Goodman Global Inc
Form 424B4
April 06, 2006
Table of Contents

Filed Pursuant to Rule 424(b)(4)

Registration No. 333-131597

PROSPECTUS

23,529,411 shares

Common stock

This is an initial public offering of shares of common stock by Goodman Global, Inc. We are offering 20,917,647 shares of our common stock, and the selling shareholders identified in this prospectus are selling an additional 2,611,764 shares. We will not receive any of the proceeds from the sale of shares by the selling shareholders.

Prior to the offering, there has been no public market for our common stock. The initial public offering price per share of our common stock is $18.00. Our common stock has been approved for listing on the New York Stock Exchange under the symbol GGL.

	Per share	Total
Initial public offering price	$ 18.000	$ 423,529,398
Underwriting discounts and commissions	$ 1.053	$ 24,776,470
Proceeds, before expenses, to Goodman Global, Inc.	$ 16.947	$ 354,491,364
Proceeds, before expenses, to selling shareholders	$ 16.947	$ 44,261,564

Certain shareholders have granted the underwriters an option for a period of 30 days to purchase up to 3,529,411 shares of common stock. We will not receive any of the proceeds from the sale of shares by the selling shareholders.

Investing in our common stock involves a high degree of risk. See Risk factors beginning on page 10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on April 11, 2006.

JPMorgan Merrill Lynch & Co. Goldman, Sachs & Co.

Credit Suisse Deutsche Bank Securities Lehman Brothers KeyBanc Capital Markets

April 5, 2006

Table of Contents

Table of Contents

Table of contents

You should rely only on the information contained in this prospectus or in any related free writing prospectus. We have not authorized anyone to provide you with information different from that contained in the prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted.

Table of Contents

Prospectus summary

This summary highlights important information about our business contained elsewhere in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. Please review this prospectus in its entirety, including Risk factors, Management s discussion and analysis of financial condition and results of operations, and our consolidated financial statements and the related notes, before you decide to invest. Unless otherwise noted, the terms company, we, us and our refer to Goodman Global, Inc., a Delaware corporation, and its consolidated subsidiaries.

Our company

We are the second largest domestic manufacturer of heating, ventilation and air conditioning, or HVAC, products for residential and light commercial use based on unit sales. Our activities include engineering, manufacturing, assembling, marketing and distributing an extensive line of HVAC and related products. Our products are predominantly marketed under the Goodman® and Amana® brand names. Goodman® is one of the leading HVAC brands in North America and caters to the large segment of the market that is price sensitive and desires reliable and low-cost climate comfort, while our premium Amana® brand includes enhanced features such as higher efficiency and quieter operation. For the year ended December 31, 2005, we generated net sales of $1,565.4 million, an 18.8% increase as compared to 2004 net sales.

We currently sell our products through a North American distribution network with more than 700 total distribution points comprised of 136 company-operated distribution centers and approximately 140 primarily exclusive independent distributors selling our products in more than 600 of their locations. For the year ended December 31, 2005, approximately 60% of our net sales were made through company-operated distribution centers and our direct sales force with the remainder made through independent distributors. Our company-operated distribution centers in key states such as Texas, California, Arizona, Nevada and Florida, provide us direct access to large and fast growing regions in North America.

Industry overview

The U.S. residential and light commercial HVAC industry is estimated at approximately $9 billion in annual sales and 11 million units shipped in 2004. We estimate that replacement products currently account for approximately 70% of industry sales, as older units within the large existing base of homes approach the end of their useful lives. The U.S. residential HVAC industry possesses several unique and appealing characteristics, including: (i) a consolidated and stable manufacturing base with the top five domestic manufacturers accounting for over 80% of unit sales; (ii) a fragmented two-tier distribution system consisting of both manufacturer-owned and independent distributors and contractors that sell and install the products for the consumer; (iii) the integral role of contractors in the consumer decision making process; (iv) high switching costs for contractors who have customized their operations to a specific brand to maximize efficiency; and (v) limited exposure to foreign imports due to high shipping costs, low direct-labor content and differences in consumer preferences for single room HVAC systems abroad versus central systems domestically.

The key legislation governing the HVAC industry is the National Appliance Energy Conservation Act of 1987 and related regulations from the U.S. Department of Energy, or DOE.

1

Table of Contents

Energy efficiency in air conditioning products is measured by a Seasonal Energy Efficiency Rating, or SEER. Effective January 23, 2006, the federally mandated minimum efficiency standard for central air conditioners and heat pumps manufactured in the United States increased from 10 to 13 SEER, a regulatory change we actively supported. For the year ended December 31, 2004, approximately 90% of industry unit sales were from products that were below 13 SEER.

Our competitive strengths

We believe our competitive strengths include:

Industry Leader. We are the second largest domestic manufacturer of HVAC products for residential and light commercial use based on unit sales. We are a leader in the value sector and have a strengthening position in the premium sector.

Low-Cost, Value Leader Through Efficient Manufacturing. We believe we are one of the lowest cost manufacturers in the HVAC industry. Our engineering and design capabilities, lean manufacturing processes, high workforce productivity and raw material sourcing capabilities allow us to minimize costs while maintaining high product quality.

Well Positioned to Benefit from New 13 SEER Standard. We believe our low-cost manufacturing structure and value-brand position in the market is an advantage as the industry shifts to the generally higher priced 13 SEER federally mandated minimum efficiency standard for central air conditioners and heat pumps. With this shift, we believe consumers will become more price sensitive and the value sector will expand as a proportion of the total HVAC market on a unit basis. As a result, we will have a significant opportunity to grow our business and capture additional market share.

Proprietary Distribution Network. Our proprietary distribution network enables us to maintain close relationships with contractors, effectively communicate our selling proposition, capture incremental distribution margins and better manage inventory. Since January 2004, we opened 44 new sites resulting in an approximate 48% increase in our company-operated distribution center base.

Broad, High-Quality Product Line. We manufacture and market an extensive line of products, including split-system air conditioners and heat pumps, gas furnaces, package units, air handlers, package terminal air conditioners, evaporator coils and accessories. Our products feature up-to-date heat transfer technology and are designed to meet an increasing preference for higher efficiency products.

Strong and Extensive Independent Distributor Network. Our network of over 140 independent distributors, substantially all of whom are exclusive distributors, provides us access to major sales areas not addressed by our company-operated distribution centers. We utilize a consignment strategy with a majority of our independent distributors which allows us to place finished goods directly into the market to meet current demand without burdening our distributors with inventory carrying costs.

Consistent, Strong Cash Flow. We believe the level of our earnings combined with our modest capital expenditure and limited working capital requirements result in the generation of significant free cash flow. In addition, as a result of the acquisition of our business in 2004, we have realized a significant step-up in the tax basis of our assets which is expected to result in a substantial amount of incremental annual tax deductions over the next 14 years.

Proven and Motivated Management Team. Our management team has significant HVAC industry experience and a strong track record of success. The senior management team led by Charles Carroll has over 110 years of industry and related experience.

Our strategy

We intend to increase operating profits and cash flows by continuing to strengthen our position in the residential and light commercial HVAC industry. Key elements of our strategy include the following:

Capitalize on Growth Opportunities from 13 SEER Transition. We have been designing and selling cost-effective and competitive 13 SEER products for more than ten years, and our low-cost leadership position enables us to price our products at a significant discount to our competition. Generally, 13 SEER products sell at a significant premium compared to 10 SEER products, and we expect the change in minimum efficiency standards to increase our average unit selling price as well as overall industry revenue. We have previously been successful increasing our unit volume market share during periods of transition to higher federally mandated minimum efficiency standards.

Maintain Low-Cost Leadership Position. Our value proposition is driven by low-cost design and lean manufacturing processes. We intend to maintain our cost leadership position by continuing to design low-cost products, increasing production efficiencies, improving our raw material and component sourcing and reducing our working capital investment, overhead and other expenses.

Realize Benefits of Recent Distribution Center Openings and Further Increase Coverage Density. As new distribution centers opened since January 2004 continue to mature, we believe we will increase our net sales and profitability without significant incremental capital expenditures. We plan to opportunistically expand our company-operated distribution center footprint in targeted North American markets and grow our market share.

Strengthen Independent Distributor Network. We maintain strong relationships with an extensive independent distributor network, which provides us efficient access to certain geographies not addressed by our company-operated distribution centers. We employ a number of programs to provide appropriate incentives to our independent distributors, while avoiding expensive brand marketing campaigns.

Continue to Enhance Brand Awareness and Understanding of Goodman Value Proposition to Contractors. We maintain a continuous effort to educate contractors about the quality of our product line and the economic benefits they can receive by choosing our products. We believe that contractors become increasingly loyal as they become accustomed to the installation and service of a particular product and brand.

Risks related to our business

Our ability to execute our strategy is subject to risks, including those that are generally associated with the HVAC industry. For example, weather fluctuations may adversely affect our operating results and our ability to maintain our sales volume. Our operations may be adversely affected by

Table of Contents

increased competition and technological changes, significant increases in the cost of raw materials and components, a decline in our relations with key distributors, increased product liability and product warranty claims, costs of complying with environmental and other regulatory authorities and labor disputes with our employees. These and other factors described in this prospectus under Risk Factors may limit our ability to successfully execute our business strategy.

Recapitalization and recent financings

On December 23, 2004, Apollo Management, L.P., or Apollo, through its affiliate, Frio Holdings LLC, acquired our business from Goodman Global Holdings, Inc., a Texas corporation, which we refer to as the Seller, pursuant to which we acquired all of the equity interests of the direct and indirect operating subsidiaries held by the Seller and substantially all of the assets and liabilities of the Seller, other than certain excluded assets and certain excluded liabilities. We refer to this transaction throughout this prospectus as the Acquisition.

In connection with the Acquisition, affiliates of Apollo, certain trusts related to members of the Goodman family, which we refer to as the Goodman family trusts, and certain members of our senior management contributed approximately $477.5 million in cash to us in exchange for equity, which consisted of $225.0 million of our 9.5% Series A Cumulative Senior Redeemable Exchangeable Preferred Stock, or the Series A Preferred Stock, and $252.5 million of our common stock. This amount was in turn contributed to our subsidiary, Goodman Global Holdings, Inc., or Goodman Global Holdings, as common equity, which we refer to as the Equity Contribution. The Goodman family trusts have invested approximately $101.0 million and members of our senior management have invested approximately $18.2 million in us. In exchange for the Equity Contribution, affiliates of Apollo, the Goodman family trusts and certain members of our senior management received a combination of our common stock and our Series A Preferred Stock. On December 23, 2004, in connection with the Acquisition, we issued $250.0 million in aggregate principal amount of Senior Floating Rate Notes due 2012, or floating rate notes, and $400.0 million in aggregate principal amount of 7 7/8% Senior Subordinated Notes due 2012, or fixed rate notes, in a private placement under Rule 144A and Regulation S of the Securities Act which, together, we refer to as the December notes offering. In connection with the December notes offering, we also entered into senior secured credit facilities which, together with the Acquisition, Equity Contribution and the December notes offering, we refer to as the Transactions.

Additional information

Our principal executive offices are located at 2550 North Loop West, Suite 400, Houston, Texas 77092. Our telephone number is (713) 861-2500. Our website address is *http://www.goodmanglobal.com.* Information on our website is not considered part of this prospectus.

Table of Contents

The offering

Shares of common stock offered by us	20,917,647 shares
Shares of common stock offered by the selling shareholders	2,611,764 shares
Common stock to be outstanding after this offering	68,889,837 shares
Use of proceeds	We will receive net proceeds from this offering, after deducting underwriting discounts and estimated offering expenses, of approximately $349.9 million. We intend to use all of the net proceeds to (i) redeem all of our outstanding Series A Preferred Stock with an aggregate liquidation preference and accrued and unpaid dividends of approximately $255.5 million, (ii) redeem up to $70.7 million in aggregate principal amount of our floating rate notes at a price of 102% of the principal amount thereof plus accrued and unpaid interest up to June 15, 2006, the redemption date and (iii) for general corporate purposes. We will not receive any of the proceeds from the sale of common stock by the selling shareholders. See Use of proceeds.
Dividends	We have never paid any dividends on our common stock and do not anticipate paying any dividends on our common stock in the foreseeable future. See Dividend policy.
Listing	Our common stock has been approved for listing on the New York Stock Exchange under the trading symbol GGL.

The number of shares of common stock to be outstanding after this offering is based on 47,972,190 shares of common stock outstanding as of March 15, 2006, and excludes 4,650,935 shares of common stock issuable upon exercise of outstanding stock options as of March 15, 2006 (of which options to acquire 1,360,610 shares of common stock will be vested upon consummation of this offering).

Except as otherwise indicated, all information in this prospectus:

- gives effect to our amended and restated certificate of incorporation effective April 4, 2006, effecting a 7.580345-for-1 stock split of our outstanding common stock; and

- assumes no exercise by the underwriters of their option to purchase 3,529,411 shares of our common stock from the selling shareholders in this offering to cover over-allotments.

Table of Contents

Benefits to affiliates

The Goodman family trusts and Frio Holdings LLC, an affiliate of Apollo, are selling shareholders in this offering. The net proceeds to the Goodman family trusts and Frio Holdings LLC, from the sale of shares in this offering after deducting underwriting discounts, will be approximately $9.7 million and $31.4 million, respectively. In addition, Frio Holdings LLC, the Goodman family trusts and certain members of our senior management will receive approximately $255.5 million in connection with the redemption of our outstanding Series A Preferred Stock with the net proceeds from the sale of shares by us. Messrs. Berg, Martinez and Civale, each affiliates of Apollo, and Mr. Goodman, an affiliate of the Goodman family trusts, are each directors on our board of directors and each approved this offering.

Risk factors

Before making an investment in our common stock, you should consider carefully the information included in the Risk factors section beginning on page 10 of this prospectus, as well as the other information contained in this prospectus.

Table of Contents

Summary consolidated financial data

The following table presents our summary consolidated financial data. The following summary consolidated financial data should be read in conjunction with, and is qualified by reference to, our Management s discussion and analysis of financial condition and results of operations and our consolidated financial statements and the notes included elsewhere in this prospectus, as well as other financial information included elsewhere in this prospectus.

The consolidated statement of operations data for each of the three years in the period ended December 31, 2005 and the consolidated balance sheet data as of December 31, 2004 and 2005 have been derived from our audited consolidated financial statements included elsewhere in this prospectus, and have been prepared in accordance with accounting principles generally accepted in the United States, which we refer to throughout this prospectus as GAAP. The 2004 financial data is a combination of the Predecessor and Successor statements disclosed in our consolidated financial statements except for earnings per share data which is derived directly from our consolidated statements.

	Year ended December 31,		
	2003	2004	2005
	(dollars in thousands, except share data)		
Consolidated statement of operations data:			
Sales, net(1)	$ 1,192,671	$ 1,317,580	$ 1,565,406
Cost of goods sold	915,272	1,024,426	1,243,408
Selling, general and administrative expenses	147,687	220,551	170,077
Depreciation and amortization expense	14,851	18,887	37,717
Operating profit	114,861	53,716	114,204
Interest expense, net	26,081	12,478	74,213
Other income, net	(331)	(1,406)	(706)
Earnings before income taxes	89,111	42,644	40,697
Provision for (benefit from) income taxes	1,745	(5,049)	15,817
Net income	$ 87,366	$ 47,693	$ 24,880
Less: Preferred stock dividend		528	22,512
Net income available to common shareholders	$ 87,366	$ 47,165	$ 2,368
Pro forma tax expense(2)	$ (32,563)	$ (21,069)	
Pro forma net income available to common shareholders(2)	$ 54,803	$ 26,096	$ 2,368

Table of Contents

	Year ended December 31,		
	2003	2004	2005
	(dollars in thousands, except share data)		
Per share data:			
Earnings per share			
Basic			$ 0.05
Diluted			$ 0.05
Pro forma tax effect(2)			$ 0.05
Weighted average shares outstanding			
Basic			47,931,770
Diluted			48,182,096
As adjusted statement of operations data:(3)			
As adjusted net income			$ 15,072
As adjusted earnings per share			
Basic			$ 0.22
Diluted			$ 0.22
As adjusted weighted average shares outstanding			
Basic			68,849,417
Diluted			69,516,992
Statement of cash flows data:			
Net cash provided by (used in) operating activities	$ 150,807	$ (18,558)	$ 105,519
Net cash used in investing activities	(811)	(1,477,622)	(24,957)
Net cash provided by (used in) financing activities	(167,856)	1,494,677	(60,639)
Other financial data:			
EBITDA(4)(5)	$ 130,043	$ 74,009	$ 152,627
Capital expenditures	$ 16,801	$ 27,772	$ 28,806

	As of December 31, 2005	
	Actual	As adjusted(6)
	(dollars in thousands)	
Consolidated balance sheet data (at period end):		
Cash and cash equivalents	$ 23,779	$ 43,494
Total assets	1,621,537	1,647,181
Total debt, including current portion	961,375	899,950
Redeemable preferred stock	225,570	
Shareholders equity	107,815	443,735

(1) Sales are presented net of certain rebates paid to customers. See Management s discussion and analysis of financial condition and results of operations and the notes to our consolidated financial statements appearing elsewhere in this prospectus.

(2) Represents the estimated tax effect on our results of operations in connection with the Acquisition. The predecessor company was incorporated under Subchapter S of the Internal Revenue Code with substantially all corporate earnings taxed at the shareholder level. The successor company is incorporated under Subchapter C of the Internal Revenue Code, and thus we have adjusted the income tax effect. The

tax rate used for pro forma purposes as a C corporation is 38.5%, which has been applied to earnings before income taxes.

(3) The as adjusted statement of operations data gives effect to this offering and the use of proceeds therefrom, and the payment of $16.0 million to Apollo in connection with the termination of our management agreement upon consummation of this offering, as if this offering and the payment to Apollo was consummated at the beginning of the fiscal year ended December 31, 2005.

Set forth below is an unaudited reconciliation of net income to as adjusted net income:

	Year ended December 31, 2005 (dollars in thousands)
Net income	$ 24,880
Adjustment to increase selling, general and administrative expenses(a)	(16,000)
Adjustment to decrease interest expense, net(b)	52
Adjustment to benefit from income taxes	6,140
As adjusted net income	$ 15,072

Table of Contents

(a) The increase in selling, general and administrative expenses reflects a $16.0 million non-recurring fee paid to Apollo in connection with the termination of our management agreement upon consummation of this offering. Net income also includes a $2.0 million fee for the annual management fee paid to Apollo during 2005.

(b) The decrease in interest expense reflects the decrease in interest cost of $4.4 million as a result of this offering and the use of proceeds to pay down our floating rate notes, net of the write off of deferred financing costs of $2.8 million and the premium paid to redeem the floating rate notes of $1.5 million.

(4) EBITDA consists of earnings before interest, taxes and depreciation and amortization. EBITDA is a measure commonly used in the HVAC industry, and we present EBITDA to enhance your understanding of our operating performance. We use EBITDA as one criterion for evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. However, EBITDA is not a measurement of financial performance under GAAP, and our EBITDA may not be comparable to similarly titled measures of other companies. You should not consider our EBITDA as an alternative to operating or net income, determined in accordance with GAAP, as an indicator of our operating performance, or as an alternative to cash flows from operating activities, determined in accordance with GAAP, as an indicator of cash flows, or as a measure of liquidity.

Set forth below is an unaudited reconciliation of net income to EBITDA.

	Year ended December 31,		
	2003	**2004**	**2005**
	(dollars in millions)		
Net income	$ 87.4	$ 47.7	$ 24.9
Income tax expense (benefit)	1.7	(5.1)	15.8
Interest expense, net	26.1	12.5	74.2
Depreciation and amortization	14.8	18.9	37.7
EBITDA	$ 130.0	$ 74.0	$ 152.6

(5) EBITDA for each of the years ended December 31, 2003, 2004 and 2005 was affected by the charges set forth below:

	Year ended December 31,		
	2003	**2004**	**2005**
	(dollars in millions)		
Non-recurring transaction expenses(a)		$ 68.8	
Non-recurring, non-cash charge in connection with inventory step-up(b)		$ 4.4	$ 39.6
Non-recurring product-related expense accrual(c)	$ 15.0	$ (10.0)	
Monitoring fee(d)			$ 2.0

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN ACCORDANCE WITH ANY DIRECTIONS HEREINBEFORE GIVEN. UNLESS OTHERWISE SPECIFIED, THIS PROXY WILL BE VOTED FOR THE NOMINEES NAMED IN ITEM 1 AND FOR THE PROPOSAL SET FORTH IN ITEM 2. MANAGEMENT RECOMMENDS A VOTE FOR THE ABOVE MATTERS.

(Continued, and to be signed on other side)

DETACH HERE

(*Continued from other side*)

The undersigned hereby revokes all proxies heretofore given and ratifies and confirms all that the proxies appointed hereby, or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof. The undersigned hereby acknowledges receipt of a copy of the Notice of Annual Meeting and Proxy Statement, both dated April 14, 2003, and a copy of the Company's Annual Report for the fiscal year ended December 29, 2002.

Signature **Date**

Signature (if held jointly) **Date**

Please sign exactly as name appears on proxy. If shares are held by joint tenants, all parties in the joint tenancy must sign. When signing as attorney, executor, administrator, trustee or guardian, state capacity. If executed by a corporation, the proxy should be signed by a duly authorized officer. If a partnership, please sign in partnership name by authorized person.

QuickLinks