BLUE OPS

ISSUE NO. 25

HVAC CONTRACTOR · EXECUTIVE INTELLIGENCE

Heat is back. Margin capture is the real test this week.

WEEKLY BRIEF · WEEK OF AUG 24 2026 · FOR OWNERS, PRESIDENTS & SENIOR OPERATORS

WHAT CHANGED THIS WEEK

Aug. 24: NWS showed **23 Extreme Heat Warnings, 4 Extreme Heat Watches, and 31 Heat Advisories** across TX, OK, AZ, CA, and parts of LA, AR, FL, NM, PR, and VI. CPC's 6–10 day outlook keeps above-normal temperatures through Sept. 2. **Aug. 18:** Census reported July housing starts **down 12.4% MoM** and **13.5% YoY**; existing-home sales fell **1.7%**; 30-year mortgage rate eased only to **6.65%**. **Continuing:** ACHR's July price-increase list showed component/accessory increases of **3%–10%**; Carrier Q2 Americas segment margin fell **260 bps** despite volume up 9–10%.

What it means: Heat is driving calls. Housing is constraining discretionary replacement. Input costs keep climbing. The difference between a strong August and a mediocre one comes down to quote speed, pricing discipline, and field execution.

NWS ALERTS (AUG 24) → | CENSUS HOUSING (JUL) → | ACHR PRICING (JUL) →

STANCE SHIFT FROM ISSUE 24

Last week's lead signal was commercial demand confirmation — that still stands. This week, the more pressing Monday-morning issues are heat intensification, housing weakness with fresh data, refrigerant compliance hitting the field, and component pricing pressure that needs to flow through your price books. Commercial was quieter; we'll update when new data arrives.



01 CEO/PRESIDENT/OWNER/GM READOUT

STANCE

This week separates contractors who convert heat into margin from those who convert it into overtime and callbacks. Priorities: high-probability repairs, same-day replacement handoffs, quote follow-up within 24 hours, documented refrigerant handling, and daily gross-margin review.

THREE DECISIONS THIS WEEK

1. Build a heat-week dispatch hierarchy — maintenance members, no-cool seniors/medical, repeat customers, and high-probability replacement calls first. **2.** Pull all open replacement quotes older than 3 days and segment by system age, financing offered, and install availability. **3.** Refresh price books on top 50 repair parts and top 25 install accessories for the 3–10% component increases now flowing through.

02 SIGNAL BOARD

Five key indicators: stance changes, evidence, and one action each.

Heat / service demand

▲ STRENGTHENING · SOUTH/SW

STANCE: ELEVATED VS. LAST WEEK: upgraded from 19 alerts to 58 (23 Warnings + 4 Watches + 31 Advisories); shifted to TX/OK/AZ/CA

NWS on Aug. 24: 23 Extreme Heat Warnings, 4 Watches, 31 Advisories — concentrated in Texas, Oklahoma, Arizona, and California. CPC 6–10 day outlook keeps above-normal temperatures through Sept. 2, strongest in the Southwest and southern Plains.

DO THIS → MOVE TO CAPACITY TRIAGE; ROUTE MAINTENANCE MEMBERS, NO-COOL SENIORS/MEDICAL, AND HIGH-PROBABILITY REPLACEMENT CALLS FIRST; TRACK FTF AND CALLBACKS DAILY

Equipment shipments (AHRI)

▲ UNITS RECOVERING

STANCE: CONTINUING / STRENGTHENING NEW DATA: June combined AC + HP shipments 1,023,571 units, +21.7% YoY; YTD +3.0%

Central AC up 26.8%, heat pumps up 15.1%. Equipment is available — the bottleneck now shifts to lead handling, financing, install crews, and sales process. Shipped units do not equal profitable installs.

DO THIS → COMPARE INSTALLS BOOKED VS. CANCELED AGAINST DISTRIBUTOR AVAILABILITY; WATCH AGED INVENTORY AND TRANSITION-RELATED DEAD SKUS

Housing / residential demand

▼ REPLACEMENT HEADWIND

STANCE: WEAKENING VS. LAST WEEK: upgraded from "stabilizing" to "replacement headwind" on fresh July Census data

July starts 1.239M SAAR (−12.4% MoM, −13.5% YoY). Completions −16.8% YoY. Existing-home sales −1.7%. Mortgage rate 6.65%. Service demand remains resilient, but discretionary replacement is fragile — fewer move-driven upgrades and more repair-vs-replace hesitation.

DO THIS → TREAT EVERY MAJOR REPAIR ON OLDER EQUIPMENT AS A STRUCTURED REPAIR-VS-REPLACE CONVERSATION; PRESENT FINANCING ON EVERY REPLACEMENT QUOTE

Big-box / pro-channel pressure

▲ STRENGTHENING

STANCE: CONTINUING NEW: HD Q2 rev +5.7% ($47.86B); SRS acquiring Carrier distributor Lohmiller (4 locations, 220 employees)

Lowe's Q2 $25.96B, comps +0.2%, guidance to low end. Following SRS's Mingledorff's acquisition, the Lohmiller deal extends Home Depot's distribution reach. The pro channel is pushing deeper into professional supply and installed services — contractors competing only on equipment access and price face growing margin compression.

DO THIS → TIGHTEN VENDOR SCORECARDS; MAKE CUSTOMER OWNERSHIP EXPLICIT THROUGH BRANDED MAINTENANCE AGREEMENTS AND REPLACEMENT LIFECYCLE TRACKING

Refrigerant compliance

▲ NEW · OPERATIONAL

STANCE: NEW THIS WEEK VS. LAST WEEK: A2L was "keep readiness active"; now CA reclaimed-refrigerant compliance is becoming a field workflow

ACHR reported Aug. 22 that A-Gas is positioning reclaimed refrigerants for California compliance under AB 663 / SB 1206. Criteria: ≥85% reclaimed by weight, AHRI 700 certified, 99.5% purity, EPA-certified reclaimer. Noncompliant stockpiled cylinders are treated as noncompliant regardless of purchase date.

DO THIS → AUDIT REFRIGERANT INVENTORY BY TYPE, LABEL, SOURCE, AND CERTIFICATE; REPRICE REFRIGERANT AND RECOVERY LINE ITEMS SO COMPLIANCE LABOR IS NOT BURIED IN FLAT-RATE PRICING



ALSO WORTH WATCHING

- **Component pricing pressure remains real.** ACHR's July list: Allstyle Coil +3.5%, Duravent +7%, JB Industries +7.5%/+10%, Johns Manville +6–8%, Aspen +5–6%, Fujitsu +7%, Quietflex +6–8%. Carrier's Q2 Americas margin fell 260 bps despite volume gains — the cleanest proof that revenue growth can hide margin compression. **Action:** refresh costs on top 50 repair parts and top 25 install accessories; set gross-margin floors by job type. ACHR News · High
- **Connected controls keep moving into mainstream residential service.** Trane and American Standard launched 24V smart thermostats with diagnostics, runtime data, and technician app support. Controls are becoming a service platform — contractors that use the data can reduce nuisance visits and improve maintenance retention. **Action:** add connected-control attachment rate to install closeout; train CSRs to check connectivity before dispatch. ACHR News · Aug 20

> WHAT THE BIG PLAYERS ARE TELLING US
>
> Home Depot reaffirmed guidance despite a sluggish housing market — the pro channel is still pushing forward. Lowe's moved full-year guidance to the low end (flat comps). Carrier posted strong volume but margin still fell 260 bps — proof that more revenue does not automatically mean more profit. That same risk applies to every contractor running hard this week.

03 THESIS OF THE WEEK

This week rewards process discipline, not just demand exposure. The same heat event will produce very different margins.

Two contractors in the same Sunbelt market, both seeing 50+ no-cool calls. **Contractor A** triages dispatch for margin, requires same-day replacement handoffs on major failures, follows up every quote within 24 hours, presents financing on every estimate, and updated price books last week. **Contractor B** runs every call first-come-first-served, lets

proposals age 10+ days, offers financing only after sticker shock, and still prices on July cost assumptions. Both will post strong topline. Only one will show strong gross margin.

04 OPERATOR'S AGENDA

NEXT 24-72 HOURS

P1 **Build a heat-week dispatch hierarchy.** Maintenance members, elderly/medical no-cool, repeat customers, and systems with known age/history go first.

OWNER: SERVICE + DISPATCH · REVIEW: DAILY
EXPECTED OUTCOME → PROTECTS CAPACITY WHILE IMPROVING CONVERSION AND RETENTION

P2 **Enforce same-day replacement handoff on major failures.** Dead compressors, leaking coils, failed older R-22/R-410A systems, and major electrical failures must trigger a documented handoff before the tech leaves.

OWNER: SERVICE + SALES · REVIEW: DAILY
EXPECTED OUTCOME → HIGHER SERVICE-TO-REPLACEMENT CONVERSION WHILE URGENCY IS REAL

P3 **Run a morning parts-availability huddle.** Service manager, install manager, warehouse, and dispatcher review high-failure items: capacitors, contactors, fan motors, blower motors/modules, boards, refrigerant, and compressor-related materials.

OWNER: SERVICE + WAREHOUSE · REVIEW: DAILY
EXPECTED OUTCOME → TARGET 80%+ FIRST-TIME FIX; FEWER WASTED TRUCK ROLLS

P4 **Pull all open replacement quotes older than 3 days.** Segment by system age, repair cost, financing offered, equipment availability, and install-date availability.

OWNER: SALES OPS · REVIEW: DAILY
EXPECTED OUTCOME → RECAPTURE REVENUE BEFORE COMPETITORS RESET CUSTOMER EXPECTATIONS

ALSO THIS WEEK

P5 **Update price books for component inflation.** Review top repair parts, install accessories, line sets, duct, refrigerant, and controls against ACHR's July increase list (3–10%).

OWNER: FINANCE + PURCHASING · REVIEW: THIS WEEK
EXPECTED OUTCOME → STOPS GROSS-MARGIN LEAKAGE FROM STALE COSTING

P6 **Audit callback root causes from the last 14 days.** Categorize into diagnosis, workmanship, parts failure, customer expectation, and refrigerant/charge issues. Target under 3–5%.

OWNER: SERVICE MANAGERS · REVIEW: THIS WEEK
EXPECTED OUTCOME → BETTER COACHING AND LOWER HIDDEN LABOR COST DURING PEAK HEAT

P7 **Tighten financing presentation and check refrigerant documentation.** Every replacement estimate should show monthly-payment framing alongside cash price. Verify truck stock recovery logs and reclaimed refrigerant sourcing.

OWNER: SALES + OPS · REVIEW: THIS WEEK
EXPECTED OUTCOME → REDUCES AFFORDABILITY FRICTION AND LOWERS COMPLIANCE RISK

THIS MONTH

P8 **Use connected controls as a retention tool.** Add smart control attachment targets to replacement installs and maintenance renewals. Track attachment rate and maintenance-agreement conversion.

OWNER: INSTALL + PM · REVIEW: MONTHLY

P9 **Reassess distributor dependence.** Score primary distributors on availability, parts depth, warranty process, after-hours support, pricing stability, and whether they compete for installed work.

OWNER: OPS + PURCHASING · REVIEW: MONTHLY

05 CONTRACTOR SCORECARD · YOUR OWN NUMBERS

This week's focus: **quote aging** — heat creates urgency that decays fast.

KPI	GUIDANCE	OWNER
Quote aging ◂ THIS WEEK'S DEEP DIVE	0–2d active · 3–7d intervene · 8–14d problem · 15d+ lost	Sales Ops
First-time fix rate	80%+ standard residential	Service

Callback rate	Under 3–5%	Service + Install
Replacement lead rate from service	Track by equip. age + severity	Service + Sales
Installed gross margin by job type	Review weekly	Finance
Financing offer + approval rate	~100% of replacement quotes	Sales
Maintenance agreement conversion	Conversion + renewal rate	PM / Ops



THIS WEEK'S DEEP DIVE · QUOTE AGING

On just 10 replacement leads, even modest quote aging can cost you roughly $32,500 in revenue and $13,325 in gross profit.

SCENARIO	CLOSE RATE	GM%	RESULT (10 LEADS)
Worked fresh (0–2 days)	50%	38%	$65K rev / $24.7K GP
Allowed to age (7+ days)	25%	35%	$32.5K rev / $11.4K GP

Based on a $13,000 average replacement ticket. Your numbers will vary by market, system type, and sales process — but the pattern holds: close rates and margins both drop as quotes age.

Heat creates urgency that fades fast. After 24 hours, pain gets normalized or patched, competitors enter the conversation, and discounting begins. Manage quote aging like receivables — the older it gets, the less likely it converts cleanly.

QUOTE AGE	READ	ACTION

0–2 days	Active selling window — urgency is real	Close or schedule
3–7 days	Urgency fading — competitors circling	Manager intervention
8–14 days	Pricing, financing, or urgency problem	Diagnose & re-engage
15+ days	Treat as lost unless requalified	Write off or restart

Caveat: commercial bid cycles are different. Separate residential replacement quote aging from plan/spec or negotiated commercial work.

DO NOW — THIS WEEK

- **Pull every open replacement quote from the last two heat weeks.** Bucket by age: 0–2 days, 3–7, 8–14, 15+. This is your revenue-at-risk report.
- **Assign manager follow-up on everything over 3 days.** A manager call or refreshed financing option can reopen stalled conversations.
- **Track close rate by quote age this month.** Expect to confirm that effective close rate drops by half after day 3.

KEEP DOING — EVERY WEEK

- **Review replacement leads generated per no-cool call and same-day quote rate.** If heat is producing calls but not quotes, fix the handoff.
- **Cross-reference quote aging with financing offer rate.** Quotes that include financing close faster and hold margin better.
- **Post quote-age buckets in weekly sales meetings.** Visible metrics drive visible improvement.

OWNER: SALES OPS + MANAGERS · REVIEW: DAILY DURING HEAT / WEEKLY ONGOING

NEXT WEEK'S DEEP DIVE → CALLBACK RATE

06 ARE YOU BUILDING A BUSINESS — OR JUST RUNNING CALLS?

IF YOUR SHOP LOOKS LIKE THIS, YOU'RE WINNING

- Converts heat demand into profitable replacement, not just emergency repair revenue
- Quote aging managed daily — 0–2 day follow-up standard
- Price books updated for July/August component increases
- Refrigerant compliance documented: cylinder tracking, recovery logs, reclaimed sourcing
- Financing on every replacement conversation

IF THIS SOUNDS FAMILIAR, FIX IT NOW

- Revenue spikes only when weather spikes — no process behind the volume
- Aged quotes sitting unmanaged; 15+ day proposals still in the pipeline
- Pricing on stale cost assumptions while inputs are up 3–10%
- Refrigerant tracking informal — compliance risk and job-cost leakage
- Owner still personally drives every sales follow-up and field decision

THE QUESTION TO ASK YOURSELF THIS WEEK

A busy August does not mean a profitable one. If the heat broke tomorrow, would your revenue hold — or disappear with the weather?

SIX THINGS TO CHECK IN YOUR OWN SHOP THIS WEEK

- **Gross margin:** Do you know whether price, mix, overtime, or material inflation is moving your margin — or are you guessing?
- **Quote follow-up:** Are replacement leads being worked daily by your team, or are they sitting with individual salespeople?
- **Maintenance agreements:** How many are active, renewing, and actually producing replacement leads?
- **Technician productivity:** Can you pull revenue per tech, first-time fix, callback rate, and overtime hours right now?
- **Distributor relationships:** Are your key distributors acting as partners — or are they starting to compete with you for installed work?
- **Refrigerant control:** Could you pass a random audit of your recovery logs, cylinder tracking, and reclaimed-sourcing documentation today?



07 THIS WEEK'S CONTRACTOR CHECKLIST

- ☐ Build heat-week dispatch hierarchy — route for margin, not volume
- ☐ Enforce same-day replacement handoff on major failures
- ☐ Pull and work all open replacement quotes older than 3 days
- ☐ Update price books for 3–10% component increases
- ☐ Audit callback root causes from last 14 days
- ☐ Present financing on every replacement quote
- ☐ Check refrigerant documentation and cylinder control
- ☐ Track FTF, callbacks, quote aging, and gross margin daily

THIS WEEK'S MANAGEMENT QUESTION

"How many replacement quotes are aging past 3 days right now — and what is that costing you in gross profit this month?"

08 NEXT MONDAY'S WATCHLIST

WEATHER	**Heat persistence into early September.** Confirms → heat stays concentrated in South/SW; service demand elevated. Weakens → alerts drop sharply before contractors clear aged quotes. Reverses → broad cool-down shifts demand to shoulder-season maintenance.
QUOTE AGING	**Close rates on replacement quotes from the last two heat weeks.** Confirms → close rates drop after day 3; discounting rises on aged quotes. Weakens → teams hold same-day follow-up and stable GM despite volume. Reverses → financing adoption lifts close rates without sacrificing margin.
DISTRIBUTOR	**A2L unit, coil, motor, and refrigerant availability and pricing.** Confirms → equipment available but job margin pressured by components. Weakens → fill rates improve and input pricing stabilizes. Reverses → supply disruption or new OEM pricing forces immediate repricing.
RESIDENTIAL	**Mortgage rates and housing turnover.** Confirms → rates stay mid-6%+; turnover sluggish. Weakens → rates move closer to 6%; buyer confidence improves. Reverses → meaningful rate break restarts deferred replacement demand.
REGULATORY	**Refrigerant compliance rollout.** Confirms → more suppliers push certified reclaimed programs. Weakens → stays limited to specific CA channels. Reverses → enforcement actions create broader operating requirements.

ABOUT THIS BRIEF

Built for HVAC contractor owners, CEOs, presidents, and GMs who need to know what changed this week, what it means, and what to do about it. Every item sourced and dated.

Blue Ops supports HVAC contractors and their investors across the operating and investment lifecycle. **See our HVAC practice →**

TALK TO A BLUE OPS HVAC ANALYST

SOURCES THIS WEEK

AHRI — June 2026 Shipment Data (Aug 14) · Monthly Shipments · NOAA/NWS — Active Alerts (Aug 24) · CPC 6–10 Day Outlook (Aug 23) · Census — New Residential Construction, Jul 2026 (Aug 18) · NAR — Existing-Home Sales, Jul 2026 · Freddie Mac PMMS (Aug 20) · CNBC — Home Depot Q2 (Aug 18) · Lowe's Q2 (Aug 19) · Carrier Q2 (Jul 28) · ACHR News — Reclaimed Refrigerants (Aug 22) · Trane/AmStd T-Stats (Aug 20) · Price Increases Jul 2026 · SRS/Lohmiller (Aug 11) · HARDI Industry News · HARDI May 2026 Sales

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