

Profit dollars substantially exceeded expectations, but profitability per revenue dollar fell short

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$3.766 billion	\$3.38 billion	+11.4%
Adjusted EBITDA	\$667.9 million	\$628.7 million	+6.2%
Diluted EPS (vs. Year Ago)	\$13.91	\$8.25	+68.6%
Gross Margin	24.8%	25.9%	-1.1 pp
SEGMENT REVENUE			
Mechanical Revenue (vs. Year Ago)	\$2.583 billion	\$1.810 billion	+42.7%
Electrical Revenue (vs. Year Ago)	\$1.183 billion	\$640 million	+84.8%
Mechanical Gross Margin (vs. Year Ago)	25.1%	24.3%	+0.8 pp

2 | GUIDANCE AND OUTLOOK

Management raised 2026 same-store revenue growth from the mid- to high-30% range to the mid-40% range, establishing a mid-20% full-year 2027 expectation. Capital-spending guidance changed from approximately 5% of revenue to 4% to 5%, elevated into first-half 2027. Modular capacity targets approximately 6 million square feet by end-2027, versus approximately 5 million by late summer 2027. Margins should remain within recent strong ranges. The approximately 23% tax-rate outlook was reaffirmed for 2026 and extended to 2027.

3 | EARNINGS ANALYSIS

GROWTH OUTRAN MARGIN CONVERSION. Mechanical revenue rose 42.7% to \$2.583 billion; electrical rose 84.8% to \$1.183 billion. Mechanical gross margin expanded to 25.1% from 24.3%, while electrical fell to 24.3% from 26.2%. Gross margin of 24.8% missed the 25.9% estimate, despite profit-dollar beats. SG&A fell to 8.3% of revenue from 9.4%, lifting operating margin to 16.6% from 15.5%. Sequentially, operating margin fell from 17.1%.

CASH TIMING FLATTERED CONVERSION. Earnings growth was principally operational, not financial engineering. Operating income drove most of the pretax increase; higher net interest income and lower contingent earn-out expense added support. Free cash flow of \$805.6 million included a \$166 million income-tax deferral into Q4; only the franchise economics, not the cash timing, should be capitalized as recurring earnings.

MARGIN EXPLANATION REQUIRES QUALIFICATION. Higher equipment content, acquisition work-in-process adjustments, normalization at a major electrical operation and early-stage projects explain margin pressure. Acquisition adjustments were approximately \$12 million higher than Q2, not the total expense. Project maturity remains early-stage in Q4, becoming more average in first-half 2027. Management explicitly cautioned, ‘we do not represent that margins will go up in the future.’ Execution remains strong; automatic peak-margin restoration is not justified.

LIQUIDITY SUPPORTS CAPITAL EXPANSION. Backlog reached \$17.815 billion, with only \$83.9 million of the sequential increase from acquisitions. Cash of \$2.158 billion against approximately \$49.6 million of debt leaves little leverage. Capital expenditure reached \$499.4 million year to date, versus \$88.8 million a year earlier. EBITDA growth is incomplete without sustained capital returns on this expansion.

CUSTOMER COMMITMENTS HAVE LIMITS. Existing programmatic customers support the modular buildout; no frontier-lab or colocation agreements are assumed. Typical terms include 5-year volume commitments and advance payments. Cancellation penalties and take-or-pay provisions were not disclosed; multiyear relationships are not unconditional revenue guarantees.

FAVORABLE OPERATIONS, QUALIFIED CONCLUSION. Technology represented 60.8% of quarterly sales and approximately 89% of revenue growth, concentrating exposure to AI infrastructure spending. The margin miss does not establish a broken thesis; backlog does not eliminate valuation risk. The conclusion remains HOLD with a favorable operating bias: a positive earnings outlook, but not an unconditional case to buy the post-earnings decline.

4 | KEY READ-THROUGHS

THE CONTRACTOR MARGIN MISS IS NOT AN EQUIPMENT-DEMAND WARNING
Vertiv (VRT), Eaton (ETN) | Positive | High fundamental materiality for Vertiv; substantial segment-level relevance for Eaton
Equipment and materials were approximately 2 percentage points above their first-half cost share. Low-margin installer pass-through is manufactured-product revenue for power and cooling suppliers and can support factory utilization and backlog conversion. Vertiv's 24% Q2 sales growth and Eaton's 43% electrical backlog growth established strong demand. Comfort corroborates that cycle, not a specific earnings upgrade; supplier allocations cannot be inferred.

SUPPLIERS' CASH ADVANTAGE EXPOSES THE BUYERS' FINANCING BURDEN
CoreWeave (CRWV), Nebius (NBIS) | Negative | Potentially high group-level materiality
Advance payments and mobilization commitments shift working-capital funding to infrastructure buyers before cloud revenue begins. CoreWeave reported \$640 million of net interest expense against \$128 million of adjusted operating income. Nebius's \$3.5 billion facility demonstrates capital access, not freedom from financing costs: a 364-day maturity at Term SOFR plus 2.75%. Comfort identified neither as a customer; this is not an imminent-liquidity-crisis claim.

RECORD BACKLOG DOES NOT JUSTIFY AUTOMATIC PEAK-MARGIN EXTRAPOLATION
EMCOR (EME), IES (IESC), Sterling (STRL) | Negative | Potential trading sensitivity is material
Comfort's gross margin fell to 24.8% from 25.9% sequentially despite approximately 15% revenue growth. Procurement and early-stage work can lift revenue before labor-intensive activity and favorable estimate revisions. IES previously identified favorable large, quick-turning jobs. Growing workload therefore does not preserve every element of recent profitability. The warning concerns aggressive expectations, not an established peer margin decline.

QUALIFIED FACTORY CAPACITY BECOMES A STRATEGIC ASSET
IES (IESC), Vertiv (VRT) | Positive | Potentially high materiality within IES's Infrastructure Solutions business; moderate incremental significance for Vertiv
Comfort's approximately 6 million-square-foot end-2027 modular plan is supported by existing programmatic customers. Factory production substitutes for scarce site labor, favoring qualified facilities and experienced teams. IES added approximately 1 million square feet, with meaningful contributions expected from fiscal 2027. Vertiv participates through integrated power and cooling solutions. Capacity expansion increases capital intensity and utilization risk, without establishing share shifts.