

Baird's AHR Expo Recap

FEBRUARY 2026

 **AHR**[®] VEGAS FEB 2-4
2026



AHR EXPO 2026 – THE PREMIER HVAC/R EVENT

BAIRD



50,000+
Attendees

1,900+
Exhibitors

350+
Speaker Events

600+
International Companies

550K+
Sq. Ft. of Exhibitor Space

BAIRD'S AHR EXPO RECAP

~60

Total Company Interactions at Expo

~50

Total Companies at Baird Reception

80+

Total Attendees at Baird Reception

EXPANSIVE TOUCHPOINTS WITH INDUSTRY LEADERS AND INVESTORS



SUMMARY OF KEY THEMES DISCUSSED AT AHR

1



Evolving Data Center Cooling Requirements

2



AI and Smart Controls Integration

3



Early Signs of Stabilizing Residential Equipment Activity

4



Convergence of HVAC/R and Water Heater Channels

5



Holistic Focus on Indoor Environmental Quality (IEQ)

6



The Next-Generation Refrigerant Transition (HFC to A2L)

7



Energy Efficiency and Decarbonization Trends

8



Skilled Workforce Development

KEY THEMES DISCUSSED AT AHR

Evolving Data Center Cooling Requirements

1

WHAT WE HEARD AT AHR

- The expansion of AI, cloud computing and data sovereignty is driving unprecedented demand for data center capacity, creating ripple effects across categories such as cooling technologies and air filtration
- To manage intensifying heat loads, equipment OEMs are proactively collaborating with chip developers to implement essential high-efficiency technologies like direct-to-chip, rear-door heat exchangers and liquid immersion
- While technological shifts are anticipated by manufacturers, the industry must navigate significant supply chain constraints and a shortage of specialized talent required to design and maintain these complex systems

IMPLICATIONS FOR M&A

- ✓ Investors continue to search for ways to invest in equipment and components that are feeding into data center infrastructure build-out
- ✓ While a shift is occurring from air to liquid cooling technologies, the rate at and extent to which it is happening is highly debated
- ✓ Aftermarket / retrofit opportunities will be the next focus area for data center investment

AI and Smart Controls Integration

2

WHAT WE HEARD AT AHR

- Artificial Intelligence has moved from conceptual "hype" to practical field applications
- AI-enabled diagnostic tools and digital twins now allow technicians to simulate system performance and identify faults before they occur, which is critical for maintaining complex modern systems with a smaller workforce
- Manufacturers are increasingly offering "connected" solutions that provide real-time field support and predictive maintenance

IMPLICATIONS FOR M&A

- ✓ HVAC/R manufacturers and service providers are targeting firms specializing in building automation, AI-driven diagnostics and IoT-enabled HVAC/R controls
- ✓ Increasing demand for AI-enabled technologies that leverage data analytics, predictive maintenance and cloud-based HVAC/R management platforms to increase installation and maintenance efficiency

KEY THEMES DISCUSSED AT AHR (CONT'D)

3

Early Signs of Stabilizing Residential Equipment Activity

WHAT WE HEARD AT AHR

- While residential HVAC/R equipment volume activity has been slow through 2026, residential equipment destocking is largely believed to be in the rearview mirror as the industry has worked through the equipment pre-buys from late 2024 related to the A2L transition
- Headwinds have included higher interest rates, lower volume of new and existing home sales and a shift from replace to repair activity
- Go-forward activity will be impacted by how sell-out activity evolves through the year

IMPLICATIONS FOR M&A

- ✓ While M&A activity within the residential HVAC/R market has been slower over the last couple years, a recovery in residential volumes is expected to stimulate activity levels
- ✓ Despite softer volumes on the equipment side, aftermarket-focused residential HVAC/R businesses have continued to attract interest due to 20%+ EBITDA margins, stable demand and strong pricing power

4

Convergence of HVAC/R and Water Heater Channels

WHAT WE HEARD AT AHR

- The HVAC/R and plumbing trades are converging into a single, "interconnected hybrid" model where energy and water management are unified
- Upcoming 2028 regulations in the residential water heater market are expected to contribute to heat pump adoption
- This shift is expected to reshape the competitive landscape, as HVAC/R providers leverage their heat pump expertise to enter the water heater space

IMPLICATIONS FOR M&A

- ✓ Hybrid model allows service techs to break the traditional seasonality of standalone HVAC/R and water heater trades
- ✓ HVAC/R incumbents are leveraging their extensive thermodynamics knowledge base and distribution networks to quickly enter the water heater market
- ✓ Financial sponsors are capitalizing on this convergence by building "super-regional" platforms that bundle HVAC/R and plumbing services into a single entity

KEY THEMES DISCUSSED AT AHR (CONT'D)

5

Holistic Focus on Indoor Environmental Quality (IEQ)

WHAT WE HEARD AT AHR

- Shift toward holistic building design where IEQ has been elevated to the same strategic importance as energy efficiency
- Modern building design now emphasizes "intelligent" IEQ systems that adapt in real-time to occupancy levels and pollutant data, reflecting a broader market demand for indoor spaces that actively support health, comfort and productivity

IMPLICATIONS FOR M&A

- ✓ Demand remains for businesses that offer differentiated air purification, disinfection and ventilation technologies to meet rising demand for healthier indoor environments
- ✓ Beyond clean air, there is greater acknowledgement from investors of the productivity gains and asset protection benefits from improved indoor environmental quality
- ✓ Businesses that offer products with aftermarket / consumable solutions are particularly attractive

6

The Next-Generation Refrigerant Transition (HFC to A2L)

WHAT WE HEARD AT AHR

- The industry is completing a massive migration toward low-Global Warming Potential (GWP) refrigerants, specifically A2Ls, to comply with the EPA's Technology Transitions Rule
- By late 2025, A2L products already accounted for a significant majority of unitary sell-through volume
- This shift requires entire product lines to be re-engineered with safety sensors and leak detection systems, as A2Ls are classified as mildly flammable

IMPLICATIONS FOR M&A

- ✓ Buyers are targeting companies with proprietary technologies, established regulatory approvals and strong market positions to capitalize on the shift toward more sustainable low-GWP refrigerants
- ✓ Leak detection / monitoring are increasing in importance and becoming a greater focus area for investors
- ✓ The requirement to integrate sensors and leak detection systems into A2L units increases the R&D burden, raising the barriers to entry for sub-scale manufacturers

KEY THEMES DISCUSSED AT AHR (CONT'D)

Energy Efficiency and Decarbonization Trends

7

WHAT WE HEARD AT AHR

- The HVAC/R industry has transitioned from viewing decarbonization as a specialized goal to a standard market expectation, driven by the fact that commercial buildings account for ~35% of U.S. carbon emissions
- In response, global stakeholders and organizations like ASHRAE are standardizing carbon accounting and accelerating the adoption of energy-efficient technologies to target net-zero emissions by 2030
- However, the long-term success of these green initiatives remains contingent on overcoming near-term obstacles, specifically high retrofit costs and regional grid infrastructure limitations

IMPLICATIONS FOR M&A

- ✓ As governments and corporations push for net-zero emissions, strategic buyers and ESG-focused financial buyers are investing behind firms with advanced sustainable technologies to gain a competitive advantage and meet regulatory requirements
- ✓ More energy-efficient technologies, such as heat pumps, continue to gain traction in residential and commercial applications

Skilled Workforce Development

8

WHAT WE HEARD AT AHR

- The HVAC/R industry is facing a critical labor shortage as a shrinking pool of younger workers fails to replace a wave of retiring technicians, creating a demographic "reality" that threatens long-term capacity
- Rapid technological advancements and the integration of AI and automation are shifting the industry's needs toward a highly skilled workforce capable of managing complex, modern systems and bridging the productivity deficit
- Companies are aggressively investing in comprehensive training and innovative recruitment to rebrand the trades as high-tech, rewarding careers, ensuring the industry remains competitive in an evolving market

IMPLICATIONS FOR M&A

- ✓ Financial buyers continue to make significant investments to consolidate the HVAC/R services industry
- ✓ To ensure the viability of the industry going forward, meaningful attention is being paid to the continued training and development of contractors and technicians
- ✓ Other time-savings tools, such as AI-powered technical support platforms, are also a focus as a solution to the growing skilled labor shortage

BAIRD'S COMMITMENT TO THE THERMAL & CLIMATE TECHNOLOGIES SECTOR



BAIRD'S 2026 ATTENDANCE AT AHR



Dale Rudow
Managing Director



Steve Guy
Managing Director



Joe Packee
Managing Director,
Co-Head of Global
Industrials



Mike Lindemann
Managing Director,
Co-Head of Global
Industrials



Andrew Sweet
Managing Director



Peter Robbins
Managing Director



Jen Roeper
Director



Jack Bazal
Vice President



Tim Wojs
Sr. Research Analyst,
Building Products

BAIRD'S THERMAL & CLIMATE TECHNOLOGIES FRANCHISE HIGHLIGHTS

20+
Years of Sector Focus

~65
Sector Transactions⁽¹⁾

~\$31B
Transaction Value⁽¹⁾

~45%
Cross-Border Transactions

- ✓ Comprehensive industry coverage
- ✓ High transaction velocity within the industry
- ✓ In-depth interactions and relationships with the most influential executives, investors and thought leaders

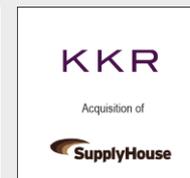
Select Recent Transactions



Manufacturer and distributor of HVAC components and accessories



Manufacturer of humidification and other indoor air quality solutions



Distributor of HVAC, plumbing and electrical products



Provider of residential HVAC, plumbing and electrical services

(1) Includes both M&A and equity transactions.

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