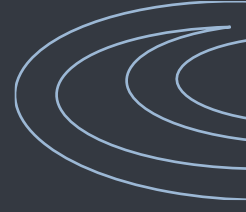




Q3 2022

M&A SPOTLIGHT ON HVACR



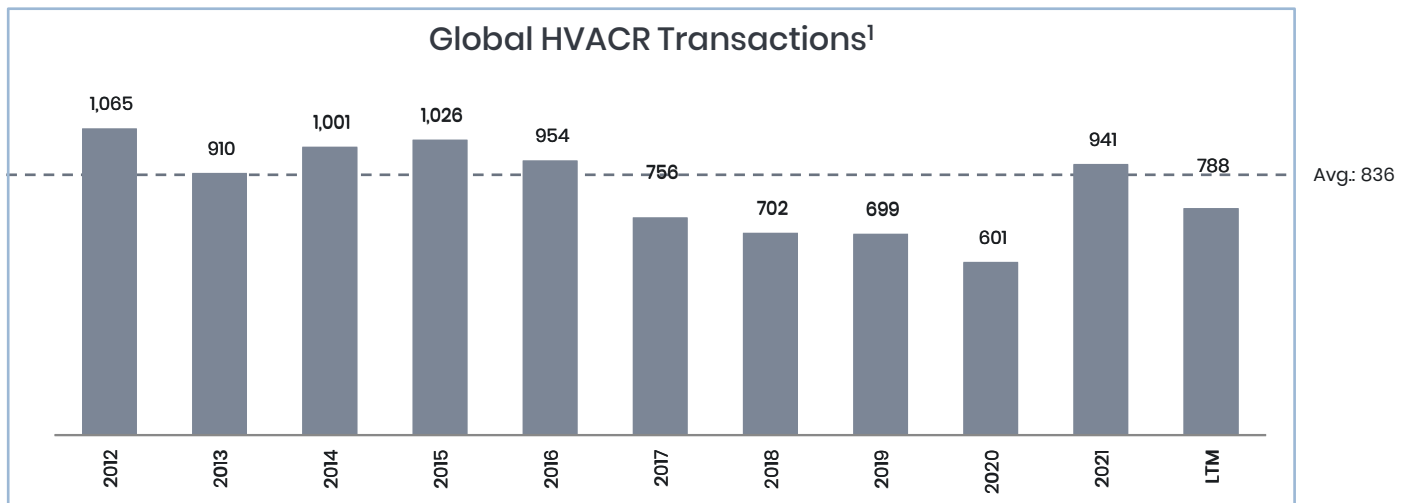
M&A Environment

Welcome to Origin’s Q3 2022 M&A Spotlight on HVACR.

Despite economic headwinds and global turmoil, compared with the pre-pandemic years of 2018 and 2019, HVACR transaction volume and multiples over the last twelve months (“LTM”) remain comparatively healthy, driven in part by:

- Foreign and domestic strategic buyers seeking to supplement organic growth with acquisitions to strengthen their market positions
- Global private equity firms seeking to deploy capital, which, while off its record highs, remains abundant
- A meaningful and increasing number of family offices pursuing direct investment opportunities.

Our own sightlines into the industry suggest that demand will remain strong for HVACR equipment and related services to support replacements, retrofits, and upgrades underpinned by technological innovation and energy efficiency.

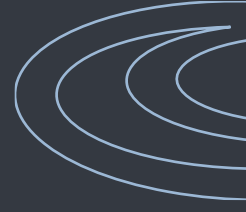


Source: Capital IQ, Mergermarket

The current tumultuous economic environment presents opportunities for larger industry incumbents and financial sponsors; their operational and financial capabilities can help smaller companies weather the ongoing uncertainty and come out ahead. The value stemming from timely consolidation will accrue to both buyers and sellers.

It is critical for sellers to understand that knowledgeable buyers tend to focus on key operating characteristics, including the strength and depth of the team, product and service offering, customer/supplier mix, distribution capabilities, reputation, and brand awareness when analyzing potential acquisitions. Businesses with strong operations that fit this buyer criteria continue to be well positioned, even in the current climate, and should have no shortage of options when considering a potential transition for their companies.

1. Minor overlap in deals in 2021



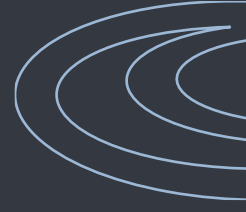
Performance of Publicly Listed HVACR Companies

While multiples have compressed vs. last year's record performance, we anticipate continued M&A activity as public companies seek to augment stagnant organic growth with acquisitions.

(\$ in millions)

Company Name	Headquarters	Enterprise Value (EV)	Revenue	EBITDA		Q3 2022 EV Multiples of:		Q3 2021
				\$	%	Revenue	EBITDA	EV/EBITDA
<i>Manufacturer</i>								
A. O. Smith Corporation	United States	7,375	3,854	732	19%	1.9x	10.1x	14.1x
Carrier Global Corporation	United States	36,263	20,339	2,902	14%	1.8x	12.5x	18.6x
Daikin Industries, Ltd.	Japan	45,126	24,122	3,454	14%	1.9x	13.1x	16.2x
Ingersoll Rand Inc.	United States	18,990	5,521	1,155	21%	3.4x	16.4x	20.9x
Johnson Controls International plc	Ireland	44,329	24,966	3,847	15%	1.8x	11.5x	13.8x
Johnson Electric Holdings Limited	Hong Kong	1,252	3,446	372	11%	0.4x	3.4x	4.2x
Lennox International Inc.	United States	9,729	4,404	677	15%	2.2x	14.4x	17.9x
Modine Manufacturing Company	United States	1,063	2,097	161	8%	0.5x	6.6x	7.1x
Patels Airtemp (India) Limited	India	23	37	3	9%	0.6x	6.7x	4.8x
SPX Technologies, Inc.	United States	2,546	1,297	124	10%	2.0x	20.6x	18.3x
Standex International Corporation	United States	1,087	735	131	18%	1.5x	8.3x	11.0x
Trane Technologies plc	Ireland	37,317	14,835	2,408	16%	2.5x	15.5x	19.4x
Unique Fabricating, Inc.	United States	64	130	1	1%	0.5x	47.3x	244.8x
Mean		\$ 15,782	\$ 8,137	\$ 1,228	13%	1.6x	14.3x	31.6x
Median		\$ 7,375	\$ 3,854	\$ 677	14%	1.8x	12.5x	16.2x
<i>Distributor</i>								
Ferguson plc	United Kingdom	25,821	28,566	3,136	11%	0.9x	8.2x	14.8x
Global Industrial Company	United States	1,132	1,147	120	10%	1.0x	9.4x	17.0x
Watsco, Inc.	United States	10,019	6,952	799	11%	1.4x	12.5x	17.2x
Mean		\$ 12,324	\$ 12,221	\$ 1,352	11%	1.1x	10.1x	16.3x
Median		\$ 10,019	\$ 6,952	\$ 799	11%	1.0x	9.4x	17.0x
<i>Services</i>								
ABM Industries Incorporated	United States	3,794	7,491	441	6%	0.5x	8.6x	7.1x
APi Group Corporation	United States	5,879	5,279	455	9%	1.1x	12.9x	19.1x
Comfort Systems USA, Inc.	United States	3,942	3,593	283	8%	1.1x	13.9x	11.1x
EMCOR Group, Inc.	United States	5,988	10,462	633	6%	0.6x	9.5x	9.5x
Limbach Holdings, Inc.	United States	112	487	21	4%	0.2x	5.3x	5.7x
Nippon Air Conditioning Services Co., Ltd.	Japan	124	369	22	6%	0.3x	5.7x	6.2x
Sanki Engineering Co., Ltd.	Japan	319	1,383	71	5%	0.2x	4.5x	5.3x
Sescom S.A.	Poland	9	34	1	4%	0.3x	6.9x	12.6x
Taikisha Ltd.	Japan	492	1,523	88	6%	0.3x	5.6x	5.6x
Mean		\$ 2,296	\$ 3,402	\$ 224	6%	0.5x	8.1x	9.1x
Median		\$ 492	\$ 1,523	\$ 88	6%	0.3x	6.9x	7.1x
Mean - All Categories		\$ 10,512	\$ 6,923	\$ 881	10%	1.2x	11.6x	21.7x
Median - All Categories		\$ 3,794	\$ 3,593	\$ 372	10%	1.0x	9.5x	13.8x

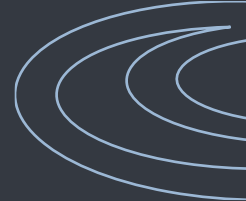
Source: S&P Capital IQ, as of September 30, 2022 & September 30, 2021



Notable M&A Transactions in HVACR in Q3 2022

Q3 2022 saw a healthy mix of both strategic and sponsor-backed transactions.

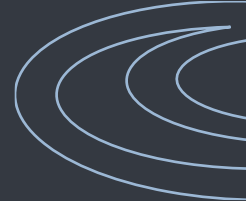
 <p>Acquired</p>  <p><i>Through its portfolio company</i></p> 	<p>On September 2nd, Guardian Capital Partners, a Pennsylvania-based PE firm, announced its acquisition of Air Rover, Inc., a Texas-based firm that manufactures and markets temperature controlling equipment, through its portfolio company WS Acquisition, LLC, an Oregon-based company dedicated to building durable shelters and field support systems on the market.</p> <p>The deal enhances Western Shelter's offering to government and commercial customers.</p>
 <p>Acquired</p>  <p><i>Through its portfolio company</i></p> 	<p>On August 29th, Gryphon Investors, a San Francisco-based PE firm, announced its acquisition of Controlled Temp Supply, LLC, a Mississippi-based wholesale distributor that offers HVACR equipment, parts, supplies, and customer service, through its portfolio company Ed's Supply Company, Inc., a Tennessee-based wholesaler of HVACR equipment.</p> <p>The transaction further extends the Ed's footprint into the Northern Mississippi market.</p>
 <p>Acquired</p>  <p><i>Through its portfolio company</i></p> 	<p>On August 17th, Odyssey Investment Partners, a New York-based PE firm, announced its acquisition of Sealed Unit Parts Co., Inc., a New Jersey-based company that designs, manufactures, and distributes parts, components, test instruments, and tools for appliances, through its portfolio company NSI Industries, LLC, a North Carolina-based provider of electrical, HVAC and building technology product solutions.</p> <p>The transaction enhances NSI's HVACR offerings.</p>
 <p>Acquired</p>  <p><i>Making a Difference One Breath at a Time.</i></p>	<p>On July 29th, Nederman Holding AB, a Swedish environmental technology company, announced its acquisition of RoboVent, Inc., a Michigan-based company that designs, engineers, manufactures, installs, and maintains air filtration and ventilation products.</p> <p>The deal positions Nederman as a leading player within the US weld fume extraction segment.</p>



Select HVACR M&A Transactions from Q3 2022

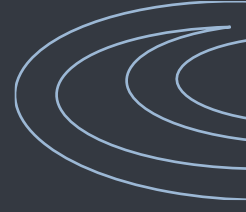
Date	Acquirer	Target	Target Description
Sep-22	Commercial Foodservice Repair Company, Inc.	Allied Service Group LLC	Allied Service Group LLC provides repair services, preventative maintenance and installation for foodservice and HVAC equipment.
Sep-22	CPS HVAC Partners, Inc.	Sinak Plumbing Company, Inc.	Sinak Plumbing Company, Inc. offers residential and commercial HVAC, plumbing and remodeling, and electrical and home services.
Sep-22	Nano Labs Ltd	Elevated Comfort, Inc.	Elevated Comfort, Inc. operates as a HVAC company that offers cooling, heating, plumbing, and air quality services.
Sep-22	Due North	MTL Technologies, Inc.	MTL Technologies, Inc. offers design, installation, turnkey services, repair and cleaning of commercial refrigeration equipment.
Sep-22	Crete Mechanical Group, Inc.	AC Corporation	AC Corporation designs, manufactures, installs, and services HVAC, electrical, plumbing, process piping, and controls equipment.
Sep-22	Guardian Capital Partners	Air Rover, Inc.	Air Rover, Inc. manufactures and markets temperature controlling equipment.
Sep-22	Tiger Advisors LLC	Yost & Campbell Heating, Cooling and Generators LLC	Yost & Campbell Heating, Cooling and Generators LLC provides repair, replacement, maintenance, and installation services for HVAC equipment.
Aug-22	Atlas Steel Products	Block Steel Corp.	Block Steel is a steel service center providing heat-resistant product to the HVAC industry.
Aug-22	Thermal Concepts LLC	Irvine Mechanical, Inc.	Irvine Mechanical, Inc. provides HVAC maintenance and installation services to commercial and industrial customers.
Aug-22	Gryphon Investors Inc	Controlled Temp Supply, LLC	Controlled Temp Supply, LLC operates as a wholesale distributor of HVAC/R equipment, parts and supplies to residential and commercial customers.
Aug-22	OMERS Administration Corporation	Pueblo Mechanical & Controls, LLC	Pueblo Mechanical & Controls, LLC provides HVAC and installation services for school districts, governmental agencies, municipalities, and private firms.
Aug-22	L Catterton Partners	Specific Systems, LLC	Specific Systems, LLC engineers and manufactures third-party certified explosion proof HVAC for the petrochemical, cannabis, and other industries.
Aug-22	Air Pros, LLC	Okg Group Inc.	Okg Group Inc. operates as a residential heating and air conditioning company. It was formerly known as C. M. Heating, Inc.
*Aug-22	Brookfield Infrastructure Partners LP.	HydroSolution, Inc.	HydroSolution, Inc. sells, rents, and installs water heaters, heat pumps, air conditioning, and heating units.
Aug-22	Odyssey Investment Partners, LLC	Sealed Unit Parts Co., Inc.	Sealed Unit Parts Co., Inc. designs, manufactures, and distributes parts, components, test instruments, and tools for appliances HVAC industries.
Aug-22	Air Pros, LLC	Dream Team Heating & Air	Dream Team Heating & Air operates as a heating and air conditioning service company.
*Jun-22	AeroClean Technologies, Inc.	GSI Technology	GSI Technology engages in deploying an analytics-based solution for indoor air quality by monitoring real-time air quality and work safety conditions.
*Aug-22	Percheron Investment Management, LP	McWilliams & Son, Inc.	McWilliams & Son, Inc., a heating and AC company, provides residential HVAC and plumbing maintenance, repair, and replacement services.
Aug-22	Southeastern Home Services	Stay Cool Air Conditioning & Heating, LLC	Stay Cool Air Conditioning & Heating, LLC offers air conditioning repair, maintenance, new installations, and air conditioning replacement services.
Aug-22	The Jordan Company, L.P.	Pat's Heating & Air Conditioning, Inc.	Pat's Heating & Air Conditioning, Inc. provides HVACR and indoor air quality-related installation and repair.
Aug-22	PremiStar, LLC	Mechanical Services, Inc.	Mechanical Services, Inc. offers maintenance and repairment services for heating, ventilation, and air conditioning systems.

*Transaction yet to close



Select HVACR M&A Transactions from Q3 2022 (continued)

Date	Acquirer	Target	Target Description
Aug-22	The Jordan Company, L.P.	Mechanical Group Inc.	Mechanical Group Inc., doing business as Hurlburt Heating & Plumbing, offers heating, ventilation, and air conditioning (HVAC) and plumbing services.
Aug-22	Wrench Group, LLC	Superior Service	Superior Service provides air conditioning and plumbing services.
Aug-22	AH Equity Investments	Proctor Sales Inc.	Proctor Sales Inc. sells and services HVACR equipment for commercial, industrial, institutional, and residential markets.
Jul-22	Nederman Holding AB	RoboVent, Inc.	RoboVent, Inc. designs, engineers, manufactures, installs, and maintains air filtration and ventilation products.
Jul-22	Flow Service Partners Tennessee Op-Co LLC	R. Brooks Mechanical Inc.	R. Brooks Mechanical Inc. provides heating, ventilation, and air conditioning (HVAC) services to commercial, federal, and residential customers.
Jul-22	ICC Industrial Chimney Company Inc.	Cheminée Lining,E inc.	Cheminée Lining,E inc. designs and supplies prefabricated and custom exhaust gas stacks.
Jul-22	NearU Services	MTB Mechanical, Inc.	MTB Mechanical, Inc. installs and repairs heating and cooling systems.
Jul-22	Commercial Foodservice Repair Company, Inc.	Temco, Inc.	Temco, Inc. provides repair and maintenance services for commercial kitchen and HVAC equipment.
Jul-22	Gryphon Investors Inc	Allen's Air Conditioning, Inc.	Allen's Air Conditioning, Inc. offers heating and air-conditioning services.
Jul-22	Air Pros, LLC	Air Force Heating and Air Conditioning, Inc.	Air Force Heating and Air Conditioning, Inc., an HVAC company, provides installation, maintenance, and repair service on HVAC makes and models.
Jul-22	Chill Brothers, LLC	Texas Central Air	Texas Central Air offers commercial and industrial HVAC, residential air conditioner repair and installation, and heating and indoor air quality services.
Jul-22	TPS, LLC	Redline Chambers, Inc.	Redline Chambers, Inc. manufactures precision-engineered and fabricated vacuum chambers and turn-key systems for industrial use.
Jul-22	Palladin Consumer Retail Partners, LLC	SEM Holdings, LLC	SEM Holdings, LLC offers platform that includes turnkey HVAC, electrical, and plumbing services to homes and businesses across the southeast.
Jul-22	Aquarius Water Conditioning, Inc.	Comfort Control Systems, Inc.	Comfort Control Systems, Inc. distributes, sells, and installs heating, ventilation, and air conditioning (HVAC) equipment.
Jul-22	HOP Energy, LLC	Rycor Hvac LLC	Rycor Hvac LLC operates as a full-service reseller of Mitsubishi mini-split heat pump systems in the Northeast US.
Jul-22	Pueblo Mechanical & Controls, LLC	Procraft Mechanical, Inc.	Procraft Mechanical, Inc. provides design, installation, and maintenance services for HVACR and plumbing projects.



Recommended Reading

Natural Ventilation Delivers ‘A Level’ Results

“Many reading this will be aware of how natural ventilation systems work. They might be less familiar with how these systems have evolved over the past decade to compete like-for-like with their mechanical counterparts. They are starting to outstrip them in terms of performance and cost, both carbon and financial.” – [HVAC Informed](#)

New Heat Pump Rebates Coming from States

“On August 17, 2022, President Biden signed the Inflation Reduction Act (“IRA”), a tax, drug-pricing, and climate change bill passed through the reconciliation process. One of the components of the IRA is the newly created High-efficiency Electric Home Rebate Program which provides state energy offices with funds to give low and medium-income homeowners and landlords a rebate of up to \$8,000 on qualifying heat pumps and additional rebates to upgrade electrical panels, ventilation, and home wiring.” – [HVAC Insider](#)

Growth Seen in Smart Thermostat Market

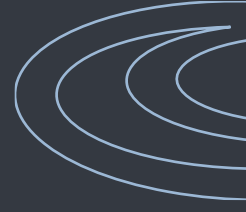
“Internet-connected thermostats, which offer users greater flexibility in controlling their HVAC systems as well as opportunities to run those systems more efficiently, are gaining wider acceptance in the marketplace. About 30% of residential thermostats in the US and Canada are connected thermostats, or CTs, and connected models make up about half of all thermostat sales, according to the US Department of Energy (DOE)” – [ACHR News](#)

Supply Chain Challenges Persist As Demand For HVAC Grows

“Supply chain issues continue to plague the HVAC marketplace in 2022, causing longer waits for customers. Diesel fuel costs and shortages are the latest factors contributing to delays, alongside continuing manufacturer setbacks and transportation challenges. Supply chain issues have helped to push the price of HVAC components higher in the broader inflationary climate. When demand outpaces supply, prices are bound to go up. Some HVAC companies report prices increasing 80% compared to last year.” – [HVAC Informed](#)

Spain Air Conditioning Crackdown Set to Take Effect

“Part of a broader effort to save energy as Europe contends with record heat and races to cut its dependence on Russian gas. Starting on Aug. 9 and lasting through November 2023, commercial buildings will have to keep summer air conditioning above 80°F (27°C) -- matching a policy in place at public buildings -- and winter heating below 66°F (19°C).” – [Bloomberg](#)



Why Origin Merchant Partners

Origin Merchant Partners (“Origin”) is a leading North American middle market investment bank. The firm provides mergers and acquisitions, capital raising, and restructuring/recapitalization advisory services across a range of sectors, delivered by a team of more than 50 professionals. Origin’s Industrials team is comprised of senior investment bankers with extensive experience advising clients across a wide spectrum of industrial end markets.











Origin is a member firm of ASHRAE, an organization dedicated to the fields of heating, ventilation, refrigeration and air conditioning. In addition to its expertise in the HVACR space, the Industrials team also serves clients in the aerospace & defense, building & infrastructure, energy & power, hydraulics, industrial technology, metals & diversified manufacturing, and transportation & mobile equipment industries. For more information, please visit www.originmerchant.com.

Relevant Transaction Experience

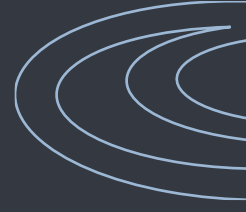
Origin has extensive experience advising companies across the HVACR/environmental spectrum serving a broad array of customer types.



- ▶ Atlanta
- ▶ Chicago
- ▶ Denver
- ▶ Montreal
- ▶ Toronto

 ATLAS STEEL <i>Has acquired</i>  BLOCK STEEL CORP. &  SAMSON <small>HULL PUMPER PRODUCTS COMPANY</small>	<p>*Block Steel Corp.</p> <p>Steel service center providing heat-resistant product to the HVAC industry</p>	 Braeburn. <i>Has been recapitalized by a strategic investor</i>	<p>*Braeburn Systems</p> <p>Designs and manufactures of thermostats and accessories</p>	 WYSE <small>METER SOLUTIONS</small> <i>Provided sell-side services</i>	<p>Wyse Meter Solutions</p> <p>Provides smart submetering and utility expense management solutions</p>
 <small>The Specialist in Filtration</small> YAMASHIN <i>Provided acquisition services</i>	<p>Yamashin – Filter (TSE:6240)</p> <p>Manufactures air and fluid filters and filtration media</p>	 matholding <i>Has acquired</i>  OCV Control Valves LLC <i>Through</i>  Dorot	<p>*OCV Control Valves</p> <p>Manufactures hydraulically-operated, diaphragm-actuated, automatic control valves</p>	 Cardno <i>Has acquired</i>  ChemRisk <small>Pioneers in Science. Leaders in Solutions.</small>	<p>ChemRisk</p> <p>Scientific consultancy helping clients develop sustainable solutions impacting human health and the environment</p>

*Securities transactions conducted through StillPoint Capital, LLC, Tampa, FL.



About Origin Merchant Partners

Origin Merchant Partners is a leading independent investment bank providing acquisition and divestiture services across North America.

To learn more about our active industrials practice, including our work in the HVACR sector, please reach out to any of our team members below.

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