

IMAP



# HVAC SECTOR UPDATE

AUGUST 2024





The global HVAC sector is a diverse and highly fragmented space that is benefitting from general economic and industry-specific tailwinds.

The positive outlook across the sector has generated a strong appetite from both strategic and financial buyers which has resulted in consistently high levels of M&A activity.

Valuations across the sector vary depending on the business model, as median EBITDA multiples ranged between 8.5x and 13.0x, with upside existing for operators with a strong offering, customer base, reach, and financial profile.

The large universe of buyers and sellers, along with increasing levels of competition and high levels of deployable capital, is likely to fuel further consolidation.

- 1 Sector Overview**
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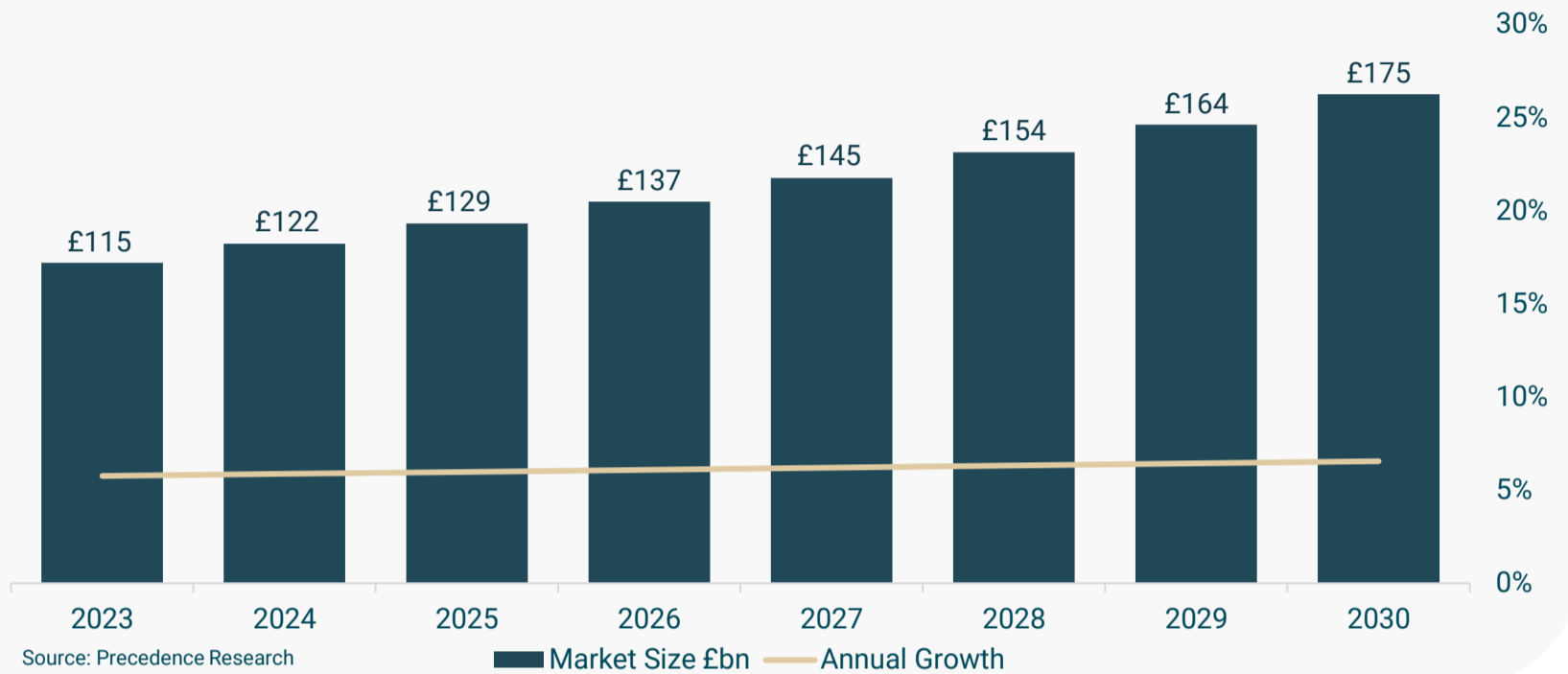
## HVAC SECTOR OVERVIEW

THE GLOBAL HVAC SECTOR IS DIVERSE, FRAGMENTED AND COMPETITIVE, AND ON A STRONG GROWTH TRAJECTORY DUE TO A SEVERAL SECTOR-SPECIFIC DRIVERS

- The Heating, Ventilation and Air Conditioning (HVAC) sector is focused on the management of the temperature, humidity and air quality in enclosed spaces.
- The sector consists of a broad universe of participants, including manufacturers, distributors, and service providers, that provide generalist and specialist offerings to commercial, residential, and industrial end users.
- The competitive nature of the sector is also fuelled by differences in standards and regulations at a regional level, with local firms leveraging market-specific knowledge to win market share.
- The sector has performed well in recent years, buoyed by large backlogs following the pandemic and construction growth globally.
- Growth is expected to continue on a steady trajectory due to these drivers.
- However, labour shortages, wage inflation, and input material pricing pressure, may impact growth.
- Key trends include the innovation and technological advancement of HVAC ecosystems, the need to update legacy infrastructure, the acceleration of energy consumption, and the increasing focus on sustainability.
- These factors have created opportunities for consolidation from strategic and financial buyers who see opportunities to generate synergies and strong investment returns.

## FORECAST GROWTH IN THE GLOBAL HVAC SECTOR (£bn)

The global HVAC equipment sector is forecast to grow at a CAGR of 6% between 2023 and 2030 to reach over £179bn in revenue

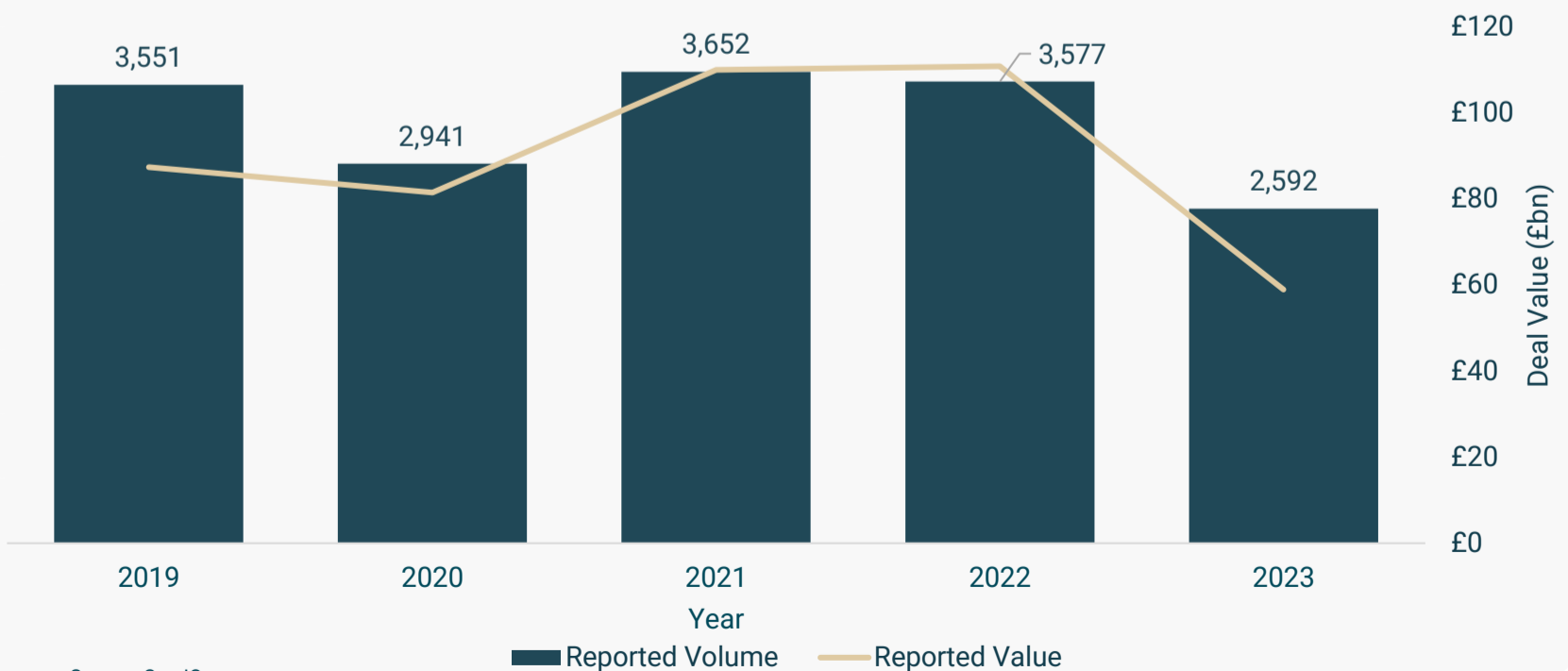


## INDUSTRIAL SECTOR M&A ACTIVITY OVERVIEW

THE BROADER INDUSTRIALS SECTOR HAS SEEN CONSISTENTLY HIGH LEVELS OF M&A ACTIVITY WHICH HAS BEEN DRIVEN IN PART BY ACTIVITY IN THE HVAC SEGMENT

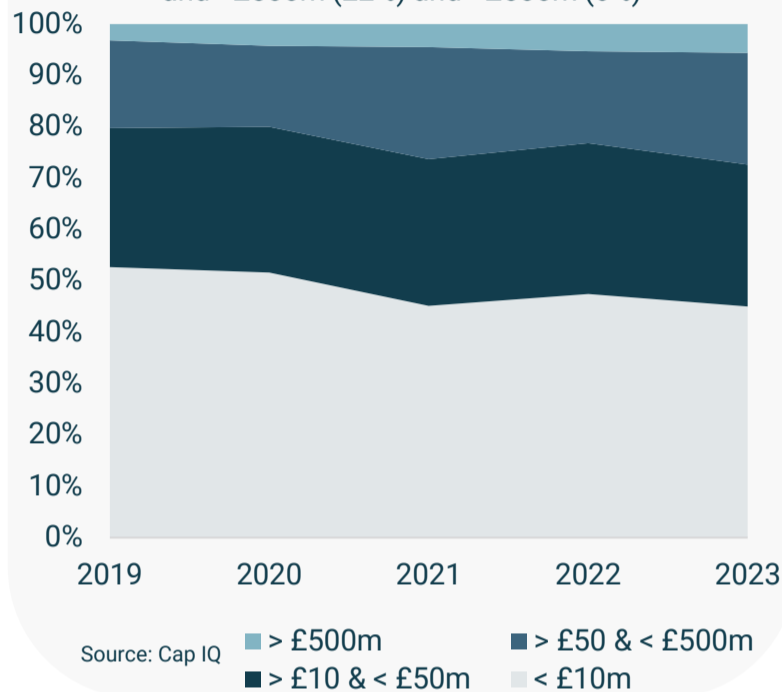
## M&A VOLUME AND VALUE (£bn)

M&A activity in the trailing 5-year period totalled over 16,300 completed deals and amounted to over £450bn in combined reported transaction value



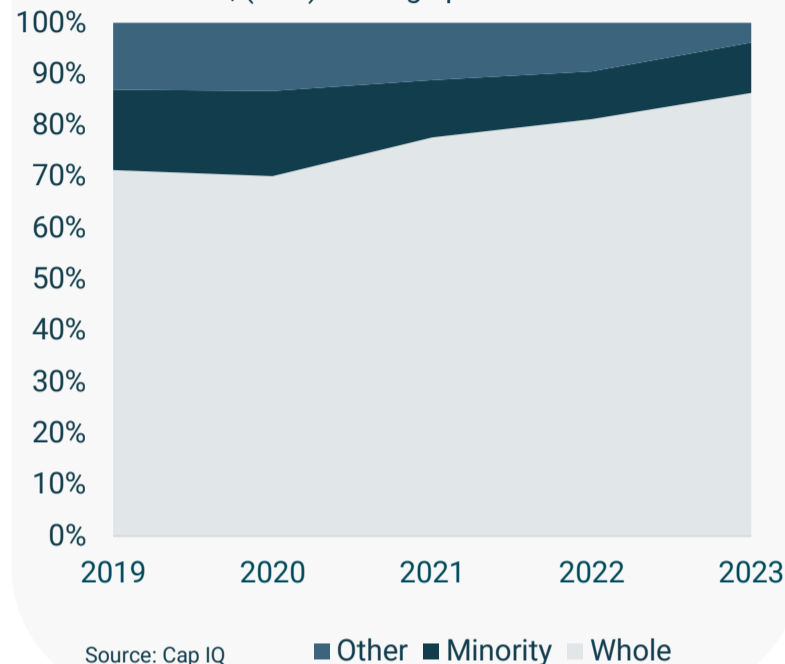
### M&A VOLUME MIX BY TRANSACTION SIZE

Activity was primarily concentrated in the lower mid-market; <£10m (45%), >£10m and <£50m (28%), >£50m and <£500m (22%) and >£500m (6%)



### M&A VOLUME MIX BY TRANSACTION TYPE

Majority transactions (77%) have accounted for most of the deal flow, with minority, asset purchases, and spinoff deals, (23%) making up the remainder



- M&A activity across the broader industrial sector has been consistent throughout the trailing 5-year period.
- 2023 volumes are down 28% and 29% compared to 2022 and 2021 respectively, however they are broadly in line with 2020 levels (down 2%).
- Deal flow has been concentrated at the lower end of the mid-market with transaction values up to £50m representing 73% of volumes, which is further illustrated by a median transaction value of £11m across the same period.
- Despite this, transactions are still prevalent at the middle and higher end of the mid-market, with deals between £50M and £500M accounting for 22% of deal flow, whilst larger transactions in excess of £500M accounted for 6% of total transaction volumes.
- Completed deals typically see buyers acquire majority stakes (77%) from sellers, however the proportion of minority deals, asset purchases, and spinoff transactions (23%), has been relatively stable between 2019 and 2023.

## INDUSTRIAL SECTOR M&A ACTIVITY BY GEOGRAPHICAL LOCATION

**NORTH AMERICA AND EUROPE SAW THE HIGHEST LEVEL OF M&A ACTIVITY, WITH THE US AND UK RANKING AS THE TOP MARKETS IN TERMS OF DEAL FLOW**

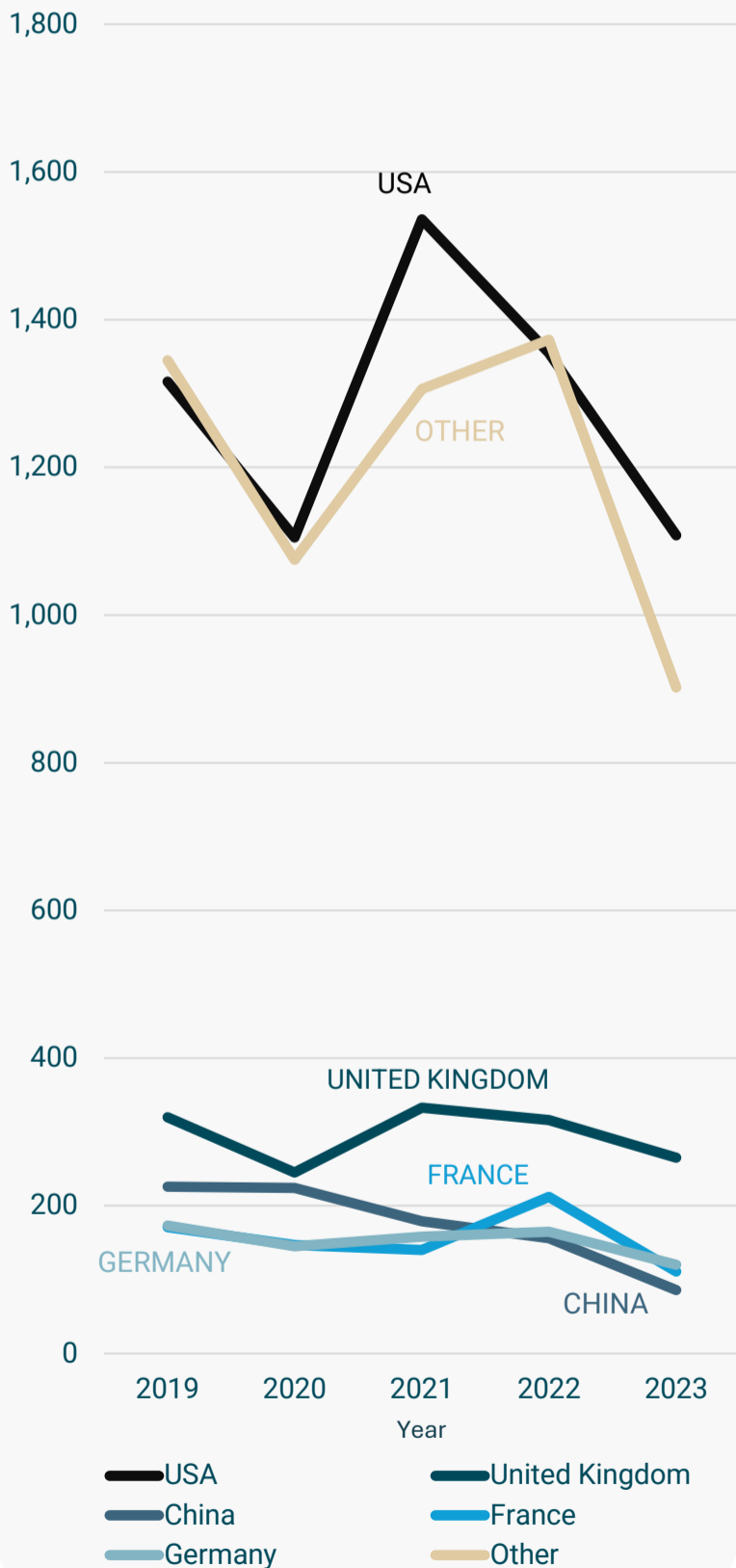
- North America and Europe combined to account for most of the M&A activity from a regional perspective (82%) between 2019 and 2023.
- Asia-Pacific, Latin America, Africa, and the Middle East, made up the remaining percentage (18%) of transactions.
- The mix of deal flow by region has remained relatively stable.
- Volumes across these M&A markets have decreased when compared to 2022 levels; North America (19%), Europe (28%), Asia-Pacific (38%), Latin America (53%), Africa (19%), and the Middle East (29%).



- Deal flow has primarily involved buyers and sellers from the same country; however, the sector has seen consistent levels of cross boarder activity.
- With regards to specific countries, the US had the highest concentration of deals between 2019 and 2023, with the UK, China, France, and Germany, accounting for 63% of total transaction volumes through the same period.
- Activity levels across these top 5 markets has declined by 30% on average when compared to 2022.

**TOP 5 MARKETS BY M&A VOLUME**

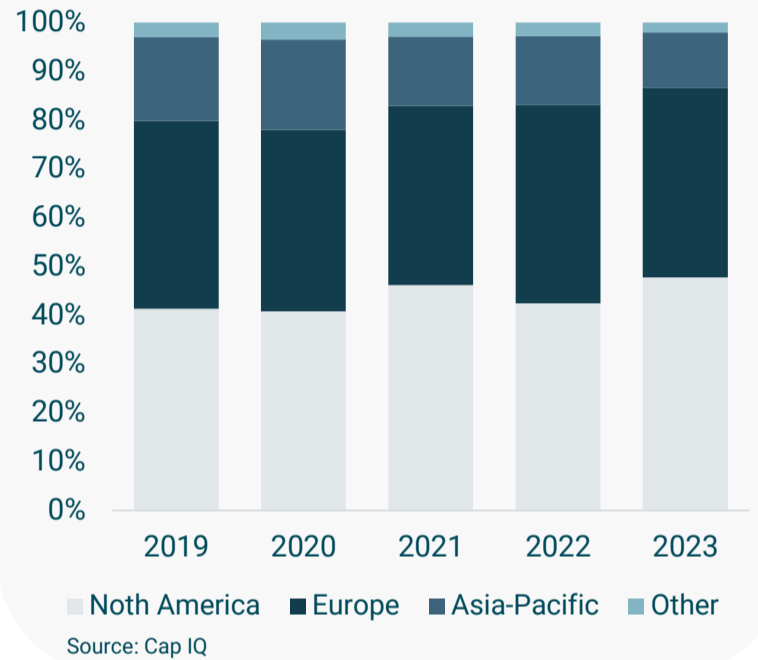
The US (39%) had the highest concentration of deal flow by country, followed by the UK (9%), China (5%), France (5%), and Germany (5%)



Source: Cap IQ

**M&A VOLUME MIX BY REGION**

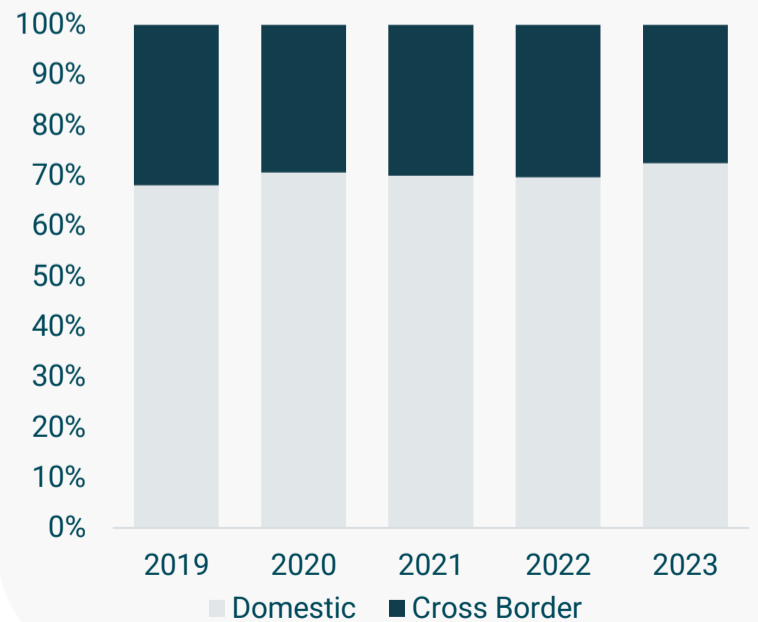
North America (43%), Europe (39%) and Asia-Pacific (15%) accounted for most of the reported transaction volumes across the sector



Source: Cap IQ

**M&A VOLUME MIX BY TRANSACTION TYPE**

Activity has primarily been domestic (70%) in nature; however cross border (30%) activity has been a consistent theme across the sector



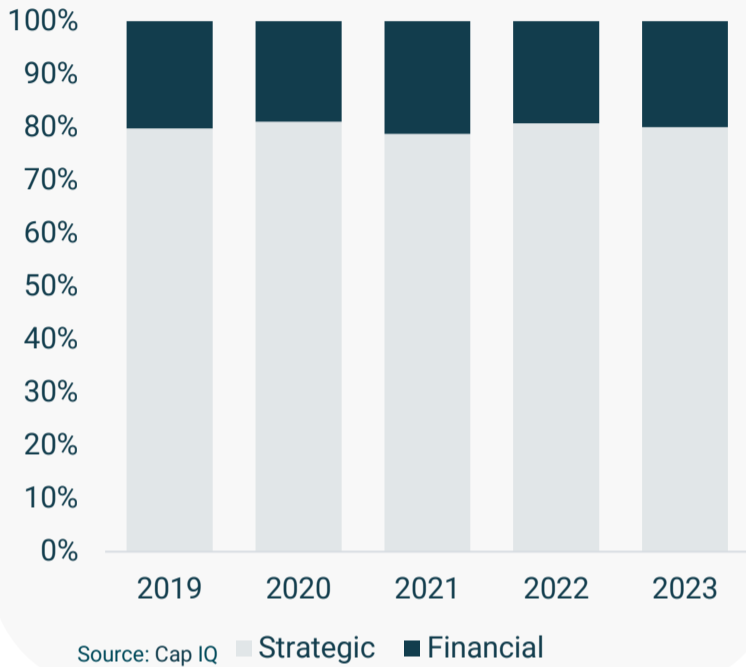
Source: Cap IQ

## INDUSTRIAL SECTOR M&A ACTIVITY BY BUYER TYPE

STRATEGIC BUYERS HAVE BEEN THE MOST PROMINENT ACQUIRERS IN THE SECTOR, HOWEVER FINANCIAL BUYERS HAVE DEMONSTRATED A CONSISTENT APPETITE

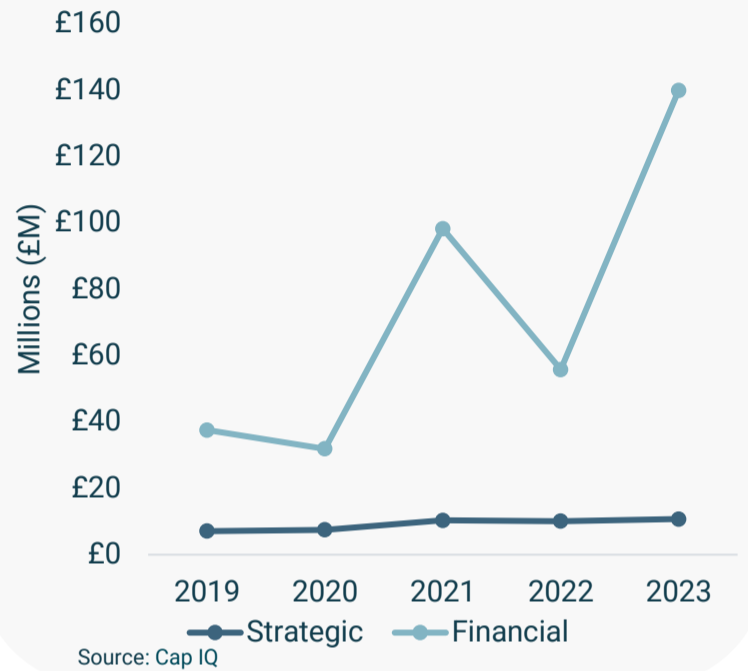
### M&A VOLUME BY BUYER TYPE

Strategic buyers (80%) have been the most active acquirers in the sector, however financial buyers have maintained a consistent appetite (20%)



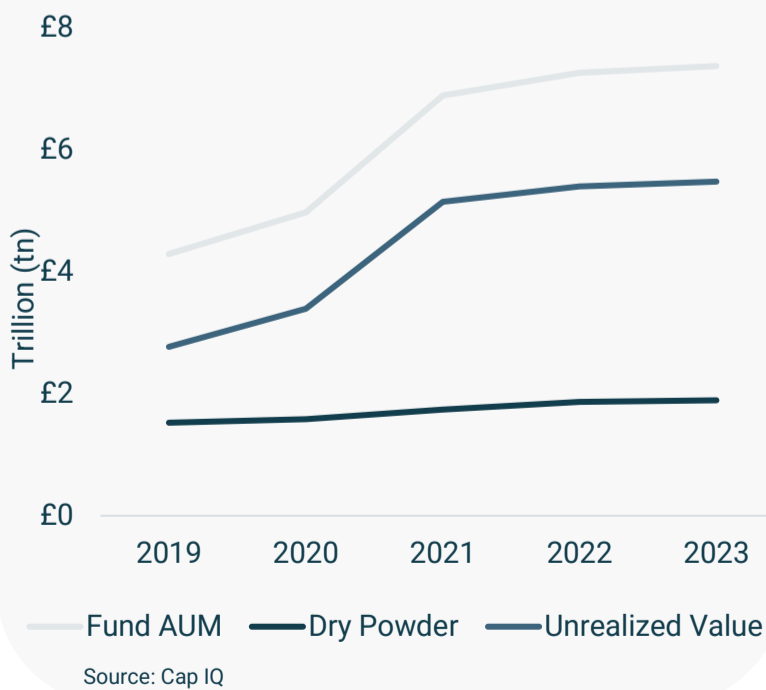
### MEDIAN DEAL SIZE BY BUYER TYPE (£M)

Financial buyers (£56M) have historically focused on larger assets while strategic buyers (£9M) have been more active at the lower end of the market



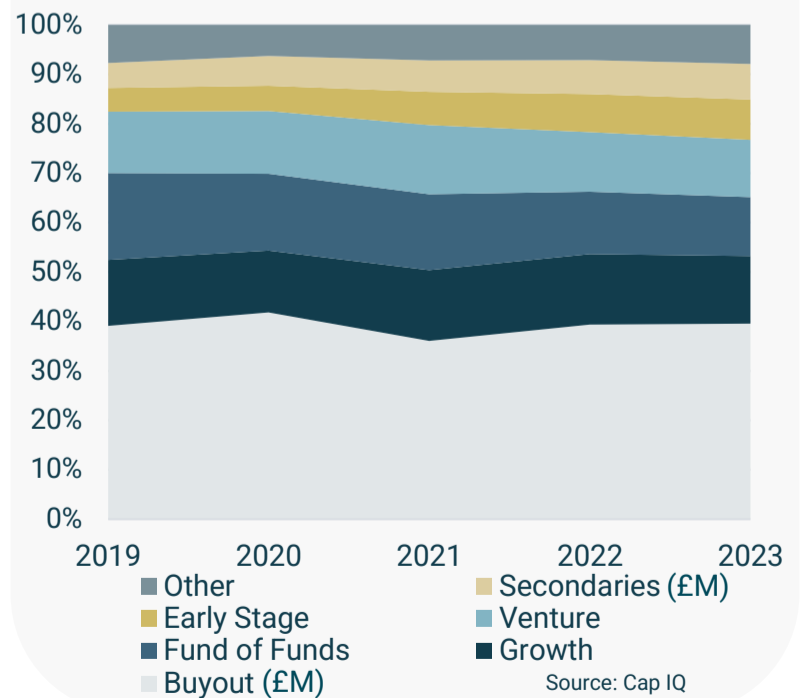
### PE CAPITAL BY DEPLOYMENT STATUS (£tn)

Across the global PE sector, assets under management (£7.3tn) and deployable dry powder (£1.9tn) are both at an all-time highs



### PE CAPITAL BY DEPLOYMENT STRATEGY

Buyout funds, which are intended to be deployed for the acquisition of established and mature assets, represent the largest strategy for PE investors







- Strategic buyers have been the most active acquirers across the industrials space, however financial buyers have maintained a consistent appetite in the sector.
- The mix of activity between groups is expected to remain consistent, however activity from both groups is expected to increase in absolute terms in the coming years.
- Activity from strategic buyers is expected to grow as they seek to capitalise on a positive underlying tailwinds and acquire market share through strategic consolidation.
- Record levels of deployable dry powder and a strong proportion of funds being allocated to buyout strategies is likely to fuel an uptick in deal making from private equity buyers.
- Analysis highlights that strategic buyers have been more active at the lower end of the mid-market while financial buyers typically seek out larger opportunities.
- Despite this, completed deals show interest from both parties at all levels of the market.

## ILLUSTRATIVE VALUATIONS FOR PRIVATE COMPANIES IN THE HVAC SECTOR

OUR ANALYSIS OF THE HVAC VALUATIONS HIGHLIGHTS THAT MANUFACTURERS RECEIVE THE HIGHEST MULTIPLE, FOLLOWED BY DISTRIBUTORS AND SERVICE PROVIDERS

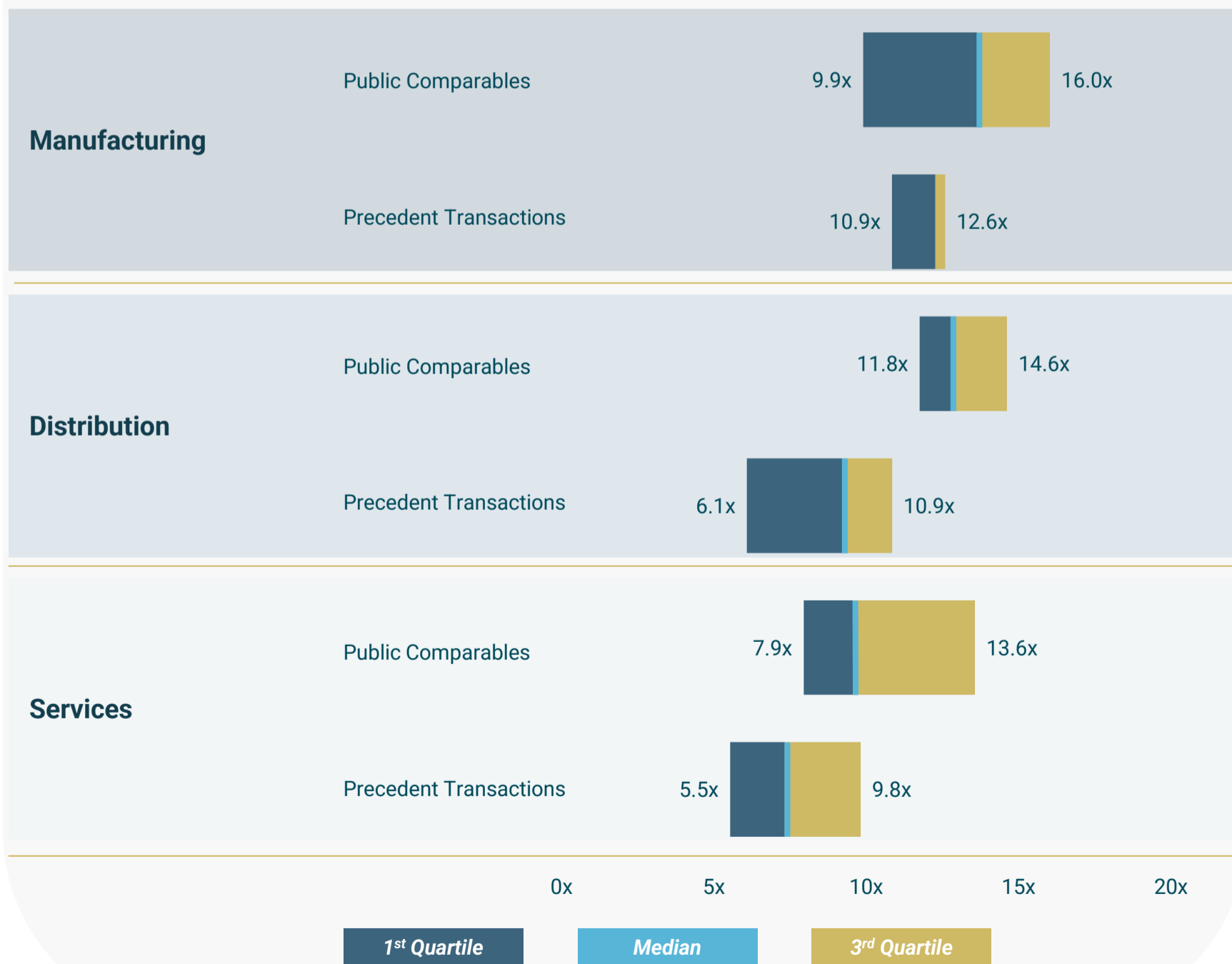
- The HVAC sector encompasses a wide range of business models, differing in terms of market, offering and customer base, which has resulted in a wide spread of valuation multiples.
- Identifying a market level valuation for manufacturers, distributors, and service providers, involves isolating a sub-sample of public comparables (24) and precedent transactions (25) across each category.
- The 1st quartile (low), median and 3rd quartile (high) of valuation multiples are computed across each sub-sample to triangulate a valuation multiple.
- Public comparables are discounted by 15% to account for size and liquidity premia.
- Precedent transactions are sourced from the period between 2018 and 2023 to ensure relevance to the current market.



- The analysis indicates median EBITDA multiples of 13.0x, 11.0x and 8.5x across manufacturing, distribution and services respectively with revenue multiples following a similar trend; 2.3x, 1.4x and 0.7x.
- These valuation insights are illustrative only, with outcomes dependant on several factors; buyer appetite, synergy opportunities, quality and breadth of offerings, extent of geographical reach, quality of customer base, underlying financial performance and margin profile.
- The key insight from this analysis is that different business models across the HVAC sector command different valuation multiples.

## MEDIAN TRANSACTION MULTIPLE BY BUYER TYPE

Across the full sample, EBITDA valuation multiples range from a low of 4.7x to a high of 17.1x, which can be further broken down across manufacturing (9.9x to 16.0x), distribution (6.1x to 14.6x) and services (5.5x to 13.6x). Revenue multiples across the full sample range from a low of 0.2x to 3.3x, which can also be broken down further across manufacturing (0.2x to 5.6x), distribution (0.3x to 2.6x) and services (0.4x to 1.7x).



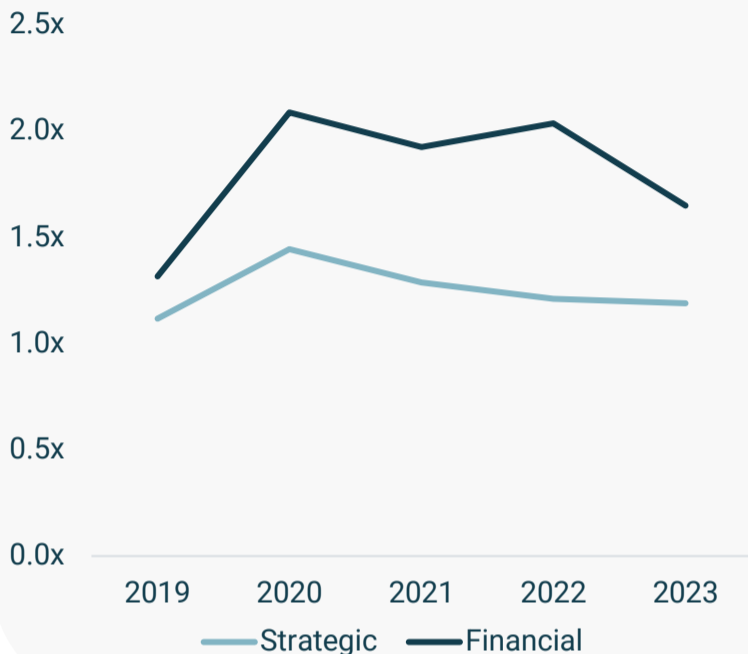
Source: Cap IQ

# HVAC PRIVATE COMPANY VALUATION ANALYSIS

ANALYSIS OF MULTIPLES ACROSS SAMPLES OF PUBLIC COMPARABLES AND PRECEDENT TRANSACTIONS TO THE VALUATION RANGE IDENTIFIED ON PAGE 9

## M&A TRANSACTIONS: EV/REVENUE BY BUYER TYPE

Revenue and EBITDA valuation multiples paid by strategic and financial buyers have been broadly stable YoY and consistent between both groups



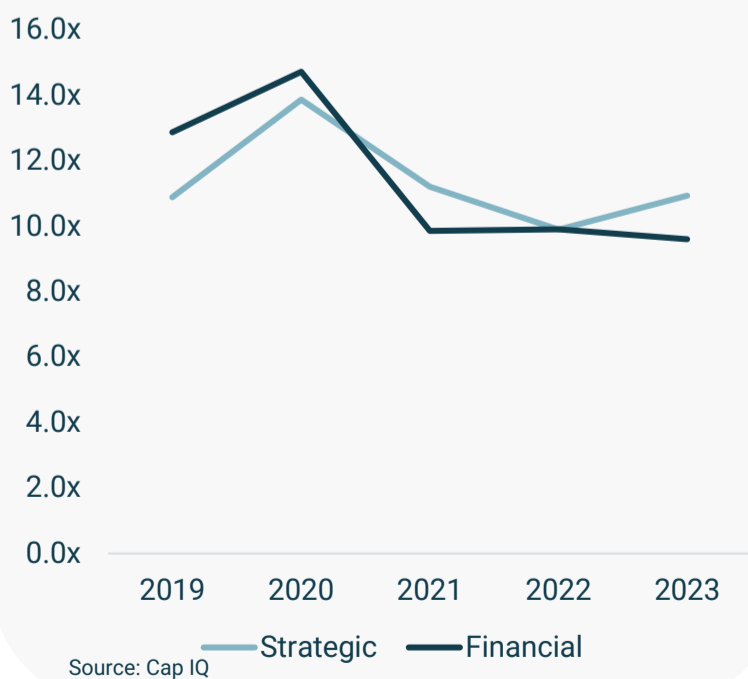
## M&A TRANSACTIONS: MEDIAN EV/REVENUE

Median revenue multiples from a sample of M&A transactions remained stable between 2019 and 2023, falling between a low of 1.1x and a high of 1.4x



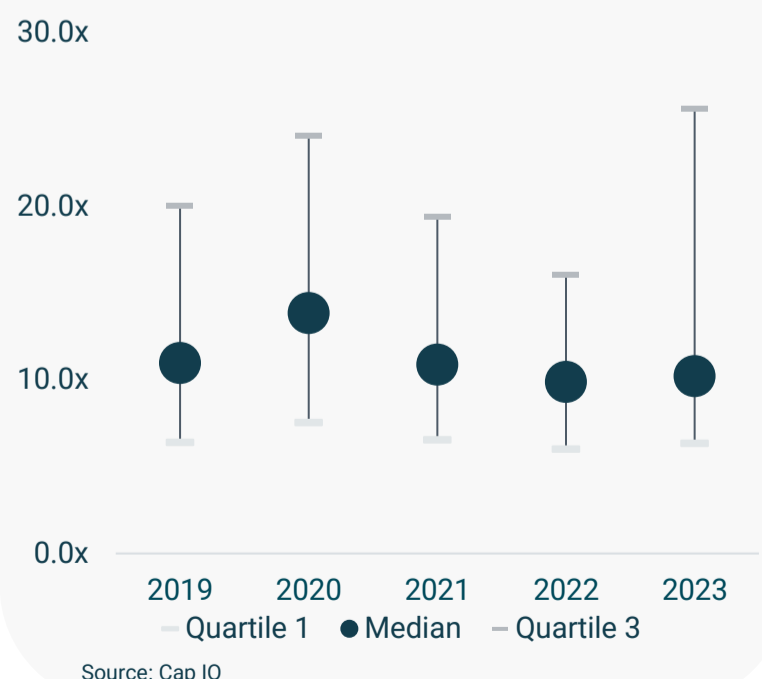
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## M&A TRANSACTIONS: MEDIAN EV/EBITDA

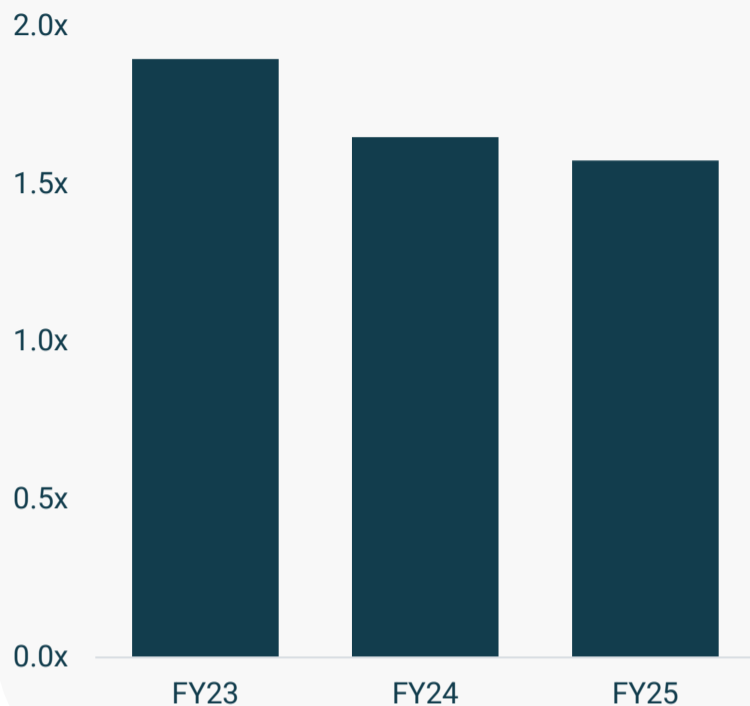
Median EBITDA multiples from a sample of M&A transactions remained relatively stable between 2019 and 2023, ranging between 9.6x and 13.9x





**PUBLIC COMPARABLES: MEDIAN EV/REVENUE**

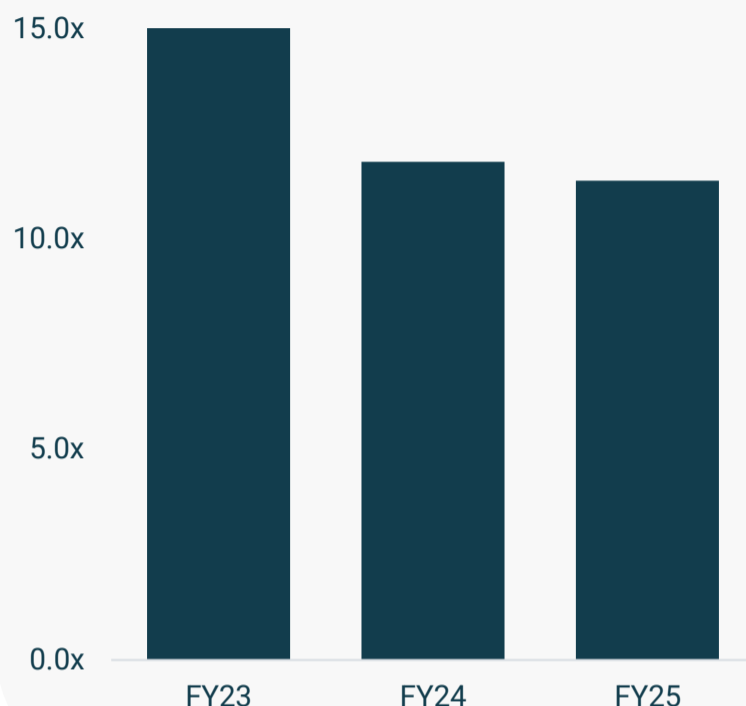
Median LTM and forward-looking revenue multiples from a sample of public comparables ranged from a low of 1.6x to a high of 1.9x.



Source: Cap IQ

**PUBLIC COMPARABLES: MEDIAN EV/EBITDA**

Median LTM and forward-looking EBITDA multiples from a sample of public comparables ranged from a low of 11.4x to a high of 15.0x.



Source: Cap IQ

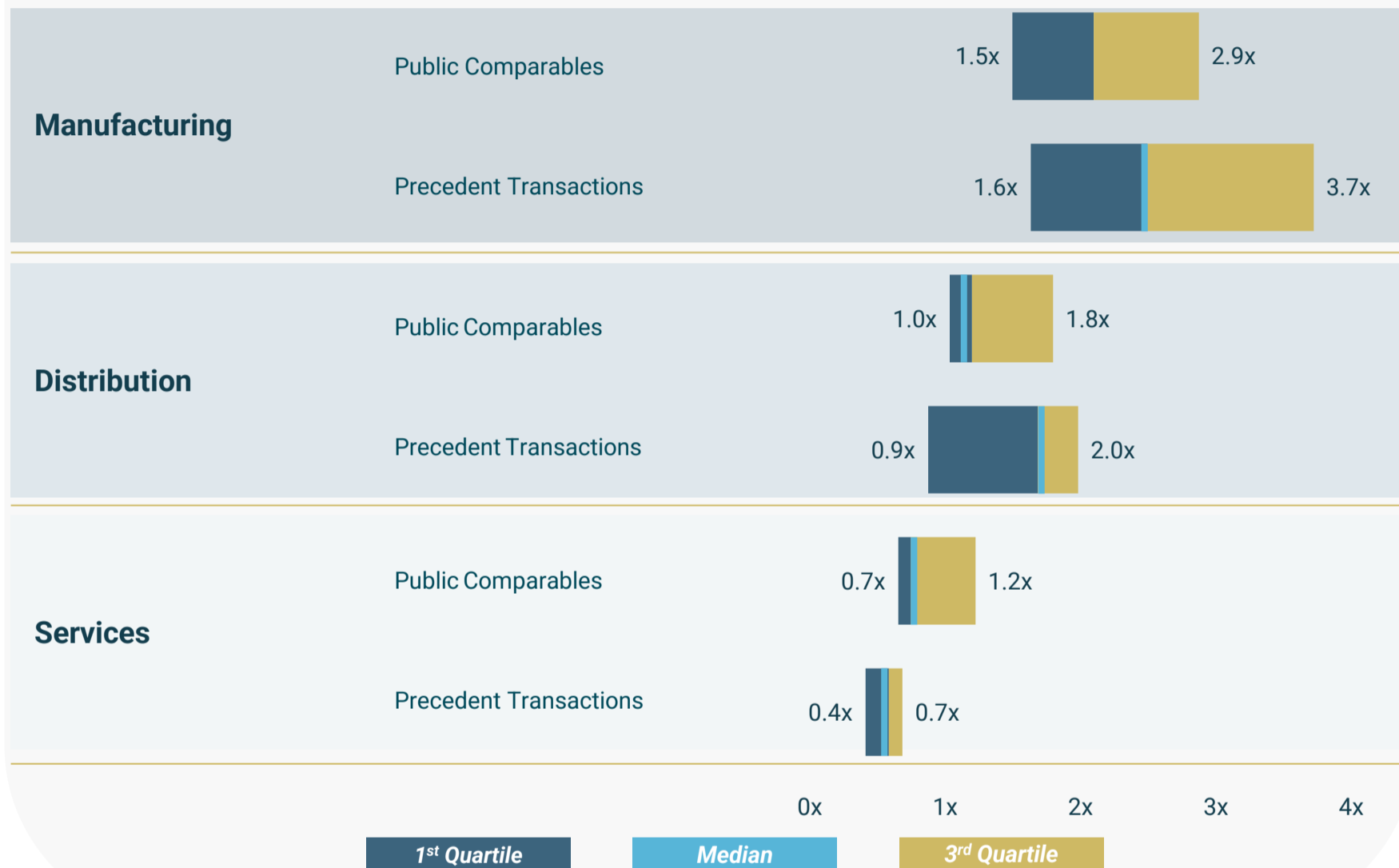
## HVAC TRANSACTIONS OVERVIEW BY SUB-SECTOR

### ANALYSIS OF RECENT TRANSACTIONS IN THE HVAC SECTOR LENDS SUPPORT TO OUR VALUATION ANALYSIS ON PAGE 9

- The HVAC sector encompasses a wide range of business models, differing in terms of market, offering, and customer base, which has resulted in a wide spread of valuation multiples.
- Identifying a market level valuation for manufacturers, distributors, and service providers, involves isolating a sub-sample of public comparables (24) and precedent transactions (25) across each category.
- The 1st quartile (low), median and 3rd quartile (high) of valuation multiples are computed across each sub-sample to triangulate a valuation multiple.
- Public comparables are discounted by 15% to account for size and liquidity premia.
- Precedent transactions are sourced from the period between 2018 and 2023 to ensure relevance to the current market.
- The analysis indicates median EBITDA multiples of 13.0x, 11.0x and 8.5x across manufacturing, distribution and services respectively with revenue multiples following a similar trend; 2.3x, 1.4x and 0.7x.
- These valuation insights are illustrative only, with outcomes dependant on several factors; buyer appetite, synergy opportunities, quality and breadth of offerings, extent of geographical reach, quality of customer base, underlying financial performance, and margin profile.
- The key insight from this analysis is that different business models across the HVAC sector command different valuation multiples.

## PRECEDENT TRANSACTIONS: MEDIAN EV/REVENUE

Following the same methodology as the illustrative desktop valuation on the slide 7, the below graph highlights the outcome of valuation by sub-segment for EV/Revenue multiples – the analysis implies median valuation multiples of 2.5x, 1.7x, and 0.7x across manufacturing, distribution and services.





## APPENDIX: PUBLIC COMPARABLES

### SAMPLE OF PUBLIC COMPARABLES USED TO INFORM OUR ILLUSTRATIVE DESKTOP VALUATION

Company	Country	Date	Market Cap (£M)	EV/ Revenue	EV/EBITDA
Arbonia AG (SWX:ARBN)	Switzerland	31/07/2024	£779.4	2.12x	15.55x
Beijer Ref AB (publ) (OM:BEIJ B)	Sweden	31/07/2024	£6,136.8	2.88x	23.34x
BELIMO Holding AG (SWX:BEAN)	Switzerland	31/07/2024	£5,795.5	7.34x	33.68x
Carel Industries S.p.A. (BIT:CRL)	Italy	31/07/2024	£1,587.1	3.15x	15.56x
Carrier Global Corporation (NYSE:CARR)	USA	31/07/2024	£47,251.1	3.07x	21.12x
Chart Industries, Inc. (NYSE:GTLS)	USA	31/07/2024	£5,166.0	2.87x	13.15x
Comfort Systems USA, Inc. (NYSE:FIX)	USA	31/07/2024	£9,097.7	1.93x	14.61x
CSW Industrials, Inc. (NASDAQGS:CSWI)	USA	31/07/2024	£3,831.9	6.22x	22.93x
Daikin Industries,Ltd. (TSE:6367)	Japan	31/07/2024	£30,336.0	1.39x	10.00x
Eneraqua Technologies plc (AIM:ETP)	United Kingdom	31/07/2024	£14.1	0.28x	1.91x
Genuit Group plc (LSE:GEN)	United Kingdom	31/07/2024	£1,258.6	2.4x	11.40x
Global Industrial Company (NYSE:GIC)	USA	31/07/2024	£1,036.2	1.02x	11.91x
GVS S.p.A. (BIT:GVS)	Italy	31/07/2024	£767.0	3.25x	14.4x
Johnson Controls International plc (NYSE:JCI)	Ireland	31/07/2024	£36,791.1	2.19x	13.65x
Limbach Holdings, Inc. (NASDAQCM:LMB)	USA	31/07/2024	£521.5	1.28x	13.69x
Sitowise Group Oyj (HLSE:SITOWS)	Finland	31/07/2024	£78.7	0.85x	8.87x
SPIE SA (ENXTPA:SPIE)	France	31/07/2024	£4,928.2	0.9x	10.59x
SPX Technologies, Inc. (NYSE:SPXC)	USA	31/07/2024	£5,189.9	3.87x	20.96x
Sweco AB (publ) (OM:SWEC B)	Sweden	31/07/2024	£4,486.2	2.26x	15.73x
Systemair AB (publ) (OM:SYSR)	Sweden	31/07/2024	£1,194.5	1.42x	13.23x
Trane Technologies plc (NYSE:TT)	Ireland	31/07/2024	£59,084.9	4.22x	21.28x
Vaisala Oyj (HLSE:VAIAS)	Finland	31/07/2024	£1,349.9	2.93x	16.52x
Vestum AB (publ) (OM:VESTUM)	Sweden	31/07/2024	£266.7	0.98x	6.95x
Ferguson plc (NYSE:FERG)	United Kingdom	31/07/2024	N/A	N/A	N/A
Watsco, Inc. (NYSE:WSO)	USA	31/07/2024	£13,947.8	2.45x	19.61x
Max				7.34x	33.68x
Average				2.55x	15.44x
Median				2.33x	14.51x
Min				0.28x	1.91x

Source: Cap IQ

## APPENDIX: PUBLIC COMPARABLES

### SAMPLE OF PUBLIC COMPARABLES USED TO INFORM OUR ILLUSTRATIVE DESKTOP VALUATION

Target	Buyer	Country	Date	EV/ Revenue	EV/EBITDA
ASPEQ Heating Group LLC	SPX Technologies, Inc. (NYSE:SPXC)	USA	01/05/2023	3.5x	N/A
Sureserve Group plc	Cap10 Partners LLP	United Kingdom	21/04/2023	0.7x	8.6x
ECM Industries, LLC	nVent Electric plc (NYSE:NVT)	USA	03/04/2023	2.6x	10.6x
T. A. Morrison & Co. Inc.	SPX Technologies, Inc. (NYSE:SPXC)	Canada	03/04/2023	2.5x	N/A
HISCO, Inc.	Distribution Solutions Group, Inc. (NASDAQGS:DSGR)	USA	31/03/2023	0.7x	9.7x
S.M.I.T. S.R.L.	Lindbergh S.p.A. (BIT:LDB)	Italy	03/02/2023	0.4x	6.1x
Caverion Oyj	Triton; Triton Fund V L.P.	Finland	10/01/2023	0.6x	10.2x
Heritage Distribution Holdings	Beijer Ref AB (publ) (OM:BEIJ B)	USA	15/12/2022	2.0x	13.4x
Cirelius, S.A.	Arbonia AG (SWX:ARBN)	Portugal	05/12/2022	N/A	6.0x
Howden Group Limited	Chart Industries, Inc. (NYSE:GTLS)	United Kingdom	09/11/2022	2.5x	12.9x
Sauber S.r.l.	Carel Industries S.p.A. (BIT:CRL)	Italy	13/06/2022	0.6x	5.4x
HomeServe plc	Brookfield Infrastructure Partners L.P. (NYSE:BIP)	United Kingdom	19/05/2022	3.3x	17.1x
SagiCofim S.p.A.	Systemair AB (publ) (OM:SYSR)	Italy	07/04/2022	0.9x	8.4x
CCOM Group, Inc.	Goodman Distribution, Inc.	USA	18/03/2022	0.3x	5.2x
Tecnair LV S.p.A.	Systemair AB (publ) (OM:SYSR)	Italy	31/01/2022	1.3x	12.5x
EZ-FLO International, Inc.	Reliance Worldwide Corporation Limited (ASX:RWC)	USA	26/10/2021	1.9x	12.0x
Termovent Komerc d.o.o.	Arbonia AG (SWX:ARBN)	Serbia	30/04/2021	1.3x	7.0x
Aggreko Plc	I Squared Capital Advisors, LLC; TDR Capital LLP	United Kingdom	05/03/2021	2.0x	6.1x
Adey Innovation LLP	Genuit Group plc (LSE:GEN)	United Kingdom	10/02/2021	4.1x	11.7x
Nu-Heat UK Ltd.	Genuit Group plc (LSE:GEN)	United Kingdom	02/02/2021	1.7x	8.7x
Astepa Oy	Viafin Service Oyj (HLSE:VIAFIN)	Finland	07/12/2020	0.4x	4.7x
Beijer Ref AB (publ)	EQT Partners AB; EQT IX	Sweden	07/12/2020	24.0x	N/A
Ahlsell AB	CVC Capital Partners Limited	Sweden	11/12/2018	1.0x	11.6x
Hygromatik GmbH	Carel Industries S.p.A. (BIT:CRL)	Germany	30/11/2018	3.9x	12.5x
Max				24.0x	17.1x
<b>Average</b>				<b>2.7x</b>	<b>9.8x</b>
<b>Median</b>				<b>1.8x</b>	<b>10.0x</b>
Min				0.3x	4.7x

Source: Cap IQ





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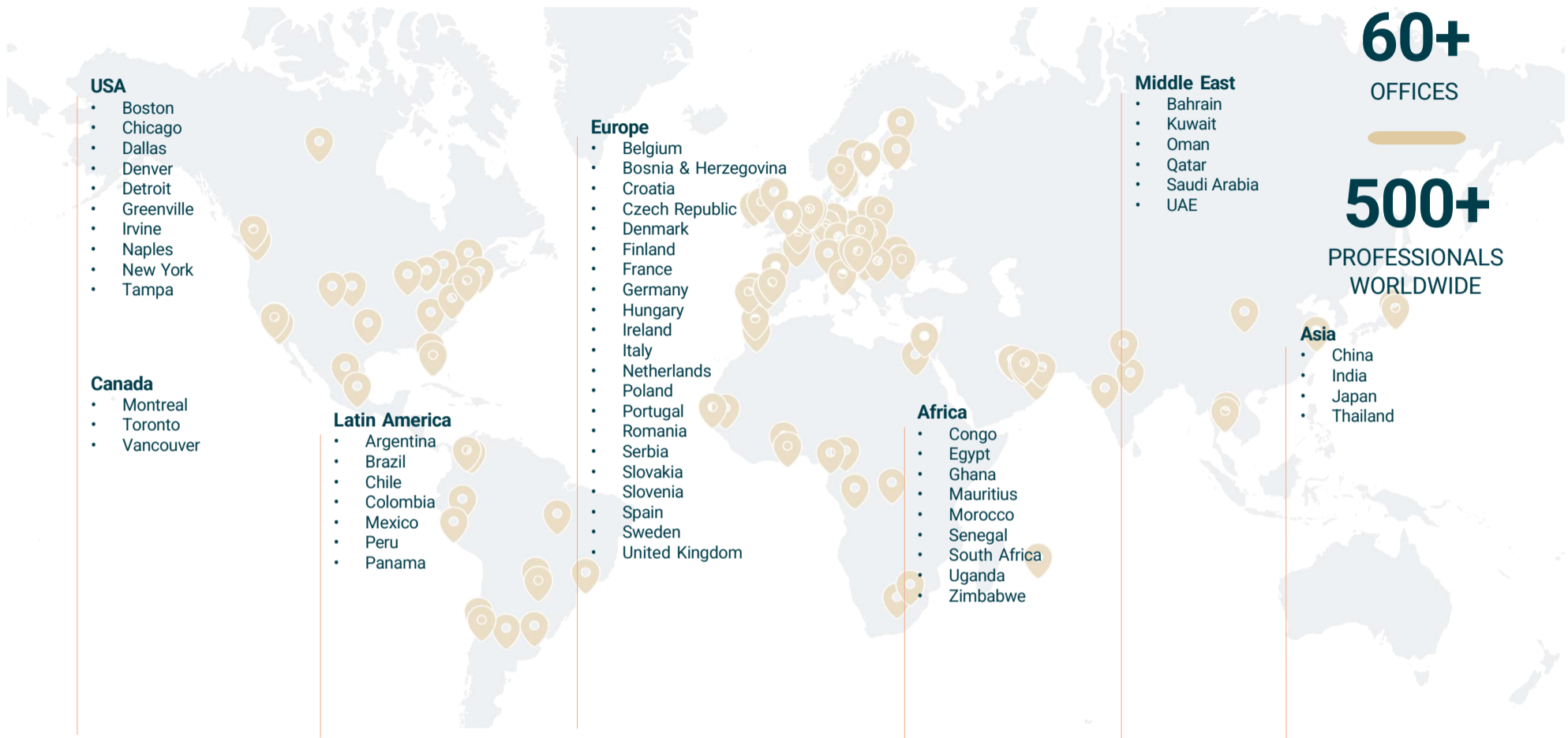
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# ABOUT IMAP

INTERNATIONAL MERGERS & ACQUISITIONS PARTNERS

## GLOBAL REACH – REGIONAL EXPERTISE

IMAP's cross-border experience extends across 51 countries in Europe, the Americas, Asia, Middle East, Asia, and Africa, giving us a unique understanding of middle-market M&A.

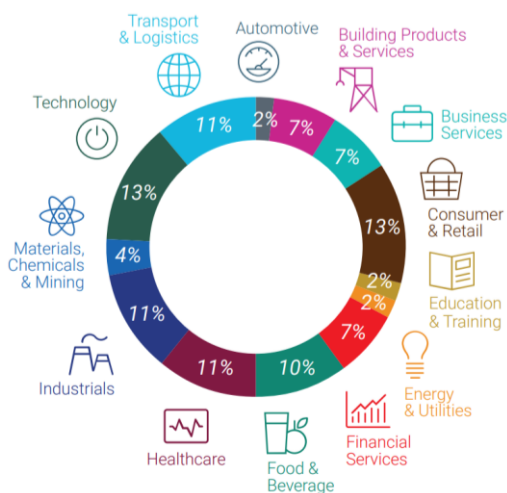


## IMAP IN NUMBERS



## IMAP GLOBAL PERFORMANCE 2023

### DEAL DISTRIBUTION BY SECTOR



### GLOBAL PERFORMANCE RANK ADVISOR

1. PwC
2. KPMG
3. Houlihan Lokey
4. Rothschild
5. Deloitte
6. EY
7. **IMAP**
8. Oaklins
9. Lazard
10. BDO

Ranking based on number of number of transactions closed in Q1-Q4 2023. Undisclosed values and values up to \$500 million. Source: Refinitiv and IMAP internal data.

**321** M&A TRANSACTIONS

**\$9Bn+** TRANSACTION VALUE

**31%** CROSS-BORDER DEALS

**INTERNATIONAL MERGERS  
& ACQUISITIONS PARTNERS**

OVER HALF A CENTURY HELPING OUR  
CLIENTS THRIVE IN COMPETITIVE  
EVER-CHANGING ECONOMIES

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