

COMFORT SYSTEMS USA INC
Form 10-Q
November 07, 2011

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[TABLE OF CONTENTS](#)

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**For the transition period from _____ to _____
Commission file number: 1-13011**

COMFORT SYSTEMS USA, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
Incorporation or Organization)

76-0526487
(I.R.S. Employer
Identification No.)

**675 Bering Drive
Suite 400
Houston, Texas 77057**

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(713) 830-9600**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

The number of shares outstanding of the issuer's common stock, as of October 31, 2011 was 37,455,699 (excluding treasury shares of 3,667,666).

Table of Contents

**COMFORT SYSTEMS USA, INC.
INDEX TO FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

| | Page |
|---|-------------|
| Part I Financial Information | |
| Item 1 Financial Statements | |
| <u>Consolidated Balance Sheets</u> | <u>1</u> |
| <u>Consolidated Statements of Operations</u> | <u>2</u> |
| <u>Consolidated Statements of Stockholders' Equity</u> | <u>3</u> |
| <u>Consolidated Statements of Cash Flows</u> | <u>4</u> |
| <u>Condensed Notes to Consolidated Financial Statements</u> | <u>5</u> |
| Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>17</u> |
| Item 3 <u>Quantitative and Qualitative Disclosures about Market Risk</u> | <u>32</u> |
| Item 4 <u>Controls and Procedures</u> | <u>33</u> |
| Part II Other Information | |
| Item 1 <u>Legal Proceedings</u> | <u>34</u> |
| Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>34</u> |
| Item 6 <u>Exhibits</u> | <u>35</u> |
| <u>Signatures</u> | <u>36</u> |

Table of Contents

COMFORT SYSTEMS USA, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts)

| | September 30, 2011 | December 31, 2010 |
|---|-----------------------|----------------------|
| | (Unaudited) | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 43,692 | \$ 86,346 |
| Accounts receivable, less allowance for doubtful accounts of \$4,766 and \$5,096, respectively | 259,769 | 233,893 |
| Other receivables | 9,598 | 6,682 |
| Income tax receivable | 11,478 | 9,544 |
| Inventories | 9,742 | 9,365 |
| Prepaid expenses and other | 24,602 | 30,470 |
| Costs and estimated earnings in excess of billings | 29,121 | 26,648 |
| Total current assets | 388,002 | 402,948 |
| PROPERTY AND EQUIPMENT, NET | 40,475 | 43,620 |
| GOODWILL | 93,640 | 147,818 |
| IDENTIFIABLE INTANGIBLE ASSETS, NET | 36,099 | 39,616 |
| OTHER NONCURRENT ASSETS | 7,430 | 6,018 |
| Total assets | \$ 565,646 | \$ 640,020 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | \$ 300 | \$ 300 |
| Current maturities of notes to former owners | 510 | 967 |
| Accounts payable | 101,421 | 101,134 |
| Accrued compensation and benefits | 36,805 | 42,577 |
| Billings in excess of costs and estimated earnings | 62,218 | 63,422 |
| Accrued self-insurance expense | 30,799 | 28,994 |
| Other current liabilities | 23,699 | 30,816 |
| Total current liabilities | 255,752 | 268,210 |
| LONG-TERM DEBT, NET OF CURRENT MATURITIES | 2,400 | 2,700 |
| NOTES TO FORMER OWNERS, NET OF CURRENT MATURITIES | 24,969 | 25,969 |
| DEFERRED INCOME TAX LIABILITIES | 11,599 | 18,871 |
| OTHER LONG-TERM LIABILITIES | 6,278 | 11,486 |
| Total liabilities | 300,998 | 327,236 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, \$.01 par, 5,000,000 shares authorized, none issued and outstanding | | |
| Common stock, \$.01 par, 102,969,912 shares authorized, 41,123,365 and 41,123,365 shares issued, respectively | 411 | 411 |
| Treasury stock, at cost, 3,626,473 and 3,221,775 shares, respectively | (38,642) | (34,714) |

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| | | |
|--|------------|------------|
| Additional paid-in capital | 324,617 | 326,467 |
| Retained earnings (deficit) | (21,738) | 20,620 |
| Total stockholders' equity | 264,648 | 312,784 |
| Total liabilities and stockholders' equity | \$ 565,646 | \$ 640,020 |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

COMFORT SYSTEMS USA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Data)

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| REVENUE | \$ 328,113 | \$ 307,648 | \$ 922,320 | \$ 793,711 |
| COST OF SERVICES | 279,005 | 257,339 | 791,493 | 661,929 |
| Gross profit | 49,108 | 50,309 | 130,827 | 131,782 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 41,493 | 41,885 | 126,043 | 114,905 |
| GOODWILL IMPAIRMENT | 55,134 | | 55,134 | 4,446 |
| GAIN ON SALE OF ASSETS | (58) | (29) | (162) | (502) |
| Operating income (loss) | (47,461) | 8,453 | (50,188) | 12,933 |
| OTHER INCOME (EXPENSE): | | | | |
| Interest income | 16 | 39 | 65 | 183 |
| Interest expense | (478) | (832) | (1,431) | (1,406) |
| Changes in the fair value of contingent earn-out obligations | 5,077 | 650 | 5,566 | 650 |
| Other | (16) | 19 | (68) | 25 |
| Other income (expense) | 4,599 | (124) | 4,132 | (548) |
| INCOME (LOSS) BEFORE INCOME TAXES | (42,862) | 8,329 | (46,056) | 12,385 |
| INCOME TAX EXPENSE (BENEFIT) | (6,293) | 2,919 | (7,479) | 4,164 |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | (36,569) | 5,410 | (38,577) | 8,221 |
| GAIN (LOSS) ON DISPOSITION OF DISCONTINUED OPERATION, NET OF INCOME TAX EXPENSE OF \$, \$195, \$ AND \$166 | | (39) | | 723 |
| NET INCOME (LOSS) | \$ (36,569) | \$ 5,371 | \$ (38,577) | \$ 8,944 |
| INCOME (LOSS) PER SHARE: | | | | |
| Basic | | | | |
| Income (loss) from continuing operations | \$ (0.98) | \$ 0.14 | \$ (1.03) | \$ 0.22 |
| Gain on disposition of discontinued operation | | | | 0.02 |
| Net income (loss) | \$ (0.98) | \$ 0.14 | \$ (1.03) | \$ 0.24 |
| Diluted | | | | |
| | \$ (0.98) | \$ 0.14 | \$ (1.03) | \$ 0.22 |

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| | | | | | |
|---|--|--|--|--|------|
| Income (loss) from continuing operations | | | | | |
| Gain on disposition of discontinued operation | | | | | 0.02 |

| | | | | | | | | |
|-------------------|----|--------|----|------|----|--------|----|------|
| Net income (loss) | \$ | (0.98) | \$ | 0.14 | \$ | (1.03) | \$ | 0.24 |
|-------------------|----|--------|----|------|----|--------|----|------|

SHARES USED IN
COMPUTING INCOME PER
SHARE:

| | | | | | | | | |
|-------|--|--------|--|--------|--|--------|--|--------|
| Basic | | 37,325 | | 37,560 | | 37,496 | | 37,564 |
|-------|--|--------|--|--------|--|--------|--|--------|

| | | | | | | | | |
|---------|--|--------|--|--------|--|--------|--|--------|
| Diluted | | 37,325 | | 37,794 | | 37,496 | | 37,821 |
|---------|--|--------|--|--------|--|--------|--|--------|

| | | | | | | | | |
|---------------------|----|-------|----|-------|----|-------|----|-------|
| DIVIDENDS PER SHARE | \$ | 0.050 | \$ | 0.050 | \$ | 0.150 | \$ | 0.150 |
|---------------------|----|-------|----|-------|----|-------|----|-------|

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

COMFORT SYSTEMS USA, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In Thousands, Except Share Amounts)

| | Comprehensive Income (Loss) | Common Stock | | Treasury Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income | | Retained Earnings (Deficit) | Total Stockholders' Equity |
|--|-----------------------------------|--------------|--------|----------------|-------------|----------------------------------|---|-----------|-----------------------------------|----------------------------------|
| | | Shares | Amount | Shares | Amount | | (Loss) | (Deficit) | | |
| BALANCE AT DECEMBER 31, 2009 | | 41,123,365 | \$ 411 | (3,129,460) | \$ (33,810) | \$ 326,103 | \$ (181) | \$ 13,461 | \$ 305,984 | |
| Comprehensive income: | | | | | | | | | | |
| Net income | \$ 14,740 | | | | | | | 14,740 | 14,740 | |
| Realized gain on marketable securities reclassified into earnings, net of tax | 181 | | | | | | 181 | | 181 | |
| Comprehensive income | \$ 14,921 | | | | | | | | | |