Carter Morse & Goodrich
Investment Bankers Since 1987

Fall 2026

HVAC Quarterly Update



Industry Insights & Market Data

RECENT CMG EVENTS

- CMG Participates in ACCA Webinar: Building a High Value Contracting Business: Data, KPIs and Growth Strategies
- Carter Morse & Goodrich Attended International M&A Network in Chicago as Alliance Rebrands to CapFive

HVAC SECTOR Q3 '26 HIGHLIGHTS

- HVAC Market Update
- It's Closed: Lohmiller Company Acquired by SRS Distribution
- Upcoming HVAC Conference Schedule
- HVAC M&A Transaction Highlights
- Market Data & U.S. Key Economic Indicators

HVAC Industry Outlook

As 2026 winds down, the U.S. HVAC market is on firmer footing than it was a year ago. The refrigerant transition is largely behind us, distributor inventories have normalized, and residential equipment volumes are growing again. For the first time in several years, the conversation is shifting from how far demand might fall to how quickly it can recover.

The picture remains uneven. Commercial activity outside data centers is soft, pricing has lost much of its momentum, and even the booming data center market has experienced recent investor volatility. Heading into 2027, the outlook is improving, but where a business sits within the HVAC ecosystem matters more than ever.

(Full article continues on Page 2)



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HVAC Market Outlook: Where We Are, Where We're Headed

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The picture remains uneven. Commercial activity outside data centers is soft, pricing has lost much of its momentum, and even the booming data center market has experienced recent investor volatility. Heading into 2027, the outlook is improving, but where a business sits within the HVAC ecosystem matters more than ever.

Residential Is Turning a Corner

Watsco's third-quarter results offer encouraging evidence of a residential recovery. The distributor reported record revenue of $2.2 billion, with same-store sales up 4%. Residential HVAC sales increased 7%, driven by 5% unit growth and 2% pricing.

The return of volume growth is particularly encouraging. Much of the industry's weakness in 2025 was driven by distributor destocking following the A2L refrigerant transition, which pushed equipment shipments below underlying replacement demand. With inventories largely normalized, orders are again more closely reflecting end-market activity.

The recovery is likely to be gradual. Heavy replacement activity during 2020–22 left a relatively young installed base, elevated equipment prices continue to favor repair over replacement, and housing turnover remains subdued. Nevertheless, a steady recovery from a normalized base is a considerably healthier starting point for 2027.

Commercial: Data Centers and Everything Else

Commercial HVAC remains a tale of two markets. Outside data centers, nonresidential construction activity is soft, particularly in office and certain manufacturing segments. Education and healthcare have been comparatively resilient, but leading indicators continue to point to subdued demand. Light commercial equipment volumes are expected to recover modestly, rather than sharply, over the next several years.

Data centers are the clear exception, fueled by unprecedented investment in AI infrastructure. According to TrendForce, capital expenditures among the world's nine largest cloud providers are projected to more than double in 2026 to approximately $960 billion, before exceeding $1.5 trillion in 2027. Meanwhile, Goldman Sachs estimates scheduled U.S. data center capacity additions will increase from 8.5 gigawatts in 2025 to more than 36 gigawatts in 2027.

Power constraints and construction timelines may delay some projects, but the scale of investment represents a substantial tailwind for HVAC manufacturers, cooling technology providers and specialized mechanical contractors.

Recent volatility in data center-related equities has introduced some caution. Nevertheless, we believe strategic buyers continue to view data centers as a long-term growth opportunity rather than a short-term cycle. Near-term sentiment may fluctuate, but the underlying demand for cooling infrastructure and specialized installation capacity remains compelling.

The Data Center Build-Out

~$960B
2026 capex of the nine largest cloud providers, more than double 2025
Source: TrendForce

36+ GW
U.S. data center capacity additions scheduled for 2027, vs. 8.5 GW in 2025
Source: Goldman Sachs

(Continued on Page 3)

HVAC Market Outlook: Where We Are, Where We're Headed

(Continued from Page 2)

Pricing Fatigue Puts the Spotlight on Service

The pricing engine that powered industry growth earlier this decade is fading. Watsco's third-quarter gross margin declined to 26.4% from 27.5% a year earlier, reflecting, in part, more modest manufacturer price increases and a shift toward normalized pricing practices.

With equipment pricing providing less support, growth will increasingly depend on volume recovery, operating efficiency and recurring revenue.

This environment reinforces the appeal of service-oriented businesses. Maintenance agreements, repair activity and recurring customer relationships provide revenue visibility and help insulate earnings from equipment replacement cycles. For strategic acquirers and private equity investors, these characteristics remain particularly valuable.

What It Means for HVAC M&A

The market backdrop is improving, and acquisition interest remains strong. However, buyers are increasingly focused on businesses offering recurring revenue, differentiated capabilities, attractive end-market exposure or a compelling strategic fit.

- **Service remains king.** Contractors and service platforms with meaningful recurring maintenance revenue continue to command strong buyer interest and premium valuations. Their resilience through the recent downturn has only strengthened the investment thesis.
- **Data center exposure commands a premium.** Manufacturers of cooling equipment and components, manufacturers' representatives, and mechanical contractors with specialized installation and commissioning capabilities are well positioned. Skilled labor and execution capacity are increasingly valuable differentiators.
- **Distribution consolidation is accelerating and broadening.** Leading distributors continue to acquire regional businesses while expanding into adjacent trades. Watsco's recent acquisition of The Granite Group illustrates the trend: 112 of its 804 locations now serve both HVAC and plumbing contractors. Scale, geographic density, technology and a broader product offering are becoming increasingly important competitive advantages.
- **Residential stabilization improves the seller narrative.** As equipment volumes recover, residential-focused businesses can increasingly demonstrate improving earnings rather than asking buyers to underwrite a cyclical trough.

Closing View: Constructive Heading Into 2027

We enter 2027 constructive on the HVAC market. Residential demand is recovering, commercial activity should gradually improve, and data centers remain a powerful long-term growth driver. With pricing contributing less to growth, operating discipline, recurring revenue and differentiated capabilities will increasingly separate winners from the rest.

For owners considering a transaction, the environment is favorable, but preparation remains critical. Buyers are focused on normalized earnings, the durability of revenue, management depth and strategic fit.

Businesses that can demonstrate those attributes—and articulate a credible growth story—will be best positioned to generate competitive tension and maximize value in the year ahead.

Closed Deal: Lohmiller & Co. Acquired by SRS Distribution

CMG advised Lohmiller & Company on its sale to SRS Distribution, a subsidiary of The Home Depot

Lohmiller & Company
HVACR EQUIPMENT | PARTS | CONTROLS | SHEET METAL | HYDRONICS
Carrier West
Rocky Mountain Bryant

has been acquired by

SRS DISTRIBUTION
THE HOME DEPOT

"

From the very beginning, CMG understood that finding the right partner for Lohmiller was about much more than achieving the best financial outcome.

They invested the time to truly understand our business, our culture, and the values that have guided us for decades. Throughout the process, we always felt like a priority. CMG's deep HVAC industry expertise, strategic guidance, and thoughtful counsel helped us evaluate several outstanding opportunities.

Ultimately, they helped us identify the exceptional cultural and strategic fit we found with SRS, and we could not be more pleased with the outcome and the future ahead."

Tim Brooks
President, Lohmiller & Co.

Business Description

Lohmiller & Company, also known as Carrier West, is a leading independent distributor of HVAC equipment, parts and supplies serving contractors across the Rocky Mountain region. Founded in 1990 and headquartered in Denver, the Company operates four locations with about 220 employees and is one of a select group of distributors offering Carrier's full residential, light commercial and applied product line. It has been a Denver Post Top Workplace for 12 years and has won Carrier's Top Gun Award 24 times.

Background

After decades of building Lohmiller, owners Tim Brooks, Roger Lee and Mark Brown engaged CMG to find the right partner for the Company's next chapter. Their goals went beyond price: a buyer that shared Lohmiller's people-first culture, respected its customer and supplier relationships and would keep its entrepreneurial spirit. With consolidation accelerating across the independent Carrier distribution network, the Company drew strong interest from potential partners.

Solution

Drawing on its dedicated HVAC practice, CMG ran a competitive process that produced several compelling alternatives and worked with the owners to weigh the financial, strategic and cultural merits of each. SRS Distribution emerged as the ideal partner, bringing the resources and growth capabilities to support Lohmiller's market leadership and culture. The deal also expands SRS's growing HVAC distribution platform.

CMG on the HVAC Conference Circuit

Upcoming Highlighted Presentations

Last year, CMG's session at the HARDI Annual Conference in Las Vegas was the highest-ranked presentation of the conference, and our team also presented at AHR Expo, the largest HVAC show in the country with more than 53,000 HVAC professionals.

CMG Managing Director Chris Reenock and Managing Partner Ramsey Goodrich are returning to both this season, and the team will also attend the ACCA Conference & Expo in March. We hope you can join us.





HARDI Annual Conference, Las Vegas



AHR Expo 2026

Meet the CMG HVAC Team at these Upcoming Events

Featured Speaker at HARDI Annual Conference

December 7-10, 2026

San Diego, CA

Featured Speaker at AHR Expo

January 25-27, 2027

Chicago, IL

ACCA Conference & Expo

March 10-12, 2027

Washington, DC

Select HVAC M&A Transactions

Date	Acquirer	Target	Target Description
Distribution			
Oct-26	KLH CAPITAL	YATES SINCE 1949	Maryland plumbing and HVAC supply distributor serving the Mid-Atlantic and Southeast
Oct-26	ADVANTAGE DISTRIBUTION HOLDINGS	BMI HVAC SUPPLY	Family-led Wisconsin distributor of HVAC equipment and supplies
Oct-26	watsco THE COOLEST GREEN COMPANY	THE GRANITE GROUP	Northeast HVAC and plumbing distributor with about $500M in sales and 82 locations
Sep-26	Robert Madden Ltd. Since 1979 Dependable Partnerships	SHORE DISTRIBUTORS	Family-owned HVAC distributor serving Maryland, Delaware and Virginia
Aug-26	SRS DISTRIBUTION	Lohmiller & Company — Carrier West; bryant Rocky Mountain Bryant	Colorado Carrier distributor with 4 locations and about 220 employees; advised by CMG
Manufacturing			
Oct-26	TRANE TECHNOLOGIES	CANCOIL	Ontario maker of heat-transfer coils
Sep-26	DIVERSITECH	DITEK Surge Protection	Maker of surge-protection devices for HVAC, electrical, fire and security systems
Aug-26	MADISON AIR	ebmpapst	German maker of fans and motors for HVAC and ventilation; $5.4B, expected to close early 2027
Aug-26	PENTAIR	Taco	Rhode Island maker of hydronic pumps, valves, controls and HVAC comfort systems
HVAC Services			
Sep-26	LIMBACH	1901	Madison, WI MEP contractor with about 450 employees; $63M plus up to $6M earnout
Sep-26	NORTHSANDS	KELSO INDUSTRIES	National commercial HVAC/mechanical roll-up; moved from Paceline into a $510M continuation vehicle
Aug-26	AIRO MECHANICAL	LEGRANDE ENTERPRISES	Myrtle Beach specialty plumbing and HVAC contractor
Aug-26	SOUTHERN HOME SERVICES	Shipley PLUMBING • HEATING • COOLING	Montgomery County, MD provider of plumbing and HVAC services

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	64.55	9,151	$3,803	$786	-0.7%	20.7%	2.4x	11.6x
AAON, Inc.	57.19	5,168	$1,932	$300	53.5%	15.5%	2.7x	17.2x
Carrier Global Corporation	52.38	53,744	$22,792	$3,251	3.3%	14.3%	2.4x	16.5x
Daikin Industries,Ltd.	142.01	41,135	$34,661	$4,680	15.0%	13.5%	1.2x	8.8x
Honeywell International Inc.	220.05	81,126	$37,743	$9,018	79.6%	23.9%	2.1x	9.0x
Ingersoll Rand Inc.	82.99	35,480	$8,052	$2,015	8.0%	25.0%	4.4x	17.6x
Johnson Controls International plc	135.03	90,487	$25,666	$4,659	8.8%	18.2%	3.5x	19.4x
Lennox International Inc.	341.97	13,737	$5,448	$1,176	1.9%	21.6%	2.5x	11.7x
Modine Manufacturing Company	96.61	5,864	$3,628	$494	35.1%	13.6%	1.6x	11.9x
SPX Technologies, Inc.	142.71	8,366	$2,598	$550	20.2%	21.2%	3.2x	15.2x
Trane Technologies plc	401.76	90,956	$23,227	$4,506	10.3%	19.4%	3.9x	nmf
Mean	**$157.93**	**$39,565**	**$15,414**	**$2,858**	**21.4%**	**18.8%**	**2.7x**	**13.9x**
Median	**$135.03**	**$35,480**	**$8,052**	**$2,015**	**10.3%**	**19.4%**	**2.5x**	**13.5x**
Distributors								
Beijer Ref AB (publ)	15.83	9,079	$3,931	$418	4.3%	10.6%	2.3x	18.7x
Ferguson Enterprises Inc.	233.70	51,660	$32,227	$3,137	na	9.7%	1.6x	16.5x
Global Industrial Company	46.40	1,748	$1,472	$107	10.2%	7.3%	1.2x	16.4x
Reece Limited	12.67	9,122	$6,488	$483	4.5%	7.5%	1.4x	18.9x
Watsco, Inc.	304.34	12,243	$7,437	$692	0.3%	9.3%	1.6x	17.7x
Mean	**$122.59**	**$16,770**	**$10,311**	**$967**	**4.8%**	**8.9%**	**1.6x**	**17.6x**
Median	**$46.40**	**$9,122**	**$6,488**	**$483**	**4.4%**	**9.3%**	**1.6x**	**17.7x**
HVAC Services								
APi Group Corporation	40.87	20,900	$8,907	$1,153	16.4%	12.9%	2.3x	18.1x
Comfort Systems USA, Inc.	1,017.50	33,690	$12,543	$2,272	50.7%	18.1%	2.7x	14.8x
EMCOR Group, Inc.	608.45	26,432	$19,838	$2,174	22.1%	11.0%	1.3x	12.2x
IES Holdings, Inc.	158.45	6,008	$3,986	$551	22.7%	13.8%	1.5x	10.9x
Limbach Holdings, Inc.	53.45	774	$730	$62	20.9%	8.6%	1.1x	12.4x
Tutor Perini Corporation	89.89	4,165	$6,254	$433	22.6%	6.9%	0.7x	9.6x
Mean	**$328.10**	**$15,328**	**$8,710**	**$1,108**	**25.9%**	**11.9%**	**1.6x**	**13.0x**
Median	**$124.17**	**$13,454**	**$7,581**	**$852**	**22.3%**	**12.0%**	**1.4x**	**12.3x**
Mean - All	**$196.31**	**$27,774**	**$12,426**	**$1,951**	**19.5%**	**14.7%**	**2.2x**	**14.5x**
Median - All	**$115.82**	**$12,990**	**$6,963**	**$969**	**15.0%**	**13.7%**	**2.2x**	**15.2x**

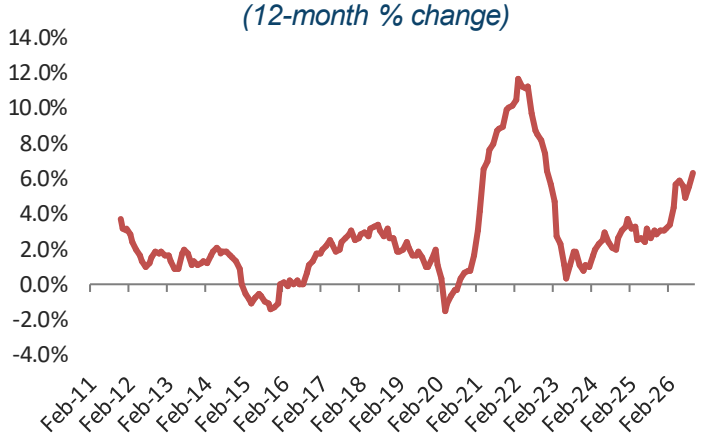
All data as of 09/30/26, $ in millions, TEV - Total Enterprise Value; LTM - Last Twelve Months

Source: Capital IQ

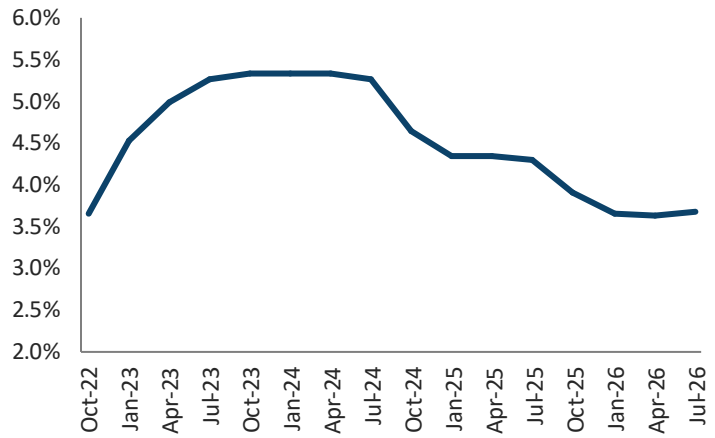
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Key Economic Indicators

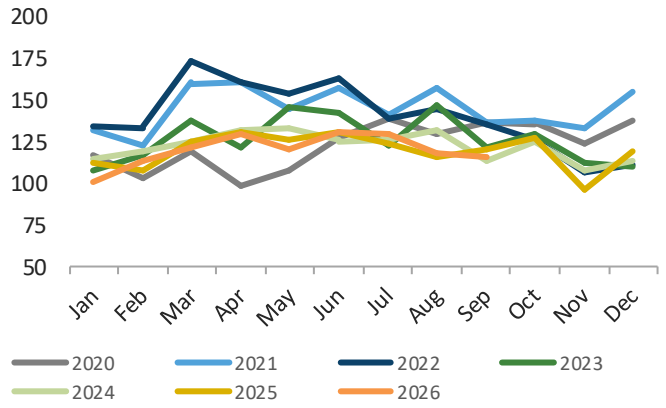
Producer Price Index
(12-month % change)



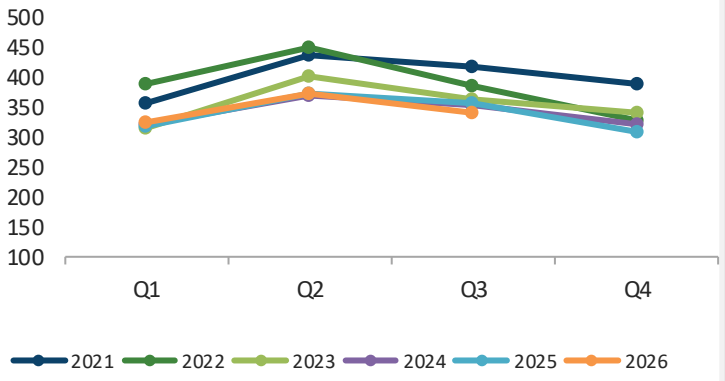
Fed Funds Rate



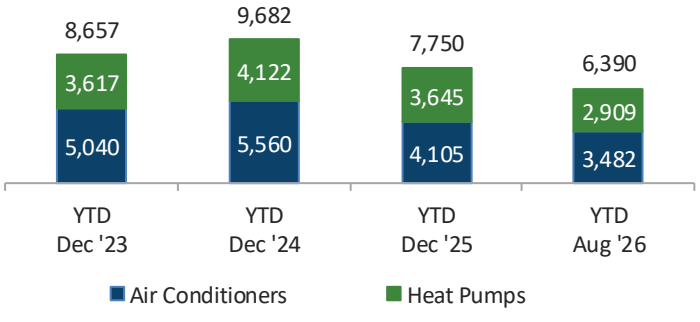
Building Permits
(housing units in 000s)



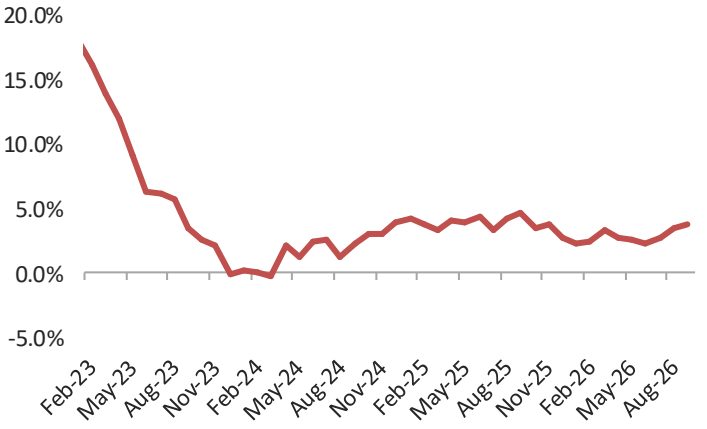
Housing Starts
(housing units in 000s)



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

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M&A Expertise For Founders & Families



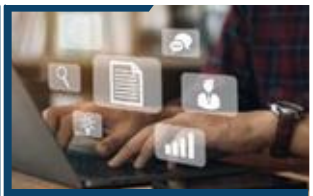
Founded in 1987, Carter Morse & Goodrich is a boutique M&A advisory firm that specializes in representing founder-led and family-held businesses that are leaders in niche markets. We fully understand and appreciate the unique dynamics of these companies and the importance of owner legacies, which as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

450+
Client Engagements

1 Objective
Successful Client Outcomes

Select HVAC Transactions

Lohmiller & Company — Carrier West — Bryant Rocky Mountain Bryant
has been acquired by
SRS DISTRIBUTION — The Home Depot

ARISTA
has been acquired by
Global HVAC Corporation

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 and BBI
product lines to
DIVERSITECH
a portfolio company of
PERMIRA



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