

# STRATEGIC BUYERS REMAIN ACTIVE AS SECULAR TAILWINDS SUPPORT SECTOR RESILIENCE

HVAC EQUIPMENT SECTOR UPDATE | OCTOBER 2023



**CAPSTONE  
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# HVAC Equipment

## Strategic Buyers Remain Active As Secular Tailwinds Support Sector Resilience

### KEY SECTOR TAKEAWAYS

Capstone Partners' Industrials Group is pleased to share its Heating, Ventilation, Air Conditioning (HVAC) Equipment report. Despite a slowdown in dealmaking across the broader merger and acquisition (M&A) market, the sector has continued to garner strong buyer appetite to-date in 2023. Public companies have played a leading role in sector consolidation, seeking strategic acquisitions to meet the demands of the evolving sector. Capstone remains an active sell-side advisor to business owners in both the HVAC Equipment and Services spaces and has identified several key takeaways outlined below.

1. Government policy has propelled demand year-over-year (YOY) for new equipment upgrades as leading companies have experienced a surge in order volume.
2. Sector participants operating in niche markets with diversified offerings are poised to attract substantial M&A interest.
3. Project backlogs have strengthened, and materials lead times have declined as supply chain troubles have cooled.
4. Strategics in the sector have leveraged healthy balance sheets and consistent cash flows to expand global reach and product diversification.
5. Strategic buyers have accounted for 79% of deal activity year-to-date (YTD) while private equity (PE) firms have largely waited on the sidelines for greater economic transparency.
6. This is truly a global industry, with a significant amount of acquisition activity this year initiated by foreign buyers, particularly European companies.

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## RENEWED STRATEGIES PROPEL THE HVAC EQUIPMENT SECTOR

The HVAC Equipment sector has proven its resilience amid recent economic volatility, supported by a renewed focus on cost saving energy strategies, the continued shift from analog to digital equipment, and the government's growing support for environmentally-friendly HVAC solutions. Leading public company players have continued to utilize M&A to adapt to these evolving sector demands, which is expected to spur steady transaction activity in the near-term.

Healthy backlogs and strong revenue visibility have contributed to the robust returns achieved by sector players in public markets. Notably, Capstone's HVAC Equipment index has strongly outperformed the S&P 500 Industrials index and broader S&P 500 index through YTD, garnering returns of 19.9% compared to 6.9% and 14.4% in the S&P Industrials and S&P 500, respectively. In particular, Lennox International's (NYSE:LII) share price has grown 48.2% YTD as operating cash flow doubled in Q2 and margins expanded, according to a recent earnings report.<sup>1</sup> In addition, Modine Manufacturing (NYSE:MOD) has seen its share price rise 123% YTD with its cooling solutions for high-performance computing deployed for use in artificial intelligence (AI) and adjacent applications. Top sector players such as AAON (Nasdaq:AAON) and Modine have reported increased demand for products, evidenced by YOY revenue growth of 36% and 15%, respectively, according to their most recent earnings transcripts.<sup>2,3</sup> In addition, AAON noted that organic unit volume grew 16% quarter-over-quarter (QoQ) in Q2, marking its sixth straight quarter of record production. Modine also reported a strong backlog and elevated order volume in data sales in fiscal year (FY) Q1 2024, representing nearly 60% growth YOY, according to its most recent earnings call.

Residential and Commercial end markets have been volatile as high interest rates and a tightened lending environment have challenged market participants. However, optimism in the housing market has been represented by 4.1% growth in construction starts from July 2022 to July 2023 while project visibility in the Commercial segment has remained robust, according to Dodge Construction Network.<sup>4</sup> Notably, commercial backlog levels for new projects grew to 9.5 months in August 2023, a healthy improvement from 9.1 months in the prior year, according to Associated Builders and Contractors (ABC).<sup>5</sup>



**Ted Polk**  
Managing Director,  
Co-Head of Industrials

*"We are witnessing strong market interest in acquiring HVAC equipment companies with proprietary technology and strong niche market positions."*

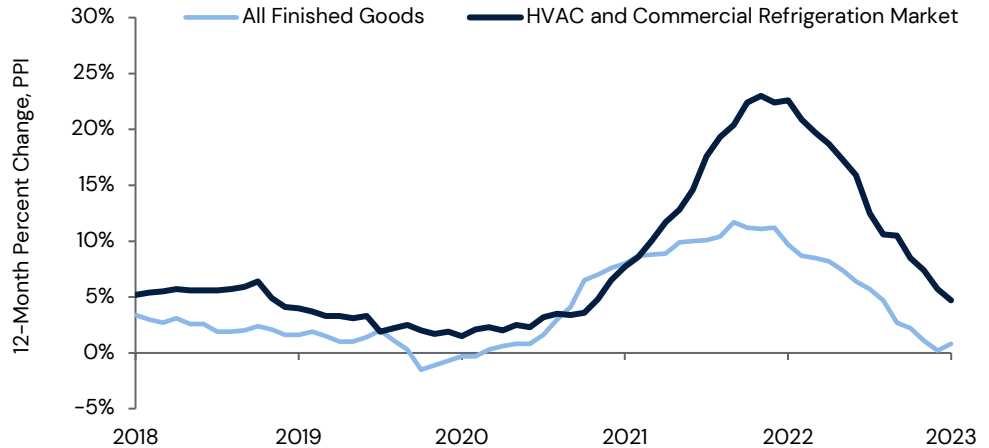
Tax breaks for customers seeking greener HVAC equipment have boosted demand for efficient solutions, which has made upgrades more affordable for consumers at no expense to the manufacturers. The Inflation Reduction Act's energy efficient home improvement tax credit (25C) will provide a 30% tax credit for installation costs and up to \$3,200 in annual credits for equipment purchases, according to the Internal Revenue Service (IRS).<sup>6</sup> While federal agencies have incentivized greener HVAC solutions, manufacturers have faced heightened regulatory requirements, including the 2023 implementation of a higher seasonal energy efficiency ratio (SEER rating). Increasingly stringent regulations have encouraged sector players to leverage inorganic growth to boost efficiency metrics.

Modine's acquisition of Napps Technology (July 2023) demonstrated a recent shift by leading sector players to make incremental improvements to HVAC equipment to meet sustainability and health standards. The acquisition included Napps' Jetson product portfolio, which provides high-quality HVAC solutions for commercial and industrial applications with a focus on K-12 classrooms. The deal underscores a sector trend of bootstrapping smaller companies and its products rather than developing their own. Modine has acquired a complementary product that is expected to enable the company to serve a broader range of customers and enhance its offerings, while being immediately revenue accretive (more information on the deal can be found on page 11).

## MACROECONOMIC BACKDROP

### Sector PPI Outperforms the Broader Market

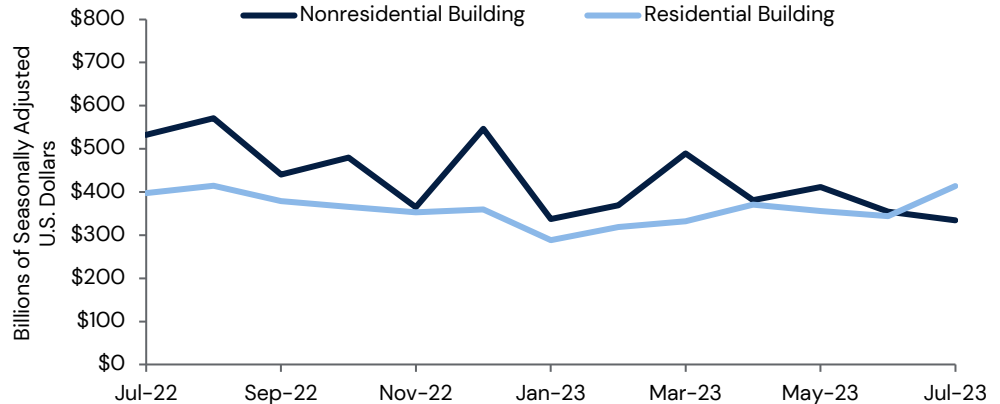
The HVAC and Commercial Refrigeration Producer Price Index (PPI) has increased 4.7% YTD versus 0.8% for the broader market. Manufacturers have commanded a larger value for their output, showcasing the sector's recession resilience.



Source: U.S. Bureau of Labor Statistics and Capstone Partners

### Construction Starts Improve But Remain Below 2022 Levels

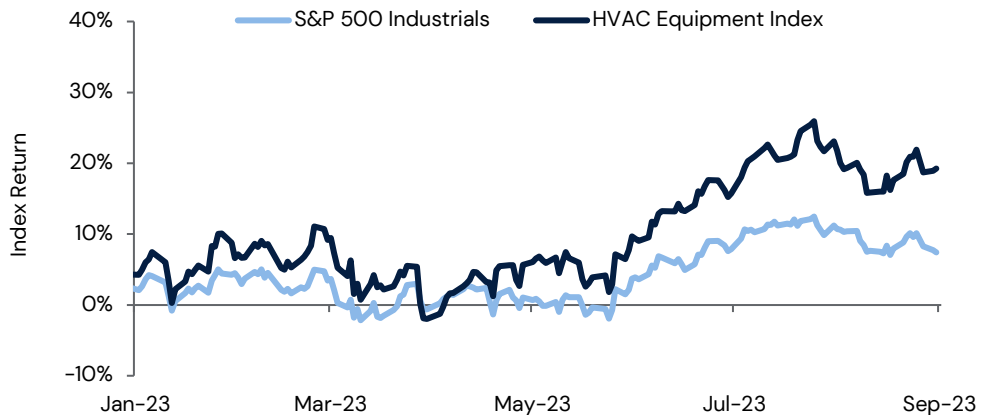
Nonresidential starts have been volatile, down 37.3% compared to July 2022, while Residential starts have seen an uptick of 4.1% since the same period last year and 43.4% growth from its trough in January 2023.



Source: Dodge Construction Network and Capstone Partners

### HVAC Equipment Index Outperforms Broader Industrials Sector

Capstone's HVAC Equipment index has strongly outperformed the S&P 500 Industrials index as public players have benefited from strong backlogs and positive secular trends.



HVAC Equipment Index includes: AAO, AOS, CARR, FERG, JCI, LII, MOD, SPXC, TT, WSO; Market Capitalization Weighted  
Source: Capital IQ and Capstone Partners

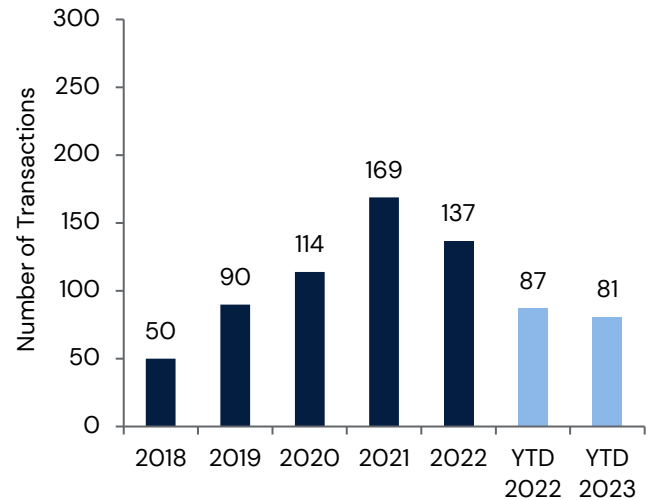
## M&A ACTIVITY REMAINS RESILIENT DESPITE BROADER MARKET DROP

M&A volume in the HVAC Equipment sector has demonstrated resilience through YTD 2023 with 81 transactions announced or completed, a modest 7% YOY decrease. Transaction activity in the space has significantly outperformed the broader M&A market which experienced a 24.8% YOY decline through Q2 (see [Capstone's Q2 2023 Capital Markets Update](#)). HVAC equipment providers have increasingly pursued inorganic growth to bolster product offerings, and add sustainable, energy efficient solutions. Achieving economies of scale, geographic penetration, and gaining operational synergies have also been key motivations for consolidation activity through YTD.

Total disclosed deal value has surged, reaching \$15.6 billion in YTD 2023, bolstered by Carrier's (NYSE:CARR) acquisition of Viessman for \$13.0 billion. This compares to \$1.4 billion in disclosed value in YTD 2022. Notably, 86.7% of all disclosed deal activity YTD has occurred in the middle market (less than \$500 million in enterprise value) compared to the prior period (90.4%). The average sector deal value in the middle market through YTD 2023 increased to \$133.7 million from \$100.7 million in YTD 2022.

Defensible gross margins and a high degree of revenue visibility have contributed to robust M&A pricing in the HVAC Equipment sector. M&A multiples in the HVAC Equipment space have averaged 14.3x EV/EBITDA from 2020 through YTD 2023, outperforming the broader Industrials industry average of 13.6x EV/EBITDA during the same period. The strong valuation environment has been evidenced by NIBE's (OM:NIBE B) acquisition of CFL Holding for an enterprise value of \$688.2 million, equivalent to 16.0x EV/EBITDA (June). The acquisition marks a combination of two companies with complementary product offerings and scalability.<sup>7</sup> The valuation for CFL Holding aligns with sector leaders in Capstone's HVAC Equipment Index who have traded at favorable valuations through YTD, averaging 16.6x EV/EBITDA. These strong public company trading multiples often bode well for M&A pricing and support the overall sector.

HVAC Equipment M&A Volume Stable



Year-to-date (YTD) ended August 24

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

### HVAC Equipment Valuation Analysis

Valuation Method	Average Revenue Multiple	Average EBITDA Multiple
HVAC Equipment M&A Transactions (2020-YTD)	2.0x	14.3x
Capstone's HVAC Equipment Public Company Index (LTM)	2.5x	16.6x
Industrials Industry M&A Transactions (2020-YTD)	2.8x	13.6x

Year-to-date (YTD) ended August 24

HVAC Equipment Index includes: AAON, AOS, CARR, FERG, JCI, LII, MOD, SPXC, TT, WSO

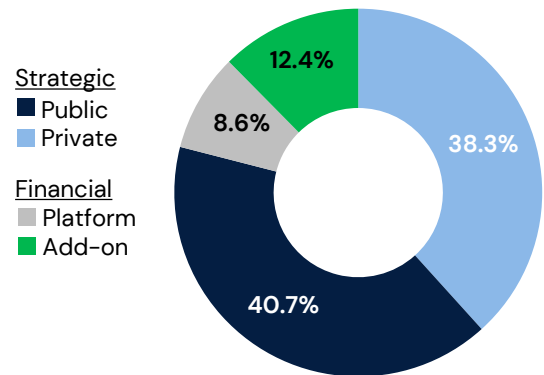
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

## STRATEGICS CONTINUE TO DRIVE M&A MARKET

Public companies have led sector consolidation, claiming 40.7% of M&A volume to-date compared to a previous five-year average of 29.1%. Private strategics have remained on pace with previous years, with both private and public players leveraging stable cash flows to find synergistic acquisitions at attractive multiples. Meanwhile, private equity buyers have pulled back amid a difficult leverage environment (45% decrease in the number of transactions YOY). However, select PE firms have continued to be drawn to the sector's predictable cash flows, low capital expenditures, and strong customer retention metrics. PE capital deployment was relatively muted in 2022, with sponsors comprising 29.9% of deal activity. PE activity has further retreated YTD as rising interest rates have caused financial buyers to be wary of acquisitions, which has contributed to the high concentration of strategic buyers through YTD. However, the vast reserves of PE dry powder (\$1.35 trillion globally) presents a favorable backdrop for future sponsor dealmaking upon a more normalized economic environment.

While financial buyers wait on the sidelines, public and private strategics have sought synergistic acquisitions to capture a greater market presence across the U.S. and adapt to the evolving regulatory landscape. The three largest players in the HVAC Equipment Manufacturing space: Carrier Global, Johnson Controls (NYSE:JCI), and Trane Technologies (NYSE:TT) accounted for more than 40% of total sector revenues in 2022, according to IBISWorld.<sup>8</sup> These leading players have been active consolidators through YTD 2023. The backlog for M&A activity has remained healthy, which points to strong dealmaking activity through year-end and into 2024. Notably, Trane has deployed \$535 million YTD for bolt-on technology acquisitions and equity investments, citing an active M&A pipeline, according to its earnings transcript.<sup>9</sup> Trane plans to double its deployed capital by the end of the year, adding to its acquisitions of Helmer Scientific and MTA in 2023. The strategy aligns with its balanced approach to improve long-term shareholder returns and share repurchases, a common theme among sector peers. The M&A market will likely remain active as public and private strategics look towards inorganic growth to achieve near- and long-term expansion.

### Public Companies Claim Largest Share of Buyer Activity Year-to-Date



### Leading Public Companies Continue to Consolidate Sector in 2023

Buyer	Target	Enterprise Value (mm)
	Viessmann	\$13,001.0
	SPH Controls	Undisclosed
	Logical Electric and Service Solutions	Undisclosed
	Daesung Maref	Undisclosed
	CONDEX	Undisclosed
	CFD	Undisclosed
	Daeseung Maref	Undisclosed
	M&M Carnot	Undisclosed
	Hybrid Energy	Undisclosed
	Gordon	Undisclosed
	FM:Systems	\$445.0
	ASPEQ	\$418.0
	TAMCO	\$125.0
	Helmer Scientific	Undisclosed
	MTA	Undisclosed

Year-to-date (YTD) ended August 24  
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners



## BEIJER REF DEMONSTRATES DEFENSIBILITY

# BEIJER REF

**Company Description:** Founded in 1866, Swedish HVAC wholesaler, Beijer Ref, is a global leader in the supply of cooling technology, with business operations in Europe, North America, Africa, Asian, and Oceania. In FY Q2 2023, Beijer Ref reported revenues of \$818.1 million, a strong increase of 46%, meanwhile margins were a robust 11.7%, according to its recent earnings report.<sup>10</sup>

Beijer Ref has been relatively insulated from economic cycles with healthy exposure to a business mix of commercial and residential products. Foreign exchange has been favorable and was accretive to a 64% EBITDA growth in Q2. Europe, Middle East, and Africa (EMEA) regions has seen continued growth in both geographic expansion and product and service offerings, meanwhile, the original equipment manufacturing (OEM) segment has demonstrated strength in Asia-Pacific (APAC) where it retains product exclusivity. Beijer Ref has continued its trend of destocking, using Q1 and Q2 to order from suppliers and 2H 2023 to bolster cash flow that has declined YOY (\$18.1 million in Q2 versus \$32.6 million in Q2 2022). Maintenance and repair has been dominant in the U.S. market, with pent-up demand for aging equipment expected to come to fruition.

**Acquisition Strategy:** Beijer Ref has been an active acquirer in the space, with three acquisitions announced or completed through FY Q2 2023. The company's organic revenue experienced a modest 2% QoQ increase, with M&A-derived revenue having been the biggest driver for a 46% QoQ growth. The company has continued to gain market share from competitors through geographic and capability acquisitions. The breadth of geographical reach and product diversification has established Beijer Ref as a leading player, insulated from regional cyclicity. Additional bolt-on acquisitions are expected to continue to supplement the HVAC player, demonstrated by the recently announced deals of CONDEX (April 2023, Undisclosed), CFD (June 2023, Undisclosed), and DS Maref (July 2023, Undisclosed), that has allowed Beijer Ref to build its Bulgarian business, gain a stronger foothold in France, and enter the South Korean market, according to its recent earnings report.

“Acquisition continues to do well and adding a lot of value for us. And as I said, we closed four down and we expect an active Q3 and Q4 as well, both in Europe, APAC and especially in the US, which is very exciting for us.”

**Christopher Norbye**  
CEO, Beijer Ref  
Q2 Earnings Call

**Ticker:** OM:BEIJ B

**Headquarters:** Malmö, Sweden

**Markets:** Trading Companies and Distributors

**LTM Revenue:** \$2.5 Billion

**Market Capitalization:** \$5.3 Billion

### Share Price Performance



Source: Capital IQ and Capstone Partners

## JOHNSON CONTROLS EXHIBITS HEALTHY ACQUISITION APPETITE



**Company Description:** Johnson Controls has capitalized on strong demand and the ability to service orders, leveraging its effective supply chain positioning. Orders grew 20% in its sustainable infrastructure (SI) segment and 8% in their Global Products (GP) business QoQ, according to their earnings transcript.<sup>11</sup> The company reported a 7.8% quarterly YOY increase in revenue meanwhile backlog ended the quarter up 8% to \$12 billion, and margins remained flat. Order momentum is expected to continue through Q4 driven by a strong pipeline of opportunities, and double-digit growth in shorter cycle GP businesses.

Johnson Controls has experienced a 1.3% EBITDA margin expansion, and 21% adjusted earnings per share (EPS) growth over the past quarter. The company expects to achieve full year 2023 revenues of \$27 billion with total orders experiencing 8% QoQ growth in Q3. The company has attributed its robust EBITDA margin expansion to price increases being implemented to offset inflation into 2024 with manufacturing ramp-up costs also resulting in higher conversion costs. Gross margins remained flat in the Global Products business, which represents 37% of all revenue.

**Acquisition Strategy:** The strategic acquisitions of M&M Carnot (June 2023, undisclosed) and FM:Systems (July 2023, \$610 million) have added essential capabilities to current product offerings. M&M Carnot is a leading provider of natural refrigerant solutions with ultra-low global warming potential (GWP) helping customers meet sustainability goals while exceeding government regulations. FM:Systems, a leader in integrated workplace management systems (IWMS), adds complementary cloud-based Software-as-a-Service (SaaS) to Johnson Control's leading OpenBlue digital software portfolio. Earlier in the year, Johnson Controls purchased Hybrid Energy AS, a Norwegian provider of high-end hybrid heat pumps that reduces carbon footprint and operating costs through higher efficiencies and Gordon Brothers Industries, Australia's largest industrial refrigeration solutions provider. The acquisitions are in line with Johnson Controls' commitment to the environment and geographical synergies.

*“Climate change is a defining theme of this century. With nearly 40% of emissions coming from buildings, we have the technology and the people to turn buildings from one of the greatest challenges into one of the biggest and best solutions.”*

**George R. Oliver**  
CEO, Johnson Controls  
Q3 Earnings Call

**Ticker:** NYSE:JCI

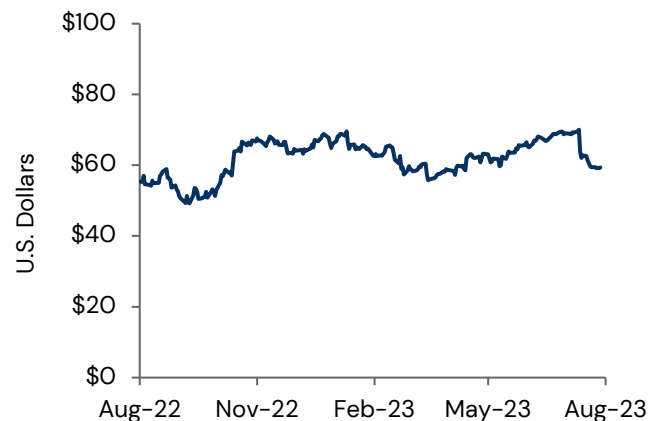
**Headquarters:** Cork, Ireland

**Markets:** Building Products

**LTM Revenue:** \$26.6 Billion

**Market Capitalization:** \$40.3 Billion

### Share Price Performance



Source: Capital IQ and Capstone Partners

## NOTABLE TRANSACTIONS



Acquires



Modine acquired Napps Technology and the Jetson brand (July). Modine, a diversified global leader in innovative thermal management and ventilation solutions, adds the Texas based manufacturer of air-and water-cooled chillers, condensing units and heat pumps for the K-12 school to its product portfolio.

The acquisition is in line with Modine's growth strategy to provide differentiated technologies and systems that help customers address real-world concerns, such as IAQ in schools. Revenues generated from the deal are estimated to be immediately accretive to revenue this year and are expected to scale in the next two years, according to a press release.<sup>12</sup> "This acquisition demonstrates our commitment to responsibly investing in key verticals where our objective is to grow faster than the market," stated Modine CEO, Neil D. Brinker in a press release.



To Acquire



In April 2023, Carrier Global announced its acquisition of Viessmann Climate Solutions, the largest segment of Viessmann Group and manufacturer of low-emission industrial HVAC systems for \$13.0 billion in a cash and stock deal, equivalent to a 13.0x EV/EBITDA multiple (April). The deal is expected to drive over \$200 million in synergies as a sector leader among HVAC Equipment players, in the deal's press release.<sup>13</sup> The deal has marked an overhaul of Carrier's Fire & Security business and exit of the Commercial Refrigeration business over the course of 2024 to further focus on key megatrends and strategies.

"Climate change, sustainability requirements and geopolitical factors are driving an unprecedented energy transition in Europe. Accelerated by government regulations and incentives, the transition creates a significant, long-term growth opportunity. Viessmann Climate Solutions is uniquely positioned to capitalize on this opportunity with its premier brand, highly differentiated distribution channel and innovative product offerings. With 70% of its business consisting of heat pumps and related accessories, solar PV, batteries and services, Viessmann Climate Solutions is a critical leader in Europe's energy transition," commented Carrier Chairman & CEO David Gitlin in the deal press release.



Acquires



Leading industrial technology provider Acuity Brands (NYSE:AYI) acquired KE2 Therm Solutions for an undisclosed value (April). KE2 Therm Solutions develops and provides intelligent refrigeration control solutions that increase system efficiency and decrease operational and service costs to bolster profits. Headquartered in Atlanta, Georgia, Acuity has operations across North America, Europe, and Asia and specializes in Acuity Brands Lighting and Lighting Controls (ABL) and the Intelligent Spaces Group (ISG).

"We will expand into the commercial refrigeration controls market as it transitions from analog to digital controls," said Peter Han, President of ISG, according to a press release.<sup>14</sup> In its most recent Q2 2023 release, the ISG segment's net sales grew 16.4% and adjusted operating profit margin increased by 740 basis points YOY.



## SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV/LTM Revenue	EBITDA
08/10/23	Cold Box	WillScot Mobile (Nasdaq:WSC)	Offers cold boxes and refrigeration systems.	-	-	-
08/03/23	IcyBreeze Cooling	Solo Brands (NYSE:DTC)	Develops portable air conditioners and coolers.	\$30.0	-	-
08/02/23	Bruce Supply	Ferguson (NYSE:FERG)	Operates as a plumbing distributor.	-	-	-
08/02/23	Provident Energy	Northleaf Capital Partners	Supplies HVAC systems, and installs energy management and monitoring systems.	-	-	-
08/01/23	Trade-Wind	The Middleby (Nasdaq:MIDD)	Manufactures ventilation products for indoor and outdoor residential use.	-	-	-
07/19/23	Innovative Heating Technologies	Decisive Dividend (TSXV:DE)	Provides energy efficient heating solutions.	\$19.4	1.6x	5.0x
07/18/23	BMIL Technologies	Viessmann Refrigeration	Manufactures cold rooms and refrigeration equipment.	-	-	-
07/06/23	Napps Technology	Modine (NYSE:MOD)	Distributes reliable, and commercial HVAC products.	-	-	-
06/24/23	ENEXIO	BGR Energy Systems (BSE:532930)	Manufactures power cooling systems.	-	-	-
06/21/23	M&M Refrigeration	Johnson Controls (NYSE:JCI)	Manufactures industrial refrigeration equipment.	-	-	-
06/16/23	L&M Radiator	Westinghouse Air Brake (NYSE:WAB)	Manufactures industrial radiators and heat exchangers.	\$230.0	-	-
06/12/23	CFL Holding	NIBE Industrier (OM:NIBE B)	Manufactures HVAC and control engineering solutions.	\$688.2	2.9x	16.0x
06/12/23	Howden Group	Ingersoll Rand (NYSE:IR)	Manufactures air and gas handling equipment.	\$300.0	-	-
06/06/23	S. G. Torrice	Ferguson (NYSE:FERG)	Distributes heating and cooling equipment, parts, and accessories.	-	-	-
06/01/23	CFD	Beijer Ref (OM:BEIJ B)	Distributes heat pumps, geothermal energy products, and HVAC components.	-	-	-
05/30/23	Wasco Holding	Rexel (ENXTPA:RXL)	Distributes plumbing and heating equipment.	\$519.9	0.9x	-
05/04/23	M.T.A.	Trane Technologies (NYSE:TT)	Sells equipment for the treatment of compressed gases, industrial refrigeration, and air conditioning.	-	-	-
04/30/23	ASPEQ Heating	SPX Technologies (NYSE:SPXC)	Manufactures electric heating and thermal management equipment.	\$417.0	3.5x	-
04/25/23	Viessmann Climate Solutions	Carrier Global (NYSE:CARR)	Manufactures HVAC products.	\$13,001.0	13.0x	-
04/14/23	KE2 Therm	Acuity Brands (NYSE:AYI)	Develops refrigeration controllers.	-	-	-
Mean				\$1,923.0	4.4x	10.5x
Median				\$358.5	2.9x	10.5x

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

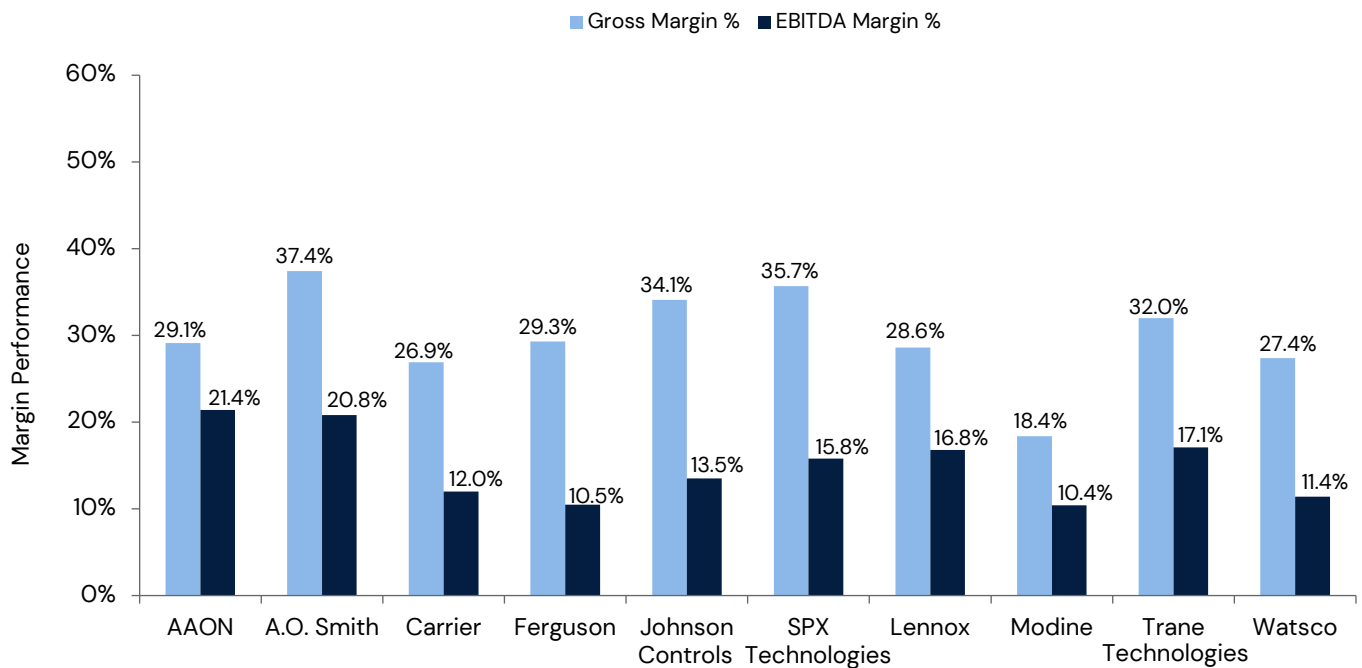


## PUBLIC COMPANY DATA

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	08/28/23	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
AAON, Inc.	\$60.70	85.0%	\$4,953.7	\$5,034.6	\$1,047.1	\$223.7	21.4%	4.8x	22.5x
A. O. Smith Corporation	\$69.75	90.6%	\$10,496.7	\$10,327.9	\$3,737.5	\$776.2	20.8%	2.8x	13.3x
Carrier Global Corporation	\$55.02	91.6%	\$46,086.3	\$52,470.3	\$21,821.0	\$2,623.0	12.0%	2.4x	20.0x
Ferguson plc	\$156.30	95.4%	\$31,808.5	\$36,415.5	\$29,867.0	\$3,146.0	10.5%	1.2x	11.6x
Johnson Controls International plc	\$58.53	83.1%	\$39,819.1	\$51,097.1	\$26,612.0	\$3,600.0	13.5%	1.9x	14.2x
SPX Technologies, Inc.	\$78.49	85.4%	\$3,578.4	\$4,157.9	\$1,622.9	\$256.6	15.8%	2.6x	16.2x
Lennox International Inc.	\$360.72	94.3%	\$12,810.7	\$14,553.9	\$4,799.4	\$807.6	16.8%	3.0x	18.0x
Modine Manufacturing Company	\$45.22	95.2%	\$2,364.2	\$2,695.1	\$2,379.3	\$246.8	10.4%	1.1x	10.9x
Trane Technologies plc	\$202.58	96.8%	\$46,268.8	\$50,650.4	\$16,816.4	\$2,872.6	17.1%	3.0x	17.6x
Watsco, Inc.	\$349.65	91.1%	\$12,851.1	\$13,797.9	\$7,170.7	\$816.2	11.4%	1.9x	16.9x
<b>Mean</b>							<b>15.0%</b>	<b>2.5x</b>	<b>16.1x</b>
<b>Median</b>							<b>14.7%</b>	<b>2.5x</b>	<b>16.6x</b>
<b>Harmonic Mean</b>							<b>14.0%</b>	<b>2.1x</b>	<b>15.4x</b>

EV = enterprise value; LTM = last twelve months  
 \$ in millions, except per share data  
 NM = Not Meaningful

### Last Twelve Month Margin Performance



Source: Capital IQ and Capstone Partners as of August 28, 2023

## BUYER UNIVERSE

Capstone has built relationships with and tracked buyers that have been highly acquisitive in the HVAC sector, particularly those that have completed notable transactions in the Equipment 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



## HVAC EQUIPMENT 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 industrial and tech-enabled markets and has focused interest in working with HVAC and energy management related businesses. 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. Ted was recognized by the Global M&A Network for his participation in both the Canadian Deal of the Year in 2022 and the Aerospace and Defense Deal of the Year in 2021. 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 HVAC and infrastructure-related companies that serve both Residential and Commercial marketplaces. Our [Industrials Group](#) has an active market presence in the HVAC sector, allowing Capstone to provide HVAC companies with experienced, up-to-date market data and access to key decision makers among the sector's most active acquirers and investors.

<p><b>CONFIDENTIAL</b></p> <p>IN CLOSING</p> <p>MANUFACTURER OF ENVIRONMENTAL CONTROL SYSTEMS</p>	<p> Eaglestone</p> <p>HAS RECEIVED DEBT FINANCING FROM</p> <p>BMO  Harris Bank</p>	<p> nationalgrid</p> <p>HAS DIVESTED</p> <p> VAMCO Water Heater Rentals</p>	<p> COMMONWEALTH ELECTRICAL TECHNOLOGIES</p> <p>HAS BEEN ACQUIRED BY</p> <p> EAGLESTONE, LLC A PORTFOLIO COMPANY OF  Aterian INVESTMENT PARTNERS</p>
<p> SCFS Mechanical - Electrical - Plumbing</p> <p>HAS BEEN ACQUIRED BY</p> <p> ServiceLogic Building Efficiency and Sustainability A PORTFOLIO COMPANY OF  LEONARD GREEN &amp; PARTNERS</p>	<p> PETILLO INCORPORATED</p> <p>HAS BEEN ACQUIRED BY</p> <p> STERLING INNOVATION IN INFRASTRUCTURE</p>	<p> SEDARU</p> <p>HAS BEEN ACQUIRED BY</p> <p> DANAHER</p>	<p> POWRMATIC A portfolio of  STAMM INTERNATIONAL Defining complete climate control solutions worldwide</p> <p>HAS BEEN ACQUIRED BY</p> <p> GROUPE DESCHÊNES</p>
<p> nationalgrid</p> <p>HAS DIVESTED Metro Energy</p> <p>TO</p> <p> MUSS DEVELOPMENT LLC</p>	<p> ROGERS MECHANICAL CONTRACTORS, INC.</p> <p>HAS BEEN ACQUIRED BY</p> <p> CRAFT WORK CAPITAL backed by  Aterian INVESTMENT PARTNERS</p>	<p> THERM-X The Temperature Control Experts</p> <p>HAS BEEN ACQUIRED BY</p> <p> NIBE</p>	<p> ABC a portfolio company of  CIDCAPITAL</p> <p>HAS BEEN ACQUIRED BY</p> <p> BRANFORD CASTLE PARTNERS</p>
<p> TAYLOR CONSULTING &amp; CONTRACTING</p> <p>HAS BEEN ACQUIRED BY</p> <p> Albireo Energy Partnering for Success</p>	<p> BDR THERMEA</p> <p>HAS ACQUIRED</p> <p> ECR international A Family of Heating &amp; Cooling Brands.</p>	<p> FRIEDRICH 1883</p> <p>HAS BEEN ACQUIRED BY</p> <p> Corinthian Capital</p>	<p> VAPOR POWER INTERNATIONAL</p> <p>HAS RECAPITALIZED WITH</p> <p> Stone Pointe, LLC</p>



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# CAPSTONE PARTNERS

## Market Presence

With a long-established U.S. footprint, together with an international partner platform, we provide clients with broad expertise and access to key market relationships on a global basis. Our presence is backed by ~200 professionals in the U.S. with 450+ partners across 41 countries.

