.970B
Tax rate assumed	24.0%	23.0%	22.0%
Net income	$1.476B	$2.260B	$3.096B
Diluted share count at TTM+5y	34.924M	34.924M	34.924M
EPS at TTM+5y	$42.25	$64.70	$88.66

Base case net income of $2.260B is 1.85x TTM net income of $1.224B. Base case EPS of $64.70 is 1.87x TTM EPS of $34.64. The model therefore gives Comfort Systems significant credit for operating growth and modest share reduction. It still misses the P/E 15 threshold by a wide margin because $64.70 of EPS capitalized at 15x equals $970.57, far below the current price.

6. Share Count Path

The share count path starts with the TTM / latest balance sheet diluted share count of 35.33M from the quant foundation P6. The purpose is to avoid the shortcut that buybacks automatically maintain EPS. At the current price, repurchases retire few shares per dollar.

Historical buybacks were $27M in FY2021, $38M in FY2022, $21M in FY2023, $58M in FY2024, and $216M in FY2025, per the data package Section 7. Management assessment Section 3 notes that FY2025 buybacks were about 0.4M shares for $217.9M at an average $489.40, while long-run program purchases were much cheaper. For the forward path, the model assumes $0.200B of annual buybacks, consistent with the recent FY2025 dollar pace but not increased with the much larger earnings base. This is deliberate. Capital allocation remains acquisition- and capacity-first, and management has guided to materially higher modular/off-site capex. The model should not force aggressive repurchases at a high share price.

TTM stock-based compensation is estimated from the raw FMP quarterly cash-flow file: Q2 2025 $4.156M, Q3 2025 $3.553M, Q4 2025 $6.063M, and Q1 2026 $19.406M, totaling $33.178M. Using the current price of $1,726.27 as a rough conversion price gives annual SBC issuance of 0.019M shares. This is small, consistent with the management appendix view that dilution is not currently a major concern, but it is included explicitly.

Year	Starting share count	Buyback $	Avg price assumed	Shares retired	SBC issuance	Ending share count
Year 1	35.330M	$0.200B	$1,777	0.113M	0.019M	35.237M
Year 2	35.237M	$0.200B	$1,884	0.106M	0.019M	35.150M
Year 3	35.150M	$0.200B	$1,997	0.100M	0.019M	35.069M
Year 4	35.069M	$0.200B	$2,117	0.094M	0.019M	34.994M
Year 5	34.994M	$0.200B	$2,244	0.089M	0.019M	34.924M

The average price assumption grows 6% per year from the current quote, with each year's average price set around the mid-year point. This is not a price forecast; it is a disciplined way to avoid assuming the company retires large share blocks at today's or historical lower prices. Across five years, the company spends $1.000B on buybacks, retires 0.502M shares, issues 0.096M shares through SBC, and reduces diluted shares by 0.406M net. The ending share count is 34.924M.

7. P/E 15 Test

Case	EPS at TTM+5y	EPS x 15	Current price	Cushion	Pass?
Bear	$42.25	$633.82	$1,726.27	-63.3%	Fail
Base	$64.70	$970.57	$1,726.27	-43.8%	Fail
Bull	$88.66	$1,329.91	$1,726.27	-23.0%	Fail

The confident case that matters is the base case, not the bull case. At the current price, Comfort Systems needs $115.08 of horizon EPS to clear a 15x P/E bar. The base case produces $64.70, a $50.38 shortfall. Even the bull case produces only $88.66, which is still $26.42 below the required EPS. Therefore the P/E 15 gate is FAIL despite the management gate PASS and moat gate PASS. The business may remain excellent; the stock price does not clear ER2 valuation discipline.

8. Reflexivity Check

The model's TTM starting point ties to reported financials. Quant foundation P4 shows Mechanical TTM revenue of $7.3322B plus Electrical TTM revenue of $2.8035B, equaling consolidated TTM revenue of $10.1357B. That is a 0.0% difference. For operating income, Mechanical TTM OI of $1.224994B plus Electrical TTM OI of $0.452645B plus Corporate OI of $(0.086430)B equals consolidated official/control OI of $1.591209B. That also ties exactly before rounding.

The latest completed FY ties as well. Data package Section 1 and Section 3 show FY2025 Mechanical revenue of $6.673745B and Electrical revenue of $2.427896B, summing to consolidated FY2025 revenue of $9.101641B. FY2025 segment operating income is approximately $0.9995B for Mechanical and $0.3876B for Electrical, with Corporate of $(0.0725)B, tying to official FY2025 operating income of about $1.3146B. The quant foundation P5 reconciliation says the annual segment sums equal consolidated revenue for FY2025-FY2023 and that official SEC operating income controls where FMP has minor gain-on-sale presentation differences.

This matters because the forward build is bottoms-up. A loose TTM segment reconstruction would create false precision at the horizon. Here the TTM revenue and OI bridge is clean after including Corporate as an overhead line.

9. In-Progress FY Reconciliation

Stage 0 uses a TTM anchor ending March 31, 2026, so FY2026 is in progress. Q1 2026 revenue was $2.8653B and official/control operating income was $485.718M. Simple annualization gives $11.461B of FY2026 revenue and $1.943B of operating income. The base model's first forward run-rate is approximately $11.773B of revenue: Mechanical base Year 1 of $8.212B from the Mechanical appendix plus Electrical Year 1 of approximately $3.561B, using the Electrical appendix staged first-year growth of 27%.

Revenue reconciliation is acceptable. The first-forward base revenue run-rate is 2.7% above Q1 2026 annualized revenue and 16.2% above TTM revenue. The gap versus TTM is expected because Q1 2026 was much larger than the earlier quarters in the TTM window and management guided same-store growth for FY2026 in the mid- to high-20% range. The model is not starting above the most recent quarter's annualized run-rate.

Operating income reconciliation needs context. Q1 2026 annualized OI is $1.943B, while the base first-forward operating income run-rate is approximately $1.815B after corporate expense. That is 6.6% below Q1 annualized. The difference is acceptable because the management appendix notes a $43M favorable Q1 2026 development from late-stage projects and change orders, worth almost $1 per share, and management described normalized gross margin separately. The base model therefore uses Q1 2026 as evidence of run-rate strength but does not annualize every favorable Q1 item into the five-year endpoint.

10. Sensitivity

The base case uses $18.809B of revenue, $2.935B of operating income, $2.260B of net income, 34.924M diluted shares, and $64.70 of EPS. The sensitivity table holds the other variables at base and changes one variable at a time.

Sensitivity	Downside EPS	Base EPS	Upside EPS	EPS impact
Mechanical revenue CAGR +/- 200 bps	$60.64	$64.70	$69.03	-$4.07 / +$4.33
Electrical OI margin +/- 200 bps	$62.09	$64.70	$67.28	-$2.61 / +$2.58
Share count +/- 5%	$61.60	$64.70	$68.09	-$3.10 / +$3.39
Tax rate +/- 300 bps	$62.16	$64.70	$67.21	-$2.54 / +$2.50

The largest single variable in this table is Mechanical growth because Mechanical is the larger segment. A 200 bps change in Mechanical CAGR changes horizon EPS by roughly $4.20. Share count also matters, but not enough to rescue the valuation because buybacks at $1,700-plus retire very little stock. Electrical margin and tax each move EPS by about $2.50 to $2.60.

The practical kill criteria are therefore not minor tax or share-count adjustments. The key variables are sustained Mechanical revenue growth, consolidated margin durability, and whether data-center / advanced-technology demand remains strong without a contractor margin reset. Even if all of those are favorable, the current price still requires a result beyond the base and bull cases modeled here.

11. Combined Earnings Summary Table

Probability weights are 20% bear, 55% base, and 25% bull. This is not a uniform weighting. It centers on base because the data package, management appendix, and moat appendix all support a strong demand and execution setup, while still assigning meaningful probability to bear because the company is labor-constrained, project-based, exposed to data-center timing, and valued as if exceptional results are already assured. Bull receives 25% because backlog, modular/off-site capacity, customer urgency, and management quality create real upside, but the bull case still does not clear the price gate.

Case	Revenue	OI	OI margin	NI	EPS	Probability	EPS x 15	vs. $1,726.27
Bear	$14.892B	$1.967B	13.2%	$1.476B	$42.25	20%	$633.82	-63.3%
Base	$18.809B	$2.935B	15.6%	$2.260B	$64.70	55%	$970.57	-43.8%
Bull	$22.977B	$3.950B	17.2%	$3.096B	$88.66	25%	$1,329.91	-23.0%
Probability-weighted EPS	n/a	n/a	n/a	n/a	$65.06	100%	$975.85	-43.5%

The probability-weighted EPS result is close to the base case because the base weight is 55%, the bull and bear tails are not symmetric in EPS dollars, and the bear case remains possible if current scarcity rents normalize. Probability-weighted EPS x 15 is $975.85, also far below the current price.

12. Tie-Out Checks

- Reported-financial tie-out: PASS. TTM segment revenue of $7.3322B Mechanical plus $2.8035B Electrical equals consolidated TTM revenue of $10.1357B. TTM segment OI of $1.224994B plus $0.452645B less $0.086430B Corporate equals consolidated official/control OI of $1.591209B. FY2025 segment revenue and OI also tie to consolidated reported values after Corporate overhead and the official SEC operating-income control.

- NI / shares = EPS: PASS. Bear $1.4757B / 34.9236M = $42.25. Base $2.2597B / 34.9236M = $64.70. Bull $3.0964B / 34.9236M = $88.66. Differences are rounding only.

- Segment sum tie-out at horizon: PASS. Bear combined revenue $14.892B equals Mechanical $10.773B plus Electrical $4.119B. Base $18.809B equals $12.921B plus $5.888B. Bull $22.977B equals $15.400B plus $7.577B. Corporate revenue eliminations are $0.000B.

- Product-to-segment rollup: PASS. Each segment appendix states that only one dollar-disclosed product line exists below the reportable segment. Mechanical Section 10 and Electrical Section 10 therefore tie product revenue to segment revenue by construction.

- Weighted margin check: PASS. Each segment has one modeled product line because no reliable sub-product dollar table was disclosed. The weighted margin is therefore the segment margin exactly: Mechanical 14.5% / 16.5% / 18.0%, Electrical 12.5% / 15.5% / 17.0%.

- Share count path: PASS. Starting diluted shares of 35.330M less 0.502M cumulative repurchased shares plus 0.096M cumulative SBC issuance equals 34.924M ending diluted shares over exactly five years.

- Growth plausibility: PASS. Mechanical base CAGR of 12.0% is below 1.2x its FY2023-FY2025 historical CAGR of 30.1%. Electrical base CAGR of 16.0% is below 1.2x its FY2023-FY2025 historical CAGR of 38.8%. Both appendices explicitly justify deceleration from current growth.

- Historical arithmetic: PASS. Mechanical: $7.332B x 1.08^5 = $10.773B, x 1.12^5 = $12.921B, x 1.16^5 = $15.400B. Electrical: $2.8035B x 1.08^5 = $4.119B, x 1.16^5 = $5.888B, x 1.22^5 = $7.577B. All use N = exactly 5.0 calendar years.

- Recency anchor: PASS. The base first-forward revenue run-rate of about $11.773B is 2.7% above Q1 2026 annualized revenue of $11.461B and is supported by management's FY2026 same-store growth commentary. It is above TTM revenue because Q1 2026 was a step-up quarter inside the TTM window.

- Below-OP / tax tie-out: PASS. TTM below-operating-income drag was about $(23.6)M; the model uses $(25)M bear, $0M base, and $20M bull given the Q1 2026 net cash balance. The base tax rate of 23% is above the TTM effective tax rate of about 21.9%, avoiding over-credit for favorable current tax items.

- P/E 15 math: PASS. Required EPS is $1,726.27 / 15 = $115.08. Bear, base, and bull EPS of $42.25, $64.70, and $88.66 all fail the P/E 15 price test. The valuation gate result is FAIL, but the arithmetic check itself passes.

Tie-out result: 11/11 passed.

13. Final Synthesis

Comfort Systems USA clears the qualitative gates supplied to this synthesis: management gate PASS, moat gate PASS, and 2046 test PASS. The combined earnings model also shows a strong business outcome. Base revenue reaches $18.809B, base operating income reaches $2.935B, base net income reaches $2.260B, and base EPS reaches $64.70 by the TTM+5y horizon. That is a powerful five-year result for a specialty contractor.

The model is deliberately not a bearishly framed earnings case. Several assumptions favor the company. Corporate overhead grows at only 5% per year while revenue grows at 13.2% in the base case, so the model gives Comfort meaningful scale leverage. Net interest and other income are set at zero in the base case even though the latest balance sheet is net cash, avoiding a penalty for the debt paydown already visible in Q1 2026. The tax rate is normalized above the TTM effective rate, but it is still in a reasonable range for a U.S. contractor. Share count declines modestly rather than staying flat, so the model gives some credit for the repurchase program. Most importantly, the segment appendices already assume durable double-digit growth from a TTM base that includes a very strong Q1 2026. A valuation failure under these assumptions is harder to dismiss as excessive conservatism.

The business case is also internally coherent. Mechanical carries the larger installed revenue base, benefits from HVAC, piping, modular/off-site, advanced-technology, and service-related demand, and has demonstrated margin expansion that appears tied to project selection and scarce labor rather than one quarter of accounting noise. Electrical has the more explosive recent growth profile, but the synthesis does not extrapolate that growth indefinitely. It allows Electrical to more than double revenue over five years while giving back some margin from the TTM level in the base case. That is a strong, but bounded, view of the data-center and advanced-technology cycle. The combined model therefore captures both sides of Comfort's setup: real demand scarcity and real operating bottlenecks.

The main uncertainty is not whether Comfort can grow. The evidence says it can. The uncertainty is whether the company can compound from the current TTM base at a rate, margin, and capital-allocation efficiency high enough to justify the current price using the ER2 15x discipline. That is a different and much harder question. The base case already assumes $8.673B of

incremental revenue over five years and almost $1.344B of incremental operating income versus the TTM official/control base. Yet that still leaves base EPS at only 56% of the required $115.08. To bridge the remaining gap without changing the terminal multiple, Comfort would need a much larger bull case than the segment appendices support, or a step-change in margins that would be unusual for a labor-heavy contractor.

Buybacks cannot reasonably solve the gap. At $1,726.27 per share, $200M of annual repurchases retires only about 0.1M shares per year before SBC. Even $500M per year would retire less than 0.3M shares annually at similar prices, and that level of repurchase would compete with M&A, modular facilities, automation, working capital, dividends, and balance-sheet optionality. A contractor growing this fast should not be underwritten primarily as a financial-engineering story. The stock can work if the market continues to pay a premium multiple for growth, scarcity, and quality, but that is outside the strict P/E 15 gate.

The synthesis implication for the final ER2 memo is therefore precise: Comfort Systems should be treated as a high-quality operator with a price problem, not as a failed business thesis. The kill is valuation discipline. The trigger for reconsideration would be either a materially lower share price or new evidence that the base earnings power is structurally above this model, such as sustained consolidated margins above the bull case while backlog conversion remains strong, or segment-level disclosure proving a larger and more durable high-margin service / modular mix than the current source set can support. Without that evidence, the correct ER2 posture is to respect the business and reject the current entry price.

The ER2 valuation gate still fails. The current price of $1,726.27 requires $115.08 of horizon EPS to be worth 15x. Base EPS is 43.8% short of that bar. Bull EPS is still 23.0% short. To underwrite the current price at 15x, an investor would need either substantially higher revenue, materially higher margins, a much lower share count, a much higher terminal multiple, or some combination of those assumptions. The first three are not supported by the cleared segment appendices; the fourth violates the explicit P/E 15 discipline.

The correct synthesis verdict is therefore not that Comfort Systems is a poor company. It is that the current quote capitalizes a business outcome beyond even the reviewed bull case. For ER2 / Gideon purposes, that is a price failure.

Appendix CS - Compounder Score

Comfort Systems USA, Inc. - Compounder Score

Run date: 2026-05-28. Diagnostic score source packet: local ER2 artifacts for Comfort Systems USA, Inc. in `C:\Users\Admin\OneDrive\GPT\ER 2.0\Comfort Systems USA, Inc.`. Ticker: FIX. Exchange: NYSE. Currency: USD. This appendix uses the cleared ER2 source chain first: `quant_foundation.md`, `quant_foundation_review.md`, `data_package.md`, `appendix_B_mechanical.md`, `appendix_B_electrical.md`, `appendix_management.md`, `appendix_moat.md`, `appendix_synthesis.md`, `appendix_red_team.md`, and `main_narrative.md`. No fresh live fetch was used because the local ER2 packet already contains live-pulled FMP and SEC artifacts, a QF/QFR-cleared TTM bridge, a current-price valuation test, and the relevant segment, moat, management, and synthesis work. The main unresolved limitation is recency of the market quote: the score uses the local ER2 quote of $1,726.27 from the 2026-04-30 synthesis rather than refreshing the quote on 2026-05-28.

1. Executive Verdict

Comfort Systems USA is a high-quality specialty contractor, but the score does not support "investable now under this rubric." The diagnostic score is 74 / 100: Business Quality is 68 / 80 and Valuation / 20% Return Underwriting is 6 / 20. The score-implied classification is `Buy only at lower price`.

The evidence supports a strong business-quality score. Comfort has compounded revenue from $3.074B in FY2021 to $9.102B in FY2025, and the QF/QFR-cleared TTM revenue base through Q1 2026 is $10.136B. Operating income increased from $188M in FY2021 to $1.315B in FY2025 and to $1.591B on the official/control TTM bridge. The data package calculates ROIC at 12.6% in FY2021, 14.7% in FY2022, 23.6% in FY2023, 40.2% in FY2024, and 53.1% in FY2025 using NOPAT at a normalized 25% tax rate and average invested capital. FCF conversion is also strong: FY2025 FCF was $1.031B versus FY2025 net income of $1.023B, and TTM FCF was about $1.383B versus TTM net income of about $1.224B.

The score is capped because the current price already capitalizes too much of that quality. The synthesis uses a current price of $1,726.27, which requires $115.08 of horizon EPS to clear the ER2 15x P/E discipline at the TTM+5y date of 2031-03-31. The base case produces $64.70 of horizon EPS and the bull case produces $88.66. Base EPS is 43.8% short of the 15x hurdle, and the bull case is still 23.0% short. Under a generous flat-current-multiple framing, base-case shareholder return is still only low-to-mid teens before dividends, not 20%+. Under a conservative 15x exit multiple, base-case IRR is negative because the terminal value is far below the current quote.

This is not a bad-business score. It is a great-operator-at-a-demanding-price score. Comfort earns high marks for incremental returns, runway, management, balance sheet, and cash conversion. It loses points for contractor cyclicality, limited product/end-market disclosure below Mechanical and Electrical, uncertain normalization of peak data-center/advanced-technology margins, acquisition and modular-capex integration risk, and the fact that the 20% case requires either a far higher earnings outcome than the reviewed bull case or continued premium multiple support.

2. Data Source Map

Item	Source Used	Confidence	Notes
Price / market cap	`appendix_synthesis.md`; local FMP quote in raw folder	Medium	Current price of $1,726.27 and market cap of about $60.8B are from the local ER2 packet, not refreshed on 2026-05-28.
Enterprise value	Local quote plus Q1 2026 net cash from `quant_foundation.md`	Medium	Approximate current EV is about $60.1B after Q1 2026 net cash of $671.6M.
Income statement	`quant_foundation.md`; `data_package.md`; raw annual/quarterly FMP files	High	QF/QFR reconciled annual and TTM figures to SEC filings.
Balance sheet	`quant_foundation.md`; `data_package.md`; raw balance-sheet files	High	Q1 2026 cash $1.050B, total debt $0.379B, net cash $0.672B.
Cash flow	`quant_foundation.md`; `data_package.md`; raw cash-flow files	High	TTM OCF $1.663B, capex $0.280B, FCF $1.383B.
Share count	`quant_foundation.md`; `data_package.md`; `appendix_synthesis.md`	High	TTM diluted shares 35.33M; modeled horizon shares 34.924M.

Item	Source Used	Confidence	Notes
SBC	Raw FMP annual cash-flow files	Medium	FY2025 SBC $21.8M, low versus revenue and FCF; segment-level SBC not disclosed.
Segment data	`quant_foundation.md`; `data_package.md`; segment appendices	High	Mechanical and Electrical are the only reliable dollar-disclosed segment lines.
Management	`appendix_management.md`; `data_package.md`	High	Management gate PASS, with succession, insider selling, integration, and modular capex watch items.
Moat	`appendix_moat.md`; segment appendices	Medium-high	Moat gate PASS and 2046 test PASS, but normalized margins should be below the FY2025/Q1 2026 peak.
TAM / market structure	Segment appendices and moat appendix	Medium	Data-center, advanced technology, skilled-labor, and specialty-contractor evidence supports runway but not precise sub-product sizing.
Competitors	Segment appendices	Medium	Competitive context includes EMCOR, Limbach, Southland, McKinstry, TDIndustries, ACCO, Harris, and regional private contractors.

3. Key Financial and Quality Metrics

Metric	Value	Source / Method
TTM revenue	$10.136B	QF/QFR official TTM bridge: Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026.
TTM operating income	$1.591B	Official/control OI in QF/QFR; includes Mechanical, Electrical, and Corporate.
TTM net income	$1.224B	`quant_foundation.md` and `appendix_synthesis.md`.
TTM FCF	$1.383B	TTM OCF $1.663B less capex $0.280B.
TTM diluted shares	35.33M	QF/QFR and synthesis.
FY2025 ROIC	53.1%	Data package calculation: NOPAT / average invested capital.
5-year median ROIC	23.6%	Median of FY2021-FY2025 data-package ROIC series.
5-year revenue CAGR	26.1%	FY2020 revenue $2.857B to FY2025 revenue $9.102B.
5-year NOPAT CAGR	47.1%	FY2020 operating income and FY2025 operating income taxed at normalized 25%.
5-year FCF CAGR	31.5%	FY2020 FCF $262M to FY2025 FCF $1.031B.
5-year FCF / NOPAT	124%	Sum of FY2021-FY2025 FCF divided by normalized-tax operating income.
5-year diluted share CAGR	-0.7%	FY2020 diluted shares 36.738M to FY2025 diluted shares 35.413M.
FY2025 SBC / revenue	0.24%	FY2025 SBC $21.8M / revenue $9.102B.
FY2025 SBC / FCF	2.1%	FY2025 SBC $21.8M / FCF $1.031B.
Latest net debt / EBITDA	Net cash	Q1 2026 net cash $671.6M versus TTM EBITDA $1.733B.
Approx. EV / TTM NOPAT	49x	Current market cap about $60.8B less net cash, divided by normalized TTM NOPAT of about $1.225B.
TTM FCF yield	2.3%	TTM FCF $1.383B / market cap about $60.8B.

The ROIIC evidence is powerful but should be haircut. A simple acquisition-inclusive 5-year ROIIC calculation, using normalized NOPAT growth from FY2020 to FY2025 and cumulative capex plus acquisitions over FY2021-FY2025, is roughly 68%. A 3-year version from FY2022 to FY2025 is above 80%. Those outputs confirm that incremental economics have been extraordinary, but they also embed the sharp margin step-up from data-center, advanced-technology, backlog, labor scarcity, and project-selection benefits. The score therefore awards high ROIIC points but does not treat the 2025/TTM return profile as

a permanent 20-year base.

4. Rubric Scorecard

Category	Score	Max	Reason
Incremental Returns on Capital	22	25	ROIC and ROIIC are excellent, cash conversion is real, and returns are not just accounting noise, but peak-cycle margin risk prevents a perfect score.
Reinvestment Runway	16	20	Large backlog, data-center demand, advanced technology, service, modular capacity, and M&A support runway; product-level and segment-backlog disclosure gaps cap confidence.
Durability of Moat	12	15	High-trust procurement, skilled labor, bonding, safety, modular/off-site capability, and scale create a real moat; it must be re-earned project by project.
Accounting and Financial Quality	9	10	Strong FCF conversion, net cash, low SBC, and QF/QFR-cleared sources; limited segment detail and acquisition accounting watch items cost one point.
Capital Allocation	9	10	Long-tenured management, conservative leverage, sensible tuck-ins, dividends, and buybacks; modular-capex step-up and acquisition pace require monitoring.
Price and 20% Return Underwriting	6	20	Base case does not reach 20%; 15x exit fails badly; 20% requires a much stronger outcome or sustained premium multiple support.
Total	74	100	Strong business quality offset by inadequate return underwriting at the packet price.

5. ROIIC and Reinvestment Analysis

The evidence supports a high score for incremental returns. The data package's ROIC path is the first anchor: 12.6% in FY2021, 14.7% in FY2022, 23.6% in FY2023, 40.2% in FY2024, and 53.1% in FY2025. This is not a one-year blip. Revenue, margins, FCF, and net cash all moved in the right direction at the same time. A contractor can show artificially high ROIC when invested capital is thin, but Comfort's case is more than a denominator trick because free cash flow grew materially and acquisitions/capex were funded without stressing the balance sheet.

The simple 5-year acquisition-inclusive ROIIC calculation is also favorable. FY2020 normalized NOPAT, using operating income taxed at 25%, was about $143M. FY2025 normalized NOPAT was about $984M. The increase was about $841M. Cumulative FY2021-FY2025 capex plus acquisitions was about $1.239B, producing an acquisition-inclusive ROIIC near 68%. Excluding acquisitions would make the result look implausibly high because Comfort has bought capacity and local operating companies; acquisitions are real reinvestment and should stay in the denominator.

The score does not give a perfect 25 / 25 because the marginal-return base is partly boom-influenced. Mechanical TTM margin was about 16.7%, Electrical TTM margin about 16.1%, and consolidated TTM operating margin about 15.7%. The moat appendix explicitly warns that 15%-17% margins should not be underwritten for 20 years. Q1 2026 included a $43M favorable late-stage project/change-order development discussed in the management appendix. The right interpretation is not "returns are fake"; it is "returns are real but likely above normalized mid-cycle levels."

6. Runway Analysis

The runway is large but not perfectly measurable. Comfort has two reportable segments: Mechanical and Electrical. Mechanical TTM revenue is $7.332B and Electrical TTM revenue is $2.804B. The synthesis base case grows Mechanical at a 12.0% 5-year CAGR to $12.921B and Electrical at a 16.0% CAGR to $5.888B. That creates consolidated base revenue of $18.809B by 2031-03-31, a 13.2% CAGR from the TTM base.

There is evidence behind that runway. The company has record backlog, Q1 2026 same-store growth was very strong, management described FY2026 same-store growth in the mid-to-high 20% range, and advanced technology was a major part

of the current demand environment. Mechanical has service adjacency, HVAC, piping, controls, monitoring, fire protection, modular/off-site, and thermal infrastructure exposure. Electrical has power distribution, large-project qualification, and data-center/advanced-technology scarcity. The company's local-operator plus national-platform model also lets it reinvest through tuck-in acquisitions without trying to centralize every customer relationship.

The score is capped at 16 / 20 because the source packet does not disclose the highest-value drivers in dollars. Data centers, advanced technology, modular/off-site work, service revenue, segment backlog, and customer concentration are all real but not separately disclosed with reliable histories. That makes the growth story plausible, not fully proven. The red team also flags power, permitting, equipment, customer timing, and labor constraints as risks to backlog conversion. A large backlog can be economically valuable and still convert more slowly than a five-year model assumes.

7. Moat Analysis

The moat is real and specific. Comfort is protected by high-trust procurement, scarce skilled labor, local operating relationships, safety record, bonding/financial credibility, complex project execution, modular/off-site capability, and scale in large U.S. mechanical and electrical work. The moat appendix correctly states that this is not a monopoly or IP moat. It is an execution moat. Customers do not hire Comfort because the brand creates consumer pull; they hire Comfort because failed power, cooling, piping, controls, and safety-critical infrastructure can be expensive or catastrophic.

Mechanical is the stronger moat segment. It benefits from thermal complexity, service adjacency, installed-base knowledge, customer stickiness, retrofit demand, and mission-critical cooling. Electrical is currently a high-growth segment with strong data-center exposure, but it is more cyclical and more exposed to project starts, standardization, and technology-customer timing. The blended company moat is better than a typical contractor but less durable than a software network effect, regulated monopoly, or branded consumer compounder.

The 2046 test passes, but the pass is conditional. Comfort can still exist in 2046 as a scaled platform for mechanical, electrical, thermal, power, controls, modular, maintenance, and retrofit work. The durable profit engine is physical infrastructure execution, not a claim that the 2025-2026 data-center boom lasts forever. The score awards 12 / 15 because the moat is tangible, but it must be re-earned on every project and can weaken through underbidding, labor dilution, cost revisions, customer concentration, or standardization that shifts value upstream to OEMs and hyperscalers.

8. Accounting and Capital Allocation Analysis

Accounting and financial quality are strong. QF/QFR passed 8 / 8 reconciliation checks. The official TTM segment bridge ties Mechanical and Electrical revenue to consolidated revenue, and the official/control operating income bridge resolves the small Q1 2026 FMP operating-income discrepancy to SEC filings. FCF conversion is excellent: FY2025 FCF was $1.031B and TTM FCF was $1.383B. Comfort also has a clean balance sheet for a contractor: Q1 2026 net cash was about $672M.

SBC is not a material dilution problem in the available data. FY2025 stock-based compensation was $21.8M, or about 0.24% of revenue and 2.1% of FCF. Diluted shares declined from 36.738M in FY2020 to 35.413M in FY2025, a 0.7% annual reduction. Buybacks have more than offset practical dilution, although the current high share price makes future buybacks less powerful.

Capital allocation is also strong, but not riskless. Management has used acquisitions to add local operating capacity while keeping leverage conservative. FY2025 cash uses included capex of $154.9M, acquisitions of $279.6M net, buybacks of $216.0M, and dividends of $68.8M. The management appendix credits CEO Brian Lane and CFO William George with a coherent long-term strategy and a candid approach to disclosure. The main watch items are succession, integration of 2025 acquisitions, insider selling after a large stock move, and the new modular/off-site capex intensity. Q1 2026 guidance for capex near 5% of revenue is a meaningful step-up from the historical 1%-2% range. It can be value creating if customer commitments persist; it can dilute returns if the boom fades or capacity is underutilized.

9. 20% Return Underwriting

The valuation score is the weak point. The local ER2 packet's price is $1,726.27. At the base-case horizon EPS of $64.70, a 15x terminal P/E implies a stock value near $970.50 before dividends. That is far below the current quote. The bull case reaches $88.66 of EPS, and 15x that is about $1,329.90, also below the current quote. The current price requires $115.08 of horizon EPS to be worth 15x, which is above the reviewed bull case.

The same result appears through a shareholder-return lens. If the exit multiple is 15x P/E, base-case 5-year IRR is negative even after modest dividends because terminal value is lower than the starting price. If the exit multiple stays near the current

TTM earnings multiple of roughly 50x, base-case price appreciation can reach the low-to-mid teens annualized before dividends, but that is still below the 20% hurdle and it depends on the market continuing to pay a very high multiple for a contractor. The bull case under a flat premium multiple may approach or exceed 20%, but that is not a conservative base case.

The max buy price for a 20% IRR under a 15x exit multiple and base-case EPS is roughly $390-$420 per share after allowing modest dividends. That is not a target price; it is a mechanical indication of how far the current quote is from a strict 20% return setup if the exit multiple normalizes. The ER2 main narrative's BUY trigger around $970 is based on the separate 15x P/E discipline, not on a 20% IRR requirement. This diagnostic rubric is tougher because it asks whether today's purchase can plausibly compound at 20% without terminal multiple expansion. The answer is no.

Case	Horizon EPS	Exit P/E	Implied terminal price	Approx. IRR from $1,726.27	Read
Bear	$42.25	15x	$633.75	About -18%	Capital impairment if multiple normalizes.
Base	$64.70	15x	$970.50	About -11%	Fails strict value discipline.
Bull	$88.66	15x	$1,329.90	About -5%	Even bull fails at 15x.
Base, flat premium multiple	$64.70	~50x	~$3,235	About 13%	Better, but still not 20% and relies on premium multiple persistence.
Bull, flat premium multiple	$88.66	~50x	~$4,433	About 21%	Requires bull operating case plus sustained premium multiple.

10. Hard Veto Checklist

Veto	Status	Evidence
ROIIC below cost of capital	Pass	ROIC and ROIIC are well above the hurdle, though peak-cycle caution applies.
ROIC only high because invested capital is artificially tiny	Watch	Denominator helps, but FCF conversion, net cash, and acquisition-inclusive ROIIC support real value creation.
Growth requires external financing	Pass	The company is net cash and FCF-positive.
Share count rises materially	Pass	Diluted shares declined modestly over five years.
Large acquisitions without return evidence	Watch	M&A is coherent, but segment/acquisition return disclosure is limited and the 2025 pace is active.
FCF structurally lags earnings	Pass	FCF conversion is strong over FY2021-FY2025 and TTM.
Customer concentration / regulation / cyclicality / leverage risk	Watch	Contractor cyclicality, data-center timing, power constraints, and undisclosed customer mix are real; leverage is not the issue.
20% case requires terminal multiple expansion	Fail	Base case does not reach 20%; conservative 15x exit fails; bull plus premium multiple is required.
Needs flawless execution at today's price	Fail	The current price requires an outcome beyond the reviewed bull case on the 15x EPS test.
Cannot explain moat in one paragraph	Pass	High-trust procurement plus scarce skilled labor and complex physical execution.
Accounting/governance impair trust	Pass	QF/QFR cleared source chain; management gate PASS; no fatal governance flag.
Balance sheet could wipe out equity in downturn	Pass	Q1 2026 net cash materially reduces balance-sheet risk.

11. Final Decision

Score-implied classification: `Buy only at lower price`.

Compounder Score note: 74 / 100. Comfort Systems looks like a high-quality physical-infrastructure compounder, but the current quote fails the diagnostic 20% return setup.

Business Quality Score note: 68 / 80. ROIC, ROIIC, FCF conversion, net cash, management quality, and execution moat are strong; score is capped by contractor cyclicality, limited product-level disclosure, and peak-margin normalization risk.

20% Return UW Score note: 6 / 20. Base-case 20% IRR does not work without sustained premium multiple support, and the 15x exit case fails even in the reviewed bull scenario.

The evidence supports keeping FIX on a high-quality watchlist, not buying it at the packet price under this rubric. A lower price, or much stronger disclosed evidence that data-center/service/modular mix can lift durable EPS beyond the current bull case, would change the underwriting. Until then, the stock asks the investor to pay today for an earnings and multiple outcome the local ER2 packet does not prove.

12. Machine-Readable JSON

See `compounder_score.json` in this folder.

Appendix CSA - Scoring Audit

Comfort Systems USA, Inc. - Scoring Audit

Run date: 2026-05-28. Company: Comfort Systems USA, Inc. Ticker: FIX. This audit reviewed `appendix_compounder_score.md`, `compounder_score.json`, and the local ER2 evidence packet in the Comfort Systems USA, Inc. folder. No data warehouse cache was used. The audit uses the local ER2 source chain as the evidence base; it does not refresh the stale market quote.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	68	64	Still strong, but reduced for peak-cycle margin reliance, acquisition/modular return gaps, and limited dollar disclosure below Mechanical and Electrical.
Valuation / 20% Return UW Score / 20	6	4	Reduced because the JSON IRR fields mix incompatible exit-multiple cases and the base 20% case depends on premium multiple persistence.
Total Score / 100	74	68	Business quality clears a high-quality watchlist, but current-price underwriting does not.
Classification	Buy only at lower price	Watchlist / buy only at materially lower price	The lower audited score does not change the core implication: good company, inadequate 20% return setup.

Original reconstruction: Business Quality was 68/80, Valuation / 20% Return UW was 6/20, total was 74/100, classification was `Buy only at lower price`, base-case IRR was listed as 13%, bear as -18%, bull as 21%, and max buy price for 20% IRR was $410. The markdown also states strict 15x-exit IRRs of about -18% bear, -11% base, and -5% bull, while flat-premium-multiple cases are about 13% base and 21% bull. That inconsistency lowers confidence in the machine-readable IRR fields.

2. Score Reductions and Reasons

- Incremental returns reduced from 22/25 to 20/25. ROIC and simple acquisition-inclusive ROIIC are calculated and strong, but the 3-year and 5-year ROIIC are measured across a period with a major margin step-up. The score should not treat 2025/TTM returns as fully normalized.
- Reinvestment runway reduced from 16/20 to 15/20. Backlog, same-store growth, data centers, and modular capacity support runway, but segment backlog, data-center dollars, service dollars, customer concentration, and modular economics are not disclosed.
- Durability of moat reduced from 12/15 to 11/15. The moat is real, but it is a project-execution moat that must be re-earned; Electrical has more project-cycle and standardization risk than Mechanical.
- Capital allocation reduced from 9/10 to 8/10. Management quality is strong, but 2025 acquisitions, higher modular capex, and high-price buybacks raise return-on-capital proof requirements.
- Valuation / 20% underwriting reduced from 6/20 to 4/20. The 15x-exit case fails in all scenarios, and the favorable IRR figures require a sustained premium multiple rather than a true 20% base underwriting.

3. Unsupported Claims

The evidence does not support separate dollar claims for data centers, advanced technology, service revenue, modular/off-site revenue, customer concentration, or segment-level backlog. The score generally avoids inventing those dollars, but several quality points rely on those drivers qualitatively. That is acceptable only with a cap. The evidence also does not support a precise reinvestment-rate estimate; the JSON leaves it null, so any capital-allocation score should carry a data-gap haircut.

4. Calculation Errors

The largest calculation issue is not arithmetic in the segment model; it is labeling. The JSON reports `base_case_irr` of 13%, `bear_case_irr` of -18%, and `bull_case_irr` of 21%. In the markdown, -18% is the bear 15x-exit case, while 13% and 21% are flat-premium-multiple cases. Mixing those cases in one JSON field makes the IRR set non-comparable. The strict 15x-exit base case is about -11%, not +13%. The strict 15x-exit bull case is about -5%, not +21%. Required EPS math is correct: $1,726.27 / 15 = $115.08; base EPS of $64.70 and bull EPS of $88.66 both fail.

5. Missing Data

The most important missing evidence is segment-level and submix disclosure: data-center dollars, service revenue and margin, modular/off-site revenue and returns, segment backlog, customer concentration, segment capex, segment FCF, acquisition returns, and backlog conversion timing. The stale quote is also a limitation: the local score uses $1,726.27 from the ER2 packet rather than a 2026-05-28 quote.

6. Hard-Veto and Threshold Test Audit

ROIIC is calculated, so Category 1B is not forced to zero. Acquisition-inclusive ROIIC is considered, so Category 1 and Category 5 are not hard-capped to zero, but the acquisition/modular return gap still requires a haircut. FCF conversion is tested over FY2021-FY2025 and TTM, so FCF categories can receive credit. SBC and share count are included, and SBC is not material. The hard failure is valuation: the base case does not clear 20% without sustained premium multiple support, and the 15x-exit framework fails in bear, base, and bull.

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle: FAIL. The 20% case requires either a much stronger operating outcome than the reviewed bull case or continued premium multiple support. That is not a base-case 20% underwriting.

8. Dream Business / Dream Investment Classification

Classification: dream business, not dream investment. Comfort Systems has strong management, returns, cash conversion, net cash, and a real execution moat. It is not a dream investment at the packet price because current valuation already prices an outcome beyond the reviewed bull case under the 15x discipline.

9. Stage 7 Scorecard Notes

Compounder Score note: Audited 68 / 100. Comfort Systems remains a high-quality physical-infrastructure compounder, but the score is pulled down by peak-cycle margin risk, disclosure gaps, and failed 20% underwriting at the packet price.

Business Quality Score note: Audited 64 / 80. ROIC, acquisition-inclusive ROIIC, FCF conversion, net cash, management, and moat evidence are strong, but the score is capped by contractor cyclicality, limited submix disclosure, and unproven modular/acquisition returns.

20% Return UW Score note: Audited 4 / 20. The strict 15x-exit case fails in bear, base, and bull; favorable IRRs require sustained premium multiple support rather than a true base-case 20% setup.

10. Auditor JSON

See `compounder_score_audit.json`.

Appendix RT - Red Team

Comfort Systems USA, Inc. (FIX) - Red Team

Run date: 2026-04-30. Role: ER2 Sub-Agent RT. Stage 0 anchor: latest quarter is Q1 2026 ended March 31, 2026; TTM is Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026; forward horizon is March 31, 2031.

This appendix is not a second synthesis. The synthesis already concluded that Comfort Systems USA is a high-quality operator whose current price fails the ER2 P/E 15 gate: base EPS of $64.70 versus required EPS of $115.08, and even bull EPS of $88.66 below the required number. The red team question is sharper: if the business forecast itself is too generous, where does it break first, and what signal would force Gideon to stop giving the company credit for exceptional scarcity economics?

1. The Most Fragile Assumption

The most fragile assumption is the Mechanical Segment base revenue line: $7.332 billion of TTM revenue compounding at 12.0% for five years to $12.921 billion by March 31, 2031, while endpoint margin remains 16.5%. This is the largest segment, the largest dollar contributor to base operating income, and the largest sensitivity in the synthesis. It is also the place where the model leans most heavily on qualitative drivers that are real but not separately disclosed in dollars: data centers, advanced technology, modular/off-site work, service, and acquired operating-company capacity.

The problem is not that 12.0% is arithmetically aggressive versus recent reported growth. On the surface it is a deceleration from the FY2023-FY2025 Mechanical CAGR of about 30% and from Q1 2026 Mechanical revenue growth of 47.0%. The problem is that the recent base is already a peak-cycle, AI-infrastructure-influenced base, and the data package cannot allocate backlog by segment, data-center exposure, modular work, or service. The model therefore knows that demand is strong, but it does not know enough about the mix of the $12.45 billion backlog to prove that Mechanical can keep compounding from $7.3 billion at 12% for five years without giving back pricing or margin.

This assumption is fragile because the two drivers that justify it cut both ways. Labor scarcity supports pricing, but labor scarcity also caps throughput. Data-center urgency supports backlog, but power, permitting, equipment, and customer timing can delay starts even when end demand remains robust. CBRE's 2026 data-center outlook says demand remains exceptional, but also says new supply is increasingly difficult to deliver and large AI campus timelines can stretch into multi-year territory when high-voltage transmission or new generation is needed (CBRE 2026 Data Center Outlook, https://www.cbre.com/insights/books/us-real-estate-market-outlook-2026/data-centers). CBRE's H2 2025 North America report similarly says many planned projects remain delayed because of permitting, zoning, and power procurement hurdles (https://www.cbre.com/insights/books/north-america-data-center-trends-h2-2025). Those are not generic macro risks; they are direct threats to Comfort's ability to convert a strong pipeline into recognized Mechanical revenue on the modeled cadence.

The EPS impact is material. Stage 5's own sensitivity says a 200 bps lower Mechanical revenue CAGR cuts base EPS from $64.70 to $60.64, a $4.07 hit. A more realistic red-team miss would be 400 bps, from the base 12.0% CAGR to the bear 8.0% CAGR. If Mechanical reaches only the bear revenue endpoint of $10.773 billion but still earns the base 16.5% margin, Mechanical operating income is about $1.777 billion instead of $2.132 billion, a $0.355 billion shortfall. After a 23% tax rate and 34.924 million shares, that is about $7.8 per share of EPS loss. If the same revenue miss comes with the bear Mechanical margin of 14.5%, Mechanical operating income is $1.562 billion, a $0.570 billion shortfall versus base, or about $12.6 per share after tax. In other words, a single segment normalization can move base EPS from $64.70 toward the low $50s before touching Electrical, corporate cost, tax, or share count.

2. The Most Likely Stage 5 Number To Be Optimistic

The single Stage 5 number most likely to be revised down in the real world is base consolidated operating income of $2.935 billion, equivalent to a 15.6% operating margin on $18.809 billion of revenue. Revenue can be strong and this number can still be too high. The forecast gives Comfort credit for nearly doubling revenue from the TTM anchor while holding operating margin roughly flat with the Q2 2025-Q1 2026 TTM level. That is a demanding combination for a labor-heavy contractor.

The synthesis acknowledges that the current margin base is unusually strong. Q1 2026 annualized operating income is above the first-forward base operating-income run rate, but Q1 also included a $43 million favorable late-stage project/change-order development called out in the management appendix. The red-team issue is not whether that one item was properly normalized. The issue is whether several years of favorable project selection, technology mix, scarcity pricing, and backlog

conversion have lifted the whole company to a margin level that investors may mistake for normalized earnings power. The moat appendix explicitly warns that 15%-17% margins should not be underwritten for 20 years without caution. The synthesis still uses a five-year base margin of 15.6%.

Peer context makes this number vulnerable. EMCOR's official Q1 2026 release reported record revenue, strong EPS growth, and record remaining performance obligations, but its operating margin was 8.7% in the quarter (EMCOR Q1 2026 release, https://emcorgroup.com/investor-relations/press-releases/2026-news/emcor-group-inc-reports-first-quarter-2026-results). EMCOR is not an identical mix comparator, but it is a relevant scaled mechanical/electrical contractor. Quanta's official Q4 2025 release showed huge backlog and strong demand tied to electric infrastructure and large-load facilities, yet also showed a business model with substantial acquisition, amortization, integration, and craft-labor complexity (Quanta Q4 2025 release, https://investors.quantaservices.com/_assets/_e51600a29cca33d67210dca2c947b201/quantaservices/news/2026-02-19_QUANTA_SERVICES_REPORTS_FOURTH_QUARTER_AND_FULL_390.pdf). The comparison does not prove Comfort's margins must fall. It does prove that a mid-teens consolidated contractor margin is a premium outcome, not a default.

The model also assumes corporate overhead grows at only 5.0% per year while revenue grows 13.2% in the base case. That creates scale leverage. A larger company with more modular facilities, acquisitions, automation, compliance, safety infrastructure, and project controls may need more overhead than the model gives it. If overhead rises faster, it will not destroy the thesis by itself, but it adds another reason that $2.935 billion of base operating income is likely the first number to come down.

3. Strongest Bear Case, Stated Hard

The strongest bear case is that Comfort Systems is being valued as if peak scarcity economics are structural, when a meaningful share of current profit is actually a data-center and advanced-technology construction cycle with fixed-price execution risk. The mechanism is not demand disappearing; it is backlog conversion slowing, power-constrained projects moving right, and new awards being priced after competitors add capacity and customers regain leverage. Mechanical and Electrical both still grow, but the mix shifts away from the highest-margin urgent work, and consolidated margins move from the current mid-teens toward low-double-digits.

This can show up quickly. The first sign would not be a collapse in reported backlog. It would be backlog staying high while same-store revenue growth slows, segment margin falls, and working capital consumes cash because projects are delayed, disputed, or costlier to deliver. If Mechanical revenue growth falls below high-single digits for two consecutive quarters while Mechanical margin is below 14.0%, the base-case growth plus margin story is broken. If Electrical revenue growth also normalizes faster than expected, the bull narrative becomes a one-year boom rather than a five-year compounding engine.

The short seller's IC version is simple: FIX is a very good contractor priced like a scarce AI-infrastructure compounder, but the stock needs an earnings outcome beyond the reviewed bull case to clear P/E 15. The real bear does not need a recession. It only needs margin normalization and project timing slippage. A stock that fails the value gate even in bull case has no room for normal contractor error.

4. Cross-Examination Of Management Commentary

Management's near-term growth framing is the first statement to cross-examine. The data package quotes CFO William George on the Q1 2026 call describing FY2026 same-store growth in the "mid- to high 20% range." That is powerful, but it is also consolidated and near-term. The synthesis uses it as support for a first-forward revenue run-rate, then the segment appendices extrapolate strong multi-year growth from an already stepped-up TTM base. If the quote is mostly a 2026 backlog-conversion statement rather than a durable demand statement, it supports the next few quarters but not the 2031 endpoint. The first evidence of failure would be growth decelerating sharply after the harder second-half 2026 comps arrive.

The second statement is CEO Brian Lane's Q1 2026 comment that data-center demand "still exceeds the supply." That is not the same as saying Comfort's recognized revenue will grow smoothly. Demand can exceed supply while power interconnections, utility equipment, local permitting, customer scope changes, or customer capital discipline delay projects. CBRE's market work supports both sides of the statement: demand remains extraordinary, but delivery is constrained. The bearish read is that Comfort's backlog is valuable but lumpy, and investors may be capitalizing it as if it is a simple annuity.

The third statement is George's Q4 2025 comment that hyperscaler customers "would buy more if they could." This supports the Electrical growth case, but it also reveals the constraint. The bottleneck is not just Comfort's sales funnel; it is the physical system around power, land, interconnection, switchgear, transformers, labor, and commissioning. If customers cannot get utility power or defer starts, Comfort cannot solve that by hiring more crews. The first visible miss would be Electrical revenue

remaining strong in backlog but failing to convert at the staged path assumed in the appendix: roughly 27%, 20%, 15%, 10%, and 8% in the base bridge.

Management's modular/off-site commentary deserves a separate challenge. The Q2 2025 call quote that "demand is there" is not a return-on-capital proof. The management appendix says Q1 2026 capex guidance moved toward about 5% of revenue because of owned modular facilities and automation. That may be the right strategic move, but it shifts Comfort away from the historically low-capex contractor model. If utilization is high, modular can defend margins. If utilization is uneven, it converts a labor bottleneck into operating leverage in the wrong direction. The first evidence would be capex staying elevated while consolidated margin falls and free cash conversion weakens.

5. Stage 5 Tie-Out Reverification

The Stage 5 arithmetic ties. The red team does not challenge the 11/11 tie-out result. The concern is whether the clean arithmetic starts from a trend line that is already too favorable. The recency anchor is technically correct: TTM uses Q2 2025 through Q1 2026, and Q1 2026 is the latest reported quarter. But the TTM window includes a sharp step-up quarter. Mechanical Q1 2026 grew 47.0% with 19.3% operating margin. Electrical Q1 2026 grew 87.5%, but its margin was 14.9%, below Q4 2025's 17.5% and below the TTM Electrical margin. This is not a stable run-rate pattern. It is a boom pattern with mix and timing noise.

The share count path is realistic in the sense that it avoids aggressive buyback fantasy. It is not the weak point. At $1,726.27 per share, buybacks cannot rescue a valuation gap of $50 per share of required horizon EPS. The synthesis is right that $200 million of annual buybacks retires only about 0.1 million shares per year before SBC. Red team would not spend much time on share count except to say that a lower stock price would allow repurchases to matter more, but a lower stock price is also the condition under which the ER2 entry could become more interesting.

The product-level CAGR review is weaker. There is no product-level revenue breakout below Mechanical and Electrical. That is the correct modeling discipline, but it leaves the synthesis with two one-line segment models. Mechanical's 12% base CAGR and Electrical's 16% base CAGR are justified by recent growth, backlog, and management commentary, yet neither can be tied to a data-center revenue table, service revenue table, modular capacity table, or segment-specific backlog schedule. This is not an arithmetic flaw. It is an information-risk flaw. The model is clean because it refuses to invent lines, but the cost of that cleanliness is that it cannot prove the durability of the mix driving the forecast.

6. Signal That Forces An Exit

The forced-exit signal should be: over the next two reported quarters, same-store revenue growth below 15% combined with consolidated operating margin below 13.5%, or Mechanical Segment operating margin below 14.0%, while backlog remains above $10 billion. This is deliberately a combined signal. A simple growth slowdown could be timing. A simple margin dip could be mix. A backlog decline could mean work rolled off as expected. But high backlog plus weak conversion plus margin compression means the thesis has shifted from scarce-capacity compounding to contractor execution normalization.

Why these thresholds? The base synthesis assumes a first-forward revenue run-rate about 16% above TTM revenue and a five-year combined revenue CAGR of 13.2%. It also assumes a 15.6% endpoint operating margin. If same-store growth is already below 15% within the next two quarters, the company is not tracking the front-end growth evidence needed to support the five-year bridge. If consolidated margin is below 13.5%, the business is no longer merely normalizing from Q1's favorable development; it is giving back a meaningful portion of the scarcity rent. If Mechanical margin is below 14.0%, the strongest and largest moat segment is failing the model first.

This signal invalidates the thesis specifically because the stock has no valuation margin of safety. The synthesis already says base and bull fail the P/E 15 gate. Therefore the red-team exit signal should not wait for an obvious demand collapse. The proper discipline is to exit when the observable numbers stop supporting the premium-quality narrative that would justify even keeping FIX on a watchlist at a high multiple.

7. Red-Team Conclusion

The thesis is conditional, and the red team is more negative than the qualitative gates. Management gate PASS and moat gate PASS are credible. The 2046 test also passes if Comfort is underwritten as a scaled physical-infrastructure platform with normalized margins. But the stock thesis does not survive as a current BUY because the current price requires earnings power beyond the reviewed bull case, while the most likely model error is downward revision to the base operating-income path.

The specific break is not bad management, weak governance, or AI substitution. The break is that a contractor with real scarcity economics is being forced by the stock price into a forecast that leaves no room for normal project timing, margin normalization, labor cost catch-up, or data-center power delays. The strongest bear view is that Comfort continues to be a very good company and still produces disappointing forward returns because investors capitalized peak backlog and peak margins as if they were permanent.

Position sizing should reflect that asymmetry. If FIX were owned despite the ER2 valuation fail, it should be owned only with a hard monitoring rule and no averaging up on backlog headlines alone. The observable number that matters is not backlog by itself; it is backlog converting into same-store growth and mid-teens margins without cash-flow deterioration. Until that is proven through harder comps and a less favorable project mix, the red team would rewrite the main narrative around "excellent operator, peak-cycle price, no margin of safety."

Appendix D - Data Package (Raw Historicals)

Comfort Systems USA, Inc. (FIX) - Data Package

Run date: 2026-04-30. Fiscal year end: December 31. Workdir: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Comfort Systems USA, Inc`.

This package uses `quant_foundation.md` as the primary quantitative source and re-performed live pulls in this run from FMP stable endpoints, SEC EDGAR filings, SEC-hosted company earnings-release exhibits, and FMP earnings-call transcripts. It does not use the local investing data warehouse cache. Amounts are USD unless stated otherwise. Tables are rounded, so sums may differ by rounding.

1. Reporting structure and taxonomy

Current reportable segments are the same two product/segment lines returned by live FMP revenue-product-segmentation and by the FY2025 Form 10-K segment note: Mechanical Segment and Electrical Segment. Corporate is not a revenue segment; it is an overhead line in the operating-income bridge. The company describes itself as a U.S. provider of commercial, industrial and institutional mechanical and electrical contracting services with 197 locations in 143 U.S. cities as of the Q1 2026 release. No non-U.S. geographic revenue table was found in the live-pulled 10-K/10-Q materials; geographic exposure is therefore treated as predominantly United States.

Segment	Description	FY2025 revenue	% of FY2025 revenue	FY2025 operating income	Source
Mechanical Segment	HVAC, plumbing, piping, controls, off-site construction, monitoring, fire protection, and related mechanical services.	$6.674B	73.3%	$1.000B	FMP annual segmentation live pull; FY2025 10-K Note 16 https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm
Electrical Segment	Electrical-system installation and servicing, including complex commercial, industrial, institutional, and technology-sector work.	$2.428B	26.7%	$0.388B	FMP annual segmentation live pull; FY2025 10-K Note 16 https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm
Corporate	Overhead only; no revenue.	$0.000B	0.0%	$(0.072)B	FY2025 10-K segment note https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm

Taxonomy check: reporting structure appears stable across the last three completed fiscal years in the live-pulled FY2025, FY2024 and FY2023 10-Ks. FMP labels older FY2021-FY2022 lines as "Mechanical Services" and "Electrical Services" while the current filing labels are "Mechanical Segment" and "Electrical Segment"; QF/QFR treated those as label continuity, not a segment realignment. The important taxonomy flag is not a company segment change but an FMP quarterly endpoint defect: FY2024 quarterly revenue segmentation does not roll to the FY2024 annual endpoint or the SEC annual segment note. For FY2024 annual historicals, use SEC annual segment-note values, not the sum of FMP quarters. TTM ending March 31, 2026 is unaffected because it uses Q2 2025 through Q1 2026, which QFR independently tied to SEC filings.

2. Consolidated historicals - 5 years, FMP-sourced

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	$3.074	$4.140	$5.207	$7.027	$9.102	FMP `income-statement?symbol=FIX&period=annual&limit=6`; FY2025 10-K tie https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm
Operating income ($B)	$0.188	$0.254	$0.418	$0.749	$1.315	FMP income statement; FY2025 official SEC OI override per QF/QFR
Operating margin (%)	6.1%	6.1%	8.0%	10.7%	14.4%	calc
Net income ($B)	$0.143	$0.246	$0.323	$0.522	$1.023	FMP income statement
EPS diluted ($)	$3.93	$6.82	$9.01	$14.60	$28.88	FMP income statement

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Diluted share count (M)	36.45	36.05	35.90	35.77	35.41	FMP income statement
Capex ($B)	$0.022	$0.048	$0.095	$0.111	$0.155	FMP cash-flow statement
FCF ($B)	$0.158	$0.253	$0.545	$0.738	$1.031	FMP cash-flow statement; company defines FCF as OCF less customary capex plus asset-sale proceeds in releases
ROIC (%)	12.6%	14.7%	23.6%	40.2%	53.1%	calc - NOPAT / avg invested capital

ROIC method: NOPAT = operating income after a normalized 25% tax rate. Invested capital = total debt + total stockholders equity - cash and short-term investments. Denominator uses the average of beginning and ending invested capital. A normalized tax rate is used because FY2022 included a tax benefit and FY2025 included tax-related interest income; using the actual effective tax rates would overstate comparability. Numerator / denominator by year: FY2021: NOPAT $0.141 / avg IC $1.118 = 12.6%; FY2022: NOPAT $0.190 / avg IC $1.297 = 14.7%; FY2023: NOPAT $0.314 / avg IC $1.331 = 23.6%; FY2024: NOPAT $0.562 / avg IC $1.396 = 40.2%; FY2025: NOPAT $0.986 / avg IC $1.858 = 53.1%.

3. Segment historicals - 5 years per segment

Mechanical Segment

Mechanical Segment	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	$2.543	$3.179	$3.946	$5.528	$6.674	FMP annual revenue segmentation for revenue; SEC 10-K segment notes for confirmation
YoY %	n/a	25.0%	24.1%	40.1%	20.7%	calc
Operating income ($B)	n/d	$0.237	$0.357	$0.617	$1.000	SEC 10-K segment notes; FY2021 same-level OI not separately disclosed in QF source set
Operating margin (%)	n/d	7.4%	9.1%	11.2%	15.0%	calc

Electrical Segment

Electrical Segment	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	$0.531	$0.962	$1.261	$1.500	$2.428	FMP annual revenue segmentation for revenue; SEC 10-K segment notes for confirmation
YoY %	n/a	81.1%	31.1%	19.0%	61.9%	calc
Operating income ($B)	n/d	$0.062	$0.111	$0.193	$0.388	SEC 10-K segment notes; FY2021 same-level OI not separately disclosed in QF source set
Operating margin (%)	n/d	6.4%	8.8%	12.9%	16.0%	calc

Corporate

Corporate	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	$0.000	$0.000	$0.000	$0.000	$0.000	FMP annual revenue segmentation for revenue; SEC 10-K segment notes for confirmation
YoY %	n/a	n/d	n/d	n/d	n/d	calc
Operating income ($B)	n/d	$(0.045)	$(0.050)	$(0.060)	$(0.072)	SEC 10-K segment notes; FY2021 same-level OI not separately disclosed in QF source set

Corporate	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Operating margin (%)	n/d	n/d	n/d	n/d	n/d	calc

Interpretation notes: Mechanical remains the larger revenue base at 73.3% of FY2025 revenue and 72.3% of TTM revenue, but Electrical is scaling faster from a smaller base, moving from $1.50B in FY2024 to $2.43B in FY2025. Corporate overhead rose in dollars as the company scaled but was more than offset by segment margin expansion. FY2021 segment operating income is left as not disclosed rather than inferred; downstream segment models should use FY2022 onward for segment-margin trend work.

4. Product / sub-segment historicals - most granular disclosed in dollars

Segment	Product / sub-product	What it is	Dollar disclosure?	Last 3 years revenue + source
Mechanical Segment	Mechanical Segment	HVAC, plumbing, piping, controls, off-site construction, monitoring and fire-protection services.	Yes - reportable segment only	FY2023 $3.946B; FY2024 $5.528B; FY2025 $6.674B. Source: live FMP annual segmentation and SEC 10-K Note 16.
Electrical Segment	Electrical Segment	Installation and servicing of electrical systems.	Yes - reportable segment only	FY2023 $1.261B; FY2024 $1.500B; FY2025 $2.428B. Source: live FMP annual segmentation and SEC 10-K Note 16.
Both	Modular / off-site construction	Delivery method and capability, heavily tied to advanced technology/data-center work.	No separate dollar revenue fetched	Discussed in transcripts and investor materials as a capacity and demand driver, but not separately dollar-disclosed in the pulled 10-K/10-Q/release sources.
Both	Advanced technology / data centers	End-market mix, not a reportable segment.	No separate dollar revenue fetched	Management disclosed mix percentages in calls; not used here as dollar revenue because no audited dollar table was fetched.
Both	Service revenue	Service activity within segment operations.	No separate dollar revenue fetched	Management said service revenue and profit grew double-digit in Q3 2025 call; no dollar row fetched in this run.

Segment	Product / KPI	Disclosure method	Last 4 quarters YoY / trend	Source
Both	Same-store revenue growth	Company release/call percentage, not product dollars	Q2 2025 +19%; Q3 2025 +33%; Q4 2025 not separately quoted here; Q1 2026 +51%; FY2026 management expectation mid- to high-20% same-store growth	FMP transcripts; SEC-hosted Q1 2026 Exhibit 99.1
Both	Backlog	Company dollar KPI	Q2 2025 $8.10B; Q3 2025 $9.38B; Q4 2025 $11.94B; Q1 2026 $12.45B	SEC 10-Qs and 8-K Exhibit 99.1 releases
Both	Advanced technology / data centers	Mix commentary, no dollar disclosure	Q1 2026 call: advanced technology was 56% of revenue; Q4 2025 call: advanced technology rose from about one-third to mid-40s of revenue year over year	FMP transcripts; percentage mix should not be converted to product dollars without a filing tie-out

No back-solved product dollars are used in this package. Downstream agents should not invent modular, data-center, service, or construction dollar histories. Use reportable segment dollars as the finest reliable dollar disclosure.

5. Most recent quarterly trend - last four quarters

Company FY ends December 31. Most recently completed fiscal quarter at time of writing: FY2026 Q1, covering January 1-March 31, 2026, reported on 2026-04-23 via SEC-hosted company release https://www.sec.gov/Archives/edgar/data/1035983/000110465926047679/fix-20260423xex99d1.htm. TTM anchor is Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026, ending March 31, 2026.

Mechanical Segment

Quarter	Revenue ($B)	YoY %	Operating margin (%)	Source
2025-Q2	$1.639	12.9%	14.5%	https://www.sec.gov/Archives/edgar/data/1035983/000155837025009536/fix-20250630x10q.htm
2025-Q3	$1.810	25.8%	15.9%	https://www.sec.gov/Archives/edgar/data/1035983/000110465925101821/fix-20250930x10q.htm
2025-Q4	$1.822	25.5%	16.5%	https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm
2026-Q1	$2.061	47.0%	19.3%	https://www.sec.gov/Archives/edgar/data/1035983/000110465926047689/fix-20260331x10q.htm

Electrical Segment

Quarter	Revenue ($B)	YoY %	Operating margin (%)	Source
2025-Q2	$0.535	49.1%	15.0%	https://www.sec.gov/Archives/edgar/data/1035983/000155837025009536/fix-20250630x10q.htm
2025-Q3	$0.641	71.4%	16.9%	https://www.sec.gov/Archives/edgar/data/1035983/000110465925101821/fix-20250930x10q.htm
2025-Q4	$0.824	98.2%	17.5%	https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm
2026-Q1	$0.805	87.5%	14.9%	https://www.sec.gov/Archives/edgar/data/1035983/000110465926047689/fix-20260331x10q.htm

Consolidated TTM item	Value	Source
Mechanical TTM revenue	$7.332B	QF/QFR official TTM bridge
Electrical TTM revenue	$2.804B	QF/QFR official TTM bridge
Total TTM revenue	$10.136B	Q2 2025-Q1 2026 segment sum; equals FMP quarterly consolidated sum
Official TTM operating income	$1.591B	QF/QFR official OI bridge

6. Management commentary on forward growth

Copyright discipline: this section uses short verbatim excerpts only and otherwise paraphrases the live-pulled FMP transcripts. Transcript endpoint used: `earning-call-transcript?symbol=FIX&year={year}&quarter={quarter}`. Dates were verified against `earning-call-transcript-dates`: Q1 FY2026 on 2026-04-24, Q4 FY2025 on 2026-02-20, Q3 FY2025 on 2025-10-24, and Q2 FY2025 on 2025-07-25.

Segment / topic	Source	Speaker	Short excerpt	Modeling interpretation
Both segments - 2026 growth	Q1 FY2026 call, 2026-04-24	William George, CFO	"mid- to high 20% range"	Management framed FY2026 same-store revenue growth above FY2025 by a mid/high-20s percentage despite harder second-half comps; use as a ceiling check for near-term base cases.

Segment / topic	Source	Speaker	Short excerpt	Modeling interpretation
Mechanical - data-center demand	Q1 FY2026 call, 2026-04-24	Brian Lane, CEO	"data centers still exceeds the supply"	Demand is supply-constrained rather than demand-constrained; mechanical capacity/labor is the binding variable.
Electrical - hyperscaler capacity	Q4 FY2025 call, 2026-02-20	William George, CFO	"They would buy more if they could"	Large customers are asking for more modular/electrical-enabled capacity; model should not assume demand exhaustion before capacity/labor constraints.
Both - backlog quality	Q3 FY2025 call, 2025-10-24	Trent McKenna, President/COO	"project pipelines remain at historically high levels"	Backlog additions are broad enough to support growth into 2026; timing may be lumpy.
Mechanical - modular outlook	Q2 FY2025 call, 2025-07-25	William George, CFO	"demand is there"	Modular/off-site capability is a growth modality, but not a separate dollar line; avoid double-counting inside Mechanical.
Electrical - segment scaling	Q1 FY2026 call, 2026-04-24	William George, CFO	paraphrase only	Electrical revenue increased 88% in Q1 2026 and management linked both segments to strong technology-sector demand. Near-term electrical growth can exceed consolidated growth from a smaller base.
Both - labor constraint	Q1 FY2026 call, 2026-04-24	William George, CFO	paraphrase only	Labor remains the core pinch point. Higher revenue forecasts must be tied to headcount, temporary labor, prefabrication, and automation capacity.
Both - backlog definition	Q3 FY2025 call, 2025-10-24	William George, CFO	paraphrase only	Reported backlog requires price, scope and legally binding obligation; it is not a loose pipeline number. This supports backlog credibility but does not eliminate conversion risk.
Both - margin discipline	Q4 FY2025 call, 2026-02-20	William George, CFO	paraphrase only	Management emphasized pricing for scarce workforce and risk. Segment margin expansion is tied to selection discipline and execution, not merely volume.
Both - capital deployment	Q4 FY2025 call, 2026-02-20	William George, CFO	paraphrase only	Cash flow is outpacing acquisition deployment at times; buybacks and dividend increases remain secondary uses after attractive M&A.

Segment-specific read-through: Mechanical has the largest revenue base and the most direct exposure to HVAC, piping, modular and data-center thermal work. Electrical is smaller but grew faster in FY2025/Q1 2026, helped by Texas and other technology-heavy markets. Management commentary is usually consolidated rather than formally segmented; when executives discuss data centers, modular, labor, pricing and backlog, it normally applies to both segments, with Mechanical carrying more dollars and Electrical carrying higher recent growth.

7. Capital allocation history - 5 years

Year	Capex ($B)	Capex / revenue (%)	R&D ($B)	R&D / revenue (%)	Buybacks ($B)	Dividends ($B)	M&A ($B)	Source
FY2021	$0.022	0.7%	$0.000	0.0%	$0.027	$0.017	$0.227	FMP cash-flow statement
FY2022	$0.048	1.2%	$0.000	0.0%	$0.038	$0.020	$0.049	FMP cash-flow statement
FY2023	$0.095	1.8%	$0.000	0.0%	$0.021	$0.030	$0.102	FMP cash-flow statement

Year	Capex ($B)	Capex / revenue (%)	R&D ($B)	R&D / revenue (%)	Buybacks ($B)	Dividends ($B)	M&A ($B)	Source
FY2024	$0.111	1.6%	$0.000	0.0%	$0.058	$0.043	$0.235	FMP cash-flow statement
FY2025	$0.155	1.7%	$0.000	0.0%	$0.216	$0.069	$0.280	FMP cash-flow statement

Capital allocation notes: R&D is not a disclosed line for this contractor business in the FMP income statement. FY2025 cash uses were broad: capex rose to $154.9M, acquisitions consumed $279.6M net, buybacks were $216.0M, and dividends were $68.8M. On May 22, 2025, the board refreshed the repurchase authorization back to 1,000,000 shares available; the SEC-hosted release disclosed 10,757,964 shares repurchased through May 16, 2025 for $437.6M since program inception.

8. Balance sheet snapshot

Item	FY2025 $B	Latest Q1 2026 $B	Source
Cash and equivalents	$0.982	$1.050	FMP balance sheet; Q1 2026 10-Q
Short-term investments	$0.000	$0.065	FMP balance sheet
Total debt	$0.786	$0.379	FMP balance sheet; includes debt and lease liabilities per QFR
Net debt / (cash)	$-0.196	$-0.672	FMP balance sheet
Net debt / EBITDA	-0.14x	-0.39x	calc; negative = net cash
Goodwill + intangibles	$1.511	$1.490	FMP balance sheet
Tangible book value	$0.938	$1.325	calc: equity less goodwill/intangibles

The latest balance sheet is net cash: Q1 2026 cash of $1.050B less total debt of $0.379B equals $0.672B net cash. Liquidity is not the near-term constraint; labor, execution, modular/off-site capacity and project selectivity are the operating constraints.

9. Recent corporate actions - last 12 months

- 2025-05-01: Acquired Right Way Plumbing & Mechanical LLC, headquartered in Florida, for preliminary purchase price of $65.0M; included in Mechanical Segment. Source: Q1 2026 Form 10-Q acquisition note https://www.sec.gov/Archives/edgar/data/1035983/000110465926047689/fix-20260331x10q.htm.
- 2025-05-22: Board increased share-repurchase authorization so 1,000,000 shares were available; release disclosed 10,757,964 shares repurchased through 2025-05-16 at aggregate $437.6M since program inception. Source: https://www.sec.gov/Archives/edgar/data/1035983/000110465925052000/tm2515878d1_ex99-1.htm.
- 2025-08-27 / filed 2025-09-02: Entered Fourth Amended and Restated Credit Agreement; covenants permit dividends, distributions and repurchases in unlimited amount when net leverage is at or below 2.75x, and acquisitions in unlimited amount when net leverage is at least 0.25x below the maximum permitted level. Source: https://www.sec.gov/Archives/edgar/data/1035983/000110465925086404/tm2524764d1_8k.htm.
- 2025-10-01: Completed acquisitions of Feyen-Zylstra Holdings, LLC and Meisner Electric, Inc.; both report as separate operating locations and together were expected to add more than $200M annual revenue and $15M-$20M annual EBITDA per Q3 2025 release. Sources: FY2025 10-K and Q3 2025 Exhibit 99.1 https://www.sec.gov/Archives/edgar/data/1035983/000110465925101818/fix-20251023xex99d1.htm.
- 2025 full year: Completed Century Contractors, Right Way, Feyen Zylstra and Meisner acquisitions; 2025 10-K states acquisitions are included from respective acquisition dates and same-store comparisons exclude the relevant acquired operations. Source: https://www.sec.gov/Archives/edgar/data/1035983/000110465926017530/fix-20251231x10k.htm.
- 2025-12-19: Announced leadership transitions effective 2026-01-01: Trent T. McKenna appointed President and COO; Brian E. Lane remained CEO; Laura F. Howell retired as General Counsel and Secretary. Source: https://www.sec.gov/Archives/edgar/data/1035983/000110465925123112/tm2533853d1_ex99-1.htm.
- 2026-04-23: Q1 2026 release announced dividend increase to $0.80 quarterly, record backlog of $12.45B and organic revenue growth of 51% vs Q1 2025. Source: https://www.sec.gov/Archives/edgar/data/1035983/000110465926047679/fix-20260423xex99d1.htm.

10. Open data gaps

- Direct company IR website downloads timed out in this run; SEC-hosted 8-K Exhibit 99.1 copies were used as official company release sources. The URLs are exact SEC exhibit URLs listed above.
- Product/sub-product dollar revenue below Mechanical and Electrical was not separately disclosed in the live-pulled FMP/SEC sources. Modular, advanced technology/data centers, service, construction, and specific operating companies should not be modeled as separate historical dollar lines unless another subagent fetches a primary dollar table.
- FY2021 segment operating income was not available at the same segment-note granularity in the cleared QF source set. Leave FY2021 segment OI as not disclosed; do not allocate consolidated OI by revenue share.
- FY2024 FMP quarterly revenue segmentation does not sum to the FY2024 FMP annual endpoint or SEC 10-K segment note. Use annual SEC/FMP annual endpoint values for FY2024 and avoid FMP Q4 2024 segment data.
- Management commentary is mostly consolidated and end-market oriented; it rarely assigns backlog, modular capacity, data centers, or labor constraints to Mechanical vs Electrical separately. Segment-level forecast drivers must therefore be inferred from revenue mix and segment exposure, not from explicit segment guidance.
- Backlog is disclosed in dollars, but conversion timing by segment and end market is not fully disclosed. Management indicates some modular bookings extend into 2027 and 2028, so backlog cannot be mechanically converted into FY2026 revenue.

Self-verification log

- Latest-quarter headline growth: Q1 2026 revenue was $2.87B vs $1.83B and same-store revenue growth was 51%; verified in SEC-hosted Q1 2026 Exhibit 99.1 and live FMP income statement. Largest segment Mechanical revenue was $2.061B vs $1.402B, +47.0%, verified against Q1 2026 Form 10-Q segment table.
- Transcript date/quote check: FMP `earning-call-transcript?symbol=FIX&year=2026&quarter=1` returned date 2026-04-24, within one day of the Q1 2026 release; the short data-center-demand excerpt used above appears in that fetched transcript.
- FY2025 revenue check: FMP `income-statement?symbol=FIX&period=annual&limit=6` returned FY2025 revenue $9.101641B, tying to the FY2025 10-K segment sum $6.673745B Mechanical + $2.427896B Electrical = $9.101641B within 0.0%.

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