

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

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**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).

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

	September 30, 2011 (Unaudited)	December 31, 2010
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
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The accompanying notes are an integral part of these consolidated financial statements.

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COMFORT SYSTEMS USA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In Thousands, Except Share Amounts)

	STOCKHOLDERS' EQUITY								
	Comprehensive Income (Loss)	Common Stock Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Stockholders' Equity
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								