



BAIRD



FEBRUARY 10-12, 2025

BAIRD'S AHR EXPO RECAP

March 2025

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Select Baird AHR Expo Statistics

50+

Total Company Interactions

~45

Total Companies at Baird Reception

90+

Total Attendees at Baird Reception

EXPANSIVE TOUCHPOINTS WITH INDUSTRY LEADERS AND INVESTORS



SIGHTS AND SOUNDS FROM AHR EXPO



"Orlando brought record numbers. There is a lot of movement happening around the industry – with business, regulation, administration shifts, equipment design, and more, professionals were keen to gather and discuss it all"

– AHR Expo Show Manager



"It's been an awesome couple of days. If you pan around, you can see it's just full of customers, partners, suppliers, contractors – everybody. The whole North America HVAC/R and controls world is here"

– VP & Chief Marketing Officer,
Johnson Controls



"It was a big week for [Lennox], as [we] engaged with industry leaders and showcased cutting-edge, adaptable solutions. The excitement around our A2L-ready equipment was undeniable, with many eager to see how [our] dual compatibility design enables a seamless transition from A1 refrigerants to A2Ls"

– Lennox Social Media



"AHR Expo 2025 in Orlando was a fantastic opportunity to connect, innovate, and showcase the future of air movement solutions. From the latest advancements in air curtain technology to discussions on energy efficiency and climate control, the Airtècnics North America team had an exciting and productive event"

– Airtècnics



SUMMARY OF KEY THEMES DISCUSSED AT AHR

- ✓ **Industry participants and investors continue to search for ways to enhance data center exposure**
- ✓ **Manufacturers, distributors and contractors are adapting to new safety standards and handling procedures as the HVAC/R industry transitions to GWP refrigerants**
- ✓ **While heat pump adoption is still in the early stages, end users continue to invest in this technology as an alternative to traditional gas furnaces and air conditioner systems**
- ✓ **HVAC/R businesses are assessing the impact and potential mitigation plans related to recent tariff announcements**
- ✓ **Indoor air quality continues to be a key focus for the industry due to elevated awareness of health and wellness benefits from clean air**
- ✓ **Continued integration of smart technologies into HVAC/R systems to enable real-time monitoring and precise control over system operations**
- ✓ **Commitment to sustainability, decarbonization and electrification across the HVAC/R industry**
- ✓ **Increasing focus on training for the next generation of skilled HVAC/R labor**

KEY THEMES DISCUSSED AT AHR

KEY THEMES

Finding Ways to Play Data Centers

- Continued rapid growth in demand for data centers, driven by the expansion of cloud computing, artificial intelligence, and data sovereignty requirements
- This surge necessitates advancements in HVAC/R systems to manage increased heat loads and energy consumption efficiently
- Innovations such as direct-to-chip cooling, immersive liquid cooling and rear-door heat exchangers are becoming essential to maintain optimal operating conditions and sustainability
- Additionally, the industry faces challenges related to supply chain constraints and the need for skilled professionals to design, implement and maintain these complex systems

WHAT WE HEARD AT AHR

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
- ✓ Uncertainty remains around which data center cooling technologies will be the long-term winners

Transition to Low-GWP Refrigerants

- The HVAC/R industry is moving towards low-global warming potential (“GWP”) refrigerants, particularly A2L types, to reduce environmental impact
- This shift is driven by regulatory changes aimed at phasing out high-GWP refrigerants, requiring manufacturers, distributors and contractors to adapt to new safety standards and handling procedures
- While these refrigerants offer improved sustainability, they introduce challenges such as flammability concerns and the need for updated training and equipment
- Industry leaders emphasize the importance of preparation and education to ensure a smooth and safe transition

- ✓ Companies are targeting refrigerant manufacturers, component suppliers and HVAC/R system producers that provide products compliant with low-GWP technologies
- ✓ 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

KEY THEMES DISCUSSED AT AHR (CONT'D)

KEY THEMES

WHAT WE HEARD AT AHR

IMPLICATIONS FOR M&A

Heat Pump Investments Continue

- The HVAC/R industry is experiencing a significant shift toward the adoption of heat pumps as an alternative to traditional gas furnaces and air conditioner systems
- Investments in heat pumps continue as customers continue to look at lowering their long-term carbon footprint, reducing energy use and increasing electrification
- Heat pump adoption is still in the early stages in commercial, but manufacturers expect this to be a long-term tailwind to replacement demand as the installed base converts
- Headwinds for heat pump adoption include the need for skilled installers and the development of heat pumps capable of maintaining efficiency in extreme weather conditions

- ✓ **As demand for more energy-efficient heating solutions rises, equipment manufacturers are looking to acquire heat pump technologies to strengthen their market position and expand their product offering**
- ✓ **M&A activity should generally follow heat pump adoption trends, with Europe having higher adoption rates than North America**

Assessing Potential Tariff Impacts

- Potential impacts from ongoing tariff discussions with China, Mexico and Canada will vary across the HVAC/R landscape
- HVAC/R OEMs and parts / components suppliers with supply chain exposure to these affected countries could see elevated costs on raw materials and components
- The HVAC/R supply chain tends to be relatively price inelastic, with price increases stemming from tariffs likely to be passed on to end users
- Domestic manufacturers are positioned to benefit from a costing advantage relative to foreign importers

- ✓ **Supply exposure to tariff-impacted countries is a focus for strategic and financial buyers when assessing M&A opportunities**
- ✓ **Tangible strategies and ability to successfully mitigate tariffs will influence relative attractiveness of potential acquisition targets**
- ✓ **Vertical integration and onshoring in focus as drivers of M&A strategy**

KEY THEMES DISCUSSED AT AHR (CONT'D)

KEY THEMES

WHAT WE HEARD AT AHR

IMPLICATIONS FOR M&A

Continued Importance of Indoor Air Quality

- Indoor air quality (“IAQ”) continues to be a key focus for the industry due to elevated awareness of health and wellness benefits from clean air
- Advanced air purification technologies, enhanced filtration methods and optimized ventilation systems are being implemented to create cleaner indoor environments
- These innovations are designed to combat airborne contaminants and improve occupant health and productivity
- Ultimately, improving IAQ not only provides healthier spaces but also aligns with broader industry efforts toward sustainability and energy efficiency

- ✓ Demand remains for businesses that offer differentiated air purification, filtration, disinfection and ventilation technologies to meet rising demand for healthier indoor environments
- ✓ Businesses that offer products with consumable / recurring elements are particularly attractive

Integration of Smart Technologies

- The integration of smart technologies is revolutionizing HVAC/R systems by leveraging IoT, artificial intelligence and advanced data analytics
- These innovations enable real-time monitoring and precise control over system operations, leading to predictive maintenance and improved energy efficiency
- Smart sensors and building automation systems offer enhanced user control, allowing systems to respond dynamically to changing conditions for optimal performance and occupant comfort
- Overall, the adoption of smart technologies is a key driver for innovation, sustainability and operational excellence in the HVAC/R industry

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

KEY THEMES DISCUSSED AT AHR (CONT'D)

KEY THEMES	WHAT WE HEARD AT AHR	IMPLICATIONS FOR M&A
Sustainability and Decarbonization Efforts	<ul style="list-style-type: none">■ The HVAC/R industry continues its commitment to sustainability, decarbonization and electrification, with organizations like ASHRAE advocating for net-zero greenhouse gas emissions by 2030■ Efforts include the development of guidelines to standardize carbon accounting in buildings to promote energy-efficient technologies■ Global summits, along with increased collaboration among stakeholders, aim to accelerate the adoption of green solutions■ These initiatives reflect the broader industry movement towards environmental responsibility and a sustainable future	<ul style="list-style-type: none">✓ As governments and corporations push for net-zero emissions, strategic buyers and ESG-focused financial buyers are aggressively pursuing firms with advanced sustainable technologies to gain a competitive advantage and meet regulatory requirements
Skilled Workforce Development	<ul style="list-style-type: none">■ There exists a critical need for robust skilled workforce development as the HVAC/R industry rapidly evolves■ Technological advancements and the integration of artificial intelligence are driving demand for a highly skilled labor force capable of managing complex, modern systems■ Companies are increasingly investing in comprehensive training programs and innovative recruitment strategies to attract and retain new talent while showcasing the rewarding career opportunities in the field■ These initiatives are essential for addressing current skill gaps and ensuring the industry's long-term competitiveness in an ever-changing market	<ul style="list-style-type: none">✓ Recently, financial buyers have made 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

BAIRD'S COMMITMENT TO THE THERMAL & CLIMATE TECHNOLOGIES SECTOR

BAIRD

BAIRD'S 2025 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



Christian Lang
Director



Jen Roeper
Director



Jack Bazal
Vice President



Justin Holsen
Managing Director,
Equity Capital
Markets



Tim Wojs
Sr. Research Analyst,
Building Products

Baird's Thermal & Climate Technologies Franchise Highlights

20+
Years of Sector Focus

~65
Sector Transactions ⁽¹⁾

~\$27B
Transaction Value ⁽¹⁾

~50%
Cross-Border Transactions

- ✓ Comprehensive industry coverage
- ✓ In-depth interactions and relationships with the most active / influential executives, investors and thought leaders in the industry

Baird's YTD Momentum in the Thermal & Climate Technologies Sector

Baird's Global Investment Banking's well-established Thermal & Climate Technologies team remains among the most active across this sector. Their continued market leadership in Thermal & Climate Technologies sector is evidenced by the most significant recent transaction momentum, announcing five deals in this space so far in 2024:

- Platinum Equity acquisition of HARS - Distributor of HVAC parts, supplies and equipment
- ACS acquisition of Havello - Manufacturer of precision coating solutions for data center applications
- Johnson Controls sale of ADTI to Turbini - Manufacturer of air distribution, movement and filtration solutions
- Cleaver-Brooks sale to Murex - Provider of fully integrated, efficient boiler systems and services
- DMS and JS sale to Ambient - Provider of design and engineering services for commercial HVAC solutions

Transaction velocity is a clear reflection of the continued demand for assets in this space by strategic and financial acquirers, driven by favorable tailwinds such as the demand for more energy efficient systems, the continued focus on improved indoor air quality and the rapid buildout of data center infrastructure.

Platinum Equity Acquires HARS

ACS Acquires Havello

ADTI is Acquired by Turbini

Cleaver-Brooks is Acquired by Murex

Key Themes from AHR Expo 2024

Baird's Thermal & Climate Technologies team recently attended the 2024 AHR Expo in Chicago. The expo featured 1,600+ exhibitors, 50,000+ attendees and 370+ speakers. Tens of thousands of products were featured across categories including heating, cooling, refrigeration, ventilation, plumbing, indoor air quality, building automation & control, sustainable solutions, software and tools & instruments. Attendees ranged across the entire HVACR value chain, including engineers, contractors, OEMs, wholesalers & distributors, design/build professionals, manufacturer's reps, architects, facility managers and more.

In addition, Baird's Global Investment Banking team hosted its annual AHR Reception in conjunction with the show. This year, the event was attended by 50+ industry participants and private equity investors, highlighting the continued focus on this sector as a point of investment and M&A activity going forward.

In a recent Insights piece, we dive into several recurring themes heard at the expo:

- Accelerating urgency around building decarbonization
- A2L refrigeration transition
- Electrification & heat pumps continue to gain traction within HVACR systems
- Continued importance of indoor air quality
- Residential trends show signs of upside for 2024 following a challenging 2023
- Recent commercial commentary has been mixed depending on vertical exposure

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

