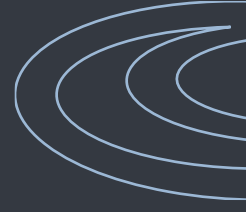




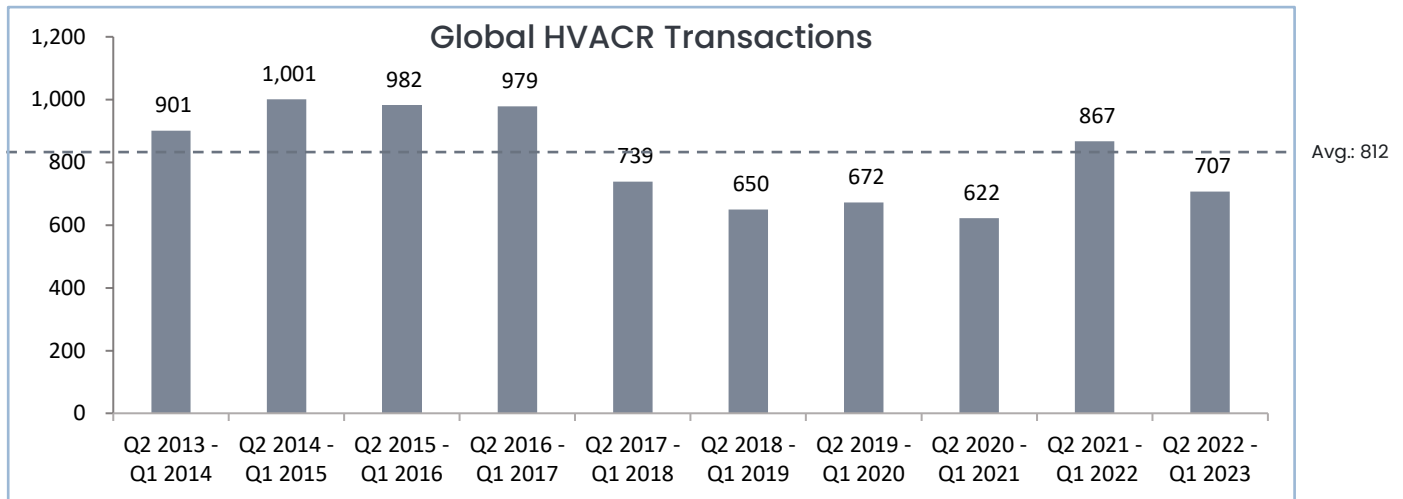
Spring 2023

M&A SPOTLIGHT ON HVACR



M&A Environment

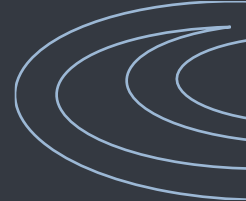
While global HVACR transaction volume decreased Q2 2022 – Q1 2023 over the previous twelve months, deal activity remained above 2018–2020 levels. We anticipate global HVACR M&A will remain healthy, a view consistent with our [Winter 2023 report](#), as, despite a tight credit environment, we see buyers – strategic, private equity, and family offices – still flush with capital, actively pursuing acquisition targets in the space.



Source: Capital IQ

In February 2023, we attended AHR Expo, the leading North American HVACR industry exhibition. The 2023 event was particularly well-attended following several years of COVID disruptions. Walking the floor, and through numerous conversations, we noted some important shifts and industry trends, influencing M&A going forward:

- Growing consensus among business owners of the important role private equity partnerships play in supporting/de-risking growth, while also providing liquidity, especially in the lower middle market
- Increasing likelihood that foreign strategic buyers will pursue acquisitions to establish a viable distribution presence in the US
- The growing role technology plays in promoting indoor air quality and healthy/smart buildings
- A focus on creating a positive work environment for technical personnel to make the industry a more enticing destination in light of the talent shortage
- Retrofit and replacement as percentage of revenue is increasing for some industry players
- The importance of a robust, experienced sales team with broad industry relationships is integral to educating customers and driving top line growth
- Albeit anecdotally, supply chain woes of the last few years seem to be improving



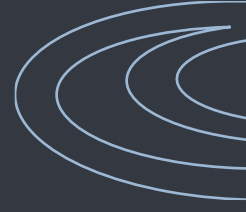
Performance of Publicly Listed HVACR Companies

We anticipate continued M&A activity as public companies seek to augment stagnant organic growth with acquisitions of differentiated product and service companies across the HVACR space.

(\$ in millions)

Company Name	Headquarters	Enterprise		EBITDA		Q1 2023 EV Multiples of:		Q1 2022
		Value (EV)	Revenue	\$	%	Revenue	EBITDA	EV/EBITDA
<i>Manufacturer</i>								
A. O. Smith Corporation	United States	10,331	3,743	735	20%	2.8x	14.0x	18.1x
Carrier Global Corporation	United States	44,500	21,040	2,880	14%	2.1x	15.5x	17.1x
Daikin Industries, Ltd.	Japan	53,214	29,952	4,207	14%	1.8x	12.6x	17.5x
Honeywell International Inc.	United States	138,751	35,954	8,382	23%	3.9x	16.6x	17.5x
Ingersoll Rand Inc.	United States	24,881	6,209	1,401	23%	4.0x	17.8x	27.8x
Johnson Controls International plc	Ireland	52,125	26,093	3,323	13%	2.0x	15.7x	17.6x
Johnson Electric Holdings Limited	Hong Kong	1,334	3,646	475	13%	0.4x	2.8x	5.1x
Lennox International Inc.	United States	10,603	4,754	757	16%	2.2x	14.0x	20.1x
Modine Manufacturing Company	United States	1,566	2,254	199	9%	0.7x	7.9x	7.2x
Patels Airtemp (India) Limited	India	23	31	3	11%	0.7x	6.8x	4.1x
SPX Technologies, Inc.	United States	3,357	1,461	190	13%	2.3x	17.6x	22.3x
Standex International Corporation	United States	1,562	737	139	19%	2.1x	11.2x	13.2x
Trane Technologies plc	Ireland	46,247	16,302	2,731	17%	2.8x	16.9x	20.9x
Unique Fabricating, Inc.	United States	60	135	6	4%	0.4x	10.9x	47.0x
Mean		\$ 27,754	\$ 10,879	\$ 1,816	15%	2.0x	12.9x	18.3x
Median		\$ 10,467	\$ 4,249	\$ 746	14%	2.1x	14.0x	17.6x
<i>Distributor</i>								
Ferguson plc	United Kingdom	32,091	30,011	3,233	11%	1.1x	9.9x	16.4x
Global Industrial Company	United States	1,093	1,151	98	8%	0.9x	11.2x	19.4x
Watsco, Inc.	United States	12,116	7,301	836	11%	1.7x	14.5x	21.2x
Mean		\$ 15,100	\$ 12,821	\$ 1,389	10%	1.2x	11.9x	19.0x
Median		\$ 12,116	\$ 7,301	\$ 836	11%	1.1x	11.2x	19.4x
<i>Services</i>								
ABM Industries Incorporated	United States	4,401	7,862	430	5%	0.6x	10.2x	9.1x
APi Group Corporation	United States	8,492	6,701	578	9%	1.3x	14.7x	17.4x
Comfort Systems USA, Inc.	United States	5,533	4,430	375	8%	1.2x	14.8x	11.3x
EMCOR Group, Inc.	United States	7,833	11,374	733	6%	0.7x	10.7x	9.4x
Limbach Holdings, Inc.	United States	195	503	28	6%	0.4x	7.0x	5.8x
Nippon Air Conditioning Services Co., Ltd.	Japan	154	398	24	6%	0.4x	6.3x	6.3x
Sanki Engineering Co., Ltd.	Japan	377	1,436	52	4%	0.3x	7.2x	6.3x
Sescom S.A.	Poland	13	38	1	3%	0.3x	11.7x	8.4x
Taikisha Ltd.	Japan	660	1,616	105	7%	0.4x	6.3x	5.5x
Mean		\$ 3,073	\$ 3,817	\$ 258	6%	0.6x	9.9x	8.8x
Median		\$ 660	\$ 1,616	\$ 105	6%	0.4x	10.2x	8.4x
Mean - All Categories		\$ 17,750	\$ 8,659	\$ 1,228	11%	1.4x	11.7x	15.1x
Median - All Categories		\$ 4,967	\$ 4,086	\$ 452	11%	1.2x	11.5x	16.8x

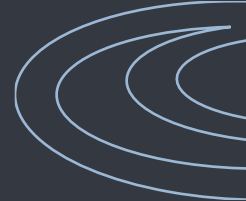
Source: S&P Capital IQ, as of April 30, 2023 & April 30, 2022



Notable HVACR M&A Transactions in Q1 2023

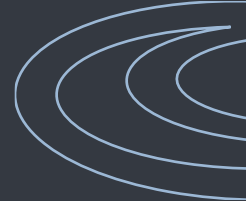
Q1 2023 saw M&A in the HVACR services space continue, with consolidation among distributors, activity in the fast growing data center cooling market, and M&A to diversify into recession-resistant products and services in the event of a prolonged economic downturn.

 <p>Acquired</p>  <p>Guarino Distributing Co.</p>	<p>Ferguson, a leading value-added distributor in North America providing expertise, solutions, and products from infrastructure, plumbing, and appliances to HVAC, fire, and fabrication, acquired Guarino Distributing, an HVAC distributor operating in Louisiana and Mississippi.</p> <p>The acquisition complements Fergusons' strategic plan to consolidate the HVAC distribution space.</p>
 <p>Acquired</p> 	<p>Daikin Applied, a leading manufacturer of HVAC systems, acquired Alliance Air Products, a manufacturer of HVACR equipment based in California.</p> <p>Data center construction is expected to grow at a high rate, accelerating the demand for cooling solutions with an emphasis on energy efficiency and sustainability. The combined capabilities address these industry requirements, including chiller-to-computer room air-handler systems that help mitigate data center's environmental impact.</p>
 <p>Acquired</p> 	<p>CMS Mechanical Services, a provider of commercial HVAC repair, maintenance, installation services, refrigeration, heating, and ventilation services, preventative maintenance, and in-house call center services, acquired Aire-Rite, a California based air conditioning and refrigeration company that provides a broad range of comprehensive services.</p> <p>The acquisition brings CMS Mechanical Services to over 1,100 self-performing technicians nationwide and will extend its reach deep into the massive Southern California market.</p>
 <p>Acquired</p> 	<p>Olympic Steel, a metal service center, acquired Metal-Fab, a manufacturer of commercial and industrial venting products.</p> <p>The acquisition aligns with Olympics' strategy to diversify and grow in higher-return, recession-resistant products and services that are expected to reduce earnings volatility and increase sales and profit returns.</p>



Select HVACR M&A Transactions from Q1 2023

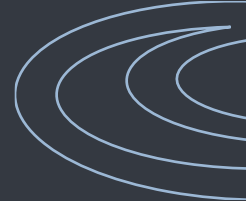
Date	Acquirer	Target	Target Description
Mar-23	Southern Home Services, Inc	Valley Heating & Cooling/McCutcheon Heating & Air	Provides home comfort, heating, air conditioning and indoor air quality services.
Mar-23	Paschal Heating and Air Conditioning Co., Inc.	Straight Shooter Heating & Air	Provides HVAC services.
Mar-23	Right Time Group Inc.	Oosterveld Heating & Air Conditioning Inc.	Provides installation, repair, and maintenance of air purifiers, air conditioners, hot water heaters, and fireplaces for residential and commercial customers.
Mar-23	Granite Comfort LP	Worcester Heating & Air Conditioning, LLC	Provides HVAC services.
Mar-23	Sound Partners., LLC; Calico Group	Tradewinds Mechanical, LLC	Offers HVACR services to commercial clients in the Las Vegas area.
Mar-23	SEM Holdings, LLC	Carolina Comfort Heating & Air Conditioning Service, Inc.	Provides air conditioning and heating equipment installation and other services to residential and commercial customers.
Mar-23	Exigent	JPG Plumbing & Mechanical Services Inc./Thermaserve, Inc.	JPG operates as a commercial plumbing, industrial vacuum, mechanical, and HVAC company, while Thermaserve operates as a commercial and Industrial mechanical and HVAC systems services company.
Mar-23	Five Star Plumbing Heating Cooling	George M. Hill & Sons, Inc.	Provides heating and air conditioning maintenance, repair, and replacement services to homeowners in the Greenville-Spartanburg market.
Mar-23	Atlas Copco AB	Trillium US Inc.	Manufactures and services new and refurbished vacuum pumps, chillers, and abatement products.
Mar-23	Ersel Asset Management SGR S.p.A.; Equiter Infrastructure II Fund	Energon Esco S.p.a.	Produces and distributes electric, thermal, and cooling energy.
Mar-23	Reece Limited	Barsco, Inc.	Distributes heating, ventilation, air conditioning, and refrigeration equipment.
Mar-23	Ferguson plc	Guarino Distributing Company, L.L.C.	Engages in the distribution of heating, ventilation, and air conditioning parts and equipment.
Mar-23	Flow Service Partners Tennessee Op-Co LLC	Nunning Heating, Air Conditioning and Refrigeration, Inc.	Provides repair, maintenance, and installation of HVAC equipment.
Mar-23	Aquaheat Facility Services Limited	JSF Holdings Limited	Operates as a commercial and industrial heating, ventilation, air conditioning, and refrigeration company that engages in installation, service, and maintenance activities.
Mar-23	Lindab International AB	Irish Ventilation & Filtration Limited	Distributes ventilation and filtration products.
Mar-23	The Master Group L.P.	Refrigeration Sales Company LLC	Distributes heating, ventilation, and air conditioning and refrigeration equipment, parts, and supplies in Ohio and Western Pennsylvania.



Select HVACR M&A Transactions from Q1 2023 *(continued)*

Date	Acquirer	Target	Target Description
Mar-23	Daikin Applied Americas Inc.	Alliance Air Products, LLC.	Manufactures heating, ventilation, air conditioning, and refrigeration equipment.
Mar-23	Building Controls and Solutions	Minvalco, Inc.	Distributes HVACR controls.
Feb-23	Felderer AG	RAAB Lüftungstechnik GmbH	Manufactures ventilation ducts and accessories.
Feb-23	ASPEQ Heating Group LLC	Assets of BBC Industries, Inc.	Provides infrared electric heaters and heating systems for industrial and commercial end markets.
*Feb-23	Molekule Group, Inc.	Aura Smart Air Ltd	Develops, markets, and operates air purification and air monitoring platforms in Israel and internationally.
Feb-23	CCC Holdings Europe S.p.A.	EOS Refrigeration Equipment S.L.	Manufactures industrial refrigeration products.
*Feb-23	Carel Industries S.p.A.	Eurotec Ltd	Operates as the importers and distributors of instrumentation and control products for the heating, ventilating, air conditioning, refrigeration, electrical, and industrial and food industries.
Feb-23	Paschal Heating and Air Conditioning Co., Inc.	Walker Air, Plumbing & Electric	Offers home repair, replacement, and maintenance services for HVAC, plumbing and electric customers.
Feb-23	Cervi Talotekniikka Oy	Ivaso Oy	Maintains, repairs and renovates ventilation systems and manufactures ventilation equipment.
Feb-23	Excelitas Technologies Corp.	Phoseon Technology, Inc.	Manufactures ultra-violet light emitting diode curing systems and solutions for commercial and industrial applications.
*Feb-23	Daiki Axis Co., Ltd.	Adore System Co., Ltd	Provides general air conditioning installation work and general construction work for air conditioning facilities.
Feb-23	Leap Service Partners, LLC	Engineered Heating And Air, LLC	Provides HVAC heat and air installation systems and engineering services for residential and commercial sectors.
Feb-23	Leap Service Partners, LLC	A-1 Heating & Air Conditioning, Inc.	Supplies, installs, and services heating, ventilating, and air conditioning products for homeowners.
Feb-23	Firstcall Mechanical Group, LLC	STR Mechanical/Technical Services/TimCo Heating and Air	Provides commercial HVAC services.
Feb-23	Firstcall Mechanical Group, LLC	Services assets of JAX Refrigeration, Inc.	Provides commercial HVAC services.
Feb-23	Southern Home Services, Inc	Air Plus Heating & Cooling	Provides HVAC, electrical and plumbing services.
Feb-23	Len The Plumber, Inc.	Acree Plumbing, Air & Electric	Provides heating, ventilation, plumbing, air, and electric services.

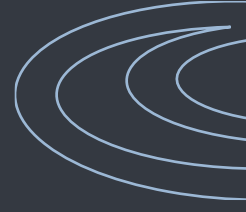
*Transaction yet to close



Select HVACR M&A Transactions from Q1 2023 *(continued)*

Date	Acquirer	Target	Target Description
*Feb-23	FSN Capital Partners AS	Alvent A/S	Manufactures and supplies ventilation solutions.
Feb-23	Strikepoint Group Holdings, Inc.	Weeks Service Company, LLC	Provides air conditioning and heating repair and replacement, refrigeration, and electrical contracting services.
Jan-23	Robertson Heating Supply Co., Inc.	Assets of Macdonald Supply, Inc.	Distributes HVAC products.
Jan-23	Blue Pearl Energy France SAS	Calorifica Domestica S.L.	Provides heating energy services.
Jan-23	CMS Mechanical Services, LLC	Aire-Rite Air Conditioning & Refrigeration, Inc.	Specializes in the proactive maintenance, service, and installation of heating, ventilation, air conditioning, refrigeration, and cooking equipment for commercial real estate, data processing, restaurant, and food service industries.
Jan-23	Goettl Home Services, LLC	Nevada Heating, Cooling, Plumbing, Fireplace, Inc.	Manufactures, installs, repairs, and maintains heating, cooling, plumbing, and fireplaces systems for homeowners.
Jan-23	Elektro AS	Helgeland Ventilasjon AS	Offers design, delivery, and installation of ventilation and climate engineering solutions for buildings.
Jan-23	Sila Heating & Air Conditioning, Inc.	CCH Holdings, Inc.	Provides installation, repairs, and replacements of heating and air conditioning equipment.
*Jan-23	Wolseley UK Limited	Kooltech Limited	Operates as a distributor of refrigeration and air conditioning products.
*Jan-23	Burkhalter Holding AG	LKE Haustechnik AG	Engages in the consulting, planning, installation, and maintenance of systems or devices for the areas of ventilation, air conditioning, and energy technology.
Jan-23	Trescal S.A	Delta-P Monitoring Technology Ltd.	Offers cleanroom validation, HVAC commissioning, HVACR maintenance, and environmental monitoring services.
Jan-23	Oy Halton Group Ltd.	CRC Medical AB	Offers tailored ventilation solutions for operating rooms and cleanrooms.
Jan-23	User Friendly Home Services, LLC	Sal's Heating & Cooling, Inc.	Offers heating, ventilation, and air conditioning and plumbing services.
Jan-23	Gustave A. Larson Company, Inc.	Hajoca Corporation	Engages in the wholesale distribution of plumbing, heating, and industrial supplies in the US.
Jan-23	Sutton Brothers, Inc.	Brady Flanary HVAC, Inc.	Provides installation and repair services for residential heating and air conditioning systems.
Jan-23	Olympic Steel, Inc.	Metal-Fab, Inc.	Manufactures commercial and industrial venting products.
Jan-23	Goodman Distribution, Inc.	Williams Distributing Co.	Distributes heating and cooling, kitchen and bath, plumbing, hearth, and garage door products.

*Transaction yet to close



Recommended Reading

Ventilation Solutions Help Improve IAQ in K-12 Facilities

“We’ve all heard the old idiom about going outside to get a breath of fresh air. That’s because the air outside tends to be cleaner than the air indoors. The need for clean air inside facilities is heightened in K-12 facilities. With students spending an ample amount of time inside schools, having the proper ventilation solutions in place to help cleanse the air is vital for both students and faculty.” – [HVAC Insider](#)

Why You Should Install UV Lights in Your Customers’ AC Systems

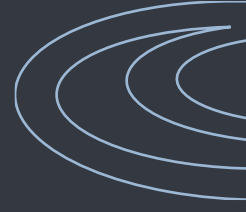
“HVAC professionals must constantly stay up to date on the latest in industry innovations in order to best serve their clients. With the HVAC industry being as dynamic as it is, this can sometimes be easier said than done. Still, if your HVAC business isn’t already offering UV light installation as part of its regular services, now may be the time to add this to your list of offerings. In addition, if your technicians still need to become familiar with these UV lights and how to install them properly, additional training may be required.” – [Carrier Enterprise](#)

Danfoss to Build New Compressor and Sensor Factory to Match Growing North American Demand

“Demand is growing for energy-efficient cooling technology. Danfoss is ramping up production to match the needs of the market. The company is witnessing tremendous growth in demand for cooling technology from the United States market and is announcing the construction of a new compressor and sensor manufacturing facility in Apodaca, Mexico. The new expansion will produce medium and large scroll compressors, pressure sensors for HVAC/R, and A2L leak detection sensors for residential and commercial air conditioning and refrigeration. The facility is expected to be ready by the end of 2024, starting with a capacity for 100,000 compressor units, 1.6 million pressure sensors, and 1 million A2L leak detection sensors.” – [HVAC Insider](#)

Growing Need for Data Centers Requires Better Cooling Systems

“Data centers have been around as long as the Internet, although the introduction of the iPhone in 2007 significantly increased the demand for data centers. When the COVID pandemic required more people to work from home, the impact was to push digital demand to even higher levels. In short, as of 2023, it is a challenge to build data centers fast enough.” – [HVAC Informed](#)



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.



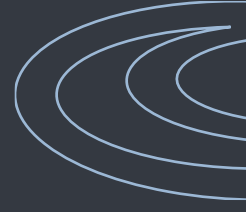
- ▶ Atlanta
- ▶ Chicago
- ▶ Denver
- ▶ Montreal
- ▶ Toronto

Relevant Transaction Experience

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

 ATLAS STEEL <i>Has acquired</i>  BLOCK STEEL CORP. &  SAMSON <small>HULL PUMPS PRODUCTS COMPANY</small>	<p>*Block Steel Corp.</p> <p>Processes and distributes heat-resistant product for the HVAC industry</p>	 Braeburn. <i>Has been recapitalized by a strategic investor</i>	<p>*Braeburn Systems</p> <p>Designs and manufactures 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 <small>MANUFACTURING LTD.</small>	<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>Develops sustainable solutions impacting human health and the environment</p>

*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.*