



### **HARDI 2024 'Navigate' Conference Recap**

HVAC wholesale distributors and the wider HVAC community of HARDI members gathered in early December to discuss the current landscape and future outlook for the industry.

HARDI welcomed more than 2,000 attendees to its 2024 Annual Conference, **Navigate**, in Atlanta, GA, including 180 distributors and over 600 total members, (CMG is also a proud member of HARDI). This year's conference boasted another record number of attendees, demonstrating the influence of the HARDI network and reaffirming the continued momentum in the HVAC industry.

Over the course of four days, the HARDI program focused on a wide array of topics ranging from macroeconomic outlooks, supply chain updates, the evolving regulatory environment, working effectively with the contractor / service base and business succession planning and M&A considerations.

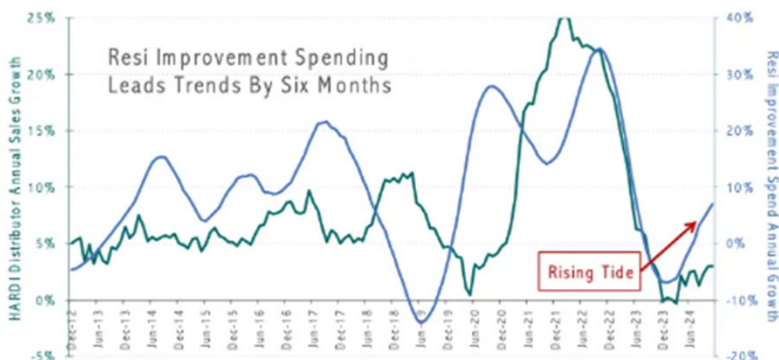
#### **CMG's Key Takeaways**

##### **2025 Outlook: Be Proactive**

**Navigate's** keynote economic outlook session highlighted improving market conditions for most HVAC channels and expected more upside for 2025, offsetting some lingering pockets of softness, particularly in new construction markets. With inflation steady and interest rates trending lower, market conditions suggest low single-digit – but positive! – sales growth, compared to the last few years of overall declines (*continued on the next page*).



## Residential Improvement Spending vs. HARDI Distributor Annual Sales Growth



Source: HARDI Newsletter

Because recent macro data suggests positive trends for the HVAC industry, a clear theme emerged throughout the conference – be proactive! Don't simply rely on the market environment. Rather, focus on your customer base and how to upsell them in order to drive more business. Numerous HARDI workshops explored targeted ideas for how to better drive contractor engagement and sales. Interesting takeaways included:

- *In-person training for contractors* – Per a 'Voice of the Contractor' survey conducted by HARDI member firm Farmington Consulting Group, contractors prefer (by a margin of 2:1) to do product training on-site at their distributors, versus other venues. Distributors were encouraged to lean into this trend to drive loyalty and engagement.
- *Focus on technology solutions* – Contractors are increasingly turning to their distributors for the latest product information, versus OEM or third-party sites. Make sure your website or mobile apps can accommodate this preference. In addition, contractors are more apt to look for technical support virtually through online chat than ever before, emphasizing the importance of speed of service.
- *AI use-cases are growing* – While AI still feels like a buzzword, practical applications such as leveraging AI to analyze real-time data on inventory levels, pricing, and market demand are becoming more widely adopted with the promise of helping distributors optimize stock availability and make customized product bundle recommendations to ensure contractors continue to be well served. Time will tell how business models will further adopt AI, but early signs are positive.

### **Business Owner Considerations – Succession Planning and M&A Outlook**

A key focus for our CMG team as M&A advisors for family-owned and founder-led businesses includes...

...succession planning and M&A. Both topics tend to be scary to business owners, so it was nice to see packed conference rooms for events tackling these topics.

On the succession planning front, HARDI ran a workshop that emphasized a few key points:

- Many HARDI members are family- or founder-owned businesses, making succession planning an important topic that closely held companies must address, but typically don't until they are forced to. Start planning early!
- Focus on objectives and what is important in a leadership transition, such as preserving owner / family legacy and operational continuity, particularly when family is involved. HARDI's self-run 'Emerging Leaders' program (which CMG is an active participant) runs throughout the year and reinforces HARDI's commitment to developing talent for its member's long-term business success.
- Weighing the pros and cons of selling to strategic or financial buyers, rather than continuing to run the business independently.

M&A is obviously the other side of the succession-planning and was discussed openly at the conference. As far as the current landscape, here are some of our observations:

- **2025 M&A Outlook:** From our family-and- founder business owner's perspective, there was a decidedly more optimistic tone around exploring M&A than in 2024. Following a few years of sales & profit volatility, we expect a steadier year operationally will have owners more open to considering M&A rather than triaging their businesses.
- **Buyer Enthusiasm for M&A:** In turn, we met with many strategic buyers and investors who were enthusiastic about continuing their M&A programs to supplement organic growth. The HVAC distribution industry, as the focal point for mission critical equipment and services, is still highly desirable from an investment standpoint.
- **Focus on Finding the Right Partner:** For owners set on exploring M&A, focus on aligning with a buyer or investor who shares a similar vision and values as the Company. Owners should look beyond simply the highest dollar amount to ensure that other objectives important to them (i.e. legacy, employees, growth) are addressed. As always, having a trusted team of M&A advisors to help navigate a complex sale process is a key aspect in maximizing value during an M&A process.

**Expert Interview: Insights into Strategic M&A**featuring *Eric Ancarrow, Ferguson (NYSE: FERG)*

**Eric Ancarrow**  
VP, Business Development

Carter Morse & Goodrich recently interviewed Eric Ancarrow, Vice President of Business Development at Ferguson (NYSE: FERG). Eric's responsibilities include developing relationships with independently-owned distributors for the purpose of sourcing and executing strategic M&A opportunities. At \$40 billion of total enterprise value, Ferguson stands as the largest value-added distributor in the North American residential and non-residential construction market, providing a broad portfolio of products and services that includes plumbing, HVAC and building products, among others.

**Organic Growth vs. M&A**

*In your role leading M&A initiatives for Ferguson, how do you think about acquisitions as a complement to organic growth? Historically, Ferguson has been a very active acquirer—11 deals last year alone, which some might even call a slow year. How does M&A fit into the broader strategy and culture of the organization?*

Acquisitions have been part of Ferguson's growth algorithm for nearly 30 years – in that time we have completed over 300 transactions. This inorganic growth has allowed us to not only expand geographically, but enter into new verticals including HVAC, Waterworks, Fire Protection and digital commerce. M&A is embedded in our culture with over 15% of our current associate base, including our CEO, coming to the company through acquisition. We target 1-3% annualized incremental revenue growth through M&A, and work closely with our business leaders to ensure our M&A strategy aligns with our customer group and broader corporate strategy.

**Pipeline & Market Outlook**

*How does your current M&A pipeline look, and could you share any high-level initiatives or trends you're focusing on? What's your perspective on the overall market for sellers in the HVAC sector compared to the broader plumbing and building products sectors right now?*

Our pipeline has remained robust even as 2024 has been seen more broadly as a slower year for transaction volumes. We operate in highly fragmented markets across all of our customer groups and anticipate continued consolidation for years to come.

While Ferguson continues to invest in M&A across all our verticals, we have been most active in the HVAC and Waterworks space. We believe Ferguson is best positioned to serve the dual trade contractor through our HVAC and Plumbing network...

...and believe the consolidation we have seen in the HVAC service and contractor markets will create further opportunity to grow with this customer. We have also been diversifying our Waterworks business through M&A, investing in areas like erosion control, stormwater management, metering and technologies and plant work.

**Pitch to Family & Founder Sellers**

*Many of our family- and founder-led clients hear pitches from private equity, touting continued independence, legacy preservation, and a chance to remain deeply involved. Why should these sellers consider Ferguson as a potential partner instead?*

Ferguson very much values the heritage and legacy of an independently owned wholesaler. Our industry is dominated by family-owned, multi-generational businesses with active family members still leading the business. We recognize a potential sale is an incredibly tough, and emotional decision when determining who the family would like to partner with moving forward.

Often times a sale represents a full exit of the business for the family, but just as often we are working with Seller's who wish to remain involved. Having leadership stay on post-close is invaluable, providing stability to the business, associates and customers and helping us build on what has already made that company successful. We very much value the entrepreneurial spirit and passion of the owners and their teams, and look to leverage throughout our business.

We acquire companies that have a strong value-set match with Ferguson and our acquisition model is one of investing in the company and the associates to fuel growth – giving them access to expanded product categories and helping them to leverage our national scale using their local relationships. The focus for us, from an integration perspective, is on bringing those associates into the Ferguson family, on opening up new career opportunities for them, and then bringing the capabilities that we offer as a \$30 billion organization to those associates and to their customers.

We hope seller's see that as an attractive value proposition and one in which they are best setting their employees up to succeed.

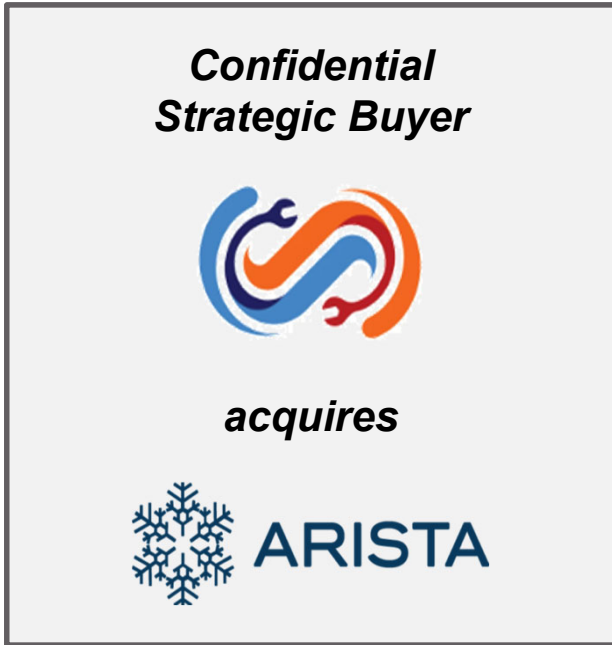
**Advice for Founder-Led Companies**

*Given your experience, what advice would you give to family and founder-led businesses considering an M&A transaction—particularly around preparation and positioning for the right partner?*

There are a lot of fundamental considerations a Seller needs to address. While that starts with understanding the goals for the family and shareholders, you'll want to work close with an advisory team around more complex issues such as tax, legal and estate planning.

As you think about positioning the company for sale, the best advice I could give would be to invest in your people and position them to grow. It's the people and the relationships that are the most important asset in any acquisition and the largest value driver to a strategic acquirer.

**CMG TRANSACTION SPOTLIGHT**



**CMG advises Arista Air Conditioning in its sale to a Confidential Strategic Buyer**

**Business Description**

Founded in New York City more than 75-years ago, Arista has grown into one of the largest independent HVAC contractors for service, repair, maintenance, and retrofit installation, serving customers throughout NYC’s five boroughs, Long Island, Westchester and New Jersey. The name “Arista” means “the best” in Greek, and true to its name, the Company built a stellar reputation as the preferred partner for a prestigious and diverse client base in both commercial and high-end residential markets with its fleet of 100+ vehicles and service technicians.

**Transaction Background**

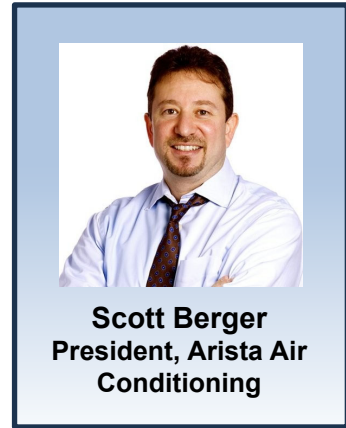
Arista is a second-generation family-owned business. Stanley Berger, representing the family’s first generation, originally served as Arista’s accountant, and purchased the Company in 1973. Stanley immediately began expanding Arista’s service offerings and footprint and soon welcomed his children to join the business. Stanley’s son Scott took over as President in 2004 and continued his legacy of industry leadership. In 2024, the Berger family decided to explore strategic options to determine the next chapter in Arista’s legacy and partnered with CMG and a team of other transaction professional.

**CMG’s Solution**

After fielding numerous inquiries from interested buyers over the years, Arista engaged CMG to conduct a strategic options analysis for the Company to help the Berger family decide whether to explore a sale. Following the outcome of CMG’s analysis, Arista mandated CMG to conduct a targeted M&A sale process for the Company. A large confidential HVAC corporation, seeking to enhance its service capabilities and expand its reach in the Northeast, emerged as the best fit to continue the Company’s legacy of excellence and successfully acquired Arista.

**Owner’s Perspectives**

Scott Berger, Arista’s President, commented, “At first, I was skeptical about hiring an investment banker for our sale, since strategic parties had already approached me about a transaction. But after meeting the Carter Morse team and witnessing their M&A expertise, knowledge of the HVAC space, and direct











connections to buyers interested in Arista, I knew they were the right partner for us. From that point on, they proved I had made the right choice. They supported us at each turn and truly cared about every detail of my family’s business, doing whatever it took to make this a successful transaction for us. I can’t recommend them highly enough.”

**Upcoming Industry Events**

- *AHR Expo*  
February 10 – 12 | Orlando FL
- *MCAA 2025 Annual Convention*  
March 2 – 6 | Austin TX
- *2025 Emerging Leaders Conference*  
July 22 – 24 | San Francisco, CA



## NOTEWORTHY RECENT HVAC M&A TRANSACTIONS

<p><b>Confidential Strategic Buyer</b></p>  <p><b>acquires</b></p> 	<ul style="list-style-type: none"> <li>• A large, multinational strategic buyer acquired Arista; a New York based service, repair, maintenance and retrofit installation contractor</li> <li>• The buyer has made multiple acquisitions in North America, as it continues to expand its geographic footprint and service offering</li> <li>• Transaction closed in July 2024</li> </ul>
 <p><b>acquires</b></p> 	<ul style="list-style-type: none"> <li>• Private equity-backed AirX Climate Solutions acquired Powrmatic; a Maryland based manufacturer of commercial and industrial HVAC systems and OEM heat exchangers</li> <li>• The acquisition is the fourth transaction for AirX, as it continues to strengthen its position in the Mid-Atlantic region</li> <li>• Transaction closed in December 2024</li> </ul>
 <p><b>acquires</b></p> 	<ul style="list-style-type: none"> <li>• Private equity-backed PremiStar acquired Air Temp, the largest independent commercial HVAC, plumbing and mechanical service provider in the Northeastern US</li> <li>• The buyer has made many acquisitions in North America as it continues to expand its geographic footprint</li> <li>• Transaction closed in early January 2025</li> </ul>
 <p><b>acquires</b></p> 	<ul style="list-style-type: none"> <li>• TASi Measurement acquired Accutrol, a leading supplier of airflow control and measurement solutions for critical environments such as laboratories, hospitals, pharmacies and research spaces</li> <li>• Transaction closed in December 2024</li> </ul>

## SELECT HVAC M&A TRANSACTIONS

Date	Acquirer	Target	Target Description
<b><i>Distribution Deals</i></b>			
Dec-24	Thermal Technology Distribution Solutions	Applied Thermal Systems	Distributor of electric heaters, controls, thermocouples and other thermal management products
Nov-24	Harrington Industrial Plastics (Bain Capital)	Fluid Gauge Company	Distributor of fluid process and flow control products
Nov-24	Plimpton & Hills (Grove Mountain Partners)	Coastal Supply Group	Distributor of plumbing, heating and cooling products
<b><i>Manufacturing Deals</i></b>			
Dec-24	AirX Climate Solutions	Powrmatic USA	Manufacturer of commercial and industrial HVAC systems and OEM heat exchanges
Dec-24	TASI Measurement	Accutrol	Manufacturer of airflow control measurement solutions for critical environments
Oct-24	Daikin Applied	Varitec Solutions	Manufacturer of commercial HVAC systems
Oct-24	M&G DuraVent	Builder's Best	Manufacturer of HVAC venting systems
<b><i>HVAC Service Deals</i></b>			
Jan-25	PremiStar (Partners Group)	Air Temp Holding, LLC	Provider of commercial HVAC, plumbing and mechanical services
Dec-24	Sila Services	John Nugent & Sons	Provider of heating, cooling, plumbing, electric & generator services
Dec-24	PremiStar (Partners Group)	Chadwick Service Company	Provider of plumbing and HVAC services
Dec-24	Service Logic (Leonard Green & Partners)	HVAC Incorporated (Milwaukie)	Provider of commercial HVAC services
Nov-24	Sila Services (Constitution Capital Partners)	New Berlin Heating & Air Conditioning	Provider of HVAC services
Nov-24	Del-Air Heating and Air Conditioning (Astara Capital Partners)	Colman Heating & Air	Provider of HVAC services catering to residential and commercial markets
Nov-24	Tech24 (HCI Equity Partners, Vestar Capital Partners)	A-1 Service Group	Provider of heating and air-conditioning services

## SELECT PUBLIC COMPANY DATA

(As of 1/17/2024)

Company	Market Information		LTM Financials		Operating Metrics		TEV to LTM	
	\$ / Share	TEV	Revenue	EBITDA	Growth	EBITDA%	Revenue	EBITDA
<b>Manufacturers</b>								
Honeywell International Inc.	\$222.58	\$166,362	\$37,850	\$9,164	337.2%	24.2%	4.4x	17.5x
Johnson Controls International plc	81.14	65,090	22,952	3,275	278.1%	14.3%	2.8x	17.2x
Daikin Industries, Ltd.	120.32	35,376	31,059	4,222	1039.1%	13.6%	1.2x	8.7x
Trane Technologies plc	389.19	90,942	19,388	3,691	1054.2%	19.0%	4.7x	24.6x
Carrier Global Corporation	69.66	73,502	24,801	3,318	821.2%	13.4%	3.0x	22.2x
Ingersoll Rand Inc.	91.88	40,602	7,158	1,901	1622.3%	26.6%	5.7x	21.4x
Lennox International Inc.	647.46	24,232	5,151	1,055	558.5%	20.5%	4.7x	23.0x
A. O. Smith Corporation	71.81	10,300	3,894	809	263.5%	20.8%	2.6x	12.4x
AAON, Inc.	130.18	10,653	1,210	311	3147.3%	25.7%	8.8x	34.3x
SPX Technologies, Inc.	148.50	7,544	1,920	397	1918.7%	20.7%	3.9x	19.0x
Modine Manufacturing Company	132.80	7,401	2,484	345	478.3%	13.9%	3.0x	21.5x
<b>Mean</b>	<b>\$191.41</b>	<b>\$48,364</b>	<b>\$14,351</b>	<b>\$2,590</b>	<b>1047.1%</b>	<b>19.3%</b>	<b>4.1x</b>	<b>20.2x</b>
<b>Median</b>	<b>\$130.18</b>	<b>\$35,376</b>	<b>\$7,158</b>	<b>\$1,901</b>	<b>821.2%</b>	<b>20.5%</b>	<b>3.9x</b>	<b>21.4x</b>
<b>Services</b>								
Api Group Corporation	\$37.45	\$13,037	\$6,916	\$737	0.6%	10.7%	1.9x	14.4x
EMCOR Group, Inc.	506.47	22,620	14,235	1,375	17.7%	9.7%	1.6x	13.0x
Comfort Systems USA, Inc.	503.78	17,762	6,517	779	31.2%	12.0%	2.7x	19.8x
Tutor Perini Corporation	25.40	1,801	4,281	16	13.7%	0.4%	0.4x	nmf
IES Holdings, Inc.	256.69	5,113	2,884	337	21.3%	11.7%	1.8x	14.0x
Limbach Holdings, Inc.	93.19	1,045	518	48	0.1%	9.3%	2.0x	19.6x
<b>Mean</b>	<b>\$237.16</b>	<b>\$10,230</b>	<b>\$5,892</b>	<b>\$549</b>	<b>14.1%</b>	<b>8.9%</b>	<b>1.74x</b>	<b>16.1x</b>
<b>Median</b>	<b>\$174.94</b>	<b>\$9,075</b>	<b>\$5,399</b>	<b>\$537</b>	<b>15.7%</b>	<b>10.2%</b>	<b>1.83x</b>	<b>14.4x</b>
<b>Distributors</b>								
Ferguson Enterprises Inc.	\$177.55	\$40,537	\$29,699	\$2,913	0.6%	9.8%	1.4x	11.6x
Watsco, Inc.	496.28	18,880	7,468	761	2.8%	10.2%	2.5x	24.8x
Reece Limited	14.54	10,327	6,075	553	3.0%	9.1%	1.8x	18.7x
Beijer Ref AB (publ)	15.12	8,591	3,400	369	13.7%	10.9%	2.7x	23.3x
Global Industrial Company	24.96	1,002	1,334	96	9.8%	7.2%	0.8x	9.2x
<b>Mean</b>	<b>\$145.69</b>	<b>\$15,867</b>	<b>\$9,595</b>	<b>\$938</b>	<b>6.0%</b>	<b>9.4%</b>	<b>1.8x</b>	<b>17.5x</b>
<b>Median</b>	<b>\$24.96</b>	<b>\$10,327</b>	<b>\$6,075</b>	<b>\$553</b>	<b>3.0%</b>	<b>9.8%</b>	<b>1.8x</b>	<b>18.7x</b>
<b>Mean - All</b>	<b>\$193.50</b>	<b>\$30,578</b>	<b>\$10,963</b>	<b>\$1,658</b>	<b>528.8%</b>	<b>14.2%</b>	<b>2.9x</b>	<b>18.6x</b>
<b>Median - All</b>	<b>\$125.25</b>	<b>\$15,399</b>	<b>\$6,296</b>	<b>\$770</b>	<b>147.4%</b>	<b>12.7%</b>	<b>2.7x</b>	<b>19.0x</b>

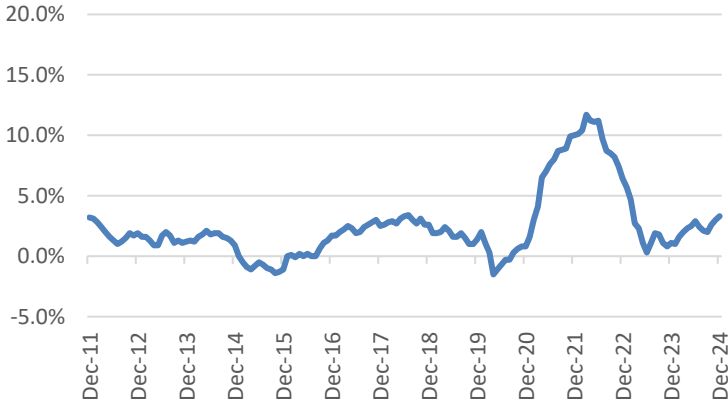
TEV = Total Enterprise Value; LTM = Last Twelve Months

\$ in millions, except per share data

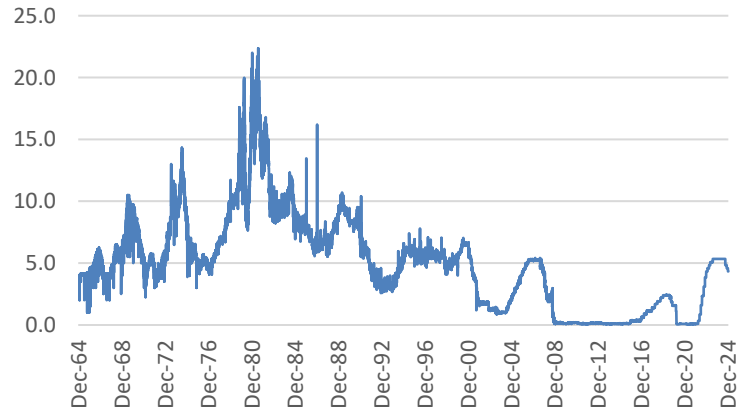
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## Key Economic Indicators

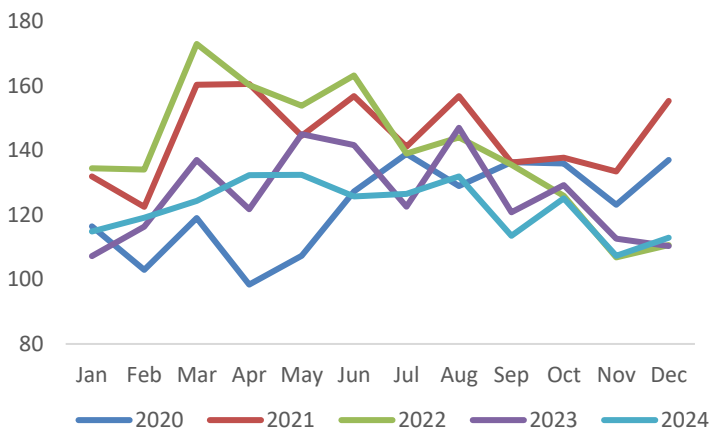
### Producer Price Index (12-month % change)



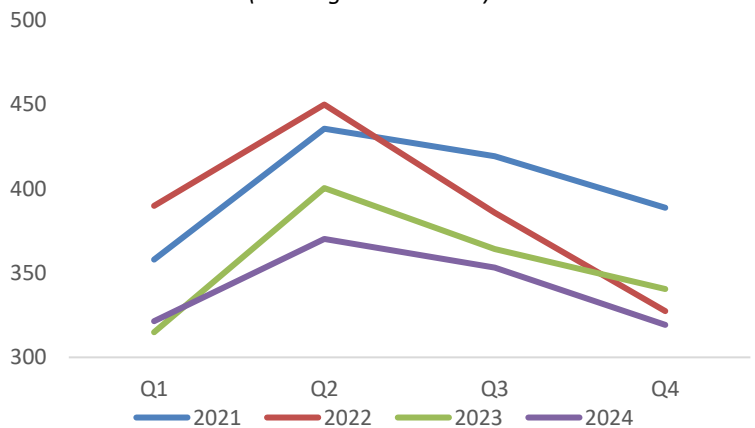
### Fed Funds Rate



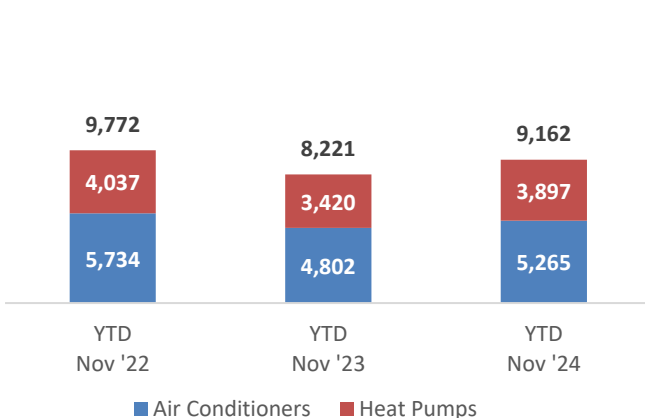
### Building Permits (housing units in 000s)



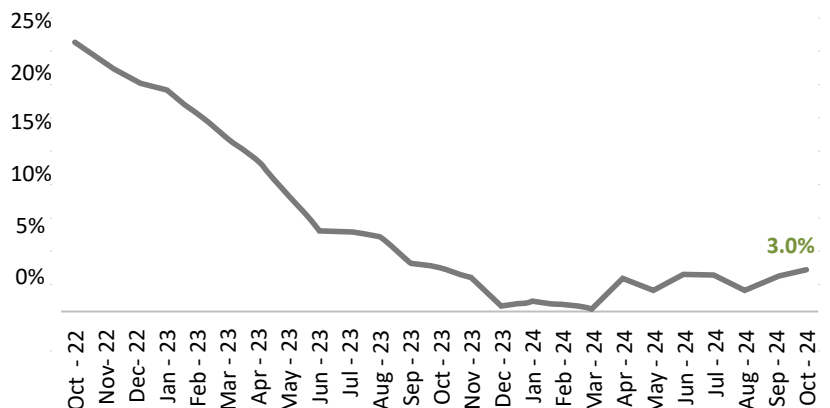
### Housing Starts (housing units in 000s)



### AHRI Shipments (shipments in 000s)



### HVAC Distributor Annualized Growth Rate



Sources: U.S. Bureau of Labor Statistics, Fred, US Census Bureau and HARDI.



# Recent Industry Awards



**2023 Boutique Investment Bank of the Year**



**2023 Winner Industrials International Deal of the Year over (\$100m)**



**2023 Private Equity Deal of the Year**



**2022 Winner Industrial Tech Deal of the Year**

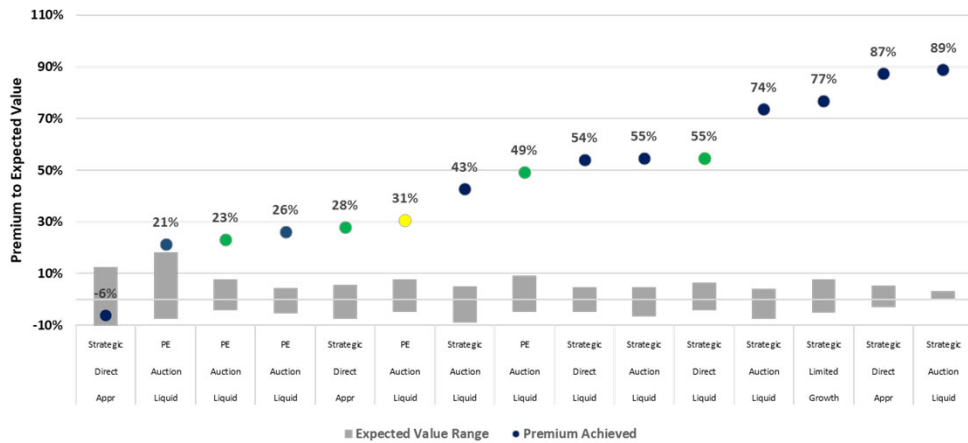


**2022 Winner International Strategic Deal of the Year (Over \$100 million)**

## Exceeding Client Expectations

- Selective about the engagements we take on to ensure a positive outcome for our clients
- Proud of our record of careful analysis, thoughtful positioning to investors and attentive management of a disciplined transaction process
- Dedicated to helping clients Maximize Shareholder Value, and regularly exceed client expectations

**CMG - Premiums Achieved**  
15 Most Recent Transactions



## International Reach

Carter Morse & Goodrich is a founding member of the Alliance of International Corporate Advisors (AICA), which enables us to deliver an exceptional combination of global breadth and local knowledge to each of our engagements through close collaboration with more than 365 colleagues within 40 partner firms in 40 countries across the globe.

338

Deals Closed

40

Member Firms

40

Countries

62

Offices

365+

Professionals

6

Continents

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