



NEWSLETTER CONTENTS

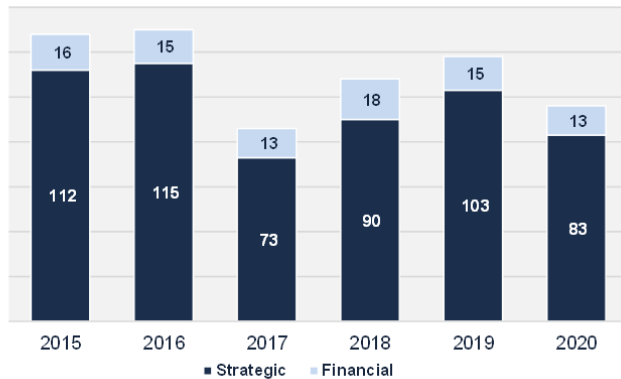
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M&A MARKET UPDATE: NORTH AMERICAN HVACR

M&A MARKET REBOUNDS IN 2H OF 2020

North American Heating, Ventilation, Air Conditioning and Refrigeration (“HVACR”) 2020 M&A transaction volume lagged 2019 as a result of the macroeconomic impact of the COVID-19 pandemic. After a soft few months at the height of lockdowns, M&A activity increased 130% in Q3 over Q2, and 44% in Q4 over Q3 with year-over-year activity essentially flat. The HVACR industry has performed well through the pandemic and acquirors remain attracted to assets in the space; M&A activity is expected to continue its rebound into 2021.

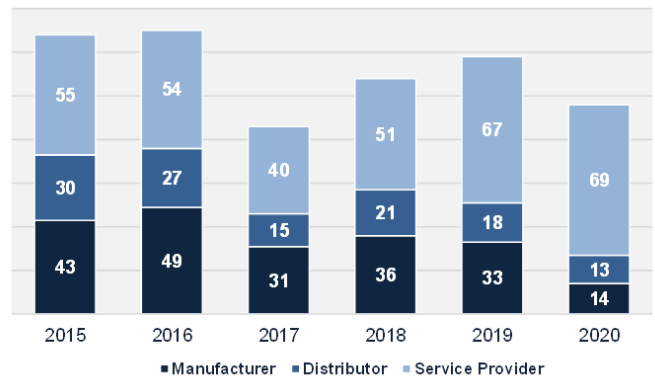
HVACR TRANSACTIONS BY BUYER TYPE ⁽¹⁾



Source: Capital IQ

(1) Strategic acquirors include HVACR platform companies owned by financial sponsors.

TRANSACTIONS BY SEGMENT ⁽²⁾



Source: Capital IQ

(2) Segments are designated by the target company’s primary activity.

SELECT PRIVATE EQUITY PLATFORM INVESTMENTS

<p>December 2020</p>  <p>a portfolio company of</p>  <p>has been acquired by</p> 	<p>November 2020</p>  <p>a portfolio company of</p>  <p>has been acquired by</p> 	<p>November 2020</p>  <p>a portfolio company of</p>  <p>has been acquired by</p> 	<p>November 2020</p>  <p>a portfolio company of</p>  <p>has been acquired by</p> 
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After initial disruptions at the beginning of the pandemic, the HVACR industry bounced back quickly both with regard to performance and deal activity. During the initial COVID-19 lockdown months, private equity firms invested in fewer new platform opportunities and focused on add-on acquisitions to capitalize on multiple arbitrage opportunities. In the late summer and into Q4, private equity firms began investing in additional platforms and were willing to pay aggressive multiples due to recurring service needs and the consumer’s renewed focus on ventilation. Add-on activity for existing private equity platforms remained relatively steady in 2020 compared to 2019 volume. The industry continues to remain fragmented and with the recent investments in platforms with buy-and-build strategies, add-on activity is expected to keep pace in 2021.

Metronome Partners, LLC is an independent M&A advisory firm that specializes in managing, structuring, and negotiating transactions of varying sizes and complexities in a broad range of industries. With over 200 transactions completed by Metronome’s principals, the firm guides its clients through critical, value-based corporate finance alternatives, including strategic sales, recapitalizations, divestitures, and debt and equity placements. The firm focuses on middle-market businesses nationwide, valued from \$30 million to over \$500 million.

COVID-19 IMPACT



















Throughout the COVID-19 pandemic, the HVACR industry has experienced a variety of challenges and opportunities. The industry as a whole has continued strong performance as the vast majority of businesses were deemed essential. The non-discretionary service of HVAC systems has provided a steady stream of work for service providers in both the commercial and residential segments. With concerns over the spread of COVID-19, many businesses and homeowners have placed a premium on servicing or replacing HVAC systems, which has helped sustain the industry over the past nine months. With the average person spending over 90% of their time indoors, maintaining a clean-air environment is vital as poor indoor ventilation is associated with increased transmission of respiratory infections.

As a result of the pandemic and social distancing guidelines, many service providers have begun to innovate by offering new value-added services using technology, including i) virtual maintenance calls, in which a customer can schedule a video chat with a technician and are guided how to self-perform minor repairs and ii) virtual training sessions for technicians. While the early COVID-19 months were challenging to many businesses, the innovations and new industry trends will greatly benefit both customers and service providers.

Commercial and residential service providers faced challenges during the initial lockdown months, such as softness in pipelines and unavoidable layoffs. While these issues have largely been mitigated, many companies now face disruptions in their supply chains as certain manufacturers have lagged production as a result of the pandemic. While the HVACR industry has faced numerous challenges, there have been several unique opportunities coming out of the pandemic for commercial and residential service providers both from a revenue and training perspective.

Sources: Environmental Protection Agency, Interplay Learning, and Green Building Research Institute

OPPORTUNITIES

	Residential	Commercial		Residential	Commercial
 <p>Renewed concern over air filtration and the air people breathe at home and work</p>			 <p>Increased commercial service calls coming from essential buildings, such as hospitals and grocery stores</p>		
 <p>Utilize technology to better train idle technicians</p>			 <p>Increased residential service calls as a result of overworked systems; people working from home keeps HVAC systems running throughout the day</p>		
 <p>Ability to conduct large projects at universities and other locations with smaller populations as a result of lockdowns</p>			 <p>Opportunity to attract new talent from skilled labor market; layoffs in adjacent industries have motivated technicians to cross-train or reskill and launch new careers in HVACR</p>		

SELECT TRANSACTIONS BY INDUSTRY SEGMENT
MANUFACTURERS

Announced	Target	Acquirer
10/20/2020	Sterile-Aire	Madison Industries
09/30/2020	Hart & Cooley	H.I.G. Capital
09/04/2020	Airxchange	Madison Industries
08/08/2020	National Appliance Parts	Sealed Unit Parts Co.
06/25/2020	Hydra-Zorb Company	ZSi-Foster
03/13/2020	Refrigerated Solutions Group of Standex Corporation	Ten Oaks Group
01/13/2020	Metal Form Manufacturing	United Eneritech Corporation
10/01/2019	Baymar Supply Ltd.	Le Groupe Master Inc.
09/13/2019	The Arctic Chiller Group, Ltd.	Trane Inc.

NOTABLE TRANSACTIONS
MADISON INDUSTRIES

Acquires



Madison Industries, a diversified solutions and services provider, has acquired Airxchange, a manufacturer of ventilation components and parts, to expand its HVACR offering

DISTRIBUTORS

Announced	Target	Acquirer
01/04/2021	Robinson Plumbing & Heating Supply	Goodman Distribution
11/17/2020	Old Dominion Supply, Inc.	Ferguson plc (LSE: FERG)
11/02/2020	Stevens Equipment Supply	Daikin North America
10/06/2020	Avon Supply	Winsupply
07/27/2020	Murray Supply Company	AZ Partsmaster
03/31/2020	Columbia Pipe & Supply	Ferguson plc (LSE: FERG)
02/06/2020	Richard Greene Company, Inc.	Ramco Innovations Inc.
01/08/2020	Rosen Supply	Winsupply
12/03/2019	N & S Supply of Fishkill, Inc.	Watsco, Inc. (NYSE:WSO)
11/12/2019	S.W. Anderson Sales Corp.	Ferguson plc (LSE:FERG)

FERGUSON®

Acquires



Ferguson Enterprises, a major distributor of HVACR equipment, continued its expansion within the HVACR market by receiving greater vendor and product synergies, with its acquisition of Old Dominion Supply

SERVICE PROVIDERS

Announced	Target	Acquirer
12/15/2020	Heartland Home Services	The Jordan Company
11/23/2020	Arizona's Dukes of Air	HomeServe USA Corp.
11/19/2020	Aldeedo!/JW Plumbing, Heating & Air/A-Avis Home Services	Service Champions
11/17/2020	The Hattenbach Company	Climate Pros
11/17/2020	Turnpoint Services	OMERS Private Equity
11/09/2020	Therma Corporation	The Blackstone Group
11/02/2020	Service Logic	Leonard Green & Partners
10/27/2020	Hamilton Service Company	Temp-Con
10/06/2020	Collins Comfort Masters	Wrench Group
09/30/2020	Carolina Refrigeration Services	CoolSys
09/28/2020	Hutchinson Plumbing Heating Cooling	Horizon Services
09/15/2020	Colorado Mechanical Systems	Reedy Industries
09/09/2020	Hagan Heating & Air	NearU HVAC Services
09/09/2020	MRS Mechanical	The Articom Group
08/31/2020	Blind & Sons	Heartland Home Services
08/02/2020	ASI Hastings	Service Champions

THE JORDAN COMPANY

Acquires



Heartland Home Services, a leading technology-enabled provider of residential HVAC, plumbing, electrical and indoor air quality services, has received a majority investment from The Jordan Company

Source: Capital IQ

TRADING STATISTICS

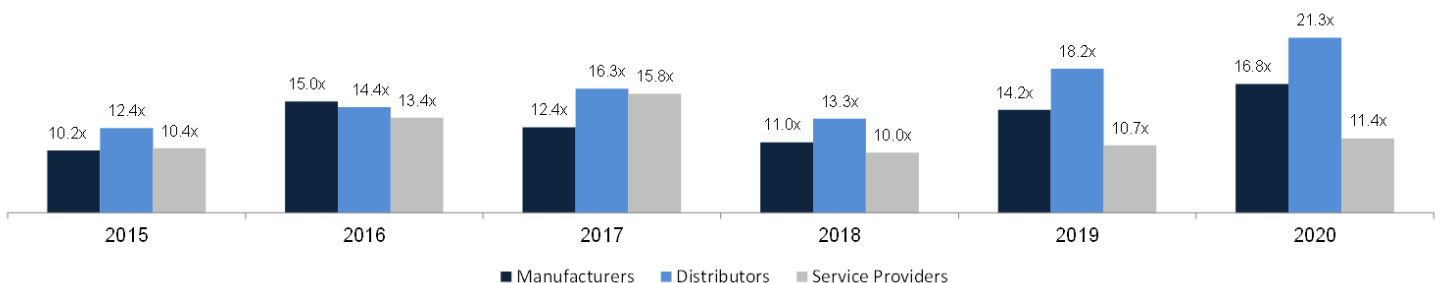
Our publicly-traded HVACR universe consists of manufacturers, distributors and service providers. Manufacturers of HVACR equipment currently trade at a median trailing-twelve-month (“TTM”) EBITDA multiple of 16.8x and include companies that specifically manufacture HVACR equipment such as Aeon, Inc. and Lennox International, Inc., as well as large diversified manufacturers like Johnson Controls International plc. Distributors currently trade at a median TTM EBITDA multiple of 21.3x and include Watsco, Inc. as the sole pure-play publicly-traded distributor, with other more diversified distributors included for comparison. Service providers trade at a median TTM EBITDA multiple of 11.4x and include focused HVACR service providers such as Comfort Systems USA, Inc. and EMCOR Group as well as more general facility maintenance service providers.

PUBLICLY-TRADED HVACR COMPANIES

	Closing Price 12/31/20	Stock Price			Enterprise Value (MM)	Enterprise Value/Revenue		Enterprise Value/EBITDA		Price/Earnings Ratio		Margins	
		52 Wk High	52 Wk Low	% of High		2020	Cal 2021E	2020	Cal 2021E	2020	Cal 2021E	Gross	EBITDA
Manufacturers													
AAON, Inc. (NasdaqGS:AAON)	\$66.63	\$69.41	\$40.48	96.0%	\$3,412	6.6 x	6.8 x	27.2 x	28.3 x	NM	NM	30.4%	24.1%
A. O. Smith Corporation (NYSE:AOS)	54.82	58.66	33.81	93.5%	8,503	3.0 x	2.8 x	17.5 x	14.3 x	28.2 x	23.2 x	38.4%	17.3%
Carrier Global Corporation (NYSE:CARR)	37.72	41.48	11.50	90.9%	41,834	2.4 x	2.3 x	16.0 x	14.4 x	21.4 x	19.9 x	29.4%	15.1%
Daikin Industries Ltd. (TSE:6367)	222.08	236.81	109.59	93.8%	65,046	2.8 x	2.6 x	19.0 x	16.9 x	NM	NM	34.5%	14.9%
Johnson Controls International plc (NYSE:JCI)	46.59	47.58	22.78	97.9%	41,888	1.9 x	1.8 x	14.3 x	12.8 x	NM	18.2 x	33.2%	13.1%
Lennox International Inc. (NYSE:LII)	273.97	319.77	163.40	85.7%	11,643	3.2 x	3.1 x	22.1 x	18.4 x	29.5 x	25.0 x	28.1%	14.6%
Modine Manufacturing Company (NYSE:MOD)	12.56	12.93	2.84	97.1%	1,055	0.6 x	0.5 x	7.5 x	5.8 x	NM	9.8 x	15.7%	8.0%
Trane Technologies plc (NYSE:TT)	145.16	153.72	70.00	94.4%	37,395	2.3 x	2.8 x	15.5 x	17.5 x	30.2 x	28.2 x	31.3%	15.1%
Minimum				85.7%	\$1,055	0.6 x	0.5 x	7.5 x	5.8 x	21.4 x	9.8 x	15.7%	8.0%
Mean				93.7%	26,347	2.9 x	2.8 x	17.4 x	16.0 x	27.3 x	20.7 x	30.1%	15.3%
Median				94.1%	24,519	2.6 x	2.7 x	16.8 x	15.6 x	28.9 x	21.5 x	30.8%	15.0%
Maximum				97.9%	65,046	6.6 x	6.8 x	27.2 x	28.3 x	30.2 x	28.2 x	38.4%	24.1%
Distributors													
Beijer Ref AB (publ) (OM:BEIJ B)	\$45.83	\$46.39	\$18.56	98.8%	\$6,102	3.9 x	3.3 x	47.8 x	28.3 x	72.4 x	50.5 x	31.9%	8.1%
Ferguson plc (LSE:FERG)	\$121.29	\$124.21	\$50.52	97.6%	\$29,649	1.4 x	1.2 x	16.1 x	12.6 x	28.9 x	20.2 x	29.4%	8.4%
Watsco, Inc. (NYSE:WSCO)	\$226.55	\$249.30	\$132.97	90.9%	\$8,484	1.7 x	1.6 x	21.3 x	19.3 x	33.3 x	31.4 x	24.2%	8.0%
Minimum				90.9%	\$6,102	1.4 x	1.2 x	16.1 x	12.6 x	28.9 x	20.2 x	24.2%	8.0%
Mean				95.8%	14,745	2.3 x	2.1 x	28.4 x	20.1 x	44.9 x	34.0 x	28.5%	8.2%
Median				97.6%	8,484	1.7 x	1.6 x	21.3 x	19.3 x	33.3 x	31.4 x	29.4%	8.1%
Maximum				98.8%	29,649	3.9 x	3.3 x	47.8 x	28.3 x	72.4 x	50.5 x	31.9%	8.4%
Service Providers													
ABM Industries Incorporated (NYSE:ABM)	\$37.84	\$41.79	\$19.79	90.5%	\$3,039	0.5 x	0.5 x	8.2 x	8.6 x	NM	15.0 x	15.0%	6.2%
BrightView Holdings, Inc. (NYSE:BVV)	\$15.12	\$17.25	\$6.85	87.7%	\$2,657	1.1 x	1.1 x	13.9 x	9.3 x	NM	14.3 x	25.4%	8.1%
Comfort Systems USA, Inc. (NYSE:FIX)	\$52.66	\$58.14	\$27.54	90.6%	\$2,162	0.8 x	0.8 x	8.8 x	10.5 x	13.7 x	18.9 x	18.9%	8.5%
EMCOR Group, Inc. (NYSE:EME)	\$91.46	\$93.65	\$41.85	97.7%	\$4,880	0.5 x	0.6 x	8.4 x	8.8 x	NM	15.8 x	15.4%	6.5%
FirstService Corporation (TSX:FSV)	\$136.73	\$148.46	\$65.42	92.1%	\$6,766	2.5 x	2.3 x	26.3 x	22.2 x	NM	38.0 x	32.8%	9.6%
HomeServe plc (LSE:HSV)	13.99	18.72	10.32	74.8%	5,518	3.5 x	3.0 x	19.4 x	12.8 x	38.0 x	21.6 x	50.8%	18.1%
Limbach Holdings, Inc. (NasdaqCM:LMB)	12.33	13.86	2.37	89.0%	122	0.2 x	0.2 x	5.1 x	5.0 x	16.0 x	14.3 x	13.7%	4.1%
Rentokil Initial plc (LSE:RTO)	6.96	7.90	3.95	88.1%	14,269	4.3 x	3.6 x	24.0 x	16.3 x	43.1 x	32.3 x	79.0%	17.7%
Rollins, Inc. (NYSE:ROL)	39.07	43.00	20.48	90.9%	19,496	9.1 x	8.5 x	NM	NM	NM	NM	51.4%	20.8%
Minimum				74.8%	\$122	0.2 x	0.2 x	5.1 x	5.0 x	13.7 x	14.3 x	13.7%	4.1%
Mean				89.0%	6,545	2.5 x	2.3 x	14.3 x	11.7 x	27.7 x	21.3 x	33.6%	11.1%
Median				90.5%	4,880	1.1 x	1.1 x	11.4 x	9.9 x	27.0 x	17.4 x	25.4%	8.5%
Maximum				97.7%	19,496	9.1 x	8.5 x	26.3 x	22.2 x	43.1 x	38.0 x	79.0%	20.8%

Source: Capital IQ






MEDIAN HISTORICAL EV/EBITDA



Source: Capital IQ

OUR EXPERIENCE

Metronome has represented a diverse group of HVACR companies that serve both the commercial and residential marketplaces. Our team actively follows all segments in the industry and maintains strong relationships with both strategic and financial industry participants. We also regularly work with shareholders of HVACR companies to assess liquidity alternatives and determine optimal financing strategies in conjunction with other operating and cultural objectives with the goal of maximizing value for all stakeholders. Recent Metronome HVACR engagements include the following mandates:

<p>Project Chill</p> <p>Corporate Sale <i>(IN PROCESS)</i></p> <p>HVACR Distributor</p>	<p>Project Build</p> <p>Corporate Sale <i>(IN PROCESS)</i></p> <p>HVACR Service Provider</p>	 <p><i>has been acquired by</i></p>  <p><i>The undersigned served as exclusive financial advisor to Reedy Industries</i></p> 	 <p><i>has sold a majority equity interest to</i></p>  <p><i>The undersigned served as exclusive financial advisor to Metro Tech Service Corporation</i></p> 	<p>Charlesbank</p> <p>CAPITAL PARTNERS LLC</p> <p><i>has acquired</i></p>  <p><i>a CI Capital Partners portfolio company</i></p> <p><i>The undersigned served as financial advisor to Charlesbank Capital Partners, LLC</i></p> 
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Metronome is currently representing a leading regional distributor of heating, ventilation and air conditioning equipment. The company works with a diverse group of vendors and also provides engineering and technical expertise to deliver complete building solutions.

Metronome is currently representing a privately-held designer, installer and servicer of heating, ventilation and air conditioning equipment. The company contracts with a variety of builders and construction companies and subsequently services and maintains installed systems.

Metronome served as financial advisor to Reedy Industries, Inc. (Reedy) in its sale to Audax Group. Reedy is a family of heating, ventilation and air conditioning parts distribution and services businesses with operations in six states throughout the Great Lakes and Midwest regions.

Metronome served as financial advisor to MetroTech Service Corporation (MetroTech) in its sale to Summit Partners. MetroTech provides preventive maintenance, emergency service repairs and HVAC design / installation services to multi-site commercial and retail customers across the U.S.

Metronome served as financial advisor to Charlesbank Capital Partners, LLC in its acquisition of Memphis, TN-based American Residential Services, LLC (ARS), one of the nation's largest providers of heating, ventilation, and air conditioning and plumbing services.

We pride ourselves on the long-term, consistent advice we provide our clients and are proud of the relationships our team has established, built and sustained. Our reputation is our livelihood and a testament to the rigorous processes we run and the excellent results we achieve.

Please contact one of the senior bankers below if you would like to discuss how the transactions and trends described in this report will affect the outlook for M&A and other capital markets opportunities for HVACR industry participants.

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