

HVAC Quarterly Update



Industry Insights & Market Data

RECENT CMG EVENTS

- [CMG Opens Long Island Office, expanding to serve business owners across all CMG verticals on Long Island.](#)
- [AHR Expo 2026 Recap & Insights – HVAC Recovery Signals and M&A Momentum”](#)

HVAC SECTOR Q1 '26 HIGHLIGHTS

- HVAC Market Overview
- A Legal Perspective on HVAC Services: Jeff Berkman, Chair, Corporate M&A, FR&B
- HVAC M&A Transaction Highlights
- Public Markets and Subsector Performance
- U.S. Key Economic Indicators

2026 HVAC Industry Outlook

As we move further into 2026, the HVAC M&A market feels meaningfully different than it did even six months ago. The uncertainty that defined much of 2024 and early 2025 hasn't disappeared, but it is starting to organize itself. And in today's market, that matters.

Across industrial sectors more broadly, we're hearing a consistent message: uncertainty is still present, but decision-making is back. Buyers are engaging, processes are moving forward, and capital is available, though conviction is being applied more selectively. That dynamic is playing out in HVAC in a distinctly constructive way, with continued enthusiasm for the mission-critical nature of the end market across manufacturing, distribution, and service.



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HVAC M&A: Clarity Is Improving and the Mission-Critical Thesis Is Stronger Than Ever

At a high level, the story in HVAC is one of continued enthusiasm for a mission-critical end market. After a transitory 2025, defined by uncertainties around the A2L refrigerant transition and tariff overhang, 2026 is showing real light at the end of the tunnel:

- Services businesses with recurring revenue, pricing power, and density continue to command strong interest and competitive processes.
- Distribution platforms remain highly strategic, but buyers are increasingly focused on fit, geography, and supplier alignment rather than simply "scale for scale's sake."
- Manufacturing businesses are seeing improving engagement as the A2L transition normalizes and tariff visibility improves, though buyers continue to focus on margins, input costs, and pricing pass-through dynamics.

Evolving Buyer Mindset

In prior cycles, a strong historical run often created enough momentum to drive valuation. Today, buyers are asking a different question: how clearly can this business articulate where it is going, and how well does its recent performance support that narrative? For owners, that is showing up in more focus on near-term performance, tighter discussions around working capital and earnings quality, and in many cases, structures that seek to bridge valuation gaps rather than ignore them.

Opportunities vs. Risks: A Bifurcated Market

For family and founder-owned businesses, this creates both opportunity and risk. The opportunity is that the long-term tailwinds in HVAC remain firmly intact. Replacement-driven demand, energy efficiency mandates, electrification, and continued fragmentation all support sustained consolidation. These are not cyclical dynamics; they are structural, and they continue to attract both strategic and financial buyers.

The risk, however, is in timing and positioning.

In a market that is "open but selective," outcomes are increasingly bifurcated between businesses that are prepared to tell a clear story and those that are not. We are seeing processes where well-positioned companies generate significant competition and premium outcomes, while others experience more measured engagement and require greater alignment on structure.

Said differently: this is not a market where simply "showing up" is enough.

For owners considering a transaction, whether near-term or a few years out, the focus should be on building clarity around three questions:

1. What does normalized EBITDA actually look like, and what is the right way to present it?
2. How durable is your growth profile across different demand environments?
3. Where do you fit in the strategic landscape of likely buyers?

Those who can answer those questions with confidence are finding that the market is very much open. Those who cannot may still have excellent businesses, but will face a more challenging path to achieving their objectives.

Closing View: Activity is Real, Outcomes are Earned

Against that backdrop, we are encouraged by what we are seeing in the HVAC sector today. Activity is real, buyers are engaged, and the gap between expectation and execution is narrowing. But as always, outcomes are being earned, not given. That is why we remain such staunch proponents that "preparation remains key" to a successful outcome. Feel free to reach out if you'd like to explore options and discuss timing for your business.

Industry Expert Interview – A Legal Take Inside the HVAC Service Trenches



Jeffrey W. Berkman
Founding Partner,
Falcon Rappaport &
Berkman

To get a legal perspective from practitioners working directly in the trenches, we spoke with **Jeff Berkman, a Corporate and M&A attorney** with extensive experience advising founder-owned businesses across HVAC and broader home services. Our conversation focused on what's driving value today, how owners should be preparing, and where the market is heading next.

Background & Practice

I chair the corporate and securities group at Falcon Rappaport & Berkman, with a practice focused primarily on M&A largely representing sellers, though I handle a fair amount of buy-side work as well. I also serve as outside general counsel to a range of companies, from startups to lower/lower middle market businesses. A big part of my work involves helping owners think through succession and exit planning in a coordinated way, working alongside tax, estate, and real estate advisors. For founder-led businesses in particular, those decisions tend to be as personal as they are financial.

HVAC Focus

My work in HVAC developed organically, starting with a transaction in 2017 that led to additional opportunities in the broader trades and home services space. Since then, it's been driven largely by referrals and relationships within the industry. I've worked with a range of companies from founder-led businesses preparing for sale to repeat operators building and exiting multiple platforms. Over time, that's allowed me to develop a strong understanding of both the operational dynamics and the transaction landscape in this sector.

Role in the HVAC M&A Market

I'm most often engaged on the sell-side, representing founders and family-owned businesses through a sale process. I also work with independent operators on acquisitions, particularly smaller or entrepreneur-led buyer groups. While I don't typically represent private equity firms directly, they're almost always across the table in these deals. My role is helping sellers prepare, navigate the process, and ultimately get to a clean, executable outcome.

Market Trends – What are you seeing?

Activity remains strong, and valuations for quality HVAC businesses continue to hold up. Private equity is still very active, and we're seeing sustained competition for good assets. One clear trend is expansion both geographically and across adjacent sectors. As core HVAC opportunities become more competitive, buyers are increasingly looking at plumbing, engineering, and other related service businesses with similar characteristics.

Preparing for a Sale – Advice for owners?

The earlier owners start preparing, the better. Ideally, that means engaging advisors a few years ahead of a sale to get the business properly structured, financials in order, and any tax planning addressed. Once an LOI is on the table, there's very little flexibility left to optimize outcomes. Preparation also helps minimize disruption most owners are running their business while going through a transaction, and being organized upfront makes that process significantly smoother.

Value Drivers & Detractors

From the HVAC and home services deals that I've been involved in, the biggest drivers of value are market position, operational discipline, and recurring revenue. Businesses that have a strong local presence, run clean operations,

Industry Expert Interview – A Legal Perspective

(Continued from Page 2)

and generate predictable revenue particularly through service contracts tend to command premium multiples. On the flip side, disorganization, especially around structure or financial reporting, can create friction and drag on value. Buyers are looking for clarity and scalability, and anything that complicates that story tends to work against you.

Common Pitfalls & Lessons Learned

One of the most common issues business owners and entrepreneurs make is underestimating the complexity of the process, especially while continuing to run the business. The most important thing you can do during a sale process is clear—continue operating the business at a high level! Easier said than done, but those that are organized, and have a great M&A advisor team around them, can do that.

Another pitfall is waiting too long to prepare particularly from a tax and structural standpoint. I've seen situations where earlier planning could have materially improved the outcome, but once a deal is underway, options become limited. The cleanest, most successful transactions tend to be the ones where the business is well-prepared going in. Preparation is key, I can't highlight that enough.

What's Next in Services M&A

HVAC remains highly active, but we're seeing increasing interest in adjacent sectors. Plumbing is already gaining traction, and beyond that, areas like engineering, environmental services, and other licensed trades are attracting attention. Private equity firms have capital to deploy and are continually looking for scalable, fragmented markets with recurring revenue. Given that the acquisition of HVAC businesses remains competitive, the expansion of private equity into adjacent services is a natural progression.









Closing

The takeaway is clear: while market demand for HVAC and trade service businesses remains strong, outcomes are increasingly dependent on preparation and positioning. Clean operations, recurring revenue, and early planning continue to separate top-tier assets from the rest.














As private equity expands its focus across adjacent service sectors, owners who start preparing today will be best positioned to capitalize on the next wave of consolidation.



Select HVAC M&A Transactions

Date	Acquirer	Target	Target Description
Distribution			
Mar-26			Wholesale distributor of HVAC equipment, parts, and supplies to contractors
Jan-26			Distributor of HVAC and refrigeration products for the Southwest region
Jan-26			Distributor of industrial heating, cooling, and fluid handling system inventory
Jan-26			Distributor of engineered HVAC systems for climate control in buildings
Jan-26			Distributor of residential and commercial HVAC units and related components
Jan-26			Supplier of HVAC equipment for contractors and residential Chicagoland markets
Manufacturing			
Mar-26			Manufacturer of venting systems for residential and commercial HVAC equipment
HVAC Services			
Feb-26			Provider of precision mechanical contractor services for diverse commercial clients
Feb-26			Operator of residential plumbing, electrical, heating, and air conditioning services
Feb-26			Provider of commercial plumbing and mechanical services for industrial projects
Feb-26			Provider of HVAC services for commercial, industrial, and institutional sectors
Feb-26			Provider of mechanical contracting services for heating system installation repairs
Feb-26			Provider of energy-efficient heating, ventilation, and air conditioning system installations
Feb-26			Provider of residential HVAC, plumbing, and electrical home maintenance services

Select HVAC M&A Transactions

Date	Acquirer	Target	Target Description
HVAC Services			
Feb-26			Provider of HVAC and electrical services for diverse regional clients
Feb-26			Provider of spray foam insulation and HVAC installation for residences
Feb-26			Provider of commercial kitchen and HVACR installation for foodservice facilities
Jan-26			Provider of heating, air conditioning, and plumbing for residential projects
Jan-26			Provider of residential and commercial heating, ventilation, and cooling services
Jan-26			Provider of HVAC design and mechanical contracting for industrial facilities
Jan-26			Provider of air conditioning and heating services for Florida markets
Jan-26			Provider of heating and air conditioning products for commercial sectors
Jan-26			Provider of residential and commercial heating, ventilation, and air conditioning
Jan-26			Provider of integrated building technical services for mechanical and automation

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	65.94	9,126	\$3,830	\$813	0.3%	21.2%	2.4x	10.9x
AAON, Inc.	82.75	7,161	\$1,442	\$227	20.1%	15.7%	5.0x	nmf
Carrier Global Corporation	56.31	58,205	\$21,747	\$3,378	-3.3%	15.5%	2.7x	15.4x
Daikin Industries,Ltd.	117.51	34,590	\$30,777	\$4,193	2.1%	13.6%	1.1x	8.3x
Honeywell International Inc.	226.03	1,67,441	\$37,442	\$8,468	7.8%	22.6%	4.5x	19.1x
Ingersoll Rand Inc.	80.12	35,325	\$7,651	\$2,016	5.7%	26.3%	4.6x	17.9x
Johnson Controls International plc	130.95	89,332	\$23,967	\$4,134	3.4%	17.2%	3.7x	nmf
Lennox International Inc.	464.13	17,889	\$5,195	\$1,155	-2.7%	22.2%	3.4x	13.8x
Modine Manufacturing Company	216.71	12,090	\$2,874	\$420	13.2%	14.6%	4.2x	nmf
SPX Technologies, Inc.	199.94	10,186	\$2,265	\$467	14.2%	20.6%	4.5x	nmf
Trane Technologies plc	416.74	95,936	\$21,322	\$4,213	7.5%	19.8%	4.5x	nmf
Mean	\$187.01	\$48,844	\$14,410	\$2,680	6.2%	19.1%	3.7x	14.2x
Median	\$130.95	\$34,590	\$7,651	\$2,016	5.7%	19.8%	4.2x	14.6x
Distributors								
Beijer Ref AB (publ)	13.53	7,869	\$4,021	\$415	3.9%	10.3%	2.0x	16.8x
Ferguson Enterprises Inc.	233.26	50,804	\$30,799	\$2,986	0.0%	9.7%	1.6x	17.0x
Global Industrial Company	31.52	1,240	\$1,379	\$105	4.8%	7.6%	0.9x	10.3x
Reece Limited	9.10	7,083	\$6,152	\$398	2.8%	6.5%	1.1x	13.4x
Watsco, Inc.	363.79	14,014	\$7,239	\$738	-5.0%	10.2%	1.9x	15.3x
Mean	\$130.24	\$16,202	\$9,918	\$928	1.3%	8.9%	1.5x	14.6x
Median	\$31.52	\$7,869	\$6,152	\$415	2.8%	9.7%	1.6x	15.3x
HVAC Services								
Api Group Corporation	40.52	19,643	\$7,911	\$982	12.7%	12.4%	2.5x	16.4x
Comfort Systems USA, Inc.	1,378.99	47,893	\$9,102	\$1,455	29.5%	16.0%	5.3x	nmf
EMCOR Group, Inc.	738.31	32,242	\$16,986	\$1,765	16.6%	10.4%	1.9x	14.2x
IES Holdings, Inc.	476.47	9,306	\$3,493	\$456	16.5%	13.1%	2.7x	18.2x
Limbach Holdings, Inc.	78.05	956	\$647	\$70	24.7%	10.8%	1.5x	13.0x
Tutor Perini Corporation	77.19	3,855	\$5,543	\$284	28.1%	5.1%	0.7x	10.9x
Mean	\$464.92	\$18,983	\$7,280	\$835	21.3%	11.3%	2.4x	14.5x
Median	\$277.26	\$14,474	\$6,727	\$719	20.6%	11.6%	2.2x	14.2x
Mean - All	\$249.90	\$33,281.22	\$11,444.79	\$1,778.91	\$0.09	\$0.15	\$2.85	\$14.44
Median - All	\$124.23	\$15,951.48	\$6,695.76	\$897.55	\$0.07	\$0.14	\$2.57	\$14.76

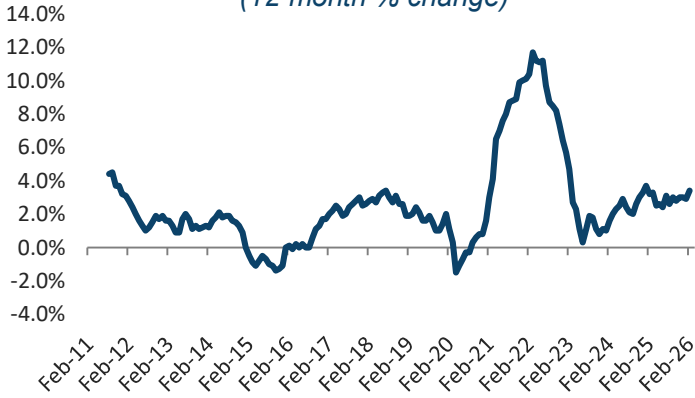
All data as of 03/31/26, \$ in millions, TEV - Total Enterprise Value; LTM - Last Twelve Months

Source: Capital IQ

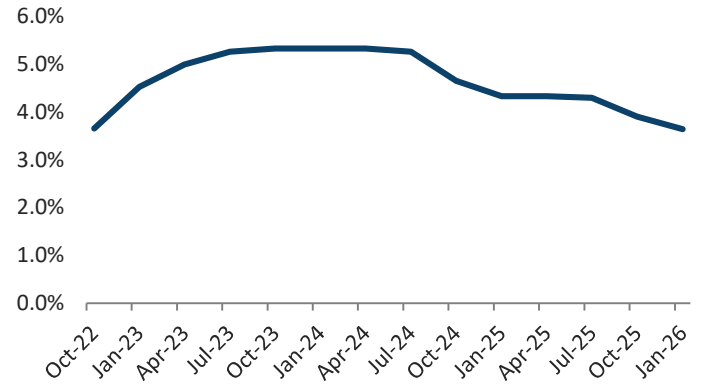
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Key Economic Indicators

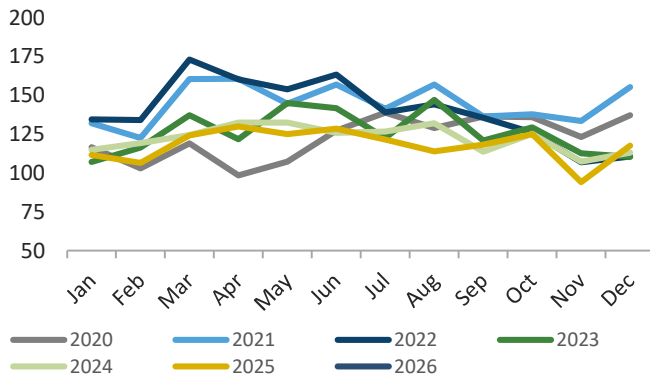
Producer Price Index
(12-month % change)



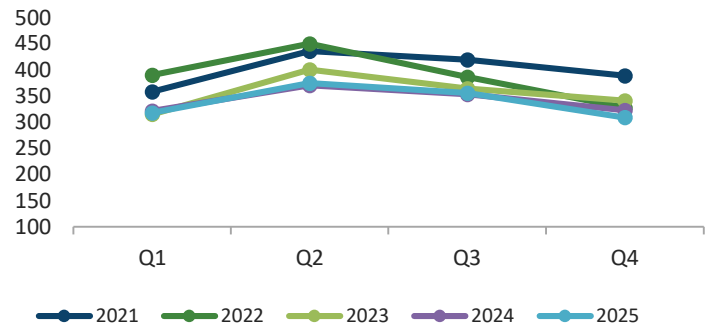
Fed Funds Rate



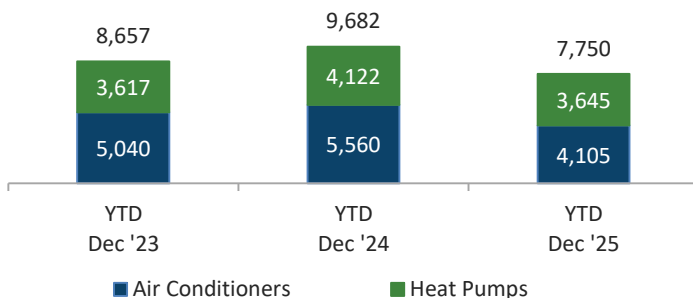
Building Permits
(housing units in 000s)



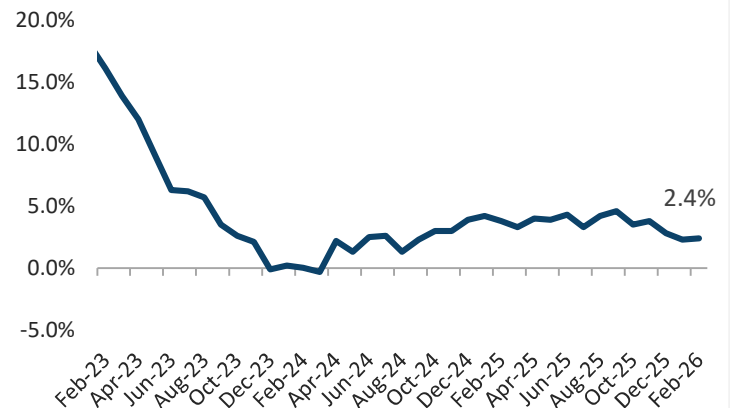
Housing Starts
(housing units in 000s)



AHRI Shipments
(shipments in 000s)



HARDI Distributors Annual Growth Rate



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

M&A Expertise For Founders & Families



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 has enabled us to become a trusted advisor to hundreds of founders and families.

CMG Industry Groups

Manufacturing	Services	HVAC	Consumer	Food & Beverage
<ul style="list-style-type: none"> • Aerospace & Defense • Tools & Equipment • Diversified Industrial • Niche Manufacturing 	<ul style="list-style-type: none"> • Diversified Services • Facilities & Residential • Industrial Services • Distribution & Logistics 	<ul style="list-style-type: none"> • Manufacturing • Distribution • HVAC Services • Building Automation 	<ul style="list-style-type: none"> • Pet Products • Infant & Juvenile Products • Sporting Goods • Apparel & Accessories • Household Goods 	<ul style="list-style-type: none"> • Food • Alcoholic Beverages • Non-Alcoholic Beverages

1987
Founded

\$5 Billion
Aggregate Transaction Values

450+
Client Engagements

1 Objective
Successful Client Outcomes


Select HVAC Transactions


 <p>has been acquired by</p> 	 <p>the nudyne group</p> <p>has acquired the assets of</p> 	 <p>has been acquired by</p> 	 <p>has acquired</p> 	 <p>has sold its</p>  <p>product lines to</p>  <p>a portfolio company of</p> 
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