

RETROFIT AND UPGRADE TAILWINDS DRIVE M&A ACTIVITY AMID ECONOMIC VOLATILITY

HVACR SERVICES SECTOR UPDATE | SEPTEMBER 2022



**CAPSTONE
PARTNERS**

TABLE OF CONTENTS

- 4 Key Sector Takeaways
- 5 Indoor Air Quality and Energy Efficiency Drive Service Demand
- 6 Sector Players Navigate Supply Chain Challenges
- 7 M&A Activity Surges, On Target for Another Record Year
- 8 Private Equity Firms Represent Exit Opportunities
- 10 Notable Transactions
- 11 Select Transactions
- 12 Public Company Data
- 13 Buyer Universe
- 14 Report Contributors
- 15 Firm Track Record
- 16 Endnotes



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HVACR Services

Retrofit and Upgrade Tailwinds Drive M&A Activity

KEY SECTOR TAKEAWAYS

Capstone Partners' [Industrials Group](#) is pleased to share its latest Heating, Ventilation, Air Conditioning, and Refrigeration (HVACR) Services report. Driven by significant tailwinds, merger and acquisition (M&A) activity in the HVACR Services sector has continued to surge, building upon the record pace witnessed in 2021. Several key report takeaways are listed below.

1. Leading HVACR equipment suppliers have reported strong demand, providing a favorable outlook for the HVACR Services sector as system sales materialize in installations, retrofits, and upgrades.
2. Energy efficiency and indoor air quality (IAQ) tailwinds continue to drive replacements in Residential, Commercial, and Industrial markets.
3. Residential-focused services remain the most coveted by the active sector consolidators.
4. The pandemic has notably increased awareness surrounding the dearth of quality HVAC systems in schools, presenting an opportunity for sector players serving the Education market.
5. Amid supply chain challenges and cost inflation, it is critical for HVACR contractors to align project timelines with available equipment and negotiate costs with suppliers to alleviate margin pressure.
6. The proliferation of M&A volume in the HVACR Services space has occurred amid a backdrop of slowing activity in the broader middle market.
7. Capstone expects that the high recurring revenue of a typical service-focused business will continue to make the sector attractive for M&A activity.
8. Sitting on elevated levels of dry powder, private equity (PE) firms are highly active in the sector, utilizing buy-and-build strategies to increase penetration.
9. Strategic buyers remain active, particularly sponsor-backed acquirers, as private and public companies consolidate competitors to gain market share and bolster service portfolios.
10. Capstone expects that operators will continue to broaden their service offerings and seek to increasingly provide one-stop services to customers.

Capstone Partners has developed a full suite of corporate finance solutions, including M&A advisory, debt advisory, financial advisory, and equity capital financing to help privately owned businesses and private equity firms through each stage of the company's lifecycle, ranging from growth to an ultimate exit transaction.

To learn more about Capstone's advisory services and HVACR Services sector knowledge, please contact Capstone Managing Director [Ted Polk](#).



INDOOR AIR QUALITY AND ENERGY EFFICIENCY DRIVE SERVICE DEMAND

Sector backlogs have remained robust in year-to-date (YTD) 2022, supported by healthy construction activity and retrofit and upgrade demand. While construction backlog levels fell 0.2 months between June and July, the figure (8.7 months) remains higher than any point between March 2020 and March 2022, according to Associated Builders and Contractors.¹ Service providers with exposure to new construction must remain vigilant as continued declines in activity could materialize in fewer installations. However, retrofit and upgrade demand remains strong as energy efficiency and IAQ drive replacements in Residential, Commercial, and Industrial markets.

Leading equipment suppliers' performance is often a solid gauge for the HVACR Services sector as system demand corresponds with installation, retrofit, and upgrade activity. Johnson Controls (NYSE:JCI), Lennox International (NYSE:LII), and Trane Technologies (NYSE:TT) expect robust revenue opportunities in the near term, according to the companies' most recent earnings calls.^{2,3,4} Notably, Trane reported that two-year stack bookings and backlog were up ~45% and ~70%, respectively, in its Q2 2022 earnings call.

Energy efficiency, decarbonization, and sustainability megatrends continue to intensify and create record levels of demand for our innovative products and services.

David Regnery
Chair & Chief Executive Officer, Trane Technologies
Q2 Earnings Call

Growing concerns regarding energy efficiency and IAQ continue to contribute to HVACR service demand. In August 2022 President Biden passed the Inflation Reduction Act (U.S. Congress),⁵ a climate, healthcare, and tax law that also aims to reduce budget deficits. The bill represents the largest investment in energy efficiency in U.S. history, providing credits and rebates to consumers who purchase electric vehicles, solar panels, or efficient HVAC systems. Similarly, amid pandemic-induced IAQ concerns, the Environmental Protection Administration (EPA) has published articles regarding the benefits of improved air quality, particularly in schools. The EPA's Clean Air in Buildings Challenge establishes a guide for building owners and communities to take action to improve air circulation and cleanliness.

Environmental Protection Agency Clean Air in Buildings Challenge



Create an action plan by assessing indoor air quality and making plans for upgrades and improvements to related systems including HVAC.



Frequently circulate clean outdoor air in indoor spaces.



Enhance air filtration and cleaning via a central HVAC system and in-room air cleaning devices.



Engage local communities in an action plan to improve indoor air quality and health matters.

Source: U.S. Environmental Protection Agency (EPA)

The pandemic has increased awareness surrounding the dearth of quality HVAC systems in schools, presenting a valuable revenue opportunity to sector players. Notably, 54% of public school districts need to replace multiple building systems or features in their schools, according to a study by the U.S. Government Accountability Office (GAO).⁶ While a majority of schools reported that air cleaning efforts were one of their top priorities, supply and labor shortages have impacted the speed of building systems upgrades as fewer than 40% of schools have replaced or upgraded their HVAC systems since the start of the pandemic, according to the Center for Disease Control and Prevention.⁷ As supply chains regain strength, public schools are expected to invest pandemic relief funds in more efficient HVAC systems that improve the IAQ of schools.

Amid record demand, production constraints continue to challenge the rate at which manufacturers convert their backlogs. However, consumers have been forced to extend the lives of HVACR equipment in instances where new equipment is not readily available, supplementing maintenance service demand. With manufacturers carefully monitoring inventory and adjusting prices to offset input cost inflation, it is critical for HVACR contractors to align project timelines with available equipment and negotiate costs with suppliers to alleviate margin pressure.

SECTOR PLAYERS NAVIGATE SUPPLY CHAIN CHALLENGES

Throughout the pandemic, HVACR equipment manufacturers have faced major challenges including labor force constraints; supply shortages and cost inflation for raw materials and semiconductor chips; and bottlenecks in shipping and air freight. Through YTD, supply chain pressure has improved significantly, with the Global Supply Chain Pressure Index falling to 1.5 standard deviations (σ) from the average value in August 2022, compared to 4.3 σ in December 2021, according to the Federal Reserve Bank of New York.⁸ However, HVACR manufacturers continue to face material procurement delays. Volatility in metal prices has intensified cost inflation, contributing to a 20.4% year-over-year (YOY) increase in the producer price index for HVAC and Commercial Refrigeration Equipment in August 2022, according to the U.S. Bureau of Labor Statistics.⁹

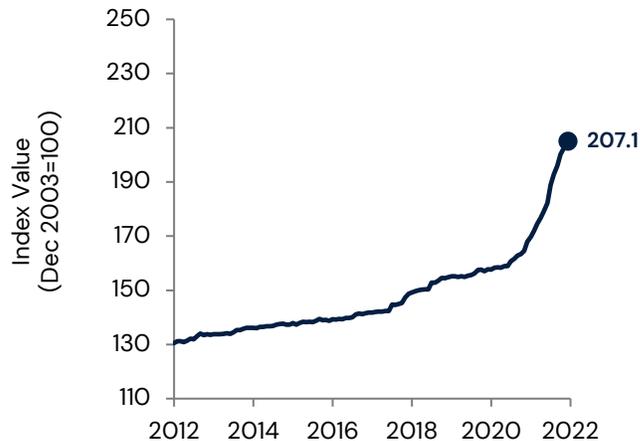
As supply shortages and rising costs resonate across the value chain, HVACR contractors are actively reassessing their relationships with equipment suppliers. The sector-wide practice of just-in-time manufacturing has been disrupted by extended lead times and component availability. Contractors must think ahead, aligning their project timelines with readily available equipment. Sector players that effectively prioritize projects and respond to supply chain disruptions are expected to outperform competitors.

Global Supply Chain Pressure Index Improves Year-to-Date



Source: Federal Reserve Bank of New York

HVAC and Commercial Refrigeration Equipment Producer Price Index



Source: U.S. Bureau of Labor Statistics

Methods of Responding to Supply Chain Issues



Diversify Suppliers
Enables contractors to check other suppliers' prices and work with equipment brands that are insulated from bottlenecks.



Use HVACR Procurement Software
Procurement software can allow contractors to actively track and compare supplier inventories through one platform.



Pre-Order Equipment and Materials
Contractors that bolster their inventories whenever suppliers are ready to sell will be better equipped to meet project timelines than players utilizing just-in-time systems.



Communicate with Suppliers
Discussions with suppliers allow contractors to build relationships with vendors and better understand upstream conditions involving delays and price increases.

Source: First Citizens Bank



M&A ACTIVITY SURGES, ON TARGET FOR ANOTHER RECORD YEAR

To-date in 2022, the number of announced or closed HVACR M&A transactions has increased 26.9% compared to the same period in an exuberant 2021. The proliferation of M&A volume in the HVACR Services space has occurred despite a backdrop of slowing activity in the broader middle market. Total middle market M&A activity is down 3.4% YOY through Q2, according to [Capstone Partners](#). Capstone expects quality businesses of scale to continue to attract premium valuations despite rising interest rates.

Private equity firms continue to display an appetite in the sector due to HVACR service providers' recurring revenue and defensibility. With dry powder amounting to \$1.2 trillion in June 2022 (PitchBook),¹⁰ PE has actively deployed capital, accounting for 53.5% of YTD transactions in the sector. Firms have utilized buy-and-build strategies, establishing a platform (11.6%) and then engaging in add-on deals (41.9%) to bolster home service offerings and market share. Notably, HVAC service provider Right Time Group, a Gryphon Investors platform company, completed its 14th acquisition with the purchase of Wardlaw Heating and Cooling (April 2022, undisclosed).

General partner (GP)-led secondaries are expected to become increasingly popular in the sector as these continuation vehicles allow firms to secure liquidity by holding high-performing assets rather than pursuing a traditional exit. Amid economic volatility, existing holdings offer visibility, enticing PE firms to extend their holding periods.

Strategic buyers have remained active (46.5%), led by private companies (28.8%) acquiring competitors to build upon their service portfolios and regional footprint. Public strategics (17.7%) have also acquired full-service contractors of scale that serve attractive end markets. In one example of this strategy, Comfort Systems USA (NYSE:FIX) acquired MEP Holding and its subsidiaries including full-service contractor Edwards Electrical & Mechanical (January 2022, undisclosed). "Edwards and its affiliated companies bring us a solid full-service presence in Indianapolis and provide Comfort Systems USA access to remarkable specialized capabilities in clean room solutions that will complement our off-site construction and pre-fabrication solutions," said Brian Lane, CEO of Comfort Systems USA, in a press release.¹¹



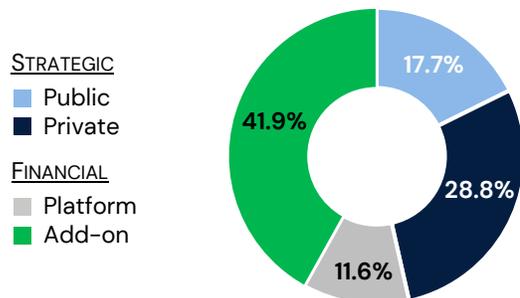
Ted Polk
Managing Director

"We continue to witness attractive levels of M&A activity as buyers seek to broaden their geographic and product footprints and, in particular, to increase their service mix."

M&A Activity Proliferates Amid Sector Consolidation



Add-On Acquisitions Comprise the Largest Share of Deal Volume



Note: Year-to-date ended September 7
Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

PRIVATE EQUITY FIRMS REPRESENT EXIT OPPORTUNITIES

Amid economic uncertainty, PE firms have become increasingly enamored with the HVACR Services space, comprising 53.5% of deals in YTD 2022, compared to 46.7% in full-year 2021. PE firms have continued to pursue proven, scalable businesses serving strong end markets and geographic regions. Sector players considering a liquidity event may pursue investment from a financial buyer as PE firms have experience optimizing, refocusing, and scaling businesses.

Large, well-capitalized financial buyers have demonstrated a preference for full-service HVACR and mechanical, electrical, and plumbing (MEP) contractors. PE firms have also targeted sector players that align with environmental, social, and governance (ESG) goals. In May 2022, Brookfield Asset Management (TSE:BAM.A) acquired HomeServe (LSE:HSV) at an enterprise value of ~\$5.9 billion. Headquartered in England, U.K., HomeServe provides residential home and repair services across the U.K., U.S., France, and Spain. HomeServe will play a critical role in pursuing Brookfield's net zero objectives, according to a press release.¹² Read more about the transaction on page 10.

Private Equity Investment

Private equity firms can provide the financial support and operational expertise required to accelerate the growth of a company. HVACR businesses often leverage PE funding to break into new geographies, add technologies or capabilities, capitalize on operational synergies, and/or bolster scale through inorganic growth. The HVACR market remains highly fragmented, allowing financial buyers to effectively establish and grow platforms in lucrative segments using a buy-and-build strategy. In addition, recession resilience, recurring revenue, and strong tailwinds including energy efficiency and IAQ continue to attract PE buyers to the space.



Transaction: In November 2020, Blackstone (NYSE:BX) entered a definitive agreement to acquire Therma Holdings from Gemspring Capital. Blackstone also entered a definitive agreement to acquire RE Tech Advisors in a separate transaction (November 2020, undisclosed). Terms of the transactions were not disclosed. In June 2022, Therma Holdings rebranded as Legence, and RE Tech Advisors was integrated into the platform forming a full suite of sustainability, carbon reduction, and energy management systems. Therma's rebranding aimed to clearly articulate its offerings and objectives. "For Therma, we needed to create a brand that reflected not only what the company did, but why it did it. Therma had a track record of bringing innovative energy efficiency strategies to buildings. At its heart, Therma was not a mechanical HVAC installation and engineering company, but a transformer in the sustainability space," said Jonny Bauer, Managing Director in Blackstone's Portfolio Operations group, in a press release.¹³ Following its rebranding, Legence entered an agreement to acquire Provident Energy Consulting and McCracken & Woodman in separate transactions (June 2022, undisclosed). Provident Energy Consulting provides energy procurement and budgeting services as well as infrastructure improvement projects. McCracken & Woodman offers mechanical engineering services to the Construction sector. The acquisitions are expected to expand Legence's energy efficiency, carbon reduction, and cost-savings services, according to a press release.¹⁴

Target Company Description: Prior to the rebranding, Therma was a conglomerate of local and regional service providers offering MEP, HVAC, controls and automation, fabrication, engineering, design-build, installation, and advisory services. Upon rebranding, Legence has been defined as an Energy Transition Accelerator™, fostering the future by championing building efficiency today. Therma completed several mechanical contracting acquisitions under Gemspring's ownership. In September 2019, Capstone Partners advised VarcoMac in its sale to Therma.



PRIVATE EQUITY FIRMS REPRESENT EXIT OPPORTUNITIES (CONTINUED)

Secondary Buyout

After a three to five-year holding period, PE-backed companies are often acquired in secondary buyouts by an investor of larger scale. In a recent example, OMERS Private Equity entered a definitive agreement to acquire Pueblo Mechanical & Controls (August 2022, undisclosed) from Huron Capital. Sector players that are repeatedly purchased and exited by PE firms can rapidly scale while generating strong internal rates of return for their sponsors.

Firms are experienced in conducting performance improvement by fostering organic and inorganic growth. As PE firms look for safe investments amid economic instability, efficient HVACR businesses that have already been enhanced by another PE group are viewed as defensible assets. Capstone expects to see more sponsor-to-sponsor deals as PE-backed market leaders emerge after consolidating regional competitors.

Transaction: In October 2020, Leonard Green & Partners acquired Service Logic from Warburg Pincus. Terms of the deal were not disclosed.

Target Company Description: Service Logic is the largest private HVAC and energy mechanical services company in the U.S., according to a press release.¹⁵ The company completed 28 successful acquisitions under Warburg Pincus' ownership. Throughout its history, Service Logic has utilized private equity funding to bolster its service offerings and scale. The company was founded as a platform in January 2004 by PE firms Harvey and Company, Audax Group, and The Jordan Company. In October 2012, Service Logic was acquired by Sterling Partners, GCM Grosvenor Private Markets, and GE Capital (undisclosed). Service Logic was bought out again in July 2017 by Warburg Pincus at an enterprise value of \$315 million.

Recapitalization

HVACR services companies afflicted by macroeconomic headwinds and players that possess a suboptimal capital structure may consider recapitalization. Recapitalizations can restructure a company's equity and debt mixture or provide the liquidity necessary to finance expansion organically or through M&A.

Transaction: United Air Temp, a portfolio company of Summit Park, completed a recapitalization of Grande Aire Services (July 2022, undisclosed). The recapitalization was conducted in partnership with Grande Aire's Founder and Owner Robert Miller.

Target Company Description: Grande provides HVAC repair, maintenance, and installation services to residential homeowners and condo-owners, light commercial clients, and high-end custom homebuilders on the west coast of Florida. Notably, Grande Aire represents the fourth company in Summit Park's HVAC sector consolidation plan for the Mid-Atlantic and Southeast markets, according to a press release.¹⁶

Capstone Partners advises business owners on critical decisions, prioritizing its clients' goals at every turn. To learn more about growth and exit opportunities for HVACR services businesses, or to discover how Capstone can help your business, please contact Managing Director [Ted Polk](#).

NOTABLE TRANSACTIONS

Brookfield

To Acquire



In May, Brookfield Asset Management (NYSE:BAM), an asset management firm headquartered in Toronto, Canada, agreed to acquire the entire issued and to be issued share of capital of HomeServe (LSE:HSV) in a take-private deal at an enterprise value of ~\$5.9 billion, equivalent to 17.1x EV/EBITDA and 3.3x EV/Revenue. The total consideration to shareholders of ~\$5 billion represents a premium of 71% to the closing price per HomeServe share on March 23, 2022 (the business day prior to the start of the offer period), according to the press release. Cash consolidation payable to HomeServe shareholders will be financed by a combination of equity from funds managed by Brookfield Infrastructure (NYSE:BIP) and its affiliates, along with debt to be provided under the Interim Facilities Agreement. HomeServe and its subsidiaries utilize a subscription-based membership to provide home repair and improvement services to homeowners.

“At Brookfield, we are building the world's leading residential infrastructure investment platform, and our acquisition of HomeServe allows us to partner with one of the highest quality companies in the sector. Richard and team share Brookfield's vision for the future of residential infrastructure, making Brookfield the ideal partner to scale the business internationally and across new product offerings. HomeServe and Brookfield together can play an instrumental role in supporting our communities with their net zero objectives and improved customer value proposition,” said Sam Pollock, Managing Partner & CEO of Brookfield Infrastructure, in the press release.

OMERS

To Acquire



In August, OMERS Private Equity, the private equity investment arm of Canadian pension fund OMERS, announced the signing of a definitive agreement to acquire Pueblo Mechanical & Controls. Terms of the transaction were not disclosed. Pueblo provides HVAC and plumbing installation, retrofit, and repair services to Education, Municipal, and Healthcare markets. OMERS Private Equity will provide resources and operational expertise to augment Pueblo's organic and inorganic expansion, according to a press release.¹⁷

“Dan [Dan Bueschel, CEO of Pueblo] and the team have built Pueblo into an industry-leader, and we look forward to partnering with them. It is an exciting moment in the commercial services industry, and Pueblo is well-positioned to capitalize on the secular trends towards energy efficiency, sustainability, decarbonization, and digitization that are driving demand, said Jeff Kahn, Director at OMERS Private Equity, in the press release.



Acquires

In July, private equity firm Palladin Consumer Retail Partners acquired a majority stake in Winston-Salem, North Carolina-based Southeast Mechanical. Terms of the transaction were not disclosed. Existing shareholders including Colmont Group and management retained an ownership position in the company. Southeast Mechanical currently consists of four primary HVAC operating companies in North Carolina: Triangle Contractors, Warren-Hay Mechanical Contractors, Airmakers Heating & Cooling, and Logan Heating & Air Conditioning. The company was particularly attractive to Palladin due to its proven platform and scalability, according to a press release.¹⁸ Palladin intends to provide capital and operational support to assist in Southeast Mechanical's expansion strategy of acquiring strong HVAC companies in the region.



“We have spent a long time researching the HVAC sector and identified Southeast Mechanical as the perfect anchor acquisition. The expertise of the Southeast Mechanical team, their commitment to employees and customer service and the geographic areas of the country in which the company currently operates provide an excellent partnership and platform for expansion,” said Mark Schwartz, CEO of Palladin, in the press release.

SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Transaction Type
08/05/22	Pueblo Mechanical & Controls	OMERS Private Equity	Provides HVAC and installation services for school districts, governmental agencies, municipalities, and private firms.	Platform Investment
07/25/22	Temco	Tech24	Offers repair and maintenance services for commercial kitchen and HVAC equipment.	PE Add-on
07/14/22	DegreeOne	CMS Nextech	Provides refrigeration and food equipment maintenance services.	Private Strategic
07/13/22	SEM Holdings	Palladin Consumer Retail Partners	Offers platform that includes turnkey HVAC, electrical, and plumbing services to homes and businesses across the southeast.	Platform Investment
07/08/22	CM3 Building Solutions	Daikin Applied Americas	Offers energy services and building solutions to commercial, industrial, institutional, government, and other facilities.	Private Strategic
06/30/22	Travers Mechanical Services	Pueblo Mechanical & Controls	Provides heating, ventilation, air conditioning and HVAC service.	PE Add-on
06/28/22	Dutton Food Equipment Repair	EEC Acquisition	Offers emergency repair and preventative maintenance services as well as HVAC mechanical services.	PE Add-on
06/28/22	Libertyville Unique Indoor Comfort	Sila Heating & Air Conditioning	Provides services for repair, maintenance, and installation of new HVAC equipment.	Private Strategic
06/23/22	Dallas Plumbing Company	Air Pros	Offers commercial and residential air conditioning, heating, and plumbing services.	Private Strategic
06/21/22	Vorpagel Service	PremiStar	Provides services for heating, ventilation, air conditioning, and HVAC and controls systems to local businesses.	PE Add-on
06/17/22	One STOP Heating And Air Conditioning	PulteGroup (NYSE:PHM)	Offers residential and commercial heating, air conditioning, and installation and repair services.	Public Strategic
06/08/22	Taylor Heating	HomeServe (LSE:HSV)	Provides repairs, AC installation, maintenance and repair, heating boiler and furnace installation, and other services.	Public Strategic
05/24/22	Pinellas Comfort Systems	Strikepoint Group Holdings	Offers AC repair and heating services to residential and commercial customers in the Clearwater area.	Private Strategic
05/19/22	HomeServe (LSE:HSV)	Brookfield (NYSE:BIP)	Provides home repair and improvement services to homeowners under the HomeServe brand.	Platform Investment
05/10/22	Mario's AC and Heat	Southeastern Home Services	Provides full range of air conditioning and heating needs including repair, installation, maintenance, duct cleaning, and more.	Private Strategic
04/13/22	Action Heating & Cooling	CPS HVAC Partners	Offers air conditioning, heating, and maintenance services for home and business.	Private Strategic
04/01/22	Wardlaw Heating & Cooling	Right Time Group	Offers installation services for heating, air conditioning, and air quality equipment.	PE Add-on
03/24/22	Conditioned Air Solutions	Leap Partners	Provides installation, maintenance, replacement, and repair services for all heating and air conditioning systems	Private Strategic
03/07/22	The Comfort Group Heating Corporation	Right Time Group	Offers services in the areas of heating, cooling, and indoor air quality for homes and businesses.	PE Add-on
02/25/22	Doug's Service Company	Air Pros	Provides heating and AC, plumbing, electrical, refrigeration, and generator services to homeowners, and business owners.	Private Strategic
01/24/22	The Arcticom Group	A&M Capital Advisors	Offers HVACR installation and maintenance services.	Platform Investment
01/13/22	Day & Night Air Conditioning	Friendly Group	Provides AC, heating, plumbing, and drain clearing services.	Private Strategic
01/04/22	BelRed Energy Solutions	Apex Service Partners	Offers residential heating, cooling, plumbing, and electrical system services.	PE Add-on

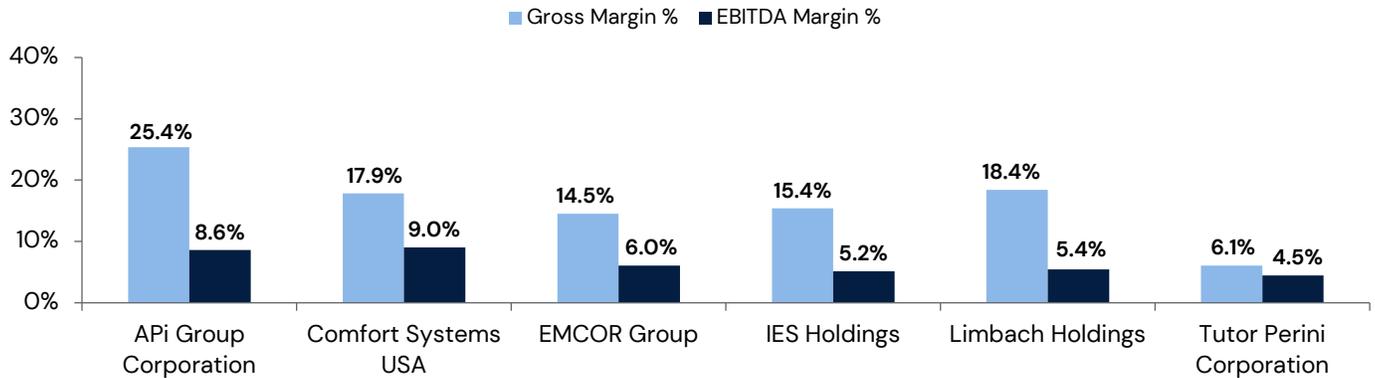
Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

PUBLIC COMPANY DATA

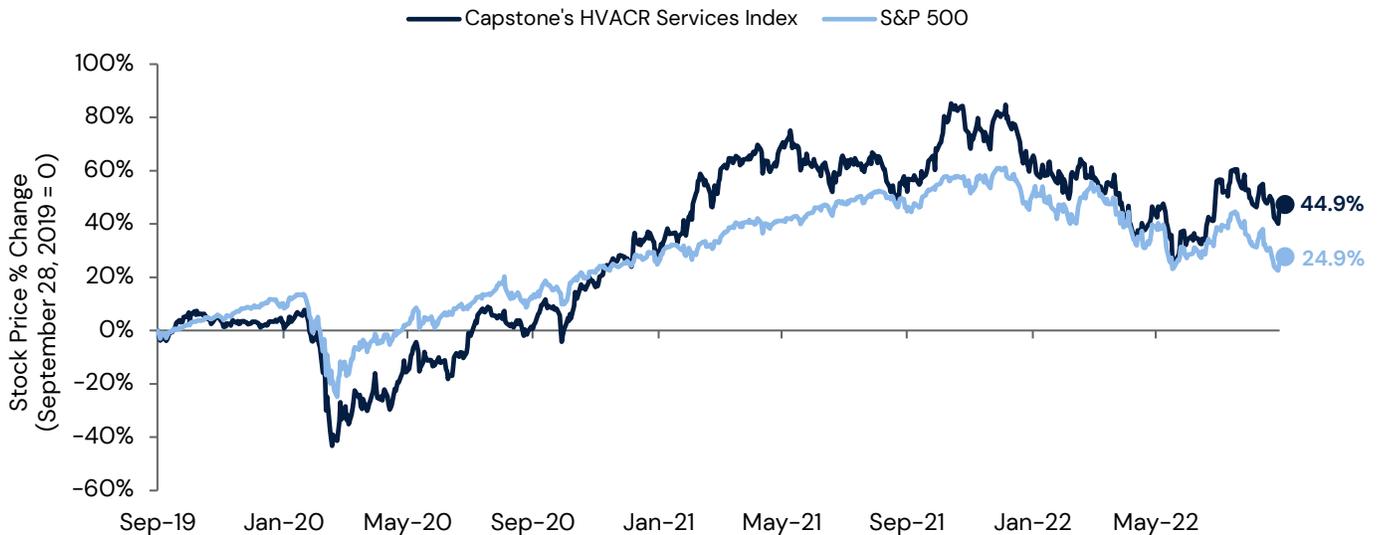
Company	Price 09/28/22	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
APi Group Corporation	\$14.04	52.3%	\$3,338.3	\$6,062.3	\$5,279.0	\$455.0	8.6%	1.1x	13.3x
Comfort Systems USA, Inc.	\$99.71	91.5%	\$3,555.8	\$4,027.0	\$3,593.1	\$324.1	9.0%	1.1x	12.4x
EMCOR Group, Inc.	\$117.34	86.3%	\$5,790.5	\$6,079.6	\$10,461.8	\$632.6	6.0%	0.6x	9.6x
IES Holdings, Inc.	\$28.14	50.3%	\$577.1	\$727.1	\$2,033.2	\$104.7	5.2%	0.4x	6.9x
Limbach Holdings, Inc.	\$7.21	78.0%	\$75.3	\$107.8	\$486.9	\$26.5	5.4%	0.2x	4.1x
Tutor Perini Corporation	\$5.87	37.5%	\$301.5	\$1,018.9	\$4,028.2	\$180.0	4.5%	0.3x	5.7x
Mean							6.5%	0.6x	8.7x
Median							5.7%	0.5x	8.3x
Harmonic Mean							6.0%	0.4x	7.3x

EV = enterprise value; LTM = last twelve months
\$ in millions, except per share data

Last Twelve Month Margin Performance



Capstone's HVACR Services Index Value Growth Outpaces S&P 500 in the Last Three Years



Source: Capital IQ as of September 28, 2022



BUYER UNIVERSE

Capstone has built relationships with and tracked buyers that have been highly acquisitive in the HVACR sector, particularly those that have completed notable transactions in the Services subsector. Capstone’s sector experience and vast network provide unique insights into this buyer universe and growth drivers for companies operating in the space.

Leading Strategic Buyers



Leading Financial Buyers



Source: Capstone Partners

HVACR SERVICES REPORT CONTRIBUTORS



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Ted is a Managing Director at Capstone Partners. Prior to joining Capstone in 2010, Ted ran the corporate finance practice in the Central region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. He has over 25 years of experience working with businesses across a variety of industries and has a focused interest in working with businesses in the HVACR industry and adjacent markets. Early in his career, Mr. Polk also provided valuation advisory services for an entity now owned by Duff & Phelps and was a lender to the Utility industry in the Corporate Banking Group at The Bank of New York and its predecessor Irving Trust Company.

Ted is an active public speaker on the topic of business exits and recapitalizations of privately owned businesses and is a frequent recipient of industry awards for his advisory services. In 2020, Ted was recognized by the Global M&A Network for his participation in both the Canadian Deal of the Year and the Aerospace and Defense Deal of the Year. He was similarly recognized in 2018 for his involvement in the USA Recapitalization Deal of the Year, in 2017 for his participation in the U.S. Corporate M&A Deal of the Year and in 2015 for USA Recapitalization Deal of The Year. Previously, he was also recognized by the M&A Advisor in 2016 for his role on the Professional Services Deal of the year and was also previously recognized by this organization for his role on transactions awarded the Middle-Market M&A Deal of the Year, the Middle-Market M&A Financing Deal of the Year and the Cross-Border Middle-Market Deal of the Year.



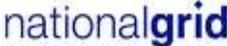
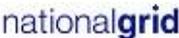
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FIRM TRACK RECORD

Capstone Partners has represented a diversified group of HVACR and infrastructure-related companies that serve both Residential and Commercial marketplaces. Our Industrials Group has an active market presence in the HVACR sector, allowing Capstone to provide HVACR companies with experienced, up-to-date market data and access to key decision makers among the sector’s most active acquirers and investors.

<p>CONFIDENTIAL</p> <p>IN MARKET</p> <p>Commercial & Industrial HVAC Services</p>	<p> Eaglestone</p> <p>HAS RECEIVED DEBT FINANCING FROM</p> <p></p>	<p> nationalgrid</p> <p>HAS DIVESTED</p> <p></p>	<p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p> <p>EAGLESTONE, LLC A PORTFOLIO COMPANY OF</p> <p></p>
<p> SCFS Mechanical - Electrical - Plumbing</p> <p>HAS BEEN ACQUIRED BY</p> <p> Service Logic</p> <p>Building Efficiency and Sustainability A PORTFOLIO COMPANY OF</p> <p></p>	<p> PETILLO INCORPORATED</p> <p>HAS BEEN ACQUIRED BY</p> <p></p>	<p> SEDARU</p> <p>HAS BEEN ACQUIRED BY</p> <p></p>	<p> POWRMATIC</p> <p>A portfolio of</p> <p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p>
<p> nationalgrid</p> <p>HAS DIVESTED Metro Energy</p> <p>TO</p> <p></p>	<p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p> <p>backed by </p>	<p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p>	<p></p> <p>a portfolio company of</p> <p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p> <p>BRANFORD CASTLE PARTNERS</p>
<p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p>	<p></p> <p>HAS ACQUIRED</p> <p></p>	<p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p>	<p></p> <p>HAS RECAPITALIZED WITH</p> <p></p>

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Disclosure

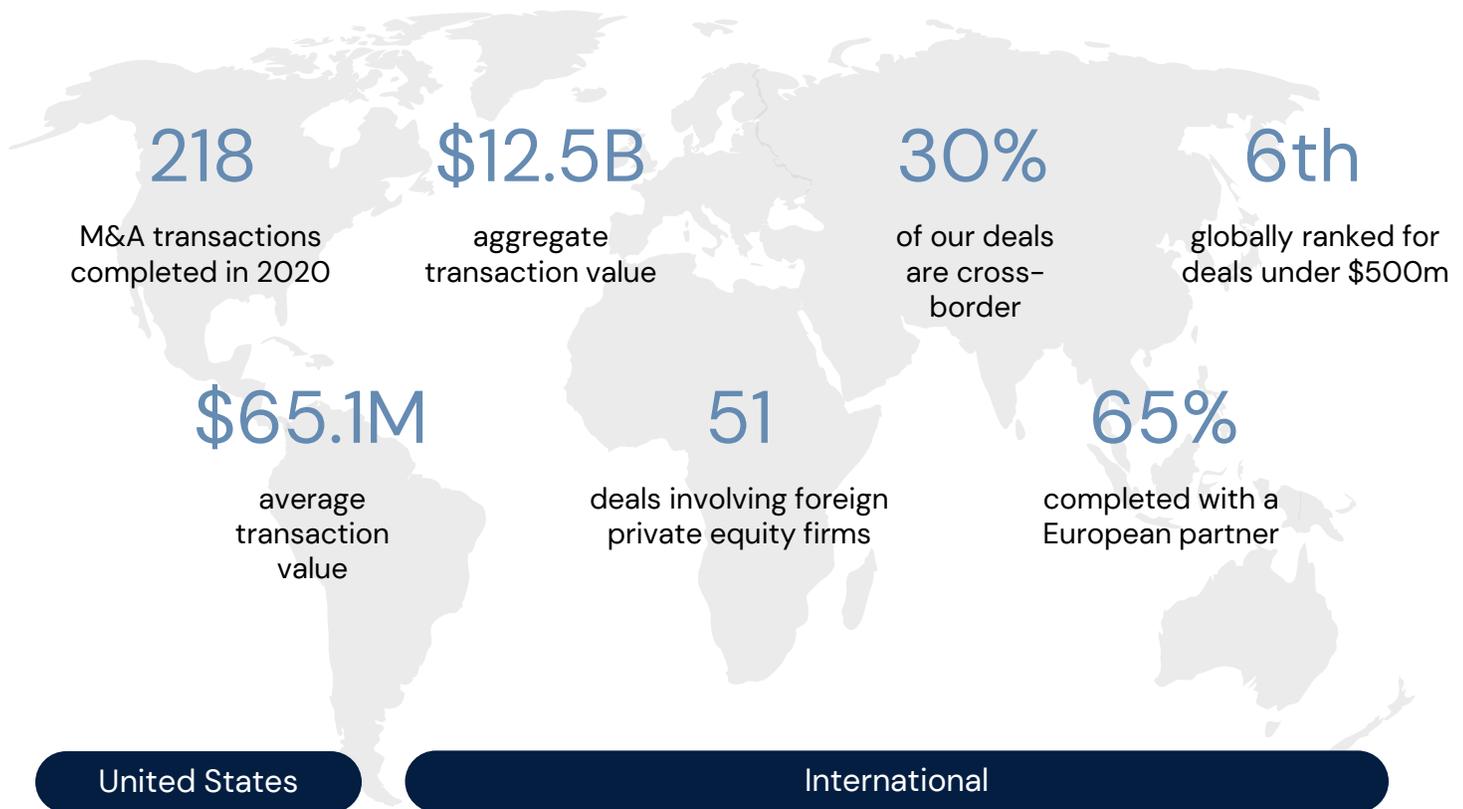
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