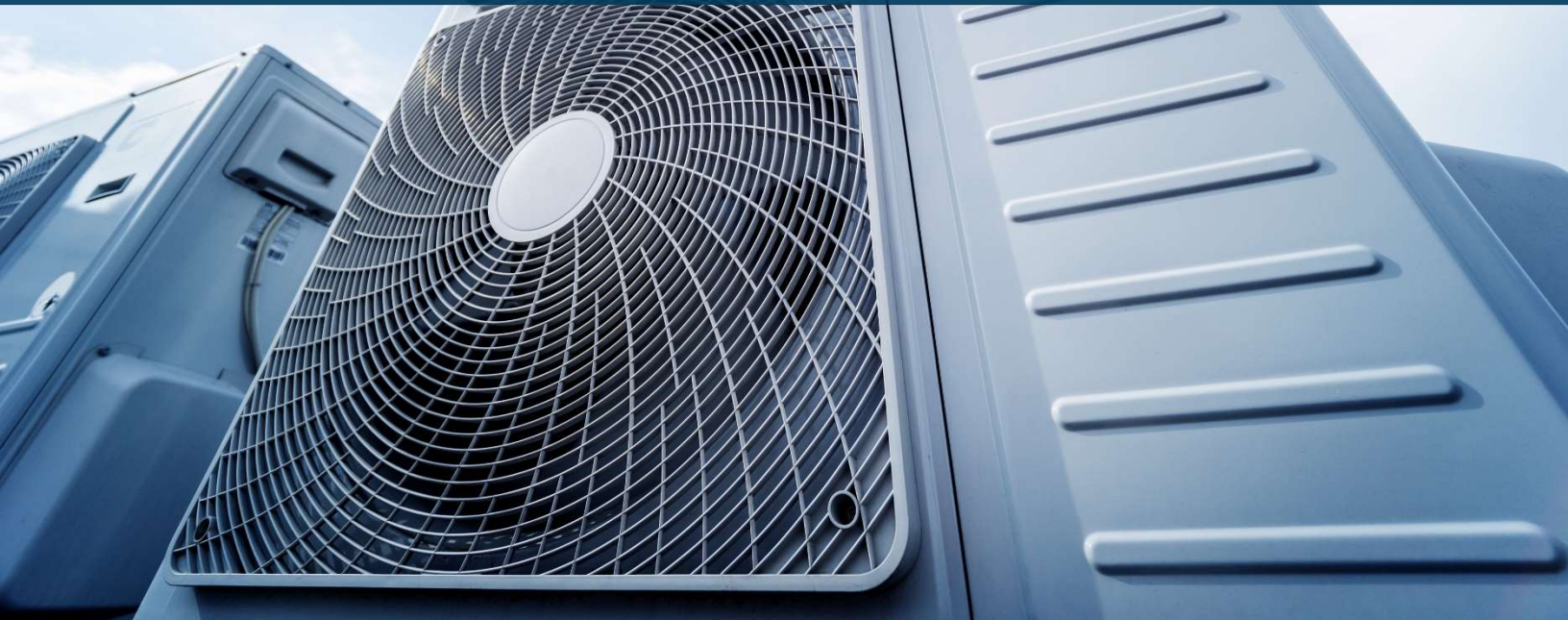


HVAC SECTOR QUARTERLY UPDATE

Industry Insights & Market Data
Q1 2025

Carter Morse & Goodrich
Investment Bankers & Since 1987



HVAC Sector Quarterly Update

The HVAC industry is a dynamic and essential sector where evolving regulations, emerging technologies, and expanding geographic and end markets continue to reshape the landscape.

At CMG, we take a holistic view of the HVAC value chain, with dedicated focus on four core subcategories: 1) Manufacturing, 2) Wholesale Distribution, 3) HVACR Services, and 4) Building Automation and Controls.

If you are a business owner or executive leading an operating company in any of these segments—or an investor actively involved in or evaluating the HVAC space—we would welcome the opportunity to connect. Feel free to reach out to Chris Reenock directly at creenock@cartermorse.com.



Recent CMG News

[Key Insights, State of HVAC and Recent M&A Trends From AHR Expo Orlando 2025](#)

[CMG Marks Major Milestone with New Office Opening in Providence, RI](#)

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Quick Views: US Residential Market for HVAC

The residential HVAC market in the U.S. is closely tied to two primary drivers: new home construction and consumer demand for repair and replacement of existing systems. When building activity is strong, HVAC installations rise in step. At the same time, a steady baseline of replacement demand ensures resilience even when housing starts slow down. Together, these forces shape the rhythm of the market — influenced by weather, regulation, technology, and shifting consumer preferences. As a current read on the market, recent HARDI data shows same-day sales in February flat year-over-year after a strong January, though 12-month rolling sales are still positive (up +2%), a modest gain but above the lows seen in 2024. Let's dive into current markets.

New Build Outlook

The U.S. residential new build market continues to face headwinds, with existing home sales near cycle lows and new single-family housing starts remaining subdued. While not in decline, momentum has clearly slowed, and broader economic uncertainty—including tariff-related inflation and ongoing recession concerns—continues to weigh on activity. Per conversations with our relationships in the space, HVAC companies tied to new construction are feeling the effects directly: rising input costs are squeezing margins on active projects, while elevated costs and uncertainty are leading to delays or cancellations of new developments. These dynamics are creating challenges not only for manufacturers, but also for distributors serving the construction channel. In the near term, this backdrop suggests the new build market is unlikely to be a meaningful growth driver for the HVAC sector. That said, long-term structural tailwinds—like persistent housing shortages—offer reasons for optimism further out.



Residential Repair and Replacement Outlook

The residential repair and replacement market has also remained subdued, and current indicators suggest that 2025 is likely to bring more of the same. Demand is being held back by high interest rates, inflationary pressure, and weak consumer confidence. After a post-COVID reversion to more typical levels, the market has been further constrained by a lack of existing home sales—down significantly from their 2020 peak and now sitting well below long-term averages. With fewer homes changing hands, there's been less activity around large-dollar replacements in homes for HVAC systems (not to mention other typical upgrades like flooring, interior upgrades, etc.)

Looking ahead, a meaningful recovery in this segment likely hinges on a drop in mortgage rates and a rebound in consumer sentiment. Until then, we would expect growth to remain flat to modestly negative, though many believe the worst of the pullback is already behind us. If market conditions improve, a return to historical growth rates in the mid-single digits could materialize, supported by several years of deferred demand, though that momentum may not come until 2026.

Tariffs – The Newest Issue

With the new administration coming into office, tariffs have emerged as a central factor shaping the strategic decisions of U.S. HVAC companies. While intended to protect domestic industries, they often create both opportunities and challenges—especially for middle-market firms with global supply chains. Tariffs are real, but they're not new—and they're not everything. We've seen trade policies shift before, and we'll see them shift again. What matters is how you respond in the moment without losing sight of the bigger picture.

Given the recent headlines, we are reluctant to dive deeper into the future outlook for tariffs as there is simply too much in flux at the moment. Needless to say, owners should remain informed, flexible, and adaptable to change.

In HVAC, we expect companies tied to residential markets to more easily pass through rising costs, as it is typically the end consumer who bears the burden. For commercial sectors—especially those tied to multi-family and light commercial—service providers may find themselves caught in the middle, squeezed between upstream cost increases from manufacturers or distributors and the pricing pressures of their end-market customers.

In the wake of years marked by COVID-19, supply chain disruptions, interest rate volatility, and political uncertainty, tariffs represent yet another test of leadership and resilience. The companies that succeed won't be the ones that overreact—they'll be the ones that take a long-term, steady approach, making thoughtful decisions while positioning themselves for what comes next.

There's more to come as trade policies continue to evolve. Stay tuned—we'll be watching closely and sharing insights as the picture becomes clearer. It is still too early to predict the full impact of tariffs on operating performance or investor appetite.



M&A Outlook – Implications for HVAC

Despite near-term economic volatility, technology transitions, tariffs and other considerations, HVAC continues to be a bright spot in M&A activity. On the manufacturing side, innovation and sustainability are key drivers of interest, with buyers targeting companies—large and mid-sized alike—that offer energy-efficient, climate-conscious, or alternative energy solutions. International manufacturers are also showing continued interest in entering the U.S. market through acquisition, using M&A as a strategic foothold to distribute a broader range of products that have struggled to gain traction independently.

Among distributors, major public consolidators like Watsco and Ferguson remain vocal about their appetite for acquisitions across the board to strengthen market leadership. At the same time, as financials across the distribution sector stabilize following recent volatility, more family- and founder-owned businesses are weighing M&A options—whether to address succession planning or partner with investors to pursue growth in what remains a highly fragmented market.

On the services front, residential HVAC companies continue to attract strong interest from private equity. While elevated valuation multiples have led some investors to shift attention toward commercial segments, the recurring nature of service revenue, the essential role HVAC plays, and price tailwinds from new technologies continue to make service businesses compelling M&A targets.

Q&A With Scott Berger

Navigating the Sale of a Family-Owned HVAC Business



We sat down with Scott Berger, President of Arista Air Conditioning, to discuss the recent sale of his multi-generational, family-owned HVAC business. With over 70 years of service excellence, Arista had grown into one of the largest independent HVAC providers in the country. Scott shared what led to the decision to sell, how he approached finding the right strategic partner, and the pivotal role CMG played in the process.

Q: What motivated the Berger family to consider selling the business after 50+ years of ownership?

We weren't actively preparing to sell—we had a strong, stable business and were comfortable running it. But after receiving a few inbound calls and referrals from friends, we started to entertain meetings out of curiosity. Once we opened the door to those conversations and imagined the future for our employees and family, it became easier to explore what a sale might look like.

Q: What was the most important advice you received that helped you prepare for a successful M&A process?

Surround yourself with the right team. This isn't something you do every day—and you need legal, accounting, and M&A advisors who've been through it, especially when your counterparty is coming to the table with deep experience and institutional resources. You also need to trust your advisors to hold the line for you when things get tough.

Q: You had a couple of early attempts to sell the Company. What ultimately made you choose CMG to represent you as your M&A advisor?

After going through a couple of starts and stops—once with another investment bank, and once directly with a

family office investor—we realized we needed a partner who truly understood our business and could represent us with depth and conviction. Additionally, they integrated and worked with the rest of our team (CPA transaction advisory, legal, and chief exit advisor), which had the added benefit that I never felt like I was navigating this process alone.

Q: What benefits does having an advisor like CMG afford you in the sale process?

CMG was thoughtful, strategic, and tireless. They helped shape the story of our company, guided us through tough negotiations, and created competitive tension where it mattered. What stood out was how deliberate and tailored their advice was—never off-the-shelf. They truly understood our objectives and protected our interests. Looking back, having them in our corner paid dividends.

Q: Looking back on your experience, what if anything would you have done differently? What advice would you give other family and founder owners who are contemplating a sale of their business?

I'd start planning and assembling my team earlier—even when you're not actively selling, being prepared helps you act decisively when a real opportunity comes along. By the time buyers are knocking, your window may already be shrinking. Having M&A advisors in place early gives you the ability to drive value and not just react to offers. This will also help you think through your family's objectives, and the clearer you are on value and your goals up front, the better decisions you'll make later on in the process.

“

“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.”

Scott Berger, President, Arista

Select HVAC M&A Transactions

Date	Acquirer	Target	Target Description
Distribution			
Mar-25	 TIGERTAIL CAPITAL PARTNERS		Distributor of HVAC equipment
Feb-25			Distributor of HVAC/R products and equipment
Jan-25			Distributor of building automation systems
Jan-25			Distributor of HVAC equipment and parts
Manufacturing			
Mar-25			Manufacturer of metal ducts for HVAC systems
Mar-25			Manufacturer of independent evaporator coil and air handlers
Feb-25			Manufacturer of liquid cooling systems and advanced thermal management solutions
Feb-25			Manufacturer of cooling equipment for commercial and industrial applications
HVAC Services			
Mar-25			Provider of air conditioning and maintenance services
Mar-25			Provider HVAC equipment and services
Feb-25			Provider of commercial HVAC services
Feb-25			Provider of residential heating, ventilation, and air conditioning services
Jan-25			Provider of HVAC services to commercial and industrial customers
Jan-25			Provider of HVAC and plumbing services to residential and commercial markets
Jan-25			Provider of commercial HVAC, plumbing and mechanical services

Select Public Company Data Manufacturers, Distributors and HVAC Services

Company	Market Information		LTM Financials		Operating Metrics		TEV to LTM	
	\$ / Share	TEV	Revenue	EBITDA	Growth	EBITDA%	Revenue	EBITDA
Manufacturers								
A. O. Smith Corporation	\$63.85	\$9,117	\$3,818	\$778	-0.9%	20.4%	2.4x	11.4x
AAON, Inc.	82.09	6,846	1,201	274	2.7%	22.8%	5.6x	nmf
Carrier Global Corporation	60.47	61,435	22,486	3,562	18.7%	15.8%	2.7x	15.3x
Daikin Industries, Ltd.	110.67	32,693	30,053	4,087	10.9%	0.0%	1.0x	7.4x
Honeywell International Inc.	198.81	149,700	38,498	9,536	5.0%	24.8%	3.9x	15.1x
Ingersoll Rand Inc.	72.83	32,850	7,235	1,936	5.2%	26.8%	4.5x	16.5x
Johnson Controls International plc	78.59	63,063	23,169	3,343	7.9%	14.4%	2.7x	16.0x
Lennox International Inc.	557.20	20,829	5,367	1,120	7.8%	20.9%	3.9x	16.8x
Modine Manufacturing Company	76.95	4,439	2,540	358	4.8%	14.1%	1.6x	10.8x
SPX Technologies, Inc.	130.96	6,637	1,984	409	13.9%	20.6%	3.2x	15.1x
Trane Technologies plc	343.96	80,972	19,838	3,805	12.2%	19.2%	4.0x	19.4x
Mean	\$161.49	\$42,598	\$14,199	\$2,655	8.0%	18.2%	3.2x	14.4x
Median	\$82.09	\$32,693	\$7,235	\$1,936	7.8%	20.4%	3.2x	15.2x
Distributors								
Beijer Ref AB (publ)	\$14.56	\$8,373	\$3,222	\$349	10.9%	10.8%	2.2x	18.0x
Ferguson Enterprises Inc.	165.77	38,196	29,898	2,857	1.8%	9.6%	1.3x	10.9x
Global Industrial Company	22.35	895	1,316	88	3.3%	6.7%	0.7x	8.6x
Reece Limited	10.05	7,561	5,551	431	0.2%	7.8%	1.3x	13.7x
Watsco, Inc.	510.36	19,335	7,584	775	3.9%	10.2%	2.5x	nmf
Mean	\$144.62	\$14,872	\$9,514	\$900	4.0%	9.0%	1.6x	12.8x
Median	\$22.35	\$8,373	\$5,551	\$431	3.3%	9.6%	1.3x	12.3x
HVAC Services								
APi Group Corporation	\$35.83	\$12,433	\$7,018	\$777	1.3%	11.1%	1.7x	12.8x
Comfort Systems USA, Inc.	356.21	12,315	7,027	892	35.0%	12.7%	1.7x	11.4x
EMCOR Group, Inc.	390.10	16,749	14,566	1,479	15.8%	10.2%	1.1x	8.5x
IES Holdings, Inc.	188.09	3,732	2,999	358	23.1%	11.9%	1.2x	9.1x
Limbach Holdings, Inc.	79.88	911	519	54	0.5%	10.5%	1.9x	17.1x
Tutor Perini Corporation	21.44	1,279	4,327	-48	11.5%	-1.1%	0.3x	nmf
Mean	\$178.59	\$7,903	\$6,076	\$585	14.5%	9.2%	1.3x	11.8x
Median	\$133.99	\$8,023	\$5,672	\$567	13.6%	10.8%	1.4x	11.4x
Mean - All	\$162.32	\$26,835	\$10,919	\$1,692	8.9%	13.6%	2.3x	13.4x
Median - All	\$80.99	\$12,374	\$6,285	\$777	6.5%	12.3%	2.1x	13.7x

All data as of 4/15/25

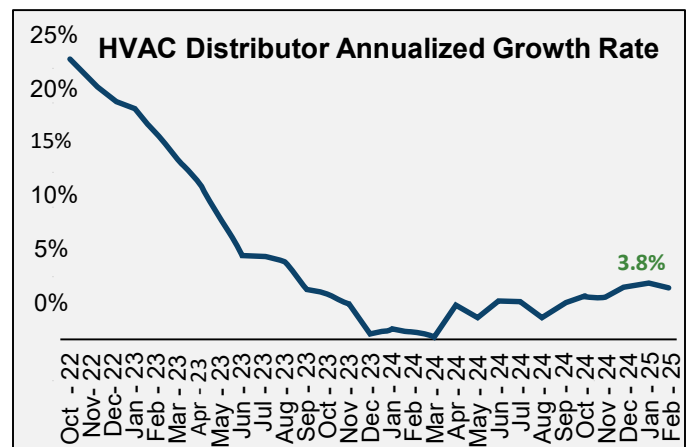
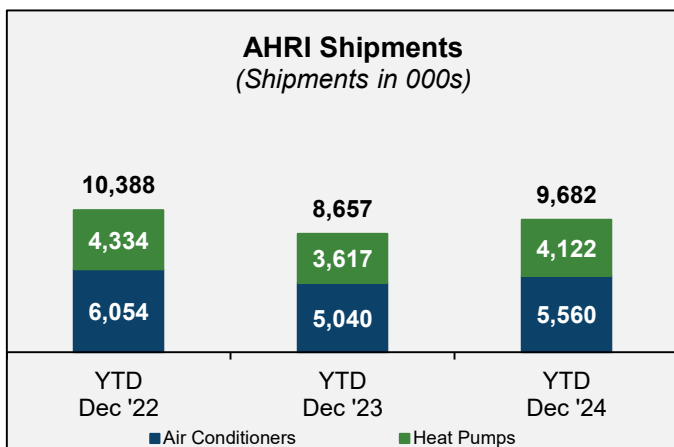
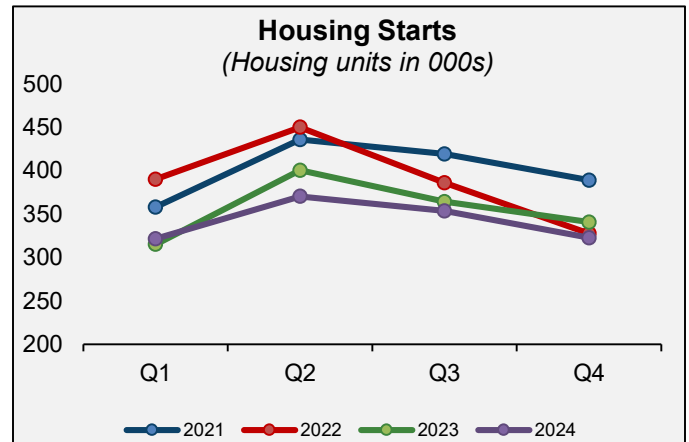
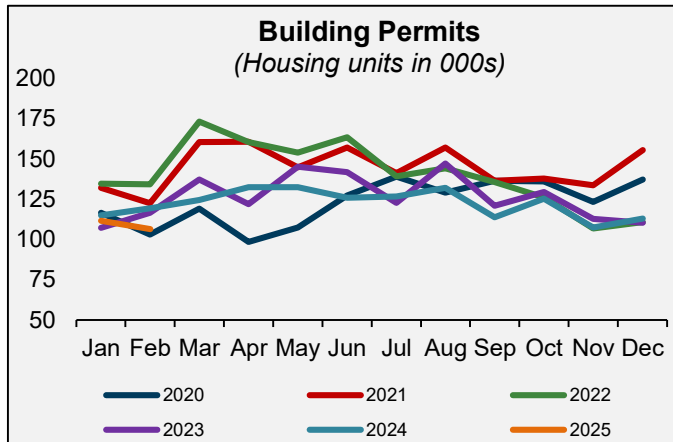
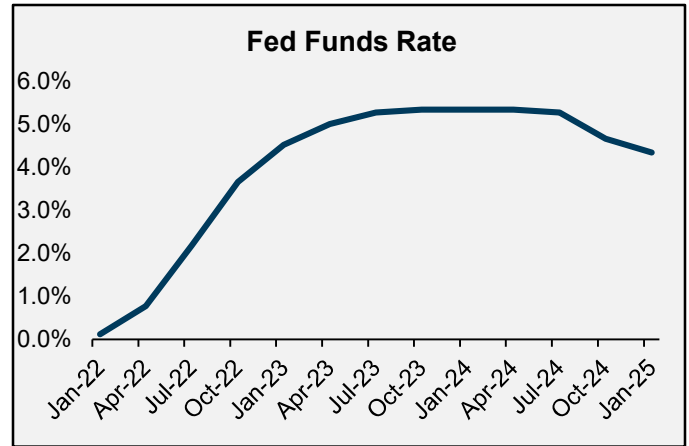
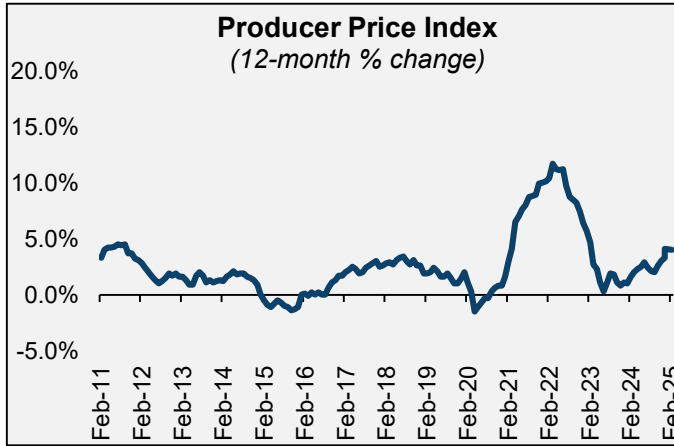
\$ in millions

TEV - Total Enterprise Value; LTM - Last Twelve Months

Source: Capital IQ

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Key Economic Indicators



Sources: U.S. Bureau of Labor Statistics, Federal Reserve Economic Data, US Census Bureau and HARDI

M&A Expertise For Founders & Families

Carter Morse & Goodrich
Investment Bankers & Since 1987

Founded in 1987, Carter Morse & Goodrich is a boutique M&A advisory firm that specializes in representing founder-led and family-held businesses that are leaders in niche markets. We fully understand and appreciate the unique dynamics of these companies and the importance of owner legacies, which as enabled us to become a trusted advisor to hundreds of founders and families.

CMG Industry Groups



Manufacturing

- Aerospace & Defense
- Tools & Equipment
- Diversified Industrial
- Niche Manufacturing



Consumer

- Food, Beverage & Pet
- Infant & Juvenile
- Sporting Goods
- Household Goods



Services

- Diversified Services
- Facilities & Residential
- Industrial Services
- Distribution & Logistics



HVAC

- Manufacturing
- Distribution
- HVAC Services
- Building Automation

1987
Founded

\$5 Billion
Aggregate Transaction
Values

450+
Client Engagements

1 Objective
Successful Client Outcomes

Select HVAC Transactions



has been acquired by



ACE HUBBELL RECO VAUGHN

the
nudyne
group

has acquired the assets of



Williams
Distributing

has been acquired by



Hubbell
WATER HEATERS

has acquired



GOODWAY



product lines to



a portfolio company of
PERMIRA



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