

Operational Due Diligence

Air Pros USA

Retrospective Analysis

January 2026

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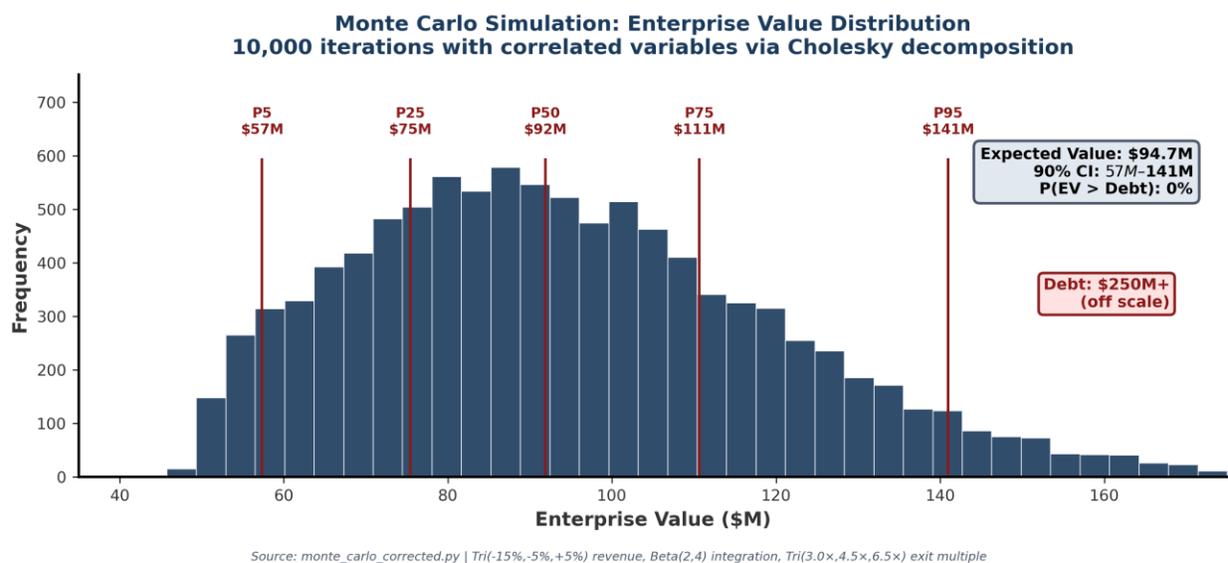
Executive Summary

Air Pros USA filed for Chapter 11 protection on March 16, 2025 (Case No. 25-10356, N.D. Ga.), listing assets and liabilities each in the \$100–500 million range (Dkt. 1, Voluntary Petition). The First Day Declaration disclosed secured obligations exceeding \$250 million against trailing twelve-month EBITDA of approximately \$25 million: leverage exceeding 10× (Dkt. 15, p. 4). The bankruptcy culminated in a liquidating plan confirmed September 4, 2025 (Dkt. 412). Estimated secured creditor recovery: 16–32 cents on the dollar. Equity recovery: zero.

The signals were visible. Twelve acquisitions in fifteen months against a realistic integration capacity of two to three deals per year. CEO transition during peak operational complexity. Leverage at 10× with no capacity for integration investment. These were observable facts in mid-2022, documented in public sources. The bankruptcy filings confirm the diagnosis (integration failure, cash flow impairment, unsustainable structure) but prospective diligence would have reached the same conclusion.

Valuation Summary

Monte Carlo simulation results (10,000 iterations, correlated variables via Cholesky decomposition):



Percentile	Enterprise Value	Implied Multiple
P5 (Severe Downside)	\$57.4M	2.30×
P10	\$63.1M	2.52×
P25 (Recommended Max Price)	\$75.4M	3.02×
P50 (Median)	\$91.9M	3.68×
P75 (Upside)	\$110.7M	4.43×
P90	\$129.5M	5.18×
P95 (Strong Upside)	\$141.0M	5.64×
Expected Value (Mean)	\$94.7M	3.79×

Monte Carlo: 10,000 iterations; correlated variables via Cholesky decomposition; convergence verified at 5,000 iterations (<1% variance). Reported EBITDA of \$25M per Dkt. 15. See Valuation section for full methodology.

At P95 (\$141M), enterprise value remains well below the \$250M+ debt load. Probability that enterprise value exceeds debt: <1%. Equity is impaired in every simulated scenario. The distribution exhibits slight positive skew (mean \$94.7M vs. median \$91.9M), but even tail outcomes cannot cover the debt burden.

Equity Value Calculation



Equity deeply impaired: Enterprise value covers only 40% of debt

Key Findings

Unsustainable Capital Structure. Leverage of ~10x EBITDA exceeded any defensible threshold for a services business with the operating characteristics present. Industry norm for HVAC platforms: 3.5–5.0x (PKF O'Connor Davies, August 2025). The capital structure left no margin for execution variance and no capacity for the integration investment required to realize synergies.

Integration Execution Failure. Court filings state explicitly that "many of the operating practices of the legacy Air Pros business have not been applied to acquired business units" (Dkt. 15, p. 12). Twelve acquisitions in fifteen months outpaced integration capacity by a factor of 4–8x. The result: eleven separately operating brands with duplicated infrastructure, no unified technology platform, and no realized scale benefits.

Leadership Transition at Critical Juncture. Founder Anthony Perera stepped down as CEO in March 2022—during peak acquisition activity—transitioning to Chief Growth Officer. The incoming CEO possessed relevant industry experience but lacked Air Pros-specific institutional knowledge during the critical integration period.

Cash Flow Structural Impairment. 13-week cash flow projection showed \$1.9M operating cash flow consumed entirely by \$10.6M in restructuring fees (Dkt. 23, Exhibit B). Operating cash margin of 5.6% during distress indicates core operations remained marginally viable. This was a capital structure problem, not a fundamental business model failure.

Recommendation

DO NOT PROCEED

Risk-adjusted return does not clear hurdle at any entry price the seller is likely to accept. The gap between buyer math (recommended max \$75M at P25) and seller expectations (6–10x based on comparable transactions, implying \$150–250M) was unbridgeable. No transaction structure could satisfy both parties given the operating reality.

Even aggressive operational improvement (full integration capturing synergies to drive EBITDA from \$25M to \$30–35M) would bring enterprise value to approximately \$150–175M at 5x exit multiple. This still

leaves equity \$75–100M underwater against the \$250M debt load. The capital structure required restructuring as a prerequisite to any viable path forward.

If pursuing despite these findings, prerequisites include entry price at or below \$75M (3×), debt restructured to 4–5× (\$100–125M), 18–24 month integration runway with covenant relief, \$4–5M operational investment budget, and management team with demonstrated turnaround capability.

Diligence Timeline: What Was Knowable

The following timeline reconstructs Air Pros' trajectory using only information available through public sources at each point in time. Red flags indicate signals that prospective diligence should have identified and interrogated. The bankruptcy filings provide confirmation, not revelation. The failure mode was visible to anyone asking the right questions.



Signal Detection Matrix

Date	Observable Signal	Diligence Question
Sep 2021	Peak Rock \$50M growth equity investment	Deployment timeline? Integration budgeted? Incentive structure?
Q4 2021	2 acquisitions announced	Target integration timeline? Who owns integration execution?
Mar 2022	CEO transition (Perera → DiPietro)	Leadership change during acceleration phase? Knowledge transfer plan? Integration continuity?
Q2-Q3 2022	8 more acquisitions (10 cumulative)	Integration status on first 2 deals? Backlog? When does capacity exceed threshold?
Q4 2022	2 more acquisitions (12 cumulative)	How many deals fully integrated? What is the cost of the backlog? Remediation timeline?