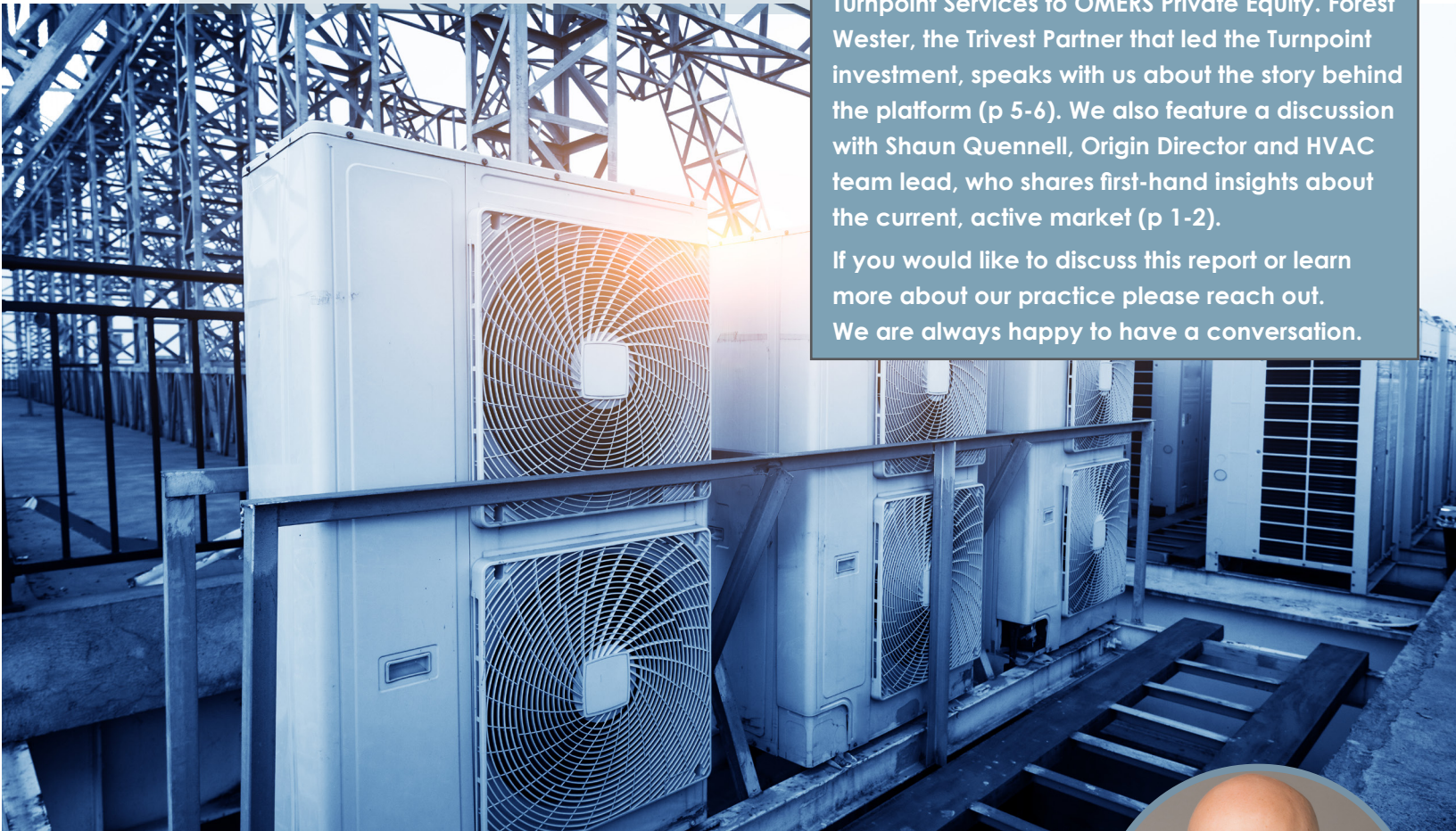


M&A SPOTLIGHT ON HVAC

Welcome to Origin's M&A Spotlight on HVAC. The HVAC sector has experienced a robust recovery from the pandemic's early days, as reflected in our deal highlights and sector indices (p 3-4). Notable deals include the sale of Trivest-backed Turnpoint Services to OMERS Private Equity. Forest Wester, the Trivest Partner that led the Turnpoint investment, speaks with us about the story behind the platform (p 5-6). We also feature a discussion with Shaun Quennell, Origin Director and HVAC team lead, who shares first-hand insights about the current, active market (p 1-2).

If you would like to discuss this report or learn more about our practice please reach out. We are always happy to have a conversation.



Origin Director Shaun Quennell spends a great deal of time speaking to HVAC service providers and private equity (PE) firms interested in acquiring or selling businesses in the HVAC space.

In the following interview, Shaun draws on his experience, sharing insights about deal activity and the opportunities that currently abound in the HVAC sector.

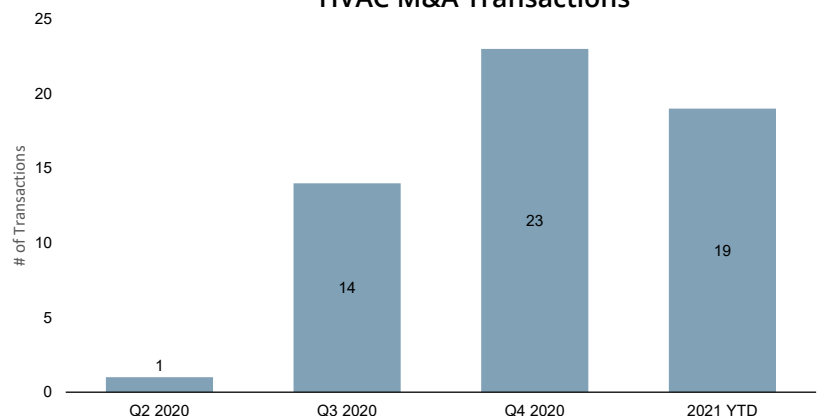


OMP: On a high level, what are you seeing in terms of deal activity?

Shaun Quennell: We continue to see plenty of M&A activity. **It's a great market for sellers**, with good quality businesses attracting strong interest and often selling quickly at attractive valuations. There is also **plenty of investor appetite to provide growth capital** for promising businesses to back their growth strategies.

Activity slowed in the second quarter of last year when COVID hit, but it picked up in Q3 and Q4, and all indications are that the rebound will continue through 2021.

HVAC M&A Transactions



Source: CapIQ and OMP research

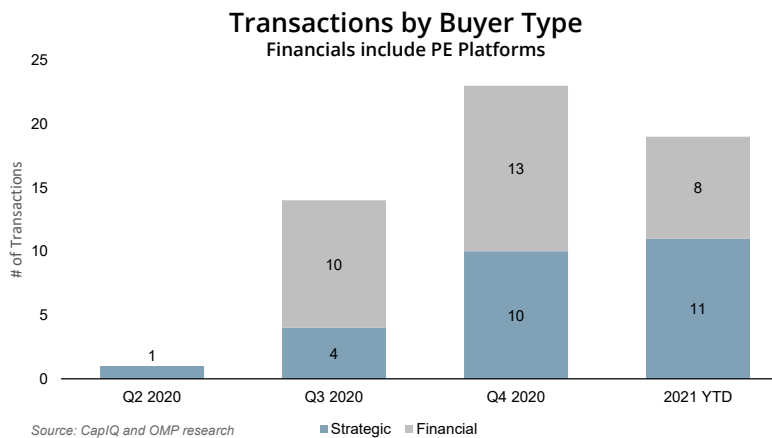
OMP: Where are valuations in this market?

SQ: Valuations remain high, but size is a key metric in determining value. While details around most of the recent transactions in the space are confidential, many of the large platform deals have occurred at strong valuations. Single-region firms that have a strong presence in their local market have also attracted lofty valuations, depending on the individual characteristics of the firm.

As a general rule, many buyers are looking for sizable acquisitions, driving up demand and valuations. **With that in mind, HVAC business owners contemplating an exit down the road may want to consider expansion, either via M&A, partnerships or organically, in order to maximize value on a potential sale in future years.**

OMP: What does the buyer universe look like?

SQ: It's expanding – the most recent notable deals in the sector have been undertaken by a variety of buyers. **We receive a great deal of inbound interest from financial (PEs) and strategic (corporate) buyers who are interested in entering or building in the space.** PEs have been especially active, with many drawn to the HVAC market as a result of the sector's strong fundamentals. They will typically acquire a larger "platform" company, and then look for smaller "roll-up" acquisitions.



OMP: With borders closed, has cross-border activity been impacted?

SQ: Cross-border activity is increasing despite COVID challenges. Recent deals have involved a mix of Canadian/international buyers entering the US, and US firms acquiring Canadian assets. Sizable deals include:



a. OMERS' recent deal to acquire Turnpoint Service saw a large Canadian financial buyer enter the US market by acquiring a strong, significant platform (see p. 5 for an interview with the seller)

b. The acquisition of Right Time by Odyssey Partners marked one of the first sizable acquisitions of a Canadian HVAC platform by an American firm

c. The sale of Heartland Home Services, led by a US private equity firm, included a minority investment by European PE, Cobepa

All told, with a robust universe of buyers, an abundance of capital, and attractive industry fundamentals, it's a great time for HVAC business owners looking for growth capital or contemplating an exit.

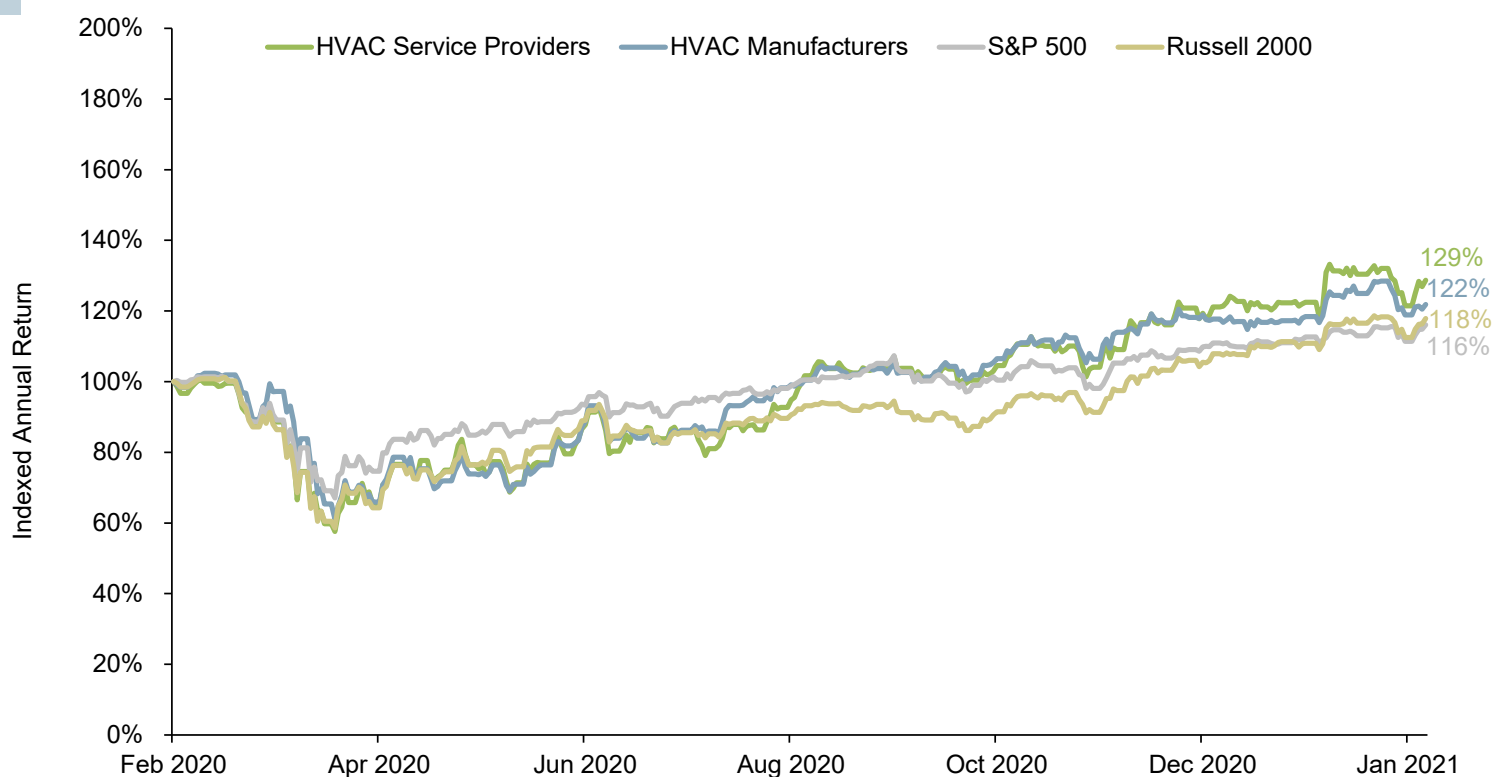
Connect directly with Shaun Quennell at shaun.quennell@originmerchant.com

HVAC

RECENT DEAL ACTIVITY

- On February 3rd, **Horizon Group Holdings (Horizon)**, one of the largest US home services companies, acquired **Maitz Home Services**, a Pennsylvania based residential plumbing and heating company. This was Horizon's fourth acquisition over the last twelve months
- On January 18th, **Horizon** acquired **Eanes Heating & Air Conditioning**, a North Carolina home services company, building on Horizon's presence in the US Southeast
- On September 28th, **Horizon** acquired family-run **Hutchinson Heating, Cooling, Plumbing, and Energy Services**, adding new locations in Delaware and South Jersey
- On January 12th, leading Charlotte based home services company, **NearU HVAC Services (NearU)**, acquired **R.A. Hoy Heating and Air Conditioning**, the largest HVAC provider along the North Carolina Coast. This is NearU's fifth acquisition in the past 12 months.
- On January 6th, **Skyknight Capital**, a private equity firm focused on businesses in non-cyclical growth sectors, made a growth investment in **NearU**
- On September 9th, **NearU** acquired local South Carolina based **Hagan Heating and Air**, building on NearU's footprint in the Carolinas
- On January 6th, private equity firm, **Odyssey Investment Partners**, acquired US west-coast residential HVAC and plumbing services company, **Service Champions**
- On January 6th, commercial facilities provider **GDI Integrated Facility Services Inc.** acquired **The BPAC Group, Inc.**, one of New York State's largest mechanical service providers
- On January 15th, market-leading HVAC services parent company, **CoolSys**, acquired North Carolina based commercial HVAC company, **C.E. Holt Refrigeration, Inc.**, increasing its market presence in the Southern US
- On December 30th, middle-market private equity firm, **Gryphon Investors**, acquired **Right Time Heating and Air Conditioning**, the largest independently owned residential HVAC services provider in Canada, from **Clairvest Group Inc.**
- On December 22nd, **Southern HVAC Corporation** acquired **Cunningham Associates Heating and Air Conditioning**. This acquisition marks Southern HVAC's eighth transaction and first location in Georgia.
- On December 15th, **The Jordan Company, L.P.** acquired **Heartland Home Services**, a leading technology-enabled Midwestern US provider of HVAC, plumbing, electrical and indoor air services, from **North Branch Capital**
- On November 17th, Canadian **OMERS Private Equity** acquired leading US HVAC, electrical, and plumbing services provider, **TurnPoint Services**, from private equity firm, **Trivest Partners LP** (See p. 4 for the story behind the Turnpoint platform)
- On November 2nd, LA based private equity firm, **Leonard Green & Partners**, acquired **Service Logic**, one of the largest private HVAC services company in the US, from global private equity firm **Warnburg Pincus**
- On October 6th, **Wrench Group LLC**, a US home repair, replacement, and maintenance services platform with an HVAC specialty, acquired **Collins Comfort Masters**, a Phoenix based HVAC service provider
- On September 15th, private equity firm, **GI Partners**, made a majority investment in **American Residential Services**, which offers an extensive network of residential HVAC and plumbing services across the US. Existing sponsor, **Charlesbank Capital Partners**, also made a new investment in the business

HVAC INDEX



Our HVAC Service Provider and Manufacturer Indices have outperformed the broader market, reflecting increased demand for better ventilation, advanced filtration, humidification and improved mechanical hygiene as efforts ramped up to reduce the airborne spread of COVID-19.

PUBLICLY TRADED HVAC COMPANIES

	Market Cap	Enterprise Value (TEV)	TEV/EBITDA		Price/Earnings		1 Year Return
			2021E	2022E	2021E	2022E	
HVAC Service Comps:							
Quanta Services, Inc.	10,457.6	11,729.1	10.5x	9.9x	18.1x	16.0x	86.6%
EMCOR Group, Inc.	5,123.4	4,979.3	9.0x	8.8x	16.1x	15.5x	9.0%
ABM Industries Incorporated	2,623.6	3,136.1	8.7x	9.2x	15.9x	14.8x	(3.1%)
Comfort Systems USA, Inc.	1,559.2	1,809.0	8.5x	8.2x	19.8x	18.9x	17.4%
HVAC Service Average:			9.2x	9.0x	17.5x	16.3x	27.5%
HVAC Manufacturing Comps:							
Carrier Global Corporation	33,220.1	42,363.1	14.6x	13.2x	19.9x	17.3x	n/a
Johnson Controls International Plc	36,842.2	45,401.2	13.4x	12.6x	20.3x	18.0x	28.6%
Trane Technologies plc	35,740.2	37,722.4	17.8x	16.7x	28.4x	25.3x	5.0%
Lennox International Inc.	10,444.2	11,493.6	18.0x	16.7x	24.6x	22.0x	12.4%
SPX Corporation	2,415.6	2,808.8	14.3x	11.0x	17.3x	15.9x	3.4%
HVAC Manufacturing Average:			15.6x	14.0x	22.1x	19.7x	12.4%
Total HVAC Average			12.4x	11.5x	19.8x	18.0x	19.9%

THE STORY BEHIND THE TURNPOINT PLATFORM:

AN INTERVIEW WITH TRIVEST'S FOREST WESTER

TRIVEST



Trivest's recent sale of Turnpoint Services, a leading US HVAC, electrical and plumbing services platform, to OMERS Private Equity, stacks up as one of 2020's notable HVAC transactions. Forest Wester, a partner at Trivest, who co-leads the firm's buyout strategies and led the Turnpoint investment, spoke with us about the journey.

OMP: Let's go back to Turnpoint's earliest days in 2016. Where did it all start?

Forest Wester: We had a vision of creating a national HVAC/Plumbing platform, which didn't exist at the time. Our first acquisition was Dauenhauer Plumbing, in Louisville, Kentucky, run by father/son team Chris and Jason LeBoeuf. Chris had built Dauenhauer into a great regional business, but lacked the capital to really accelerate growth. That's where we came in.

From Dauenhauer, we continued to build through acquisition. It was a competitive market, but once we got two or three acquisitions under our belt, founders were choosing to sell to us because we could prove we were investing deeply in a team and creating opportunities for folks.

OMP: Can you elaborate on the opportunities you provided?

FW: We would come in and provide capital to accelerate the growth of the company, which founders weren't in a position to do on their own. For example, access to talent is a big issue faced by plumbing and HVAC providers. To address this, we invested in a plumbing and HVAC school, and training programs for the technicians. We had a core team of recruiters that were dedicated to bringing in people. Ultimately, Turnpoint grew from an organization of less than 200 people to more than 1600 by the time we sold to OMERS.

OMP: Were there other advantages that Turnpoint could offer, as a larger organization?

FW: Definitely. Once we achieved some scale, we were able to introduce a national buying program that would provide, on average, a 10% savings over whatever a company could get on its own. We also created a shared services model, taking the best approach of any of the individual companies and helping drive that approach across all of the companies.



THE STORY BEHIND THE TURNPOINT PLATFORM: AN INTERVIEW WITH TRIVEST'S FOREST WESTER

OMP: Did sellers stay on with the companies you acquired? And did they retain any ownership?

FW: Our approach is to let founders write their own scripts. So in the case of Dauenhauer, for example, Chris LeBoeuf and his son stayed on. On the other hand, in the case of Aztec Plumbing, the owner wanted to retire, and we were able to facilitate that within 60 days of closing the deal. But whether they were retiring or staying on, all of the sellers opted to roll in some of their equity, and did very well when we sold.

OMP: With the acquisition of 18 companies over 4 years, there had to be challenges. What was the greatest one to overcome?

FW: Earning the founder's trust. When you are meeting a founder who has owned a business for 40 or 50 years, it's natural for him or her to feel trepidation. The hardest thing is developing that trust; it takes transparency, and it takes both sides being willing to accept change.

Also, integrating 18 companies rapidly was no small task. To that end, the one requirement that was imposed company wide was for everyone to use the same technology and field management platform, so that there was visibility across all Turnpoint operations. We introduced that requirement in the first discussion with every founder. I think our direct, early communication about this required change actually went a long way towards developing credibility.

OMP: Were Turnpoint's companies able to retain their own brand identities post-acquisition?

FW: Absolutely! Keeping the brands was a core tenet of our strategy. Our goal was to let the brands continue in perpetuity while delivering terrific "shared services" from our corporate office to accelerate growth. In plumbing and HVAC, individual companies will often have decades of history, customer loyalty and brand recognition built up. That's not something you want to throw away.

TRIVEST



ABOUT ORIGIN MERCHANT PARTNERS

Origin Merchant Partners is a leading independent investment bank providing acquisition and divestiture services across North America. For additional information on the matters contained herein please contact any member of our team below.



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