



Metronome Partners is pleased to present a market update and overview of the Heating, Ventilation, Air Conditioning, and Refrigeration (“HVACR”) sector. With several prominent transactions completed and relationships with key players, our firm is uniquely positioned to leverage our deep sector insights and experience to help you navigate the industry’s evolving landscape.

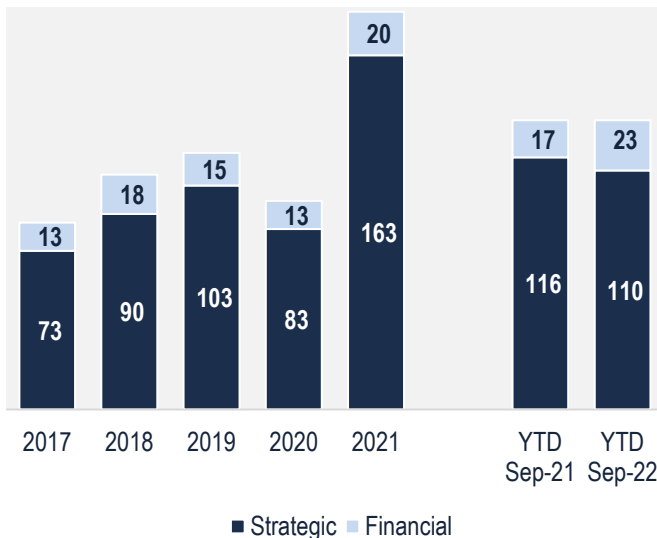
M&A Market Update: North American HVACR

The HVACR sector has emerged as one of the most active M&A markets over the last several years as investors have sought to consolidate the highly fragmented industry. Despite recent macroeconomic volatility, the HVACR industry has shined as a bright spot in the M&A market given its largely recession-resistant recurring revenue model, impressive growth rates, and opportunity for consolidation. With a variety of private equity-backed HVACR portfolio companies looking to expand their service offerings, geographic coverage, and technician density, HVACR operators are highly coveted assets and continue to receive attractive valuations.

The HVACR industry was uniquely positioned to weather the challenges presented by COVID-19, as a focus on indoor air-quality and additional time spent at home drove increased spending on HVAC system installations, upgrades, and services. While COVID led to increased demand for HVACR services, the industry was not immune to labor shortages and global supply chain disruptions, which created challenges in meeting customer demand. HVACR manufacturers, distributors, and service providers have had to adapt to these changing realities, often overbuying inventory when available and providing various incentives to employees to meet labor needs.

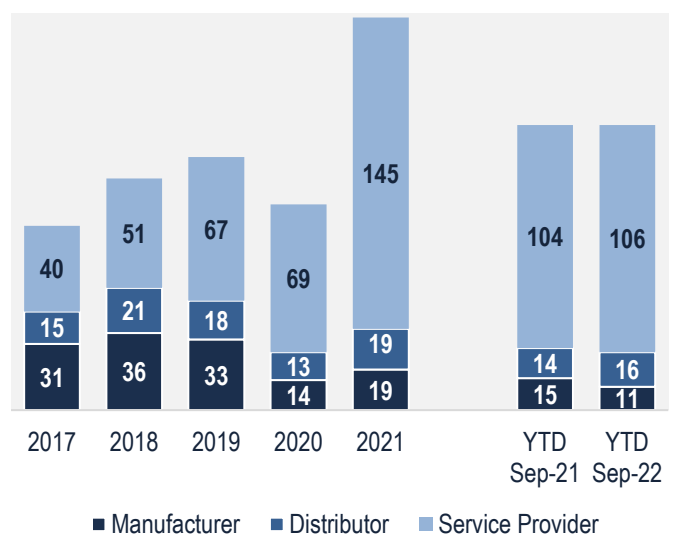
Despite concerns over a potential recession, the HVACR sector continues to perform well, and M&A activity remains robust. Strategic and financial acquirors remain highly active as operators have continued to perform well through the various economic headwinds of the last three years. The HVACR industry has established itself as more resistant to recessionary pressures than industries primarily reliant on discretionary spending, as the time-sensitive and critical nature of the work makes the majority of residential and commercial HVACR spending non-discretionary.

HVACR Transactions by Buyer Type ⁽¹⁾



(1): Strategic acquirors include sponsor-backed HVACR platform companies

HVACR Transactions by Segment ⁽²⁾



(2): Segments are designated by the target company’s primary activity



Mergers & Acquisitions

Capital Raising

Strategic Advisory

Select Transactions by Industry Segment

Manufacturers

Announced	Target	Acquirer
07/29/2022	RoboVent, Inc.	Nederman Holding AB (OM:NMAN)
07/19/2022	Wholesale Sheet Metal, Inc./Pile Protection Tops	Munch's Supply LLC. (Genstar Capital)
07/19/2022	Solar Products, Inc.	ASPEQ Heating Group LLC (Industrial Growth Partners)
05/31/2022	Powerblanket (Glacier Capital)	Thermon Group Holdings, Inc. (NYSE:THR)
05/27/2022	Thermogenics Inc. (Ironbridge Equity)	Audax Private Equity
04/14/2022	AirCare Automation, Inc.	Falx Capital LLC
04/05/2022	SPX FLOW, Inc.	Lone Star Americas Acquisitions, Inc.
02/22/2022	Systèmes LMP Inc.	EVAPCO, Inc.
02/22/2022	Airia Brands Inc.	Zehnder Group AG (SWX:ZEHN)
01/20/2022	Transom Corporation	Mestek Canada, Inc.

Notable Transactions



Acquires

Mestek Inc., a manufacturer of specialty HVAC systems, has acquired Transom Corp., a designer and manufacturer of heat pumps to enhance the Company's position in the North American heat pump market

Distributors

Announced	Target	Acquirer
09/01/2022	Western Steel & Plumbing, Inc.	Dakota Supply Group, Inc.
08/29/2022	Controlled Temp Supply, LLC	Ed's Supply Company, Inc. (Gryphon Investors)
08/17/2022	Sealed Unit Parts Co., Inc.	NSi Industries, LLC (Odyssey Investment Partners)
08/13/2022	Proctor Sales Inc.	AH Equity Investments
07/19/2022	Rycor Hvac LLC	HOP Energy, LLC (Delos Capital, ShoreVest Capital)
05/26/2022	N.B. Handy Company, Inc.	Industrial Opportunity Partners, LLC
05/02/2022	CCOM Group, Inc.	Daikin Comfort Technologies North America, Inc.
04/25/2022	Ed's Supply Company Inc.	Heritage Distribution Holdings (Gryphon Investors)
04/13/2022	System Aire Supply Co., Inc. / Control-Aire Supply Co.	Munch's Supply LLC. (Genstar Capital)
02/15/2022	Benoist Brothers Supply Company	Gryphon Investors Inc
01/12/2022	ThermalNetics, Inc./Tristate Hvac Equipment, Llp	Daikin Applied Americas Inc.
01/11/2022	Munch's Supply (Ridgemont Equity)	Marcone (Genstar Capital)



Acquires



Ed's Supply Company, an HVACR distributor and portfolio company of Gryphon Investors, has acquired Controlled Temp Supply, a wholesale distributor of HVACR equipment, parts, and supplies to residential and commercial customers

Service Providers

Announced	Target	Acquirer
09/23/2022	Allied Service Group LLC	Tech24 (HCI Equity)
09/14/2022	AC Corporation	Crete Mechanical Group, Inc. (Ridgemont Equity)
09/01/2022	Comfort Zone Heating & Air Conditioning	MechCan Inc.
09/01/2022	Alliance Plumbing Service & Repair, Inc.	Shadow Lake Partners
09/01/2022	Yost & Campbell Heating, Cooling and Generators LLC	Granite Comfort LP (Tiger Infrastructure Partners)
08/30/2022	Irvine Mechanical, Inc.	Thermal Concepts LLC (Trivest, Halmos Capital)
08/24/2022	Pueblo Mechanical & Controls, LLC (Huron Capital)	OMERS Private Equity
08/18/2022	CM Heating	Air Pros, LLC (Peak Rock Capital)
08/17/2022	NearU Services	Freeman Spogli Management Co., L.P.
08/15/2022	McWilliams & Son, Inc.	Percheron Investment Management, LP
08/15/2022	Stay Cool Air Conditioning & Heating, LLC	Southeastern Home Services
08/12/2022	Pat's Heating & Air Conditioning, Inc.	Heartland Home Services, Inc. (The Jordan Company, Copeba)
08/12/2022	Mechanical Services, Inc.	PremiStar, LLC (Partners Group)
08/09/2022	Pro Tech Services	Air Conditioning Specialist, Inc. (Hidden Harbor Capital Partners)
08/02/2022	Superior Service	Wrench Group, LLC (Leonard Green & Partners)



Acquires



Omers Private Equity has acquired Pueblo Mechanical & Controls Inc., a leading provider of HVAC and plumbing installation, retrofit, and repair services, from Huron Capital to serve as a new platform in the HVAC services space



Mergers & Acquisitions

Capital Raising

Strategic Advisory

Select Transactions by Industry Segment (Cont.)

Service Providers (Cont.)

Announced	Target	Acquirer
07/27/2022	R. Brooks Mechanical Inc.	Flow Service Partners Tennessee Op-Co LLC (Brookside Capital, LP First Capital, RLJ Requity Partners)
07/20/2022	MTB Mechanical, Inc.	NearU Services
07/14/2022	Texas Central Air	Chill Brothers, LLC
07/13/2022	SEM Holdings, LLC	Palladin Consumer Retail Partners, LLC
07/11/2022	DegreeOne (Summit Partners)	CMS Nextech (Audax Private Equity)
07/08/2022	CM3 Building Solutions, Inc.	Daikin Applied Americas Inc.
05/31/2022	Tomco Mechanical Corporation	The Arcticom Group, LLC (A&M Capital)
06/30/2022	Travers Mechanical Services, Llc	Pueblo Mechanical & Controls, LLC (Huron Capital)
06/28/2022	Libertyville Unique Indoor Comfort, Inc.	Sila Heating & Air Conditioning, Inc. (Morgan Stanley Capital Partners)
06/22/2022	Braune Air Conditioning & Heating	Shafer Services
06/17/2022	One STOP Heating And Air Conditioning LLC	PulteGroup, Inc. (NYSE:PHM)
06/10/2022	Personalized Air Conditioning, Inc.	Air Pros, LLC (Peak Rock Capital)
06/08/2022	Taylor Heating, Inc.	HomeServe USA Corp. (LSE: HSV)
06/01/2022	Crete Mechanical Group	Ridgemont Equity Partners
06/01/2022	Captain Electric, LLC / OyBoy Heating and Cooling / Absolute Air	American Residential Services L.L.C. (GI Partners)
05/24/2022	Scenic City Heating & AC	Leap Partners (Concentric Equity Partners)
05/24/2022	Pinellas Comfort Systems, Inc.	Strikepoint Group Holdings, Inc.
05/19/2022	Velavi Heating & Cooling Inc.	Rooter Hero Plumbing Inc.
05/17/2022	Almcoe Refrigeration Company, LLC	Smart Care Equipment Solutions (Wind Point Advisors)
05/11/2022	J. A. Bertsch Heating and Cooling LLC	The SEER Group, LLC
05/09/2022	Air NOW Heating & Cooling, Inc.	Southern HVAC Corporation (Gryphon Investors)
05/05/2022	Mountain Air Systems, Inc.	Best in Class Technology Services
05/05/2022	NEXGEN AIR CONDITIONING AND HEATING, LLC	Wrench Group, LLC (Leonard Green & Partners)
04/21/2022	Stryker Electrical Contracting/Stryker Electric & Air/Diversified Electrical Systems	Sundog Capital
04/20/2022	Anytime Heating & Cooling, Inc.	Granite Comfort LP
04/13/2022	Action Heating & Cooling, Inc.	CPS HVAC Partners, Inc.
04/08/2022	Deljo Heating & Cooling, Inc.	Heartland Home Services, Inc. (The Jordan Company, Copeba)
04/07/2022	Jackson And Sons, Inc.	NearU Services
04/06/2022	Mize Heating & Air Conditioning, Inc.	Paschal Heating and Air Conditioning Co., Inc.
04/04/2022	Brandt Mechanical Services, Inc.	Southland Industries, Inc.
03/28/2022	BWR Heating and Cooling Inc.	Absolute Airflow Inc.
03/24/2022	Certified Climate Control, Llc	NorthCurrent Partners, LLC
03/11/2022	Choice Mechanical Inc.	PremiStar, LLC (Partners Group)
03/11/2022	A.B. May Company	Frontier Service Partners (Imperial Capital)
03/07/2022	The Comfort Group Heating Corporation	Right Time Group Inc. (Gryphon Investors)
03/02/2022	Legacy Heating & Air Conditioning, LLC	User Friendly Home Services, LLC
03/01/2022	Canady's Heating • Air • Plumbing	Len The Plumber, Inc. (L Catterton Partners)
03/01/2022	Triad Service Solutions, Inc.	Tide Rock Holdings LLC
01/28/2022	Assured Comfort Heating & Air, Inc.	Southern HVAC Corporation (Gryphon Investors)
01/24/2022	The Arcticom Group, LLC	A&M Capital Advisors, LP
01/13/2022	Day & Night Air Conditioning, Heating & Plumbing, LLC	Friendly Group (RfE Investment Partners)
01/06/2022	Rocky Mountain Mechanical, Inc.	Pueblo Mechanical & Controls, LLC (Huron Capital)
01/04/2022	Goettl Home Services (Baum Capital Partners)	Cortec Group Management

Acquires

ARS, a portfolio company of GI Partners and the nation's largest provider of HVAC and plumbing services, has acquired Captain Electric, OyBoy, and Absolute Air, a family of services companies focusing on HVAC, plumbing, and electrical services

Acquires

Smart Care Equipment Solutions, a portfolio company of Wind Point Partners, has acquired Almcoe Refrigeration, a provider of repair and maintenance services, to expand its presence in the Texas market and add complementary end-markets

Acquires

Alvarez & Marsal Capital has acquired The Arcticom Group, a leading provider of mission-critical HVAC and refrigeration services for commercial customers to serve as the firm's platform in the HVACR services space




Our Experience

Metronome Partners has represented a diverse group of HVACR companies that serve both the commercial and residential marketplaces. Our team actively follows all segments in the industry and maintains strong relationships with both strategic and financial industry participants. We also regularly work with shareholders of HVACR companies to assess liquidity alternatives and determine optimal financing strategies in conjunction with other operating and cultural objectives with the goal of maximizing value for all stakeholders. Metronome has advised on several transactions across the HVACR services, distribution, and manufacturing space. Representative Metronome HVACR deals closed over the last 12 months include the following:




a portfolio company of



has been acquired by





a portfolio company of




The undersigned served as exclusive financial advisor to DegreeOne



DegreeOne is a leading national, self-perform mechanical services provider supporting commercial HVACR and foodservice equipment





has been acquired by




a member of DAIKIN group

a subsidiary of



The undersigned served as exclusive financial advisor to CCOM Group



CCOM is a leading full line distributor of HVAC products, building management systems, plumbing and electrical supplies, and parts and accessories in the Northeastern U.S.

We pride ourselves on the long-term, consistent advice we provide our clients and are proud of the relationships our team has established, built, and sustained. Our reputation is our livelihood and a testament to the rigorous processes we run and the excellent results we achieve.

Please contact one of the senior bankers below if you would like to discuss how the transactions and trends described in this report will affect the outlook for M&A and other capital markets opportunities for HVACR industry participants.

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