Q2 2026

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.
- CMG Attends Private Equity Summer Conference, ACG's Dealmakers' Conference in Montauk, NY

HVAC SECTOR Q2 '26 HIGHLIGHTS

- HVAC Mid-Year Market Update
- Industry Expert Interview – Inside Wex's "Field Service Management" Contractor Platform
- HVAC M&A Transaction Highlights
- Public Markets and Subsector Performance
- U.S. Key Economic Indicators

Mid-2026 HVAC Industry Outlook

As we move through the second half of 2026, the U.S. HVAC market appears to be finding firmer footing after an unusually disruptive period. The A2L refrigerant transition that defined much of 2025 is largely behind us, channel inventories are beginning to normalize, and several indicators suggest equipment volumes have reached, or are approaching, a bottom.

That is the good news. The more nuanced reality is that stabilization does not yet mean broad-based strength. Residential affordability remains the biggest challenge, while commercial HVAC, led by data centers, healthcare and infrastructure, is providing an important counterweight.

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HVAC in Mid-2026: Stabilization Is Taking Hold, but the Recovery Remains Uneven

As we move through the second half of 2026, the U.S. HVAC market appears to be finding firmer footing after an unusually disruptive period. The A2L refrigerant transition that defined much of 2025 is largely behind us, channel inventories are normalizing, and several indicators suggest equipment volumes have reached, or are approaching, a bottom. That is the good news. Stabilization, however, does not yet mean broad-based strength.

The biggest challenge remains residential affordability. Equipment prices have risen substantially, while higher interest rates, muted existing-home sales and broader uncertainty weigh on homeowners. Increasingly, consumers are choosing to repair rather than replace, defer maintenance, or trade down to lower-efficiency equipment. Recent research estimates residential volumes were down high-single digits in the second quarter, even as commercial volumes grew modestly.

The Inventory Correction Is Ending

HARDI has recently suggested that HVAC shipments have bottomed following nearly two years of declining volumes. That distinction matters, but it needs to be interpreted correctly.

A shipment bottom does not indicate that demand is suddenly accelerating. Rather, after the over-ordering and destocking tied to last year's A2L transition, distributor inventories are reaching levels where orders can once again track actual customer demand. Watsco's second-quarter residential equipment sales rose 5%, including 2% unit growth.

Commercial Is the Counterweight

Light commercial activity has improved, while healthcare, pharmaceutical and infrastructure end markets continue to provide attractive pockets of demand, with particularly strong data-center activity. Strength is not universal, however: traditional office remains weak, and tighter lending standards continue to constrain private non-residential construction.

What It Means for HVAC M&A

This increasingly bifurcated operating environment reinforces a theme we have discussed throughout the year: buyer appetite for HVAC remains strong, but buyers are becoming increasingly specific about what they want to own.

- Service businesses continue to benefit from recurring maintenance revenue, large installed bases and the essential nature of HVAC. Those capable of monetizing both repair and replacement demand can demonstrate resilience even when consumers delay larger-ticket purchases.
- For distributors, consolidation remains highly active, but scale, geography, OEM alignment and customer mix matter more than ever. Larger contractor groups increasingly seek national pricing and procurement capabilities, favoring distributors with density and technology.
- Manufacturers and manufacturers' representatives exposed to attractive commercial verticals are seeing strong interest, particularly in data centers, healthcare and infrastructure.

Across all three segments, quality and positioning are driving outcomes. Buyers remain willing to pay for defensible market positions, strong margins and a credible path to growth.

Closing View: Continued Optimism

Our view for the balance of 2026 is one of continued optimism. The HVAC market is not booming across the board, but residential markets appear to be improving while commercial markets provide meaningful areas of strength.

For owners considering M&A, that backdrop reinforces a familiar point: the market remains open, but preparation and positioning matter. Understanding normalized earnings, demonstrating resilience, and articulating where a business fits within buyers' strategic priorities can make a meaningful difference in both competitive tension and ultimate value.

Industry Expert Interview – Inside Field Service Management

To get an inside look at the technology reshaping day-to-day operations across the trades, we spoke with the team behind WEX FSM, a field service management platform built for independent HVAC, plumbing, and roofing contractors. Our conversation covered where owners lose time and margin today, how software changes the economics of a service business, and what contractors should expect from their systems in the years ahead.

Company Background

WEX FSM actually started out as Payzer. We came at it with a really simple, practical mission: we wanted to help field service contractors close more sales, offer on-the-spot customer financing, and get paid faster. At the end of 2023, we were acquired by WEX (NYSE: WEX), a global leader in intelligent payment solutions that serves more than 600,000 mobility customers and almost 20 million vehicles nationwide. Today, we support a large network of contractors across the US, with a really strong footprint in the HVAC, plumbing, and roofing sectors. On KPIs: we focus on the metrics that actually impact our users' daily operations. Specifically, that means cutting down on administrative double-entry, improving technician close rates, and shortening the time it takes to get cash in the bank once a job is finished.

Core Customers & Product Fit

Our core customers are independent residential and commercial service contractors, primarily in the HVAC, plumbing, and roofing sectors. Most of our clients are small-to-midmarket businesses, and a lot of them are founder-led or multi-generational family companies. WEX FSM works so well for them because we know these owners aren't looking to become software experts; they just want to run an efficient business. We don't bury them under enterprise complexity. Instead, everything is designed around how a technician actually operates out in the field:

Easy, On-the-Spot Financing: Technicians can offer financing options up to $55,000 with instant, paperless credit approvals right from a phone or tablet while they're on-site.

Clear, Simple Proposals: Instead of dealing with messy clipboards or hard-to-read spreadsheets, techs can lay out multi-tiered options, like 'Good, Better, Best' packages, in a visual way that makes sense to the homeowner.

Everything in One Place: We bring together CRM, smart dispatching, price books, payment processing, and QuickBooks integration into a single system. It gives a lean office team everything they need to manage a growing fleet without getting buried in paperwork.

Common Operational Challenges

Family-owned HVAC businesses are incredibly resilient, but we often see them hit a growth ceiling because of a few common challenges:

The “Double-Entry” Time Drain: Office staff and owners end up spending hours copying handwritten notes or paper invoices into scheduling software and then typing that exact same data into QuickBooks. It's exhausting, wastes time, and it's where mistakes easily happen.

Cash Flow Drag: A lot of businesses get bogged down waiting on checks in the mail or chasing down late payments. On top of that, they miss out on big system replacement jobs simply because the technician couldn't offer the homeowner a low monthly payment option right there on the spot.

Industry Expert Interview – Inside Field Service Management

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Getting Consistency from Technicians: It's tough to make sure every tech out in the field is running calls the same way. Without a simple, structured mobile app to guide them, one tech might forget to bring up maintenance plans entirely, while another might struggle to confidently explain the pricing for higher-end, high-efficiency systems.

Where the Platform Is Focused

WEX FSM directly addresses these bottlenecks by automating the entire service lifecycle. When a tech completes a job, the invoice is generated in a few clicks, payment is taken on-site, and the data syncs directly to QuickBooks, wiping out double-entry entirely. Our product strategy is intentionally distinct from solutions designed for private equity-backed mega-consolidators. Independent, family-owned businesses need agility, speed, and ease of use. We have intentionally focused our platform on enabling the technician to be a confident salesperson without feeling slimy, corporate-level sales punch, with the local, personalized service that wins these companies their customers in the first place.

Implementation & Onboarding

In this industry, if your software goes down for a day, your business grinds to a halt. That's why our onboarding is built entirely around dedicated, personal support. We don't just hand you a login password and wish you luck. Our team handles the heavy lifting with data migration, safely moving your customer histories and spreadsheets into WEX FSM. From there, the team trains staff at their own pace, with unlimited phone, chat, and email support from people who know the trades. There is no onboarding fee, and our support stays completely unlimited.

Where Customers See ROI

The immediate return comes down to getting clear visibility into your operations and plugging profit leaks. But where our customers see the biggest, most compounding return is when they transition from just running reactive, emergency repair calls to building predictable, recurring revenue through structured maintenance plans. When you pair that steady revenue with integrated flat-rate pricing to protect your profit margins, the software starts paying for itself very quickly.

AI in Field Service

Over the next few years, AI is going to move away from being a tech novelty and become a practical tool that quietly removes friction behind the scenes. It will absorb repetitive administrative work and flag billing or margin errors before they become problems — and that practical approach guides the roadmap: no rigid updates that force retraining, just features working quietly in the background. A great example is Assist IQ, our integrated intelligence tool. It lets an office user simply ask a question about their real-time operational data using everyday language, rather than digging through confusing reports.

Product Innovations

Because we have the backing of WEX, we are able to offer the exclusive WEX FSM Fuel Card. For a contractor running five or more trucks, the fuel rebates alone can actually cover or completely zero-out the monthly cost of our software. It turns an overhead expense into a profit center. When you pair that financial benefit with our digital price books from Pricebook Digital and Profit Rhino, technicians can easily build professional “Good, Better, Best” options right in the field. And by embedding financing options from partners like Synchrony and GoodLeap directly into that quick workflow, we take away the upfront price barrier for the homeowner. It instantly boosts average ticket sizes and gives the contractor a clear, measurable ROI on day one.

Industry Expert Interview – Inside Field Service Management

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The Next Five Years

Five years from now, field service software will completely transition from a reactive scheduling tool into a proactive system that helps you run the business ahead of time. Successful contractors won't be waiting around for end-of-the-month office reports; they'll be running their business from a real-time, unified dashboard. By then, three things will be standard expectations for any growing company:

Instant Invoicing and Financing: Homeowners will expect digital, multi-option quotes with flat-rate pricing and instant credit approvals right on the spot. The gap between finishing a job and getting paid will shrink to minutes.

Proactive Maintenance Networks: Instead of waiting for the phone to ring when an AC breaks down, contractors will rely on integrated equipment tracking and automated service plan renewals to secure predictable, recurring revenue before a system even fails.

Unified Operations: Managing separate vendors for dispatching, vehicle tracking, and fleet expenses will feel completely outdated. The top performers in the market will demand an all-in-one system where fleet costs, customer histories, and true job costing are natively tied together in one single place.

Select HVAC M&A Transactions

Date	Acquirer	Target	Target Description
Distribution			
May-26	impact CLIMATE TECHNOLOGIES	DELTA T EQUIPMENT	Houston-based commercial HVAC and plumbing distributor and manufacturers' representative serving engineers and contractors
May-26	ADVANTAGE DISTRIBUTION HOLDINGS	cfm equipment DISTRIBUTORS	HVAC distributor whose addition expands the platform to 13 locations across six states in the Southeast and Midwest
May-26	SRS DISTRIBUTION	Mingledorff's	Wholesale distributor of HVAC equipment, parts, and supplies operating 42 locations across five southeastern states
May-26	Robert Madden Ind. Since 1979 Dependable Partnerships	AC SUPPLY CO.	Wholesale distributor of HVAC parts and supplies serving contractors throughout Tarrant County and the greater DFW market
Apr-26	watsco THE COOLEST GREEN COMPANY	JSC	Wholesale distributor of HVAC equipment and supplies, one of the largest in the Sunbelt with ~$230 million in annual sales
Manufacturing			
Jun-26	LENNOX	HEAT CONTROLLER	Manufacturer of residential and light commercial HVAC equipment under the Comfort-Aire and Century brands
Jun-26	DIVERSITECH®	POLYMER ADHESIVES	Manufacturer of water- and solvent-based duct sealants, adhesives, and fire-stopping materials for the HVAC/R industry
HVAC Services			
May-26	FOUNDRAL	A·Hattersley & Sons	Mechanical contractor providing design, engineering, installation, and maintenance of piping and HVAC systems
May-26	ACTIONAIR SYSTEMS LLC A NexCore Partner	AIR COMFORT	Provider of commercial HVAC preventative maintenance, repair, and replacement services in southern Connecticut
May-26	ARC MECHANICAL a Kelvin group company	MULLALLY BROS. INDUSTRIAL REFRIGERATION	Provider of industrial refrigeration and mechanical services for food and beverage processing and cold storage facilities
Apr-26	PremiStar	ARMISTEAD MECHANICAL, INC.	Mechanical contractor providing industrial piping, plumbing, and HVAC design and installation across New Jersey and the Hudson Valley
Apr-26	HFI Harrell-Fish	ecofriendly mechanical Heating & Cooling Specialists	Bloomington, IN-based mechanical contractor specializing in sustainable, energy-efficient HVAC and plumbing solutions

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Select Public Company Data
Manufacturers, Distributors and HVAC Services

	Market Information		*LTM Financials*		*Operating Metrics*		*TEV to LTM*	
Company	$ / Share	TEV	Revenue	EBITDA	Growth	EBITDA%	Revenue	EBITDA
Manufacturers								
A. O. Smith Corporation	60.44	8,783	$3,812	$795	0.2%	20.9%	2.3x	11.0x
AAON, Inc.	114.16	9,794	$1,617	$251	28.3%	15.5%	6.1x	nmf
Carrier Global Corporation	69.34	69,143	$21,870	$3,141	-1.9%	14.4%	3.2x	nmf
Daikin Industries,Ltd.	153.95	44,223	$31,540	$4,347	5.5%	13.8%	1.4x	10.2x
Honeywell International Inc.	226.42	98,174	$37,660	$8,526	9.0%	22.6%	2.6x	11.5x
Ingersoll Rand Inc.	78.85	34,581	$7,781	$2,022	6.9%	26.0%	4.4x	17.1x
Johnson Controls International plc	142.81	95,981	$24,433	$4,320	5.1%	17.7%	3.9x	nmf
Lennox International Inc.	552.03	21,115	$5,258	$1,154	-2.0%	21.9%	4.0x	18.3x
Modine Manufacturing Company	245.91	13,574	$3,181	$449	23.1%	14.1%	4.3x	nmf
SPX Technologies, Inc.	219.87	11,525	$2,349	$493	17.4%	21.0%	4.9x	nmf
Trane Technologies plc	479.70	109,604	$21,603	$4,233	6.4%	19.6%	5.1x	nmf
Mean	**$213.04**	**$46,954**	**$14,646**	**$2,703**	**8.9%**	**18.9%**	**3.8x**	**13.6x**
Median	**$153.95**	**$34,581**	**$7,781**	**$2,022**	**6.4%**	**19.6%**	**4.0x**	**11.5x**
Distributors								
Beijer Ref AB (publ)	14.37	8,378	$3,858	$398	-0.4%	10.3%	2.2x	nmf
Ferguson Enterprises Inc.	227.46	49,374	$31,058	$3,043	na	9.8%	1.6x	16.2x
Global Industrial Company	33.46	1,318	$1,409	$108	7.2%	7.6%	0.9x	12.2x
Reece Limited	10.84	8,168	$6,152	$398	2.8%	6.5%	1.3x	nmf
Watsco, Inc.	383.86	15,141	$7,241	$736	-4.5%	10.2%	2.1x	nmf
Mean	**$134.00**	**$16,476**	**$9,944**	**$936**	**1.3%**	**8.9%**	**1.6x**	**14.2x**
Median	**$33.46**	**$8,378**	**$6,152**	**$398**	**1.2%**	**9.8%**	**1.6x**	**14.2x**
HVAC Services								
APi Group Corporation	41.36	20,343	$8,174	$1,035	14.5%	12.7%	2.5x	19.7x
Comfort Systems USA, Inc.	1,756.09	60,980	$10,136	$1,736	38.4%	17.1%	6.0x	nmf
EMCOR Group, Inc.	781.78	34,344	$17,747	$1,851	18.3%	10.4%	1.9x	18.6x
IES Holdings, Inc.	625.54	12,312	$3,633	$480	16.2%	13.2%	3.4x	nmf
Limbach Holdings, Inc.	75.57	962	$653	$63	22.5%	9.6%	1.5x	15.3x
Tutor Perini Corporation	75.89	3,707	$5,686	$277	25.7%	4.9%	0.7x	13.4x
Mean	**$559.37**	**$22,108**	**$7,671**	**$907**	**22.6%**	**11.3%**	**2.7x**	**16.7x**
Median	**$350.72**	**$16,328**	**$6,930**	**$757**	**20.4%**	**11.5%**	**2.2x**	**16.9x**
Mean - All	**$289.53**	**$33,251.14**	**$11,675.06**	**$1,811.58**	**$0.11**	**$0.15**	**$3.01**	**$14.86**
Median - All	**$148.38**	**$17,742.14**	**$6,696.72**	**$915.15**	**$0.07**	**$0.14**	**$2.55**	**$15.30**

All data as of 06/30/26, $ in millions, TEV - Total Enterprise Value; LTM - Last Twelve Months

Source: Capital IQ

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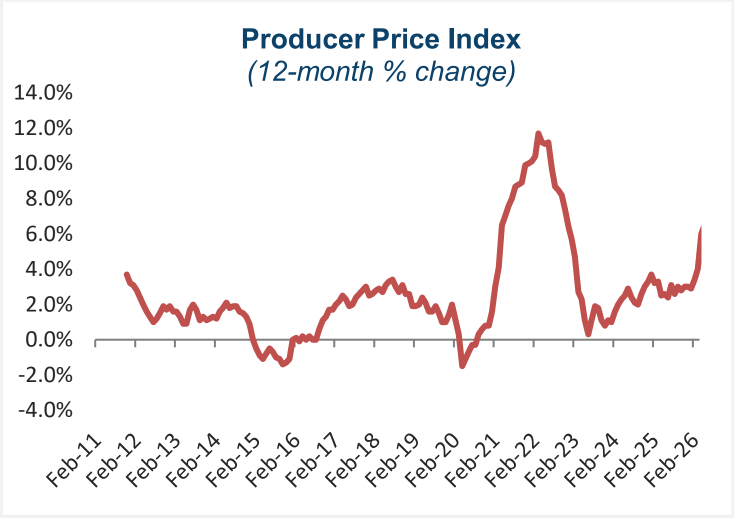
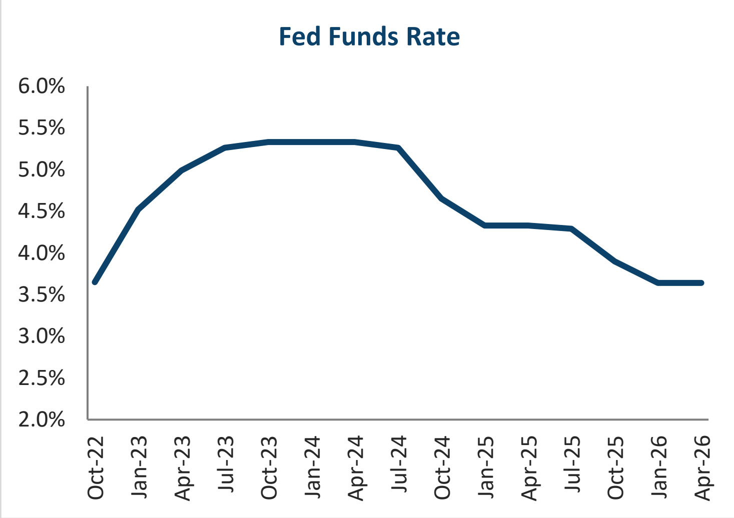
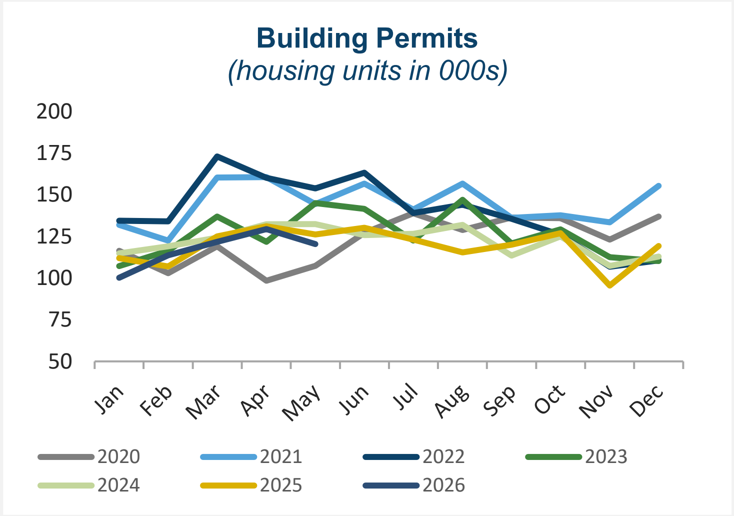
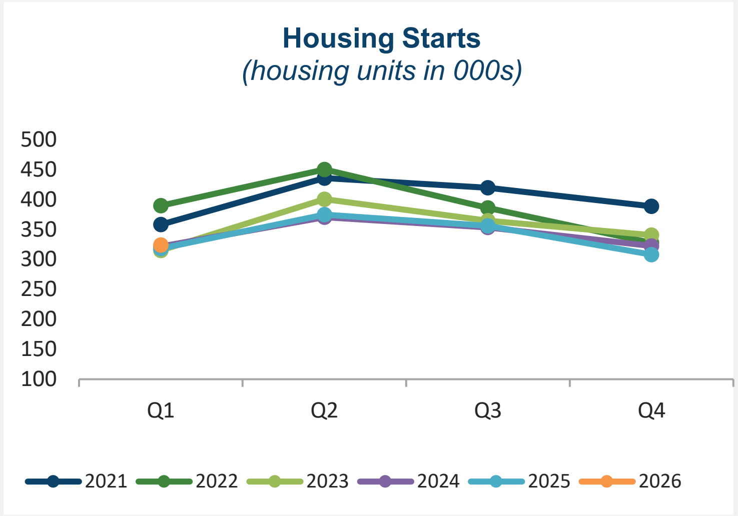
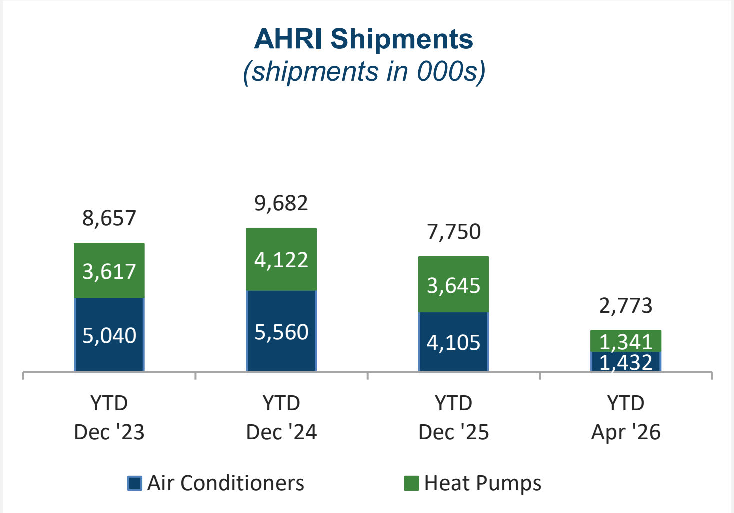
Key Economic Indicators

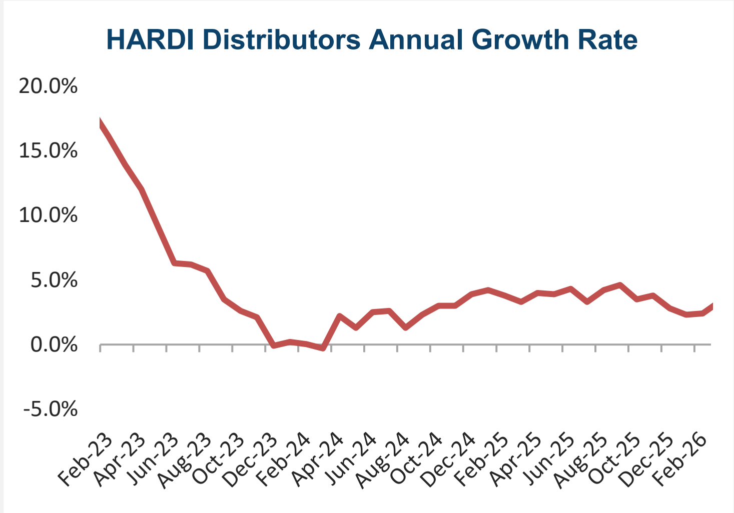












Sources: U.S. Bureau of Labor Statistics, Federal Reserve Economic Data, US Census Bureau and HARDI

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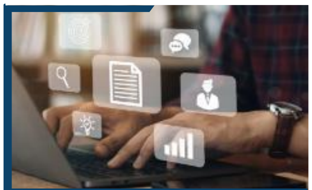
M&A Expertise For Founders & Families

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 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



Services

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

HVAC

- Manufacturing
- Distribution
- HVAC Services
- Building Automation

Consumer

- Pet Products
- Infant & Juvenile Products
- Sporting Goods
- Apparel & Accessories
- Household Goods

Food & Beverage

- Food
- Alcoholic Beverages
- Non-Alcoholic Beverages

1987
Founded

$5 Billion
Aggregate Transaction Values

450+
Client Engagements

1 Objective
Successful Client Outcomes

Select HVAC Transactions

ARISTA
has been acquired by
Global HVAC Corporation

ACE HUBBELL RECO VAUGHN
the nudyne group
has acquired the assets of
WARREN ELECTRIC HEATING TECHNOLOGIES

Williams Distributing
has been acquired by
DAIKIN

Hubbell WATER HEATERS
has acquired
RECO USA The Water Heater and Pressure Vessel Experts

GOODWAY *has sold its* SPEEDCLEAN BBI
product lines to
DIVERSITECH *a portfolio company of* PERMIRA

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