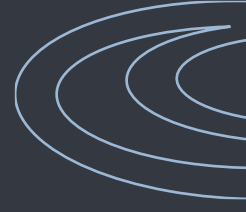




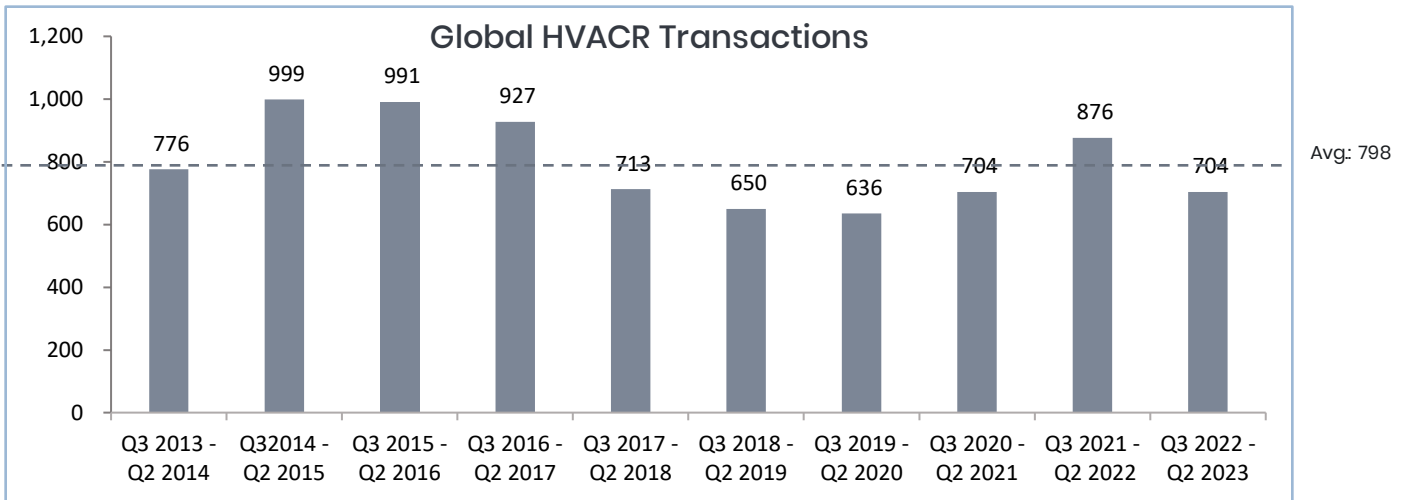
Summer 2023

# M&A SPOTLIGHT ON HVACR



## M&A Environment

While global HVACR transaction volume decreased Q3 2022 – Q2 2023 over the previous twelve months, deal activity remained consistent with 2018–2020 levels. High Q3 2021 – Q2 2022 transaction volume was largely attributable to pent up demand following the pandemic shutdown.. Based on our experience and numerous conversations with buyers, we expect to see sustained demand and competitive processes for strong HVAC businesses, while lower quality assets will continue to struggle to get traction in the market.



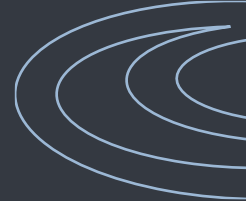
Source: Capital IQ

The global economy continues to slow from the blistering pace seen during the post-COVID-19 recovery but despite numerous headwinds, remains somewhat resilient.

In the US, the Federal Reserve continues to tighten monetary policy. Rising interest rates have impacted residential and commercial new construction activity. The service, maintenance, and remodeling of the residential or commercial installed base should continue to grow as the market is driven by non-discretionary replacement demand and will continue to benefit from strong secular tailwinds including an aging housing stock, shortening replacement cycles, and favorable regulation.

Foreign and domestic strategic buyers are actively seeking to supplement organic growth with acquisitions to strengthen their market positions, while global private equity firms are seeking to deploy capital, which remains abundant. The current 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 sophisticated buyers 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, growing operations that fit this buyer criteria are attractive, well positioned, and should have no shortage of options when considering a potential transition for their companies.



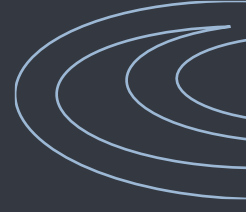
## Performance of Publicly Listed HVACR Companies

Our conviction remains the same – public companies will continue to seek acquisitions of differentiated product and service companies across the HVACR space to augment organic growth. However, the “bar” is likely higher now due the current tumultuous global economic environment.

(\$ in millions)

Company Name	Headquarters	Enterprise		EBITDA		Q2 2023 EV Multiples of:		Q2 2022
		Value (EV)	Revenue	\$	%	Revenue	EBITDA	EV/EBITDA
<i>Manufacturer</i>								
A. O. Smith Corporation	United States	10,761	3,738	776	21%	2.9x	13.9x	13.2x
Carrier Global Corporation	United States	56,265	21,821	2,623	12%	2.6x	21.5x	13.9x
Daikin Industries,Ltd.	Japan	61,274	29,952	4,207	14%	2.0x	14.6x	14.9x
Honeywell International Inc.	United States	143,092	36,147	8,656	24%	4.0x	16.5x	16.9x
Ingersoll Rand Inc.	United States	28,137	6,455	1,486	23%	4.4x	18.9x	18.8x
Johnson Controls International plc	Ireland	58,751	26,612	3,600	14%	2.2x	16.3x	14.3x
Johnson Electric Holdings Limited	Hong Kong	1,457	3,646	425	12%	0.4x	3.4x	4.2x
Lennox International Inc.	United States	14,793	4,799	808	17%	3.1x	18.3x	15.6x
Modine Manufacturing Company	United States	2,311	2,379	247	10%	1.0x	9.4x	6.7x
Patels Airtemp (India) Limited	India	32	34	4	11%	0.9x	8.8x	6.6x
SPX Technologies, Inc.	United States	3,953	1,623	257	16%	2.4x	15.4x	16.9x
Standex International Corporation	United States	1,793	741	141	19%	2.4x	12.7x	9.7x
Trane Technologies plc	Ireland	49,638	16,816	2,873	17%	3.0x	17.3x	16.0x
Unique Fabricating, Inc.	United States	61	135	6	4%	0.5x	11.0x	50.7x
Mean		\$ 30,880	\$ 11,064	\$ 1,865	15%	2.3x	14.1x	15.6x
Median		\$ 12,777	\$ 4,268	\$ 792	15%	2.4x	15.0x	14.6x
<i>Distributor</i>								
Ferguson plc	United Kingdom	37,534	29,867	3,146	11%	1.3x	11.9x	9.6x
Global Industrial Company	United States	1,134	1,159	98	8%	1.0x	11.6x	12.0x
Watsco, Inc.	United States	14,471	7,171	816	11%	2.0x	17.7x	12.9x
Mean		\$ 17,713	\$ 12,732	\$ 1,353	10%	1.4x	13.8x	11.5x
Median		\$ 14,471	\$ 7,171	\$ 816	11%	1.3x	11.9x	12.0x
<i>Services</i>								
ABM Industries Incorporated	United States	4,506	7,948	451	6%	0.6x	10.0x	9.9x
APi Group Corporation	United States	10,020	6,823	583	9%	1.5x	17.2x	16.9x
Comfort Systems USA, Inc.	United States	6,429	4,708	395	8%	1.4x	16.3x	15.0x
EMCOR Group, Inc.	United States	10,203	11,712	793	7%	0.9x	12.9x	9.5x
Limbach Holdings, Inc.	United States	287	503	28	6%	0.6x	10.3x	4.9x
Nippon Air Conditioning Services Co., Ltd.	Japan	135	370	23	6%	0.4x	6.0x	6.8x
Sanki Engineering Co., Ltd.	Japan	448	1,436	52	4%	0.3x	8.6x	5.6x
Sesoom S.A.	Poland	22	41	2	5%	0.5x	11.3x	7.9x
Taikisha Ltd.	Japan	724	1,616	105	7%	0.4x	6.9x	7.4x
Mean		\$ 3,641	\$ 3,906	\$ 270	6%	0.7x	11.0x	9.3x
Median		\$ 724	\$ 1,616	\$ 105	6%	0.6x	10.3x	7.9x
<b>Mean – All Categories</b>		<b>\$ 19,932</b>	<b>\$ 8,779</b>	<b>\$ 1,254</b>	<b>12%</b>	<b>1.6x</b>	<b>13.0x</b>	<b>12.9x</b>
<b>Median – All Categories</b>		<b>\$ 5,468</b>	<b>\$ 4,223</b>	<b>\$ 438</b>	<b>11%</b>	<b>1.3x</b>	<b>12.8x</b>	<b>12.5x</b>

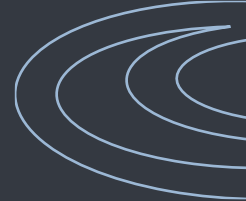
Source: S&P Capital IQ, as of July 31, 2023 & July 31, 2022



## Notable HVACR M&A Transactions from Q2 2023

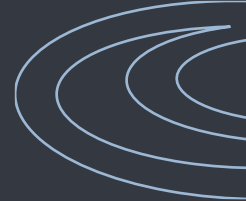
Q2 2023 M&A activity was driven by robust secular tailwinds, environmental stewardship/concerns, consolidation among distributors, and product extensions.

 <p><b>Johnson Controls</b></p> <p>Acquired</p>  <p><b>M&amp;M CARNOT</b></p> 	<p>Johnson Controls, the global leader for smart, healthy and sustainable buildings, acquired M&amp;M Carnot, a provider of natural refrigeration solutions with ultra-low global warming potential, which can help customers meet their sustainability goals while meeting and exceeding environmental regulations.</p> <p>M&amp;M Carnot's combined engineering expertise and ultra-low-global warming potential technologies will help Johnson Controls advance its commitment to cut customer emissions and support customers on their net zero journey.</p>
 <p><b>KIAN CAPITAL</b></p> <p>Acquired</p>  <p><b>TEAM AIR</b> DISTRIBUTING HVAC • DELIVERING EXCELLENCE</p>	<p>Kian Capital Partners, a private equity firm, acquired Team Air Distributing, a leading wholesale distributor of OEM-branded HVAC equipment, parts, and supplies to residential and commercial contractors</p> <p>Exceptional growth rates, modernization of HVAC systems and environmental regulations combined with a large number of first-generation businesses looking at succession planning are playing significant roles in the current consolidation trend. Of utmost importance is the need for capital within the HVAC space to continue to innovate and address environmental concerns.</p>
 <p><b>DIVERSITECH</b></p> <p>Acquired</p>  <p><b>PRO1</b></p>	<p>DiversiTech, a manufacturer and supplier of components and related products for heating, ventilation, air conditioning and refrigeration, acquired Pro1 IAQ, a manufacturer of HVAC controls and other indoor air quality products.</p> <p>The acquisition will reinforce DiversiTech's position in the HVACR Industry and expand its product offerings. Pro1 IAQ has a proven track record of delivering innovative products to the HVACR Industry, making it a perfect fit for DiversiTech.</p>
<p><b>INVESTCORP</b></p> <p>Acquired</p>  <p><b>SHEARER SUPPLY</b></p> <p>A portfolio company of</p>  <p><b>PNC RIVERARCH CAPITAL</b></p>	<p>Investcorp, a leading global alternative investment firm, acquired Shearer Supply, a portfolio company of PNC RiverArch Capital. Shearer Supply is an independent distributor of HVAC equipment for residential and commercial properties</p> <p>Shearer operates in a large, resilient and highly fragmented market driven by non-discretionary replacement demand and will continue to benefit from strong secular tailwinds including an aging housing stock, shortening replacement cycles, and favorable regulation</p>



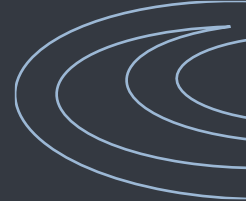
## Select HVACR M&A Transactions from Q2 2023

Date	Acquirer	Target	Target Description
Jun-23	Beijer Ref AB	CFD	Engages in the distribution of heat pumps, geothermal energy products, and HVAC components
Jun-23	Blue Pearl Energy France SAS	Energys	Manufactures heating and air conditioning systems
Jun-23	Systemair AC SAS	AMZAIR SAS	Designs and manufactures heat pumps for new build and refurbishment home projects
Jun-23	Right Time Group Inc.	Shines Energy Incorporated	Provides residential heating, cooling, and air quality to homeowners
Jun-23	Lovett, Inc.	Fayette Air Conditioning & Sheet Metal, Inc.	Provides HVAC and custom sheet metal fabrication services
Jul-23	Dead River Corporation	Weston Lane Holdings Corporation	Provides residential and commercial installation services of new heating systems, air conditioning systems, bathroom, and kitchen plumbing and fixtures
Jun-23	DCC Energi Danmark A/S	Søberg Energiservice A/S	Engages in installation and maintenance of plumbing, heat, and air conditioning equipment
Jun-23	American Residential Services LLC.	Tarpy Plumbing, Heating & Air	Provides plumbing, heating, and air installation services
Jun-23	Watchtower Capital Partners	SPS Mechanical Inc./JF Plumbing & Heating	Engages in plumbing, heating, and air conditioning services
Jun-23	Southern Home Services, Inc	Pro-Tech Air Conditioning and Plumbing, LLC	Offers heating, air conditioning, indoor air quality, and plumbing services to residential customers
Jun-23	Johnson Controls International plc	M&M Carnot	Engages in the design, manufacture, and supply of industrial refrigeration equipment and controls
Jun-23	Refplus Inc.	Ceptek Inc.	Designs, manufactures, and sells central refrigeration systems, high-temperature industrial heat pumps, fluid coolers, and technical rooms
Jun-23	Westinghouse Air Brake Technologies Corporation	L&M Radiator, Inc.	Designs, manufactures, and distributes industrial radiators and heat exchangers
Jun-23	Enxio Power Cooling Solutions India Private Limited	ENEXIO Germany ACC business	Comprises the manufacturing business of cooling systems located in Germany
Jun-23	Service Champions, Inc.	Seatown Electric Plumbing Heating and Air	Operates as an electrical, HVAC and plumbing company
Jun-23	Airpro Heating And Cooling, Llc	Dakota 4 Seasons Heating and Cooling	Offers HVAC services



## Select HVACR M&A Transactions from Q2 2023 *(continued)*

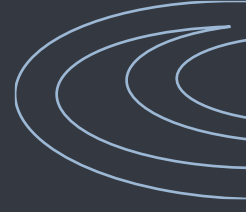
Date	Acquirer	Target	Target Description
Jun-23	Harmonic Heating and Air Conditioning	Arrow Plumbing, Inc.	Provides residential and commercial plumbing service
Jun-23	ClimaNext SAS	JP2M	Provides plumbing, heat and air conditioning installation
Jun-23	Ardian	Tom Barrow Co, Inc.	Engages in the distribution of heating, ventilation, and air conditioning products
Jun-23	Kian Capital Partners, LLC	Team Air Distributing, Inc.	Distributes HVAC, plumbing, and electrical equipment to residential and commercial contractors
Jun-23	Crete Mechanical Group, Inc.	Loellke Plumbing, Inc.	Offers plumbing heating, and cooling services for the utilities sector across Illinois and Missouri
Jun-23	Service Champions, Inc.	Climate Control Experts, LLC	Provides heating, air conditioning, plumbing, and energy solutions in the United States
Jun-23	Distribution Solutions Group, Inc.	HISCO, Inc.	Distributes and sells mission-critical materials for the HVAC manufacturing, and market in North America
May-23	Len The Plumber, Inc.	American Air & Heat, Inc.	Provides residential HVAC services
May-23	Len The Plumber, Inc.	American Air & Heat, Inc.	Provides residential HVAC services
May-23	Rochester Sensors Llc	Tekelek Europe Ltd.	Designs and manufactures electronic control systems for the tank monitoring and HVAC controls markets
May-23	Commercial Foodservice Repair Company, Inc.	Total Mechanical Repair Services LLC	Provides repair and maintenance services for foodservice and commercial HVAC equipment
May-23	Civinity UAB	Ionica Serviss, SIA	Provides heating, ventilation, cooling, air heating, and climate regulation services, including design and installation
May-23	Sila Heating & Air Conditioning, Inc.	Park Ridge Unique Indoor Comfort, Inc.	Provides heating and cooling installation and repair services
May-23	SEM Holdings, LLC	Gentry Air Inc.	Provides HVAC services to residential projects
May-23	Saw Mill Capital LLC; Neuberger Berman Group LLC	Climate Pros, Inc/Industrial Refrigeration Pros	Provides refrigeration and heating, ventilation, and air conditioning repair and maintenance services to grocery retailers and other cold-chain customers in North America
May-23	Right Time Heating and Air Conditioning Canada Inc.	Thomson Industries Ltd.	Provides heating, cooling, electrical, plumbing, and air quality services to commercial and residential customers
May-23	Ace Hardware Corporation	Unique Indoor Comfort, LLC	Offers residential HVAC services



## Select HVACR M&A Transactions from Q2 2023 (continued)

Date	Acquirer	Target	Target Description
May-23	DiversiTech Corp.	Pro1 IAQ, Inc.	Manufactures HVAC controls and other indoor air quality products
May-23	SPX Technologies, Inc.	ASPEQ Heating Group LLC	Designs and manufactures electric heating and thermal management equipment
May-23	Daikin Applied Americas Inc.	Daikin Applied Central & West Coast Florida	Manufactures heating, ventilation, and air conditioning HVAC systems and services for commercial, industrial, and institutional facilities
May-23	Custom Air Conditioning Ltd.	Reliatech HVAC Inc.	Provides heating, ventilation, air conditioning, and mechanical services to commercial customers
*May-23	Carrier Global Corporation	Viessmann Climate Solutions	Manufactures heating, cooling, and ventilating products
May-23	Omnia Technologies Pvt Ltd	Progema engineering s.r.l.	Engages in the manufacturing and marketing of air conditioning, refrigeration, and process systems for the food sector
Apr-23	RSK Group Limited	Calibrate Inc Ltd	Designs, manufactures, installs, and maintains heating systems and control systems, such as heat pumps, air filtration screens, solar power solutions, and analyzers for commercial businesses
Apr-23	Technical Safety Services, Llc	Precision Air Technology, Inc.	Manufactures and supplies high efficiency particulate air filter certification and cleanroom product
Apr-23	Investcorp Holdings B.S.C.	Shearer Supply, Inc.	Distributes and supplies heating, ventilation, and air conditioning equipment
Apr-23	Prosource, LLC	Huber Supply Co Inc	Distributes electrical, plumbing, and HVAC products for commercial and industrial clients
Apr-23	BDR Thermea France S.A.S	Eurevia	Manufactures ducted heating and cooling systems for residential and commercial new builds, as well as cruise ships
Apr-23	RISE Group, Inc.	Air Masters HVAC Services of New England, Inc.	Provides HVAC mechanical services, turn-key installations, and building control solutions
Apr-23	Unilite A/S	Buccma Energy ApS	Supplies ventilation systems, heating products, and solar cells
Apr-23	Building Materials Europe B.V.	Mager	Distributes heating, sanitary, roofing, and metals equipment

\*Transaction yet to close



## Recommended Reading

### **EPA's Regan Signs Proposed Rule For Refrigerant Alternatives**

“Under this proposed rule, 10 refrigerants would be listed as acceptable, subject to use conditions, in the Refrigeration & Air Conditioning sector.” – [Contracting Business](#)

### **What Are The Biggest Trends In The HVAC Industry In 2023?**

“The HVAC market is in the midst of monumental change this year as trends such as electrification, refrigerant transition, and greater connectivity transform the technology building blocks central to our business.” – [HVAC Informed](#)

### **Tales Of The Trade – You Don't Know Ship About Containers**

“Container shipping moves about 90% of all manufactured goods around the world, with that product being worth trillions of dollars. Close to two billion metric tons of goods, being transported by 5,000+ cargo ships. But did you know that the first ISO container didn't leave port until 1956? That's right. Just 67 years ago, the way humans and nations exchanged goods was forever changed.” – [HARDI](#)

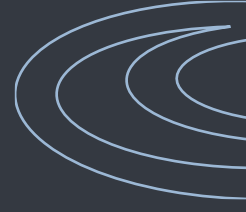
### **HVAC Sustainability Rises In Priority As Industry Sees Increasing Changes Expected To Shape Its Future**

“HVAC sustainability has moved steadfast to the forefront of the HVAC industry. The trend of renewable and efficient energy solutions is reshaping our global industrial landscapes, and the HVAC industry is no exception. Technology innovations and sustainability practices have become integral to this industry's future. The stakes are high as HVAC systems are instrumental to our daily lives, consuming over 35 percent of electricity in commercial buildings, according to the Department of Energy.” – [MarketScale](#)

### **Pure Air Control Services Offers A Facility Manager's Checklist To Ensure Safe Back-To-School HVAC And Indoor Air Quality**

“As the summer break comes to a close, it's time to prepare the primary school for the much-awaited back-to-school opening. One of the most critical aspects of this preparation is creating a safe and healthy learning environment for the students and staff.” – [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](http://www.originmerchant.com).



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

## Relevant Transaction Experience

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

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



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