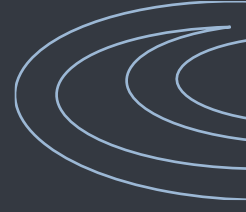




Q4 2022

M&A SPOTLIGHT ON HVACR

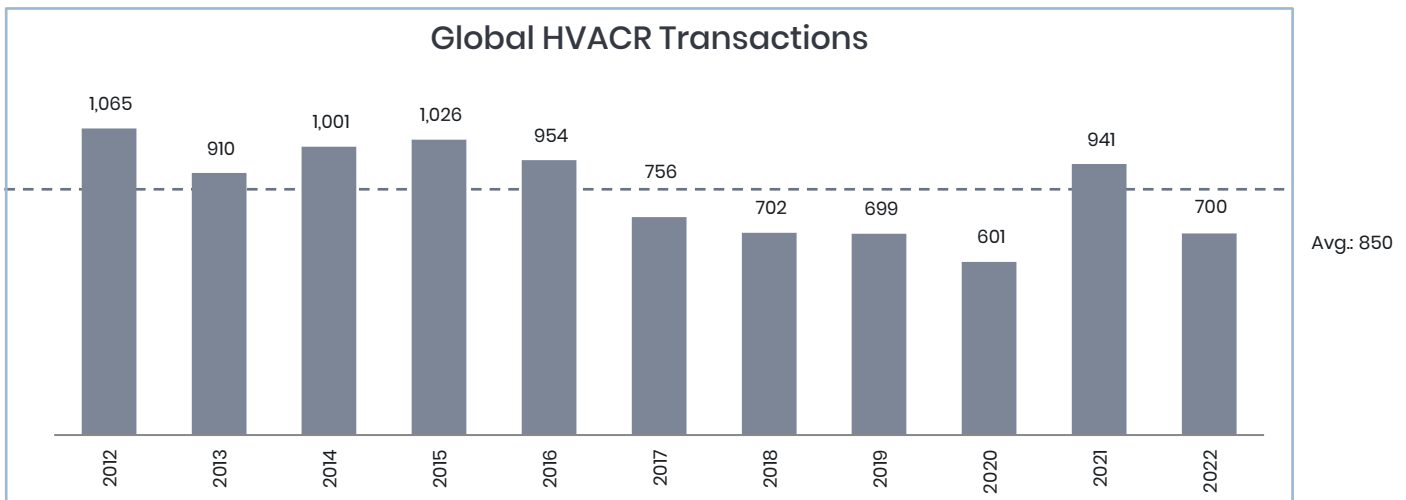


M&A Environment

Welcome to Origin's Q4 2022 M&A Spotlight on HVACR.

In 2022, global HVACR transaction volume decreased by 26% compared to 2021, suggesting a strong push to complete deals in 2021 following a lull in deal activity due to COVID-19. While significantly lower than 2021, 2022 activity was comparable to the pre-pandemic years of 2018 and 2019 – a healthy feat in the face of record inflation, rising interest rates, supply chain challenges, and the ongoing Russia/Ukraine conflict.

We anticipate an uptick in global HVACR M&A in 2023, as underlying market fundamentals remain strong and conducive to deal activity, despite a tighter credit environment. These underlying fundamentals, applicable across many sectors, include strategic buyers seeking to supplement organic growth with acquisitions to solidify/enhance their market positions; global private equity firms seeking to deploy an abundant supply of capital; and a meaningful and increasing number of family offices pursuing direct investment opportunities.



Source: Capital IQ

In addition, and specific to the HVACR space, we anticipate that transactions will be driven by :

- The demand to replace the current installed base of HVACR equipment with more efficient units
- Companies using M&A to:
 - ensure the long-term reliability of materials and components; and
 - alleviate labor shortages due, in part, to an aging work force
- Unabated consolidation in the HVACR services segment

As a seller in this market, it is critical to understand that knowledgeable buyers tend to focus on key financial and operating characteristics when analyzing potential acquisitions. These characteristics include the strength and depth of the team, product and service offering, customer/supplier mix, distribution capabilities, reputation, brand awareness, revenue, and margins. Businesses with strong operations that fit this buyer criteria continue to be well positioned and should have no shortage of options when considering a potential transition.

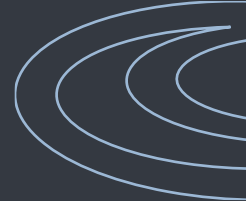
Performance of Publicly Listed HVACR Companies

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

(\$ in millions)

Company Name	Headquarters	Enterprise Value (EV)	Revenue	EBITDA		Q4 2022 EV Multiples of:		Q4 2021
				\$	%	Revenue	EBITDA	EV/EBITDA
<i>Manufacturer</i>								
A. O. Smith Corporation	United States	8,648	3,813	716	19%	2.3x	12.1x	19.8x
Carrier Global Corporation	United States	41,225	20,449	2,851	14%	2.0x	14.5x	18.9x
Daikin Industries, Ltd.	Japan	44,942	24,674	3,513	14%	1.8x	12.8x	16.5x
Ingersoll Rand Inc.	United States	22,523	5,711	1,190	21%	3.9x	18.9x	25.7x
Johnson Controls International plc	Ireland	53,279	25,299	3,190	13%	2.1x	16.7x	18.2x
Johnson Electric Holdings Limited	Hong Kong	1,437	3,542	305	9%	0.4x	4.7x	4.7x
Lennox International Inc.	United States	10,239	4,589	702	15%	2.2x	14.6x	19.4x
Modine Manufacturing Company	United States	1,395	2,196	184	8%	0.6x	7.6x	6.7x
Patels Airtemp (India) Limited	India	26	38	4	9%	0.7x	7.4x	5.2x
SPX Technologies, Inc.	United States	3,030	1,382	121	9%	2.2x	25.1x	13.4x
Standex International Corporation	United States	1,349	740	134	18%	1.8x	10.1x	12.3x
Trane Technologies plc	Ireland	42,480	15,487	2,545	16%	2.7x	16.7x	22.5x
Unique Fabricating, Inc.	United States	64	135	6	4%	0.5x	11.7x	663.1x
Mean		\$ 17,741	\$ 8,312	\$ 1,189	13%	1.8x	13.3x	65.1x
Median		\$ 8,648	\$ 3,813	\$ 702	14%	2.0x	12.8x	18.2x
<i>Distributor</i>								
Ferguson plc	United Kingdom	30,309	29,694	3,235	11%	1.0x	9.4x	15.9x
Global Industrial Company	United States	985	1,168	117	10%	0.8x	8.4x	18.0x
Watsco, Inc.	United States	9,429	7,205	828	11%	1.3x	11.4x	19.6x
Mean		\$ 13,574	\$ 12,689	\$ 1,394	11%	1.1x	9.7x	17.8x
Median		\$ 9,429	\$ 7,205	\$ 828	11%	1.0x	9.4x	18.0x
<i>Services</i>								
ABM Industries Incorporated	United States	4,253	7,807	462	6%	0.5x	9.2x	8.3x
APi Group Corporation	United States	7,090	5,967	483	8%	1.2x	14.7x	21.6x
Comfort Systems USA, Inc.	United States	4,547	3,879	302	8%	1.2x	15.1x	15.3x
EMCOR Group, Inc.	United States	7,368	10,766	644	6%	0.7x	11.4x	10.4x
Limbach Holdings, Inc.	United States	134	480	22	4%	0.3x	6.2x	6.8x
Nippon Air Conditioning Services Co., Ltd.	Japan	135	347	19	6%	0.4x	7.0x	6.0x
Sanki Engineering Co., Ltd.	Japan	391	1,262	58	5%	0.3x	6.8x	5.4x
Sescom S.A.	Poland	13	34	1	4%	0.4x	9.5x	12.3x
Taikisha Ltd.	Japan	592	1,400	91	6%	0.4x	6.5x	5.5x
Mean		\$ 2,725	\$ 3,549	\$ 231	6%	0.6x	9.6x	10.2x
Median		\$ 592	\$ 1,400	\$ 91	6%	0.4x	9.2x	8.3x
Mean - All Categories		\$ 11,835	\$ 7,123	\$ 869	10%	1.3x	11.5x	39.7x
Median - All Categories		\$ 4,253	\$ 3,813	\$ 305	9%	1.0x	11.4x	15.3x

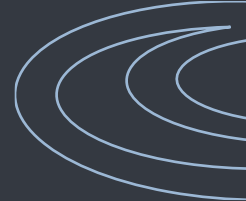
Source: S&P Capital IQ, as of December 30, 2022 & December 30, 2021



Notable M&A Transactions in HVACR in Q4 2022

Q4 2022 saw a healthy mix of both strategic and sponsor-backed transactions.

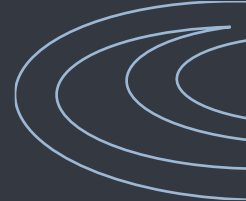
 <p><i>Acquired</i></p> 	<p>On December 2nd, Daikin Industries, Ltd., the largest manufacturer of HVAC systems worldwide, announced its acquisition of Venstar, Inc., a US-based controls and energy management systems provider.</p> <p>The acquisition complements the growing market for Daikin’s environmentally friendly indoor comfort technologies, including products featuring R-32, an open-source refrigerant with one-third the Global Warming Potential of the most commonly used refrigerants in the US and Canada.</p>
 <p><i>Acquired</i></p> 	<p>On October 31st, Peak Capital Inc., a Pennsylvania-based PE firm, announced its acquisition of Penn Pump & Equipment Company Inc, a Pennsylvania-based end-to-end manufacturer and distributor of plumbing and HVAC pumping products.</p> <p>The transaction complements Peak Capital’s other portfolio companies and provides a more holistic solution to commercial clients, such as hospitals, retirement homes, educational institutions, hotels, and manufacturing facilities.</p>
 <p><i>Acquired</i></p> 	<p>On October 19th, User Friendly Home Services, LLC, a Texas-based HVACR and plumbing services company, announced its acquisition of Efficient Air Heating and Air Conditioning LLC, Inc., a Kentucky-based company that provides installation, repair, maintenance and replacement of heating, cooling and indoor air quality products.</p> <p>The transaction enhances UFHS’s presence in Owensboro, KY.</p>
 <p><i>Acquired</i></p> 	<p>On October 3rd, AeroClean Technologies, a US-based air hygiene technology company, announced its acquisition of Molekule, Inc., a US-based seller of premium air purifiers.</p> <p>The combined entity will have a broad range of highly complementary, proprietary and patented, FDA-cleared air purification devices.</p>



Select HVACR M&A Transactions from Q4 2022

Date	Acquirer	Target	Target Description
Dec-22	Aggreko Limited	Resolute Industrial, LLC	Manufactures, rents, and retails compressors, chillers, and refrigerant storage solutions for large HVAC systems.
Dec-22	EEC Acquisition LLC	Refrigeration Anytime, LLC	Commercial refrigeration and HVAC equipment repair company.
*Dec-22	Service Champions, Inc.	M and M Heating and Air Conditioning	Offers solutions for heating, cooling, plumbing, and electrical equipment.
Dec-22	Radiant Plumbing and Air Conditioning, Inc.	B. Carlson Heating and Air Conditioning, Inc.	Offers repair, maintenance and replacement services for heating, cooling and plumbing systems.
Dec-22	Right Time Group Inc.	Dunn Heating and Air Conditioning	Provides residential heating, cooling, air quality, and hot water services to homeowners.
Dec-22	CMS Mechanical Services, LLC	CMI Legacy, L.L.C.	Provides commercial heating, ventilation, and air conditioning, mechanical, installation, and refrigeration services.
*Dec-22	Beijer Ref AB	Heritage Distribution Holdings	HVAC/R parts and equipment distribution platform.
Dec-22	Brookfield Infrastructure Partners LP.	Stan Gelber & Sons, Inc.	Residential heating and air conditioning company.
Dec-22	Air Pros, LLC	East Coast Mechanical, Inc.	Air conditioning, plumbing and electric company.
Dec-22	Ferguson plc	Airefco, Inc.	Distributes HVAC equipment to commercial and residential markets in the Northwest.
Dec-22	Daikin Industries,Ltd.	Venstar, Inc.	Designs, manufactures, and supplies thermostats and energy management systems.
Nov-22	Wrench Group, LLC	Mountain Air Conditioning & Heating, Inc.	Offers residential and commercial heating, ventilation, and air conditioning replacement, installation, repair, and maintenance services.
Nov-22	Right Away Home Services LP	Abraham AC & Heating Service, Inc.	Provides air conditioner repair and new installations for heating and central air conditioning systems.
Nov-22	Service Champions, Inc.	Service Wizard, Inc.	Provides air conditioning, heating and air quality services in Austin, Texas.
*Nov-22	PI Service Group	McHales, Inc.	McHales, Inc. provides plumbing, drain, cleaning, heating, cooling, and electrical services.
Nov-22	Valesco Industries, Inc.	North American Kitchen Solutions, Inc.	Engages in the design, manufacture, and direct sale of commercial kitchen ventilation systems.
Nov-22	Astar Heating & Air, LLC	Total Climate Control, Inc.	Provides plumbing, heating, and cooling services to homeowners and businesses.
Nov-22	Air Pros, LLC	Universal Air & Heat	Provides air conditioning and air duct cleaning service.
Nov-22	The Master Group	Fortress Group Inc.	Wholesale distributor of HVACR equipment.
Nov-22	AEA Holdings	Rees Scientific Corporation	Provides environmental monitoring solutions to the high-end life sciences market.
Nov-22	PI Service Group	Essig Plumbing & Heating	HVAC and plumbing services.

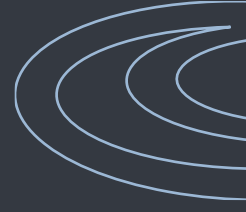
*Transaction yet to close



Select HVACR M&A Transactions from Q4 2022 (cont.)

Date	Acquirer	Target	Target Description
*Nov-22	Right Time Group Inc.	Northern Air & Mechanical Systems Inc.	Provides custom HVAC, cooling, and indoor air quality solutions.
Nov-22	Rush Street Ventures	Official Heating and Cooling, Inc.	Provides residential heating, cooling, plumbing and duct cleaning services.
Nov-22	Astara Capital Partners	Del-Air Heating, Air Conditioning & Refrigeration	Engages in selling, servicing, and installing central heating and air conditioning systems, appliances, and electrical services for home builders.
Nov-22	Mar-Cone Appliance Parts Center Inc	The Bell Pump Service Company, Inc.	Engages in the distribution of heating, air conditioning, refrigeration, and plumbing supplies.
Nov-22	Prospect Partners	The Fontanesi And Kann Company	Provides HVAC solutions and related services.
Oct-22	Right Away Home Services LP	Climate Control Services, Inc.	Provides residential HVAC repairs, service, replacements as well as plumbing and appliance repairs.
Oct-22	North American Essential Home Services	M.E. Flow, Inc.	Operates as a residential and commercial HVAC and plumbing contractor in Northern Virginia.
Oct-22	Ferrellgas Partners, L.P.	Dubben Brothers Inc.	Installs heating, cooling, and plumbing systems.
Oct-22	CPS Capital	SOS Mechanical LLC	Operates as a residential and commercial contractor which specializes in HVAC and cooling services.
Oct-22	Peak Capital Inc.	Penn Pump & Equipment Company Inc.	Engages in manufacturing and distributing plumbing and HVAC pumping products.
Oct-22	NearU Services	Kendal Air Heating and Cooling Inc.	Provides HVAC services.
Oct-22	CPS Capital	Dave's Heating & Air Conditioning	Offers residential, commercial, and industrial HVAC services.
Oct-22	Integra Testing Services, LLC	RSAnalysis Inc./RSACx	HVAC testing, adjusting, and balancing services.
Oct-22	User Friendly Home Services, LLC	Accutemp of Louisville, Inc.	Provides services, such as air conditioning, heating, geothermal, indoor air quality, duct cleaning, and other commercial services.
Oct-22	User Friendly Home Services, LLC	Efficient Air Heating and Air Conditioning LLC	Provides installation, repair, maintenance and replacement of heating, cooling and indoor air quality products.
Oct-22	CPS Capital	Total Comfort Heating & Air Conditioning, LLC	Offers heating, ventilation, and air conditioning repair and installation services.
Oct-22	CPS Capital	Integrity Heat & Air, LLC	Provides heating, ventilating, and air conditioning services.
Oct-22	Gryphon Investors Inc.	Coastal Supply Co., Inc.	Distributes heating, ventilation, and air conditioning parts to serve customers across the east Tennessee market.
Oct-22	SkyKnight Capital, L.P.	STR Mechanical, LLC	Engages in the service, installation, and replacement of HVAC systems for various organizations in North Carolina.
Oct-22	Orion Group	Marick, Inc.	Provides refrigeration, air conditioning, and heating solutions for commercial and industrial customer.
*Oct-22	AeroClean Technologies, Inc.	Molekule, Inc.	Develops, manufactures, and sells molecular air purifiers to purify indoor air pollution.

*Transaction yet to close



Recommended Reading

HVAC Pros, Biden Administration Collaborate on Air Quality Website

“The National Energy Management Institute Inc. has collaborated with the Biden administration on the Better Air in Buildings website in order to provide building owners and managers, school districts, and other officials with the information they need to find an area contractor who can perform ventilation verification and indoor air quality assessments, repairs, and upgrades.” – [ACHR News](#)

US to ban higher GWP HFC refrigerants

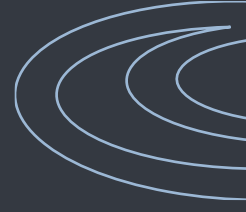
“All common higher GWP HFC refrigerants including R134a, R404A and R410A will be banned in most new refrigeration and air conditioning applications from 2025 under new US EPA proposals. The new proposals, announced yesterday under the American Innovation and Manufacturing Act, apply both to imported and domestically manufactured products. They include a 700 GWP limit on chillers and residential and light commercial air conditioning and heat pump systems from January 1 2025.” – [Cooling Post](#)

Johnson Controls Offers Emergency Rebates on HVAC Equipment for Those Affected by Hurricane Ian

“Johnson Controls, the global leader for smart, healthy and sustainable buildings, is taking steps to assist eligible homeowners who live and work in areas affected by Hurricane Ian. Effective immediately, the company is providing emergency relief rebates on qualifying heating, ventilation and air-conditioning equipment to homeowners who live in Florida, South Carolina and North Carolina counties within the defined Federal Emergency Management Agency Disaster Area.” – [HVAC Insider](#)

ASHRAE Commits to Developing an IAQ Pathogen Mitigation Standard

“ASHRAE’s board of directors announced its commitment to support the expedited development of a national indoor air quality pathogen mitigation standard. The goal is to finalize the consensus-based, code enforceable standard within six months. The increased focus on IAQ by governments and the public, along with the convergence of the flu, respiratory syncytial and COVID-19 threatening public health, makes ASHRAE’s development of the pathogen mitigation standard of even greater importance, as jurisdictions and building owners look to a reputable and non-biased source for guidance and science-based building standards.” – [ACHR News](#)



About 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.



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

Relevant Transaction Experience

Origin has extensive experience advising companies across the HVACR/environmental spectrum.

 Has acquired & <small>HULL PUMPER PRODUCTS COMPANY</small>	*Block Steel Corp. Processes and distributes heat-resistant product for the HVAC industry	 Has been recapitalized by a strategic investor	*Braeburn Systems Designs and manufactures of thermostats and accessories	 Provided sell-side services	Wyse Meter Solutions Provides smart submetering and utility expense management solutions
 Provided acquisition services	Yamashin – Filter (TSE:6240) Manufactures air and fluid filters and filtration media	 Has acquired Through 	*OCV Control Valves Manufactures hydraulically-operated, diaphragm-actuated, automatic control valves	 Has acquired <small>Pioneers in Science. Leaders in Solutions.</small>	ChemRisk Develops sustainable solutions impacting human health and the environment

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

Origin Merchant Partners' HVACR Team

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.



SCOTT SIMS*
Director – HVACR Lead

scott.sims@originmerchant.com



SHAUN QUENNELL
Director

shaun.quennell@originmerchant.com



JIM OSLER
Principal

jim.osler@originmerchant.com



ROB PENTELIUK
Principal

rob.penteliuk@originmerchant.com



BOB WUJTOWICZ*
Principal

bob.wujtowicz@originmerchant.com



KAREN FISMAN
Director, Business Development

karen.fisman@originmerchant.com



CATHERINE DAVID NOLAN
Senior Advisor

catherine.davidnolan@originmerchant.com

**Certain members of Origin Merchant Partners are registered representatives of and conduct securities transactions through StillPoint Capital, LLC, Tampa, FL. StillPoint Capital and Origin Merchant Partners are not affiliated.*