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Current Trends and Future Outlook in HVAC Industry M&A

July 28, 2025



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Agenda



M&A and HVAC Industry Observations



Q&A

Speakers



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M&A and HVAC Industry Observations



CLA's HVAC / Plumbing Industry Experience

CLA HVAC / Plumbing Industry Experience

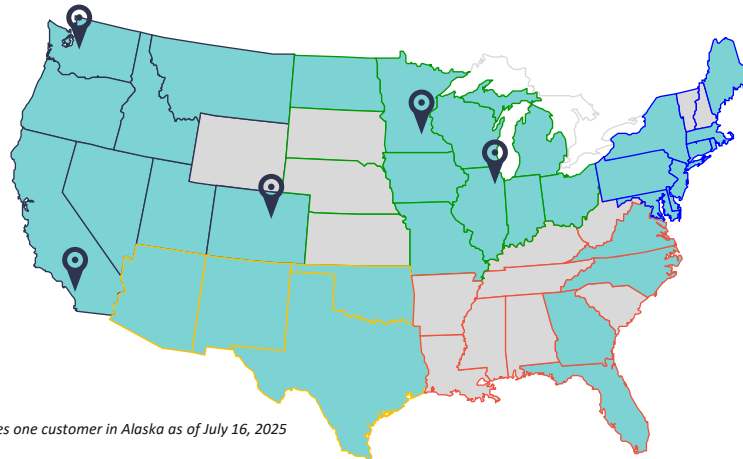
- **CLA has broad coverage across the US, serving over 540⁽¹⁾ HVAC / plumbing clients in 36 states**
- Approximately 48% of CLA's HVAC / plumbing clients are in the Midwest
- Approximately 27% of CLA's clients operate in the West
- Approximately 12% of CLA's clients operate in the Northeast
- Approximately 7% of CLA's clients operate in the Southwest
- Approximately 6% of CLA's clients operate in the Southeast

(1) As of July 16, 2025

National Coverage

CLA currently serves over 540 HVAC / plumbing clients in the middle market and lower middle market spanning across 36 states in the US

CLA leverages over 8,500 industry professionals including 11 investment banking team members strategically positioned to service clients in the West and Midwest regions



- West
- Midwest
- Southwest
- Southeast
- Northeast
- CLA Investment Banking Office

Includes one customer in Alaska as of July 16, 2025



General M&A Market Observations

M&A Outlook Remains Optimistic

- North American M&A activity accelerated in Q1, 2025 increasing 10.3% YoY as post-election optimism and growth expectations lifted market sentiment
 - Initial high market sentiment led to expectations of future growth; however, declined mid quarter due to concerns over the uncertainty of macroeconomic tariffs and feared recession risks
- North American M&A continued to surge post Q1 due to easing trade tensions correlating to increased investment activity
- Private equity acquirers remain active, targeting strategic investments across various sectors to diversify portfolios along with favorable tariff-related policy changes encouraging companies to pursue deals
 - The implementation of business-friendly policies stimulate activity signaling a resilient and opportunistic M&A environment



HVAC / Plumbing M&A Observations

General Observations

- North American HVAC / plumbing M&A activity continues to progress into 2025, as YTD July 2025 deal activity outpaces 1H 2024 by 17%
 - Strategic buyers remain active; however, financial and quasi-strategic interest has become even more prevalent recently due to the industry's resilience (non-cyclicality), recurring revenue opportunities, recession-resistant, and strong growth potential
 - Strong interest in the industry drives competition and elevates multiples
- The HVAC / plumbing market is highly fragmented with manifold attractive roll-up opportunities
 - There is also very little concentration as the top industry participants make up less than 10% of the industry, leaving significant opportunities to take market share through consolidation
- Lower borrowing costs are expected to fuel additional construction activities, paving the way for additional HVAC / plumbing needs



HVAC / Plumbing M&A Observations

General Observations

- Acquisition demand for HVAC / plumbing service providers have grown recently due to rising construction activity resulting from federal policies (i.e. CHIPS Act, IIJA, and Inflation Reduction Act) and broad corporate interest in energy-efficient and smart building systems
- The industry continues to face labor shortages due to an aging workforce and a lack of interest by younger generations. Talent acquisition will be a key factor driving industry consolidation
- EBITDA multiples for public companies in the HVAC services industry have ranged between 12.0x – 15.0x over the last two years; private companies may range from 5.0x-7.0x
- Mid-sized companies are of particular interest to buyers due to their balance between size/reputation and ability to integrate and grow operations quickly



HVAC / Plumbing M&A Observations

Broader Contractor Market Remains Favorable

- Incentivized tax credits and grants for installing energy-efficient HVAC systems under the Inflation Reduction Act creates recurring service revenue opportunities for HVAC / plumbing service providers
- Contractors will gain new opportunities as consumers seek newer and environmentally friendly HVAC solutions, along with additional opportunity in less populated areas
- U.S. Energy Information Administration projects hotter days but steady energy consumption for cooling needs; suggesting increases in equipment efficiency
- The residential HVAC service segment is likely midway through its consolidation phase, whereas consolidation in the commercial HVAC service segment is still in its early stages

Source: IBIS World



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Thank you!

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