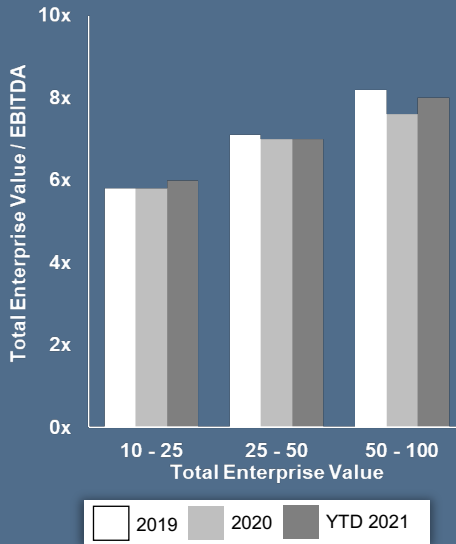




BUSINESS SERVICES EBITDA MULTIPLES

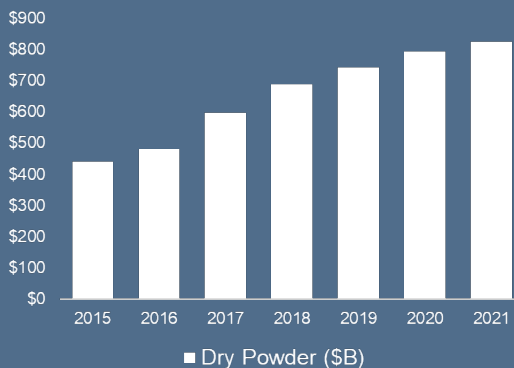


Source – GF Data[®] (November 2021)

Preliminary value of a company is often measured as a multiple of EBITDA (earnings before interest, taxes, depreciation, and amortization). The graphic, above, shows the stable or increasing nature of these multiples. Note that the multiples are higher for larger companies.

The data includes transactions from a broad combination of business services subsectors. Based on our experience, multiples for HVAC companies are often higher than this combined data

INVESTORS' AVAILABLE FUNDS



Source: Pitchbook (6/30/2021)

Market Forces Drive HVAC Company Value

It's the first question an HVAC contractor thinks about when considering selling their business: "What is my company worth?". Generally, a company's price depends on its size and performance, timing in the marketplace, a buyer's appetite and a seller's willingness to sell. The price varies over time depending on these and other factors.

Tim Gerhardt, former owner of Allpoints, a commercial HVAC service company, describes his experience selling his company. "I began to get solicitations back in the early 2000s. Then, about 15 years ago, the calls stopped." Remember that, around that time, the U.S. was deep into the Great Recession.

Tim said "About 3 years ago, the calls began again. The value I was offered was higher and the deal structures better than offers from before. I sold my business in 2020" (*Disclosure: Balmoral participated in that sale as an advisor*).

At that time, financial investors (for example, private equity funds) were amassing large funds to make purchases, and HVAC companies were attractive because of their steady cash flows. The same remains true today. The graph below illustrates this increase, and these funds now have over \$800 billion to invest. This phenomenon plays a role in driving values higher.

Note that many financial investors already own HVAC companies and are growing their business through acquisitions. This is creating large HVAC service providers with resources and scale to quickly dominate any marketplace.

Why would an HVAC company owner want to sell? In some cases, owners are ready to retire from the business having experienced multiple economic downturns, not to mention a pandemic. Others are finding it hard to compete with larger companies and their deep resources. Still, owners are concerned about potential tax law changes that could take a bite out of sale proceeds. All want to take advantage of good prices still being offered to sellers.

For the time being, buyers remain interested in building their HVAC businesses, and sellers may need to act while the environment is still favorable. Company size and performance are critical to the value, in tandem with the market forces,

Balmoral Advisors is a specialized investment bank focused on advising owners on selling their companies. HVAC is one of our strengths. Contact me to discuss your specific situation.

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2021 INDICATIVE DEAL ACTIVITY

DATE	COMPANY	BUYER	CLASSIFICATION
Jan 4	Service Champions	Odyssey Investment Partners	Residential
Jan 5	C.E. Holt Refrigeration	CoolSys	Commercial
Jan 12	Canyon State Air-Conditioning & Heating	HomeServe USA	Residential
Mar 3	Schuldt Mechanical Services	Reedy Industries	Res/Comm
Mar 31	Duquette Refrigeration	CoolSys	Commercial
Mar 31	Sierra Air	Service Champions	Res/Comm
Apr 8	Zone Mechanical	Wind Point Advisors	Commercial
May 17	Standard Plumbing and Heating Company	Reedy Industries	Commercial
May 26	Sila Heating & Air Conditioning	Morgan Stanley Private Equity	Residential
July 19	HELP Plumbing, Heating, Cooling and Drains	Service Champions	Residential
Aug 31	Page Mechanical Group	Reedy Industries	Commercial
Sep 8	Air Conditioning Specialist	Hidden Harbor Capital Partners	Res/Comm
Sep 13	Timo's Air Conditioning & Heating	Service Champions	Residential
Sep 14	Chiller Systems Service	The Arcticom Group	Commercial
Nov 10	C L Weaver	CoolSys	Commercial
Nov 11	Bel-Aire Mechanical	Therma Holdings	Commercial
Nov 30	Service Mechanical Industries	Service Logic	Commercial
Dec 2	Air Reps LLC	Daikin North America	Commercial
Dec 3	Entek Corporation	Midway Mechanical Services	Res/Comm
Dec 22	Air Conditioning Innovative Solutions	Atlantic Street Capital Management	Commercial

Call Balmoral Advisors for a deeper discussion of the issues surrounding the sale of an HVACR company.

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