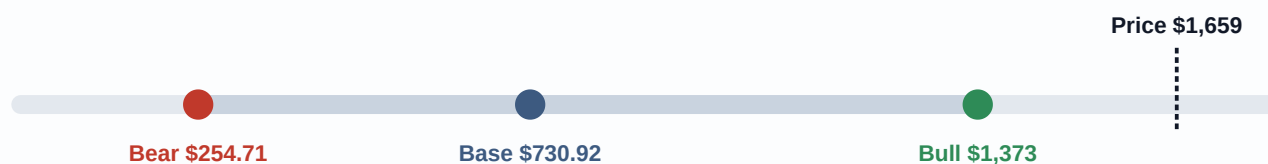


Initiated 2026-09-27 · Price \$1,658.91 (as of 2026-09-25 close, stockanalysis.com) · Mkt cap \$58.29bn · Industrials / mechanical and electrical contracting · Model: verified

Rating: Sell — Conviction: Low

Comfort Systems is executing about as well as a contractor can. Q2 revenue rose 50%, operating margin reached 17.1%, backlog stands at \$14.1bn and the company holds \$1.8bn of net cash. But the stock has more than doubled in a year to ~28x trailing EBITDA, a multiple no contractor has kept through a cycle. The model's bull case, with margins held near today's peak and growth compounding through 2030, still lands 17% below the price. Conviction is Low because the backlog gives 12–18 months of visibility, and the data-center wave has so far outrun every estimate.

MODEL VALUE RANGE VS PRICE



Business overview

Comfort Systems installs and services mechanical systems (HVAC, plumbing, process piping) and, increasingly, electrical systems in large buildings. It also builds prefabricated modular assemblies off-site, which were 17% of year-to-date revenue. Q2 2026 revenue was \$3,265.7mm (+50%); electrical grew 81% and mechanical 40%. Technology customers (data centers and chip plants) were 58% of revenue, against 40% a year earlier. Industrial overall was 75% of H1 revenue, institutional 17% and commercial 8%. New construction is 75% of revenue and service only 10%. Earnings turn on three things: the volume of technology work, the margin the company can bid on it (gross margin 25.9% vs 23.5% a year ago), and how much craft labor and modular capacity it can add. Modular capacity goes from 3.5mm+ to 5mm square feet by late 2027.

Competition

The contractors that matter are EMCOR (mechanical and electrical), IES Holdings (electrical, data centers), Quanta and MasTec (power and infrastructure), plus large private firms. Demand, not share, is the story today. EMCOR's remaining performance obligations reached \$17.14bn at June 30, 2026, up 44% (Q2 2026 release), led by data-center contracts in network and communications. Comfort's same-store backlog grew 69% over the same period. With the leading contractors all adding capacity, pressure will show up first in bid margins on the next round of technology work. On one definition (stockanalysis TTM EV/EBITDA, 2026-09-25), MasTec trades at 15.1x, EMCOR 16.7x, IES 22.9x and Quanta 34.1x. The closest comparable, EMCOR, is at 16.7x, well below Comfort's 28.3x. Management says it expands modular capacity only against "meaningful multiyear customer commitments", which limits but does not remove the risk of overbuilding.

Bull case

1. **The technology wave runs longer.** Management sees "no letup whatsoever" in data-center customers' capacity needs. Backlog rose \$1.6bn in Q2 alone, and modular capacity grows ~40% by late 2027. Plays out if hyperscaler and chip-plant capex keeps growing through 2028. *Model: rev_growth, exit_ev_ebitda*
2. **Peak margins hold.** Gross margin of 25.9% reflects work booked "with good margins and favorable working conditions"; modular and electrical scale lift productivity. Plays out if EBITDA margin stays ~18–19% as backlog turns over. *Model: ebitda_margin*

Bear case

1. **Concentration in one end market.** Technology went from 40% to 58% of revenue in a year. Plays out if hyperscalers digest capacity in 2027–28, leaving revenue flat and then falling as the backlog burns off. *Model: rev_growth, wacc*
2. **Margins mean-revert.** EBITDA margin was 8–9% in FY2021–FY2023, against 17.8% TTM. Plays out if competitors add crews and bid technology work harder, or if displaced contractors crowd into institutional work. *Model: ebitda_margin*
3. **Customer prepayments reverse.** Billings in excess of costs reached \$3.2bn, so working capital is about –11% of TTM revenue. That drove \$2.55bn of TTM operating cash flow. Plays out if bookings slow and prepayments unwind. *Model: nwc_pct_rev*
4. **A contractor multiple.** At 28x TTM EBITDA, FIX trades nearer Quanta than EMCOR. Plays out if growth slows and the stock re-rates toward contractor peers at 15–17x. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, aggregator (TTM, lease-inclusive)	28.3x	n/a (unverified)	MTZ 15.1x · EME 16.7x · IESC 22.9x · PWR 34.1x	stockanalysis.com, 2026-09-25
EV/EBITDA, model basis (EV \$56.68bn, no leases)	39.0x FY2025 · 28.3x TTM	n/a	n/a (peers not restated)	model-inputs.json
Forward P/E (stockanalysis consensus)	31.2x	n/a (unverified)	MTZ 19.6x · EME 21.9x · IESC 25.8x · PWR 35.3x	stockanalysis.com, 2026-09-25
FCF yield (TTM)	3.7% (FCF \$2.16bn, flattered by \$838mm of working-capital inflow)	FCF \$738mm FY2024, \$1,031mm FY2025	n/a	stockanalysis.com, 2026-09-25

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$254.71 · Base \$730.92 · Bull \$1,373.18 per share, i.e. implied returns of –84.7% / –55.9% / –17.2% vs \$1,658.91. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits above even the bull case, so the market is paying for a technology cycle that lasts longer, and margins that stay higher, than the bull assumes.

Re-rating. The base exit of 15x is a 62% de-rating from 39.0x FY2025 EBITDA, and 47% from 28.3x TTM, on the model's own basis. The two methods disagree: the exit method gives \$911.87 and Gordon \$549.96. The Gordon method's 13.6% WACC (beta 1.68) embeds a far lower terminal multiple. The discount rate is a large part of the gap. The bull exit method (\$1,848.93, 22x at a 12.5% WACC) is the only case figure above the price.

Tail. Technology is 58% of revenue, so a failure sensitivity was run on a scratch copy. Revenue +39% / –5% / –25% / –10% / 0%, EBITDA margin falling to 8% (the pre-boom level), NWC back to +3% of revenue, an 8x exit and a 15% WACC give \$162.95 (–90.2%).

Balance sheet: net cash of \$1.80bn (\$1,854.8mm cash against \$54.0mm of debt; operating leases excluded), so net leverage is not meaningful; coverage 449x (model Credit); liquidity is the cash balance plus a revolver whose size is n/a (unverified); no material maturity; ratings n/a (unrated).

Model note:

- Tier `full` , status `built` , verification `verified` (LibreOffice recalculation matched all 3,207 formula cells). No unverified inputs; no assumptions without basis. Scenario consistency `OK` on all 14 rows.
- No company EPS guidance exists. Base Y1 (FY2026) EPS of \$48.23 compares with \$40.64 TTM; the 31.2x forward P/E implies ~\$53 of NTM consensus (est.). The gap is mostly timing (the NTM period is further into 2027).
- The debt coupon (6%) and the rate on cash (4%) are estimates; they affect EPS only. Shares are the 35.254mm Q2 diluted average.
- FY2021–FY2025 revenue comes from stockanalysis figures rounded to \$1mm.

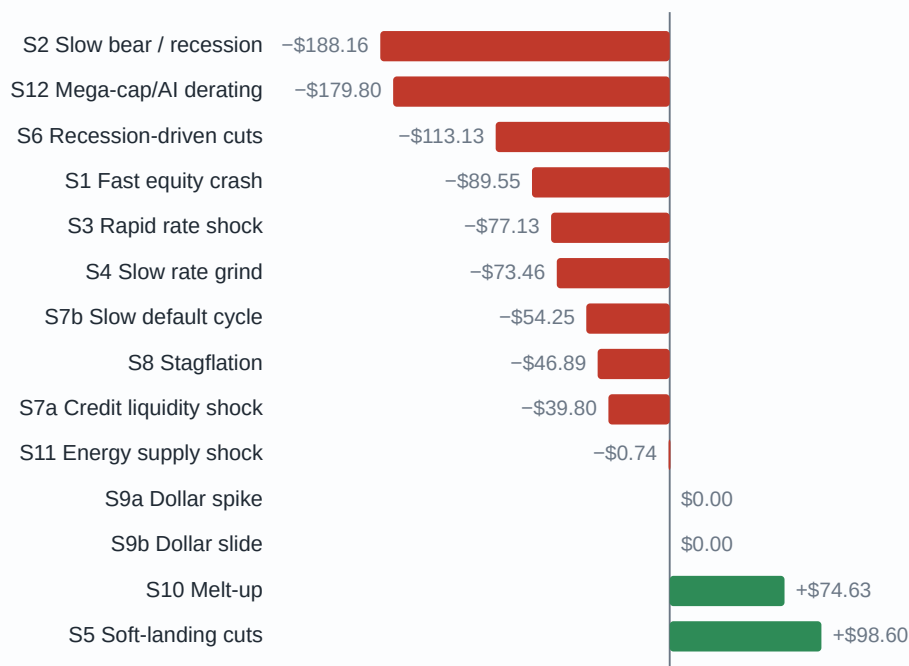
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	High-beta (1.68) momentum name, +110% in a year, de-rates; backlog unaffected	Med	–\$89.55
S2 Slow bear / recession	–	Nonresidential and technology capex slow; bid margins slip. Milder than Base – Bear (\$476.21) on purpose: transitory, while the bear case is the end of the technology cycle	High	–\$188.16
S3 Rapid rate shock	–	Higher discount rate; costlier project finance delays developer-led data-center and commercial starts	Med	–\$77.13
S4 Slow rate grind	–	Same channel, grinding	Med	–\$73.46
S5 Soft-landing cuts	+	Lower rates re-rate growth and help institutional and commercial starts	High	+\$98.60
S6 Recession-driven cuts	–	Construction cuts outweigh the lower discount rate	High	–\$113.13
S7a Credit liquidity shock	–	Forced selling of crowded momentum names; net cash, no refinancing need	Low	–\$39.80
S7b Slow default cycle	–	Leveraged developers and neocloud builders lose financing; some projects slip	Low	–\$54.25
S8 Stagflation	–	Higher discount rate; material and craft-labor inflation on fixed-price work	Low	–\$46.89
S9a Dollar spike	0	No material effect, not modeled: US-only operations	—	\$0.00
S9b Dollar slide	0	No material effect, not modeled	—	\$0.00
S10 Melt-up	+	AI-infrastructure momentum extends	Med	+\$74.63
S11 Energy supply shock	–	Fuel and material costs; no direct demand channel	Low	–\$0.74
S12 Mega-cap/AI derating	–	Hyperscaler capex pullback hits technology bookings (58% of revenue) directly, and the AI-infrastructure premium unwinds	High	–\$179.80

Currently active/on watch per the playbook: `state.md` lists S3 as partially active; the macro log records all three legs crossed from 2026-09-24 (10Y 5.17% on 2026-09-25). S8, S10 and S11 are on watch. Here S3 and S10 are Med, S8 and S11 are Low.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- The price falls toward ~18x TTM EBITDA with backlog still growing; or
- Technology bookings extend visibly into 2028–29 (multiyear modular commitments disclosed) while gross margin holds above 25%.

Downgrades (conviction up) if:

- Backlog falls quarter over quarter, or same-store backlog growth drops below 20%; or
- Billings in excess of costs shrink by more than \$500mm in a quarter without a matching revenue slowdown explanation.

Watch items

- **W1:** Backlog and same-store backlog (Q2: \$14.06bn, +73%; same-store +69%). Source: Q3 2026 release (late October 2026, date n/a unverified). *Model: rev_growth*
- **W2:** Gross margin (Q2: 25.9%) and the technology share of revenue (Q2: 58%). Source: Q3 2026 release and call. *Model: ebitda_margin*
- **W3:** Billings in excess of costs (Q2: \$3,231.1mm) and operating cash flow. Source: Q3 2026 10-Q. *Model: nwc_pct_rev*
- **W4:** Full-year same-store revenue growth against the mid-to-high-30s guide. Source: Q4 2026 release (February 2027). *Model: rev_growth*

Sources

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- Peer statistics: EME <https://stockanalysis.com/stocks/eme/statistics/> · PWR <https://stockanalysis.com/stocks/pwr/statistics/> · IESC <https://stockanalysis.com/stocks/iesc/statistics/> · MTZ <https://stockanalysis.com/stocks/mtz/statistics/> — accessed 2026-09-27
- Daily macro log (10Y, S3 status), `logs/macro-2026-09.md`, 2026-09-24/25 entries

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.