BLUE OPS

ISSUE NO. 34

HVAC DISTRIBUTION · EXECUTIVE INTELLIGENCE

HVAC stocks dropped 5–6% last week. Commercial demand didn't.

WEEKLY BRIEF · WEEK OF AUG 17 2026

WHAT CHANGED THIS WEEK

The category story and the stock story split apart. On the strong side: ACHR News reported that Trane and Lennox both saw strong commercial growth in the second quarter, HARDI published a study putting HVACR wholesale distribution at $32.9 billion, and AHRI released its June equipment shipment data. On the weak side: the public names took a hard week — Watsco down about 5.9%, Ferguson down about 4.9%, Lennox down about 5.7%, while the more commercial-weighted manufacturers held up better (Carrier down 2.2%, Trane down 1.2%).

What it means: the market isn't paying for HVAC exposure anymore — it's paying for margin that holds up. A proven $32.9 billion category can still see its public stocks fall 5–6% in a week when investors doubt the durability of the margin. For buyers, that gap is leverage on price, and a reminder to value the branch, not the industry.

ACHR NEWS (AUG 12) → | HARDI STUDY (AUG 11) → | AHRI SHIPMENTS (AUG 14) →

01 CEO READOUT

STANCE

Whether you're running branches or buying them, the job this week is the same: prove the margin, don't assume it. If you operate, protect the profit you already have — current pricing, clean A2L inventory, sticky contractors, and a commercial and service-parts mix that holds up when residential is soft. If you're acquiring, favor those same qualities and let the branch economics, not the category headline, set the price. Neither operators nor buyers should lean on 2025 price/cost timing or last year's A2L transition to make the numbers work.

WHAT CHANGED

The week split into two stories. Demand held on the commercial side — Trane and Lennox both reported strong commercial growth in Q2 — and HARDI sized the whole category at $32.9 billion. But the public tape went the other way: Watsco, Ferguson, and Lennox all fell 5–6%, while the more commercial-weighted names held up. For operators, that's confirmation the demand is real but concentrated on the commercial and service side. For buyers, it's a reminder that a proven category can still see its stocks marked down when margin durability is in doubt — which is leverage on price. AHRI's June shipment data also landed and is worth pulling either way, to check your demand plan or a deal model against real unit numbers.

ACTION

If you operate: keep quote windows short and audit your price files, because the August increases are still live and stale files are leaking margin right now. If you're buying: use this week's public-stock weakness as leverage on seller expectations, especially on residential-heavy or margin-uncertain targets. Both should pull the AHRI June shipment tables and reconcile them against real unit sales — operators to sharpen the demand plan, buyers before touching a model.

02 SIGNAL BOARD

TAKEAWAY Commercial demand held while the public stocks fell — the market is grading margin, not size.

Six indicators, one action each. The arrow shows the week-over-week direction.

Demand

◆ COMMERCIAL LEADS

ACHR News reported on Aug 12 that Trane and Lennox both saw strong commercial growth in Q2, while residential stays economically constrained. The demand signal is real, but it is concentrated on the commercial and service side.

DO THIS → WEIGHT COMMERCIAL, APPLIED, REFRIGERATION, CONTROLS, AND SERVICE-PARTS EXPOSURE ABOVE RESIDENTIAL NEW CONSTRUCTION

Pricing

▲ AUGUST INCREASES STILL LIVE

No newer broad price list has replaced the Aug 5 ACHR increases — single digits up to 25% across equipment, parts, controls, valves, and accessories. Two weeks in, the risk is now quote-to-invoice leakage, not just the list itself.

DO THIS → AUDIT BRANCH PRICE OVERRIDES, ONLINE STORE PRICES, AND CUSTOMER-SPECIFIC MATRICES UNTIL VENDOR FILES AND REPLACEMENT COSTS RECONCILE

Commodity basket

104.9 +0.1% ▲

Barely moved this week and still elevated. Copper was the only confirmed weekly price, roughly flat at about $6.61 (+0.23%); steel and aluminum were source-limited and held flat, and the component reads stayed directional. YTD the basket is up about +15.0%.

DO THIS → HOLD PRICE DISCIPLINE ON COPPER-HEAVY ITEMS; DON'T ASSUME RELIEF ON STEEL OR ALUMINUM WITHOUT CONFIRMED VENDOR COST FILES

Equipment basket

103.5 +0.3% ▲

The Blue Ops equipment index rose 0.29% this week to 103.5 (base 100 = May 5). Heat pumps and central air are still leading, up about 0.4% each, while furnaces were nearly flat. August manufacturer increases keep grinding into cost files.

DO THIS → UPDATE EQUIPMENT COST FILES BEFORE QUOTING ANY LARGE JOB; DON'T QUOTE OFF JULY NUMBERS

Regulation

▲ A2L / HFC UNSETTLED

AHRI released its June shipment data on Aug 14, and A2L and low-GWP refrigerant issues keep surfacing on the AHRI and HARDI rule pages. The transition is operationally active, not finished.

DO THIS → KEEP A2L DOCUMENTATION, BRANCH TRAINING, AND CONSERVATIVE TRANSITION-SENSITIVE STOCKING IN PLACE

Capital markets

▼ PUBLIC COMPS WEAK

Over the accessible 7-day range: Watsco −5.9%, Ferguson −4.9%, Lennox −5.7%, Carrier −2.2%, Trane −1.2%. The residential-heavy and broadline names fell hardest; the commercial-weighted names held up best.

DO THIS → USE THE PUBLIC-STOCK WEAKNESS TO PUSH BACK ON SELLER EXPECTATIONS, ESPECIALLY ON RESIDENTIAL-HEAVY OR MARGIN-UNCERTAIN ASSETS

03 THESIS OF THE WEEK

The category is proven. Now buyers are paying for margin, not size.

HVAC distribution is still one of the best consolidation markets in the building trades. What changed is where the value comes from. It's no longer enough to have "HVAC demand exposure" — the industry just got officially sized at $32.9 billion, and it didn't stop the public names from falling 5–6% in a single week. The thing buyers are actually paying for now is branch-level execution: current pricing, clean inventory, loyal contractors, and branches that make money after all the real costs.

This week made the split concrete. Commercial, refrigeration, controls, and service-parts work are throwing off stronger demand signals than residential new construction — Trane and Lennox both confirmed commercial strength in Q2. The better distributors will turn that into clean margin, faster inventory turns, more share of each contractor's wallet, and real leverage with their manufacturers. The weaker ones will still show revenue, but leak value through stale pricing, poor A2L inventory control, branch discounting, and cash tied up in the wrong stock.

A word on residential, because the headline hides it: not all residential is the same. Replacement and service demand is holding up far better than new-home construction, and Sunbelt heat-driven replacement is a different business from colder seasonal new-build markets. The caution is on residential *new construction* and on distributors who can't prove their margin — not on residential exposure as a whole.

04 OPERATOR'S AGENDA — PRIORITIZED

Ranked by how much they affect profit soon. Each shows who owns it and how often to review.

DO THESE THREE IN THE NEXT 30 DAYS

P1 **Pull the AHRI June shipment data and reconcile it.** AHRI released June U.S. heating and cooling shipment figures on Aug 14. Line those numbers up against your own unit sales, product mix, and branch-level sell-through before you refresh any acquisition model or demand plan. Getting demand assumptions from your own sell-through instead of the headline avoids over- or under-buying by category.

OWNER: FINANCE + CATEGORY MGMT · REVIEW: THIS WEEK · IMPACT: HIGHEST — SETS YOUR DEMAND AND BUYING ASSUMPTIONS

P2 **Run a quote-to-invoice price-file audit.** The August increases are two weeks old now, so the exposure has moved from the price list to the gap between what you quoted and what you're invoicing. Check your ERP, your online store, customer-specific price matrices, counter pricing, and every large open quote. The leakage hides in old quotes that are still being honored at July cost.

OWNER: CORPORATE PRICING + IT · REVIEW: THIS WEEK · IMPACT: HIGH — IMMEDIATE MARGIN

P3 **Stress-test how much money each branch actually makes.** Go branch by branch and take revenue down to real profit after freight, rebates, delivery labor, returns, and the cost of aging inventory. This is the exact number the public market just rewarded and punished this week — and it's the number a buyer will ask you to prove. If you can't show it by location, that's the gap to close first.

OWNER: FINANCE + OPS · REVIEW: COMPLETE WITHIN 30 DAYS · IMPACT: HIGH — THE NUMBER BUYERS NOW PAY FOR

ALSO THIS QUARTER

04 **Audit heat-exposed branches for emergency parts availability.** With active heat alerts across the Southwest, Southeast, Gulf Coast, and Mid-South, check fill rates on capacitors, motors, compressors, contactors, refrigerant, drain parts, and replacement equipment at the branches in those markets. A no-cool call the branch can't fill is a lost customer, not just a lost sale.

OWNER: OPS + BRANCH MANAGERS · REVIEW: WEEKLY THROUGH HEAT SEASON

05 **Re-rank your acquisition targets on execution quality.** Sort your pipeline by commercial and service-parts mix, A2L inventory readiness, manufacturer-line defensibility, and branch-manager continuity — not by branch count or revenue. This week's tape says the market is done paying for size alone, so your ranking should reflect the same shift.

OWNER: CORP DEV + FINANCE · REVIEW: REFRESH MONTHLY

06 **Treat training and counter expertise as an asset, not overhead.** A congressman touring Johnstone Supply's Cincinnati training center this week is a sign that technical education is becoming a visible strategic asset — especially as A2L and product complexity rise. Inventory which branches have real technical depth, and where a training gap is quietly costing you contractor loyalty.

OWNER: HR + BRANCH OPS · REVIEW: QUARTERLY

05 BLUE OPS BASKETS & MARKET DASHBOARD

Two Blue Ops baskets that turn raw material and equipment costs into simple margin signals. Updated weekly.

HVAC COMMODITY BASKET

104.9 **+0.1%** WoW **+15.0%** YTD

INDEX · BASE 100 Copper +0.23% and still high; steel/aluminum source-limited

COPPER HIGH, FLAT WEEK



13-week trend

The basket barely moved this week and stayed elevated. Copper was the only component with a confirmed weekly price — roughly flat at about $6.61 (+0.23%) but still near record territory in absolute terms. Steel and aluminum were source-limited this run and held flat, so the small move is essentially all copper. Treat the flat week as a pause at a high level, not relief.

COMPONENT	WEIGHT	THIS WEEK	READ-THROUGH
Copper	30%	$6.61 · +0.23%	Flat but still high; hold margin on coils, motors, line sets, wire, service parts
Steel / galvanized	30%	Source-limited	No confirmed weekly price this run; held flat — no basis to give back price
Aluminum	15%	Source-limited	No confirmed weekly price this run; held flat in the index
Compressors	10%	Firm · dir.	A2L models carry premium; August increases in files — directional
Motors	8%	~Flat · dir.	Copper flat this week, so motor cost pressure paused — directional

Controls / sensors	7%	Firm · dir.	A2L content and August increases keep this firm — directional

Index = weight-adjusted weekly move of 6 components, chained to base 100 (May 18). This week only copper had a confirmed weekly price (+0.23%); steel and aluminum were source-limited and held flat, and compressors, motors, and controls are directional estimates. Copper as of Aug 17.

CORE EQUIPMENT BASKET

HEAT PUMPS LEAD, FURNACES FLAT

103.5

INDEX · BASE 100 (5/5)

+0.3% WoW **+3.5%** since base

Heat pumps +0.4%, AC +0.4%, furnaces +0.1%



13-week trend

The equipment basket rose 0.29% this week to 103.5, keeping the steady upward grind as August manufacturer increases work through cost files. Heat pumps led again (index 105.2, about $4,418 a unit) with central air close behind (103.9, about $3,637); furnaces stayed nearly flat (100.9, about $1,816). The spread tells you where the cost pressure is concentrated — the electrification-and-A2L categories, not gas furnaces.

CATEGORY	WEIGHT	INDEX · PRICE	WHY
Heat pumps	40%	105.2 · ~$4,418 ▲	Leads the basket; A2L redesign cost plus August increases still working into files
Central air conditioners	35%	103.9 · ~$3,637 ▲	Close behind heat pumps; same regulatory dynamics plus tariff exposure on imported components
Furnaces	25%	100.9 · ~$1,816 ~	Nearly flat; gas-furnace materials steady, only small accessory increases in files

Blended equipment index is the weight-adjusted move of heat pumps (40%), central AC (35%), and furnaces (25%), based to 100 on May 5, 2026. Category indices and estimated per-unit prices from the Blue Ops Equipment Basket Tracker, week ending Aug 18, 2026.

BASKET INDEX · ROLLING 13-WEEK + YTD

INDEX · BASE 100	5/25	6/1	6/8	6/15	6/22	6/29	7/6	7/13	7/20	7/27	8/3	8/10	8/17	WOW	YTD
Commodity	99.7	99.2	98.8	99.4	99.2	99.8	100.5	101.1	101.8	102.9	104.2	104.8	**104.9**	+0.1%	+15.0%
Equipment	102.9	103.2	100.6	100.8	101.0	101.2	101.4	101.6	101.8	102.0	102.3	102.6	**103.5**	+0.3%	+3.5%

Weekly columns roll 13 weeks; oldest rolls off. Commodity base 100 = May 18 (YTD from Jan 2); this week only copper had a confirmed weekly price and the rest held flat or are directional. Equipment base 100 = May 5, 2026 per the Blue Ops Equipment Basket Tracker (final column = +3.5% since that base, not a Jan YTD); it is the weight-adjusted move of heat pumps, AC, and furnaces.

PUBLIC COMPS & MACRO INDICATORS

INSTRUMENT	READ	7-DAY	READ-THROUGH
Copper	~$6.61	+0.23%	Flat but high; keep discipline on coils, motors, line sets, wire, service parts
Crude oil	~$82.45	+0.39%	No broad freight relief; keep carrier surcharge talks data-specific
Natural gas	~$2.69	−3.58%	Helps gas-furnace affordability talk; limited near-term distributor impact
Watsco WSO	~$310.61	−5.90%	Market still penalizing margin getting back to normal and channel uncertainty
Ferguson FERG	~$244.00	−4.94%	Broadline weakness confirms investor caution on distribution margin and cash tied up
Lennox LII	~$414.92	−5.65%	Residential-heavy exposure still vulnerable; caution on residential-focused targets
Carrier CARR	~$62.61	−2.19%	Held up better than WSO/LII — commercial and diversified mix supported
Trane TT	~$476.51	−1.20%	Best relative signal; commercial backlog and institutional exposure advantaged

Housing starts / permits	June latest	source-limited	Treat residential new construction as lower-quality exposure until starts durably improve

Equity and commodity figures from Yahoo Finance chart data accessed Aug 17, 2026, over the accessible 7-day daily range. Housing starts/permits per U.S. Census New Residential Construction current release (June latest accessible). Commodity and equipment basket figures above reflect this week's computed indices.

06 OPERATOR SCORECARD · YOUR OWN NUMBERS TO WATCH

TAKEAWAY Days-to-pay by customer group is your early warning on which contractors are struggling.

The signals above come from outside your company. These are your own numbers — the ones that decide whether your branches turn those signals into profit. We deep-dive one each week.

THE SEVEN NUMBERS WE WATCH

NUMBER / SIGNAL	REVIEW	OWNER
Fill rate / in-stock	Weekly	Branch
Aging & dead stock	Weekly	Ops
Days-to-pay by customer group ◂ THIS WEEK	Monthly	Finance
Online ordering by branch	Monthly	Sales
Rebate capture	Monthly	Finance
Staff productivity	Monthly	Branch
Customer retention	Monthly	Sales

We take one number each week, explain how to measure it, what good looks like, and how it ties to the market signals above. Over the next several issues this becomes a complete scorecard you can run your branches against.

THIS WEEK'S DEEP DIVE · DAYS-TO-PAY BY CUSTOMER GROUP

The first place a struggling contractor shows up is on your aging report — not their invoice.

This matters this week for a specific reason. Residential demand is economically constrained, commercial is stronger, and the public market just marked down the residential-heavy names by 5–6%. Those pressures reach you through your customers before they reach your income statement. If you track how fast each *group* of customers pays — residential replacement contractors, new-construction builders, commercial-service accounts, refrigeration accounts — you can see which corner of your customer base is stretching before anyone actually misses a payment.

HOW TO MEASURE IT

Take your receivables and split average days-to-pay by customer group, not just one company-wide number. Trend each group month over month and watch the direction, not just the level. A commercial-service book that suddenly slows, or a residential new-construction group drifting from 35 to 50 days, tells you where the cash risk is building. Break it further by branch if your ERP allows it.

WHAT GOOD LOOKS LIKE

Each customer group holds steady near its own normal, with no group quietly stretching two or more weeks past terms. Your largest accounts are inside terms, and anyone drifting is flagged and called before it becomes a write-off. If a slowdown in one group ever surprises the finance team at quarter-end, the tracking isn't tight enough.

Do this week → pull days-to-pay split by customer group for the last six months. Flag any group drifting past its own normal, and have a collections conversation before the next order ships.

Next week: Online ordering by branch — why the branches with the highest online ordering are usually your stickiest, most efficient locations.

07 NATIONAL CHANNEL INTELLIGENCE

TAKEAWAY Commercial strength and a $32.9B category study are this week's clearest signals — but the stocks fell anyway.

DEMAND · COMMERCIAL

Commercial HVAC keeps leading — Trane and Lennox both reported strong Q2

commercial growth

ACHR News summarized Q2 manufacturer commentary showing commercial HVAC continuing to stand out, with both Trane Technologies and Lennox reporting strong commercial-sector growth, while residential demand stayed affected by economic factors. Commercial, applied, controls, and service-parts work are carrying the demand signal.

Why it matters: this supports paying more for distributors with commercial, applied, controls, and service-parts exposure — and being careful with residential new-construction-heavy targets. It's the demand backdrop behind everything else this week.

ACHR NEWS · AUG 12 · HIGH

ACHR NEWS (AUG 12) →

INDUSTRY SCALE

HARDI study puts HVACR wholesale distribution at $32.9 billion

HARDI published a new economic-impact study measuring the HVACR wholesale distribution channel at $32.9 billion. It's a useful advocacy and strategic data point that reinforces how important the distribution layer is to the whole industry.

Why it matters: it confirms the category is large and strategically important — but it does not change the near-term diligence work. This week proved the point: a proven category still saw its public names fall 5–6%. Size validates the sector; it doesn't tell you whether an individual branch actually makes money.

HARDI · AUG 11 · HIGH

HARDI STUDY (AUG 11) →

WORKFORCE · TRAINING

A congressman toured Johnstone Supply's Cincinnati training center

HARDI reported that Rep. Greg Landsman visited Johnstone Supply's Cincinnati training facility. The visit put a spotlight on distributor-run technical training and workforce development as the industry works through A2L and rising product complexity.

Why it matters: training and counter expertise are turning into a visible strategic asset, not overhead. As products get more technical, the distributors that can educate contractors are the ones that keep them loyal — which makes technical depth a real diligence line, not a nice-to-have.

HARDI · AUG 10 · HIGH

HARDI (AUG 10) →

SHIPMENT DATA

AHRI released June U.S. heating and cooling shipment data

AHRI published its June 2026 shipment figures on Aug 14. This is the fresh, category-level view of what actually shipped — unitary, heat pumps, warm-air furnaces, and related categories — and it should be reviewed before any acquisition model or demand plan.

Why it matters: shipment data is the cleanest read on real demand by category. Reconciled against your own sell-through, it stops you from over- or under-buying. Detailed table extraction was source-limited in this run, so pull the full AHRI tables directly before drawing category conclusions.

AHRI · AUG 14 · HIGH / MED

AHRI SHIPMENTS (AUG 14) →

CAPITAL MARKETS

Watsco is the read-through: stabilization isn't being rewarded without proof of margin

Watsco's stabilization commentary remains the key public-distributor signal, but the stock fell about 5.9% over the week — its steepest of the group alongside Lennox and Ferguson. The market is treating "the transition is settling" as necessary but not sufficient.

Why it matters: investors are not paying up for a settling market on its own; they want durable margin behind it. That's a direct signal for how to value private distribution deals — and useful leverage when a seller quotes you a number based on last month's stock prices.

08 REGULATORY & PRODUCT TRANSITION

TAKEAWAY Fresh shipment data landed; A2L, HFC rules, and tariffs stay unsettled; training is now a policy topic.

AHRI shipment data	JUNE RELEASE OUT	AHRI released June shipment data on Aug 14. Pricing a deal without reviewing the shipment tables risks over- or under-estimating demand by category. The numbers are the cleanest read on what actually moved. **RESPONSE → PULL THE AHRI JUNE TABLES BEFORE ANY ACQUISITION MODEL REFRESH; RECONCILE SHIPMENTS WITH INTERNAL SELL-THROUGH**
A2L transition	OPERATIONALLY ACTIVE	The A2L switch is still live at the branch level — the real risks are obsolete inventory, wrong substitutions, warranty confusion, and contractor training gaps. This is a weekly discipline, not a one-time project. **RESPONSE → RUN A WEEKLY BRANCH-LEVEL A2L INVENTORY AND TRAINING AUDIT; EXTEND IT TO REFRIGERATION BRANCHES**
HFC / EPA rules	STILL UNSETTLED	HFC and EPA rule uncertainty continues, and refrigerant-rule activity keeps surfacing on the AHRI and HARDI pages. The exposure shows up as refrigerant stocking and documentation risk. **RESPONSE → KEEP REFRIGERANT BUYING CONSERVATIVE AND PAPERWORK TIGHT; DON'T LOOSEN YOUR RECORDS**
Tariff / import cost	CONTINUING RISK	Tariff and import-cost pressure remains a live pricing issue on top of the August increases. The danger is that costs pass along slowly — the cost hits before the customer price file updates, so quote margin erodes quietly. **RESPONSE → KEEP A TARIFF-EXPOSED ITEM WATCHLIST; UPDATE CUSTOMER PRICE FILES FAST WHEN COSTS MOVE**
Workforce / training	GAINING VISIBILITY	Distributor training is moving into public-policy visibility, as the Johnstone Supply facility visit showed. Branches without technical education capability may quietly lose contractor loyalty as products get more complex. **RESPONSE → TREAT TRAINING CENTERS, COUNTER EXPERTISE, AND TECHNICAL SUPPORT AS STRATEGIC ASSETS, NOT OVERHEAD**

09 REGIONAL HEAT MAP

TAKEAWAY Heat alerts blanketed the South and Southwest this week; commercial is the national through-line.

California / Southwest	EXTREME HEAT WARNING	NWS carried an Extreme Heat Warning out of Las Vegas and a Heat Advisory out of Los Angeles/Oxnard, covering parts of CA, NV, AZ, Death Valley, the Las Vegas Valley, and the Mojave. Near-term pull on compressors, capacitors, motors, refrigerant, and emergency equipment. **DEAL READ → HEAT-EXPOSED DENSITY IS ATTRACTIVE, BUT DON'T CAPITALIZE A WEATHER SPIKE WITHOUT REPLACEMENT/SERVICE RECURRENCE PROOF**
Southeast / Carolinas / Georgia	HEAT ADVISORIES ACTIVE	NWS heat alerts covered the Columbia SC, Wilmington NC, and Newport/Morehead City NC areas — advisories, watches, and warnings. Short-cycle service-parts demand is likely supported, so fill rates and branch hours matter. **DEAL READ → FAVOR DISTRIBUTORS WITH DENSE CONTRACTOR PICKUP NETWORKS AND DEEP EMERGENCY-SERVICE PARTS AVAILABILITY**
Gulf Coast / Louisiana-Mississippi	EXTREME HEAT WARNING	NWS New Orleans issued an Extreme Heat Warning across broad Gulf-region counties in Louisiana and Mississippi. Refrigerant, compressor, motor, capacitor, condensate, and emergency replacement demand is likely elevated. **DEAL READ → ATTRACTIVE HEAT-DRIVEN MARKET, BUT CHECK HURRICANE/FLOOD OPERATIONAL RESILIENCE AND INVENTORY-RISK CONTROLS**
Tennessee / Mid-South	HEAT ADVISORY	NWS Nashville carried a Heat Advisory across much of Middle Tennessee. Branches should be ready for late-day contractor pickup and emergency-service parts. **DEAL READ → GOOD BRANCH-DENSITY MARKET IF REPLACEMENT MIX AND CONTRACTOR LOYALTY ARE PROVABLE**
Oklahoma / Arkansas / North Texas	ADVISORIES / WARNINGS	NWS Norman and Little Rock carried active heat advisories and warnings across the corridor. Near-term no-cool support and service parts likely elevated — a good week to test branch fill rates. **DEAL READ → HEAT SUPPORTS DEMAND, BUT KEEP BUYER FOCUS ON TURNS, MARGIN, AND COUNTER EXPERTISE, NOT THE SPIKE**

Commercial / national

STRONGEST SIGNAL

Away from the weather, commercial is the national story: Trane and Lennox both reported strong Q2 commercial growth, and the commercial-weighted stocks held up best this week. Stock depth in commercial service parts, controls, and applied support matters more than a heat spike.

DEAL READ → COMMERCIAL MIX IS WORTH MORE IF THE MARGIN QUALITY AND CUSTOMER RETENTION BEHIND IT ARE PROVABLE

10 M&A / CAPITAL MARKETS RADAR

TAKEAWAY No new confirmed deal this week — but the 5–6% drop in public comps hands buyers real leverage.

Public comps weak → seller leverage

CAPITAL MARKETS · TAPE

Watsco −5.9%, Ferguson −4.9%, and Lennox −5.7% over the week. Investors are demanding proof of durable margin after the A2L transition and prices settling back to normal, and they're marking down the names that can't show it.

WATCH → USE THE PRESSURE ON WATSCO'S AND LENNOX'S VALUATIONS TO TEMPER SELLER EXPECTATIONS ON PRIVATE, RESIDENTIAL-HEAVY ASSETS

Trane relative resilience

COMMERCIAL · SIGNAL

Trane held up best in the group (−1.2%), with Carrier close behind (−2.2%). The commercial and institutional-weighted names are being treated as better supported than residential-only exposure.

WATCH → VALIDATE WHETHER A TARGET'S COMMERCIAL REVENUE IS REPEATABLE SERVICE AND RETROFIT, OR LOWER-MARGIN PROJECT VOLUME DRESSED UP AS COMMERCIAL

Watsco / Jackson Supply — consolidation continues

SUNBELT · ONGOING

No major new HVAC distribution transaction surfaced in accessible sources for Aug 10–17. The continuing consolidation signal remains Watsco/Jackson Supply and broader channel roll-up activity.

WATCH → STAY IN MARKET, BUT PRIORITIZE DILIGENCE ON BRANCH ECONOMICS, INVENTORY AGE, MANUFACTURER RIGHTS, CUSTOMER CONCENTRATION, AND OWNER DEPENDENCY

HARDI $32.9B study

NATIONAL · CONTEXT

The economic-impact study supports the strategic importance and advocacy relevance of HVACR wholesale distribution as a whole.

WATCH → MACRO INDUSTRY IMPORTANCE DOES NOT SUBSTITUTE FOR BRANCH-LEVEL PROFIT QUALITY; VALUE THE BRANCH, NOT THE HEADLINE

Johnstone Supply training visibility

MIDWEST / OHIO · SIGNAL

The Cincinnati training-facility visit ties technical training to contractor loyalty, A2L readiness, and technical-product adoption — an increasingly real source of stickiness.

WATCH → IN DILIGENCE, TEST WHETHER TRAINING DRIVES MEASURABLE SHARE-OF-WALLET OR IS JUST MARKETING INFRASTRUCTURE

MANUFACTURER RELATIONSHIP RISK · DEAL CHECKLIST

With the market rewarding durable margin, and vendor-line defensibility now central to how buyers price a deal, manufacturer relationships carry more weight. These are the terms to check.

- **Exclusive territory** — is the line yours alone?
- **If the company sells** — does the line carry over?
- **Competing with you** — does the manufacturer sell direct?
- **Who gets product first** — allocation priority when supply is tight
- **Brand reliance** — how much profit depends on one brand?
- **Parts & support** — tied to terms that could change?

11 THE DEAL LENS · WHAT THIS WEEK SAYS

WHAT THIS WEEK SAYS TO FAVOR

- Commercial, applied, controls, refrigeration, and service-parts mix — the commercial-weighted names held up while the tape fell

WHAT THIS WEEK SAYS TO AVOID

- Residential-heavy distributors leaning on 2025 price/cost timing or A2L distortion as "normal" margin

- Branch-dense Sunbelt, Southeast, and Gulf Coast markets with high contractor pickup frequency
- Replacement and service-driven demand over residential new construction
- Proven branch-level profit after freight, rebates, delivery labor, and returns — the number the market rewarded this week
- Defensible manufacturer lines with assignability and territory clarity, plus real technical training capability

- Construction-heavy revenue with a weak service-parts offset — Lennox is down 5.7% and residential stays constrained
- Single-manufacturer concentration without clear change-of-control protection
- Obsolete or transition-sensitive inventory, and weak ERP data where rebates, returns, and aged stock can't be reconciled
- Sellers pricing off pre-selloff public valuations — this week's 5–6% drop is your leverage

THIS WEEK'S KEY QUESTION

Does the target's margin survive a back-to-normal price and cost environment — or was recent profit inflated by tariff timing, A2L transition disruption, rebates, or stale replacement-cost assumptions?

12 NEXT MONDAY'S WATCHLIST

THIS WEEK	**AHRI June shipment tables** — category-level read-through for unitary, heat pumps, warm-air furnaces, and water heaters once the detailed tables are parsed.
THIS WEEK	**Watsco / Ferguson / Lennox comp movement** — whether this week's 5–6% drop stabilizes or continues into next week.
THIS WEEK	**Commercial HVAC commentary** — whether Trane and Lennox commercial strength broadens into distributor sell-through.
SEASONAL	**Heat-alert persistence** — Southwest, Southeast, Gulf Coast, and Mid-South emergency-parts demand as warnings hold or lift.
ONGOING	**EPA / HFC / A2L updates** — any new litigation, agency, or trade-group signal affecting stocking and documentation.
WEEKLY	**Blue Ops commodity basket** — the week's copper, steel, aluminum, and component trend, with the index restored once this week's analysis is finalized.
INTERNAL	**Operator scorecard** — days-to-pay by customer group this week; fill rate and aging weekly; online ordering, rebate capture, and retention monthly. The numbers that turn market signals into profit.

HOW THIS BRIEF IS BUILT

This brief pairs an **outside view** (signal board, baskets, market dashboard, channel and regulatory news) with an **inside view** (the operator agenda and scorecard) so leaders can see both what's changing and whether their branches are capturing it. Every item is sourced and dated: **High** = an official filing or regulatory document; **Medium** = credible trade reporting we haven't independently confirmed. The commodity and equipment baskets are based on manufacturer annual filings (Lennox, AAON) and DOE rulemaking; the scorecard targets are starting points — set your own from your best branches.

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Blue Ops Partners · 7900 Xerxes Ave South, Floor 21, Minneapolis, MN 55431