

## Ingersoll Rand, Mitsubishi Electric Enter Joint Venture



**JOINT VENTURE:** Ingersoll Rand and Mitsubishi Electric Corp. established a 50-50 joint venture agreement to market, sell, and distribute ductless and variable refrigerant flow systems.

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*February 5, 2018*

*Kyle Gargaro*

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The HVAC ductless market felt a shake up as Ingersoll Rand and Mitsubishi Electric Corp. announced they have entered into an agreement to establish a 50-50 joint venture (JV) pending global antitrust review. The JV will include marketing, sales, and distribution of ductless and variable refrigerant flow (VRF) heating and air conditioning systems through Ingersoll Rand's Trane and American Standard commercial and residential channels and existing Mitsubishi Electric distributors and representatives in the U.S. and select countries in Latin America.

“This is bringing two premium brands together,” said Dave Regnery, executive vice president of Ingersoll Rand. “The unique value proposition that this now creates is extensive distribution application expertise, which is a strength of Trane and American Standard in the U.S. That will be combined with the product innovation and technical expertise around the ductless market, which is what Mitsubishi Electric brings to the joint venture.”

The systems, manufactured by Mitsubishi Electric and sold by the JV, will be variable-speed mini-split, multi-split, and VRF air conditioners and heat pumps for homes, light commercial, and commercial applications. The venture will distribute products with the Trane or American Standard brand and the Mitsubishi Electric corporate logo to Ingersoll Rand channels. The JV will also continue to serve Mitsubishi Electric U.S. distributors and representatives with Mitsubishi Electric branded product.

“Our current customer base has done a great job for us in building awareness of ductless and VRF and helping us establish a solid foundation,” said Mark Kuntz, senior vice president and deputy general manager of Mitsubishi Electric Cooling & Heating. “Our products are still largely used where a traditional product won’t work or a unique niche application. This alliance leverages all that knowledge and takes it to the mainstream of the HVAC industry.”

With the ductless market seeing healthy growth, Ingersoll Rand was looking for an opportunity to enjoy some of that spike.

“The core strategy that Trane has had for years is to offer a breadth of an applied, unitary, ductless, and controls portfolio and make sure we have experts who can apply it properly for the customer. We are agnostic as to which product we are selling as long as it says Trane or American Standard on it,” Regnery said. “It’s really about coming up with the right product for the right applications to meet the customer’s needs. This is very exciting from an Ingersoll Rand standpoint.”

That ductless market, which currently has about 8 percent of the overall market, is projected by some to capture about 15 percent of the market over the next five to seven years.

“The signal I think this sends to contractors is ductless is going to be a significant part of the market that they serve, and their customers will want to have the benefits of this technology,” Kuntz said.

“With this alliance, they will have a broad spectrum of skills to help with those products. We are getting it into the mainstream and will hit a tipping point.”

The JV was about a year in the making.

“When we launched VRF in the U.S. 13 years ago, we partnered with a half dozen Trane offices around the country with great success. Over the years, both companies drifted away, but we thought that was so successful that we should re-establish it specifically and intentionally across the country,” Kuntz said. “Neither of us wanted this to just be an OEM supply agreement. Those can come with an adversarial mindset. By forming this as a joint venture, both companies have aligned their interests and can count on this for years and decades to come.”

Pending favorable global antitrust reviews and customary closing conditions, the new joint venture is expected to be operational in the first half of 2018. A chief executive officer will be named from Mitsubishi Electric, a chief financial officer will be named from Ingersoll Rand, and the business will

operate from headquarters in Suwanee, Georgia. Ingersoll Rand and Mitsubishi Electric US, a subsidiary of Mitsubishi Electric Corp., will have equal ownership.

The financial terms of the deal were not disclosed.

Publication date: 2/5/2018

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