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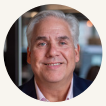
Analysis



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INDUSTRY RESEARCH

Clearing the Air on HVAC

PE deal and exit activity in heating, ventilation, and air conditioning

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

Key takeaways

- In 2024, the HVAC industry experienced unprecedented PE engagement, totaling 55 deals—a 72% increase from 2023 and the highest annual total since at least 2017 (the first year covered in this report).

- PE firms are increasingly investing in the HVAC sector due to its combination of essential services, recurring revenue streams, and significant growth potential. The industry's fragmented nature offers ample opportunities for consolidation, allowing PE firms to build scalable platforms through roll-up strategies. Additionally, the consistent demand for HVAC services, driven by factors like climate change and energy efficiency regulations, ensures steady cash flows, making it an attractive investment even amid economic uncertainties.

- The Trump administration's imposition of tariffs—25% on steel and aluminum imports, later increased to 50%—has introduced cost pressures for HVAC manufacturers reliant on these materials. Furthermore, tariffs on components from countries like China, Vietnam, Taiwan, and Japan have disrupted supply chains. Despite these challenges, the HVAC sector's domestic focus and essential service offerings have helped maintain its attractiveness to investors.

Introduction

The heating, ventilation, and air conditioning industry, referred to as the HVAC industry, is a behind-the-scenes, backbone industry that is not flashy or glamorous but has solid growth characteristics and is needed by every home, office, hospital, and factory to create safe, comfortable, and energy-efficient environments. While it is easy to take for granted, HVAC is one of the most critical layers of infrastructure in the built world. It is also increasingly tech enabled and in vogue within the PE industry, as evidenced by its deal activity, which is on a strong growth trajectory.

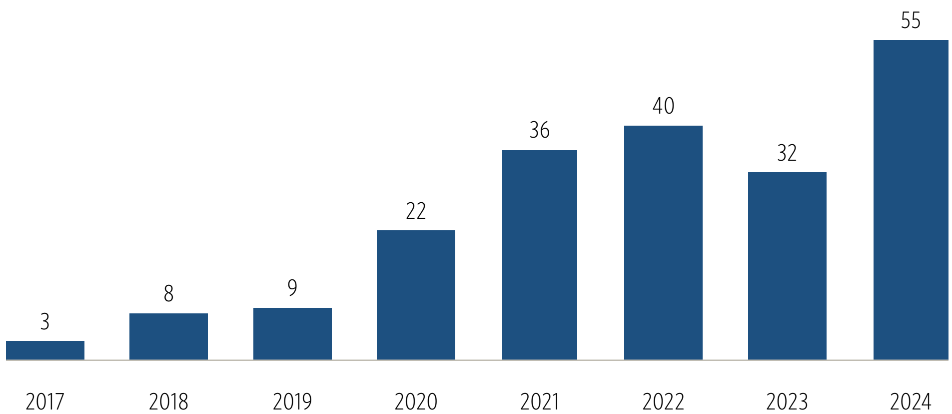
Within the PitchBook ecosystem, HVAC is classified as a subcategory of the construction & engineering vertical. For a full taxonomy of the construction & engineering PE ecosystem, see our construction & engineering launch report.

We have chosen to highlight the HVAC subcategory due to its strong deal and exit activity, along with characteristics of the HVAC space that PitchBook believes make the subcategory attractive to PE investors. These characteristics include participation in a highly fragmented industry that is undergoing consolidation, the ability to gain operating efficiencies by gaining scale with suppliers, the ability to reach ever-larger customers with a broader footprint, and the potential to leverage new technologies onto existing businesses to improve efficiency and quality while lowering costs.

For these reasons, we expect deal activity to remain strong in the subcategory despite economic headwinds related to tariffs and slowing global economic growth. HVAC is somewhat insulated from some of these trends due to the space largely being a domestic one, with less exposure to tariffs on the service side. However, the parts required by the HVAC industry do face inflation due to being sourced largely from overseas suppliers.

In 2024, 55 deals closed in the HVAC subcategory, up 72% from the 32 deals that took place in 2023 and up 38% over 2022's 40 deals. 2024 saw the largest amount of deals in the HVAC space during the period from 2017 to 2024, which is the time frame we are tracking in this report. This data supports our characterization of the HVAC industry as a subcategory that remains attractive to the PE space.

HVAC PE deal count



Source: PitchBook • Geography: North America and Europe • As of December 31, 2024