

HVAC & PLUMBING SERVICES: AN M&A OVERVIEW

A Comprehensive Guide for Business
Owners Preparing for a Transition.

In this report:

- Understanding the Current Landscape: Pages 2-4
- Benchmarking Your Company's Valuation: Page 5
- Identifying Common Pitfalls: Pages 7-8
- Creating a 12-18 Month Preparation Plan: Pages 9-11



Executive Summary

The **plumbing, heating, and air-conditioning (HVAC)** services sector is experiencing one of its most active periods of consolidation. This trend is driven by industry fragmentation, recurring-revenue economics, and strong tailwinds from aging infrastructure, regulatory changes, and demographic shifts.

Key Market Snapshot

- The U.S. HVAC and plumbing services market generates approximately \$205 billion in combined annual revenue, comprised of roughly 105,000 active establishments employing over 1 million people.⁸
- The sector has grown at a 3.2-5.7% CAGR over the past five years and is generally forecasted to see 4-6% annual growth through 2030 due to Sun Belt population growth and aging infrastructure issues.^{1,3}
- The industry is highly fragmented, with research suggesting the average firm is small, often in the low single-digit millions of revenue range.¹

M&A Momentum

- As of early 2026, publicly tracked deal databases show deal activity remaining well above pre-2020 levels, particularly in the lower middle-market.
- Deal volume has been stable throughout 2025, with strong interest from both strategic and financial buyers creating competitive acquisition environments.
- EBITDA valuations for private HVAC companies are near the high end of historical ranges: 8x EBITDA on average, with high-performing platforms commanding 9-10x multiples depending on company type and revenue mix.⁵

Why Now?

Strategic acquirers and private equity firms are actively consolidating the sector because of three structural factors: (1) recurring service revenue provides predictable cash flows even in economic downturns; (2) the ability to bundle HVAC and plumbing services increases customer lifetime value and cross-selling; and (3) the aging contractor workforce and demographic tailwinds (Sun Belt growth, aging infrastructure) are creating a rare, time-bound supply of founder-owned platforms ready for exit.

For service business owners, this environment offers favorable conditions for achieving attractive valuations and multiple arbitrage opportunities. For buyers, the sector offers defensive growth, operating leverage, and strong returns on efficiently deployed capital.

Who Is This Report For?

This M&A report is primarily written for the owner of a founder-led or multi-generational family-owned service business to support them in making long-term decisions. The report seeks to distill key lessons on valuation, buyer behavior, and exit readiness, drawing on 25+ years of experience on both the buy- and sell-sides. Most of the owners we work with are not 'ready to sell' but do appreciate an understanding of their options, risks, and long-term positioning. Understanding current valuation ranges and buyer expectations allows owners to make informed decisions about timing their exit and identifying value creation opportunities in their business.



Industry Snapshot

Market Size and Scope

The HVAC and plumbing services sector is substantial, generating approximately \$205 billion in revenue. The industry encompasses approximately 105,000 active service companies ranging from one-person owner-operators to regional multi-state platforms with hundreds of employees.⁸

The sector includes three primary service categories:

Residential Services: New construction, replacement, maintenance, and emergency repair of heating and cooling systems, as well as plumbing installation and repair in single-family homes and small multifamily units. Residential represents roughly 55-65% of sector revenue and is characterized by higher volume, smaller job sizes, and seasonal fluctuations.^{1,6}

Commercial/Industrial Services: Installation, maintenance, and repair of HVAC and mechanical systems for commercial buildings, industrial facilities, hospitality, healthcare, and educational institutions. Commercial work typically commands higher margins, longer contract terms, and greater recurring service revenue.⁴

Service and Maintenance: Annual maintenance agreements, performance service plans, and equipment monitoring that generate predictable recurring revenue. This segment is increasingly critical to valuation and buyer interest because it stabilizes cash flow and increases customer lifetime value.^{1,4}

Market Characteristics

Highly Fragmented: The sector is dominated by small, family-owned, and independent operators, with industry analyses suggesting that no group of large operators controls a meaningful share of the national market. This fragmentation is a primary driver of M&A, as both strategic buyers and private equity platforms seek to consolidate geographic white space and acquire tuck-in targets.¹

Recurring Revenue Model: Unlike pure project-based contractors, successful HVAC and plumbing firms increasingly rely on service contracts, preventative maintenance plans, and annual agreements. These recurring streams often provide 25-40% of revenue for well-run firms and can improve valuation multiples.^{1,4}

Demographic and Infrastructure Tailwinds: The aging U.S. residential and commercial building stock, combined with Sun Belt population growth and rising environmental standards, is driving sustained demand for HVAC and plumbing services. Energy efficiency regulations and air quality mandates further support growth.^{3,6}

Labor-Intensive Business Model: The sector's high labor-to-revenue ratio (typically 35-50% of revenue) creates both challenges and barriers to entry. Technician scarcity and wage pressure are persistent issues, but they also protect margins and reduce competitive intensity.^{4,7}



What's Driving M&A Activity?

Four primary forces are fueling consolidation in HVAC and plumbing services:

1. Generational Ownership Transition

Most of the companies in the HVAC and plumbing services space are either founder- or family-owned. Many of these operators are quickly reaching retirement age, some without a natural succession plan. This creates a natural supply of acquisition targets and motivates owner sales before demographic transitions force closure or family disputes.

The opportunity window is time-bound for many owners now approaching retirement. Owners in their 50s and 60s are seeking liquidity now, while favorable market multiples and buyer appetite remain elevated. This demographic tailwind could persist for the next 5-7 years, creating a seller's market.

2. Roll-Up Economics and Operational Synergies

Strategic acquirers and PE platforms are aggressively pursuing roll-up strategies that consolidate regional and local operators into larger platforms with:

- **Geographic Expansion:** Acquiring firms in contiguous markets allows platforms to expand service footprint and cross-sell existing customers across new regions.⁴
- **Bundled Service Offerings:** Cross-selling HVAC and plumbing services to existing customer bases increases wallet share and reduces customer acquisition costs.
- **Recurring Revenue Acceleration:** Acquirers are integrating maintenance contracts and performance-based pricing models into acquired firms, converting transactional work into predictable subscription revenue.^{1,4}
- **Back-Office and Supply Chain Consolidation:** Standardizing accounting, procurement, fleet management, and dispatch systems across a platform reduces costs by 10-15% in many observed platforms, without affecting service quality or technician autonomy.⁷

3. Strategic Buyer Expansion and Supply Chain Control

Select public building services contractors have been accelerating acquisitions to capture increased service revenue and wide customer relationships. Additionally, equipment manufacturers that have historically sold products through distributor and installer networks are now acquiring service platforms to control the entire customer journey and capture recurring maintenance revenue.⁴

This “vertical integration” strategy is attractive because service contracts create multi-year revenue streams and improve customer stickiness, offsetting equipment margin compression.

4. Private Equity Appetite and Cost of Capital

Despite macro uncertainty, private equity remains highly motivated to invest in HVAC and plumbing services because the sector offers:

- **Recession-Resistant Demand:** Maintenance and essential repairs are non-discretionary even in downturns.^{1,4,7}

- **Predictable Cash Flows:** Recurring revenue models and long-term contracts provide stable, forecastable earnings.¹
- **Operational Leverage:** PE-backed platforms are deploying operational playbooks (standardized pricing, technician training, digital tools, performance management) to improve EBITDA margins by 200-400 bps post-acquisition.⁴
- **Multiple Expansion:** As platforms scale and mature, they achieve higher EBITDA multiples on exit, creating multiple arbitrage opportunities between entry multiples and exit multiples over 3-4 years.



Valuations and Deal Structures

In our Middle Market M&A report, published in January 2026 (<https://western-companies.com/middle-market-ma-insights>), we explored the various valuation methodologies, ending with the EBITDA multiple as the typical headline output. That same framework can be applied to the HVAC and plumbing space, where average EBITDA multiples fall in the ranges summarized by the table below:

Average EBITDA Valuation Multiples for Private HVAC & Plumbing Companies*

Company Type	\$500K-\$1M EBITDA	\$1-\$5M EBITDA	\$5-\$10M EBITDA
Residential	6.2x	8.4x	9.9x
Commercial	5.5x	7.6x	8.8x
Industrial	5.7x	8.0x	9.1x

*Illustrative ranges adapted from First Page Sage's HVAC EBITDA & Valuation Multiples Report (Q1 2025) with synthesis from Western's proprietary market observations (Q3 2022-Q1 2025).

Note: These multiples are meant to be illustrative and directional only and do not constitute a valuation opinion for any specific business or situation. Actual outcomes will vary based on company-specific factors such as size, growth, margins, customer concentration, cyclical, and deal structure; readers should treat this chart as a starting point and seek tailored advice for their situation.

Valuation Specifics:

- **Larger, More Stable Companies Command Higher Multiples:** A \$5-\$10M EBITDA residential service firm typically trades at 9-10x EBITDA, compared to ~6.2x for a smaller \$500K-\$1M firm. This premium reflects lower execution risk, an established customer base, and proven scalability.⁵
- **Diversified Firms Trade at a Premium:** Companies offering heating, cooling, and plumbing services can see a 15-20% higher multiple compared to a firm that just offers one service (e.g., just plumbing).
- **Commercial Multiples Reflect Project-Based Risk:** While commercial contracts can provide larger project revenue, they introduce concentration risk and dependence on construction cycles, which can impact valuations relative to pure residential operations.⁵

- **High-Quality Platforms Command Premium Valuations:** Companies with strong recurring revenue, professional management, and low owner dependency can achieve valuations at or above the upper end of these ranges.⁵

Deal Structure Considerations

Cash vs. Earn-Out: Transactions are commonly structured as 70-80% cash at close with 10-20% held back in an earn-out or contingency escrow for 12-24 months. Earnouts can be tied to metrics such as customer retention, EBITDA maintenance, or growth to incentivize seller cooperation during integration.⁴

Seller Financing: In some scenarios, transactions can involve 5-15% seller notes to bridge valuation gaps or retain seller involvement. Seller financing increases buyer confidence but also increases seller risk.

Working Capital Adjustments: Deals typically include working capital targets, or a normalized level of net working capital (current assets less current liabilities) sufficient to support ongoing operations, often benchmarked against historical averages.

Management Retention and Earnouts: Owner-operators are often retained as employees/managers under earn-out agreements, with cash bonuses tied to retention targets or EBITDA growth during a 1-3-year transition period. This structure aligns incentives and smooths the cultural integration.



Buyer Types and Strategic Motivations

Public Companies and Large Strategics

- **Recurring Revenue Capture:** Acquiring service firms captures high-margin maintenance and replacement revenue that historically went to independent contractors.⁴
- **Customer Direct Access:** Service platforms provide direct customer relationships, improving pricing power and ability to cross-sell equipment and services.⁴
- **Vertical Integration:** Equipment manufacturers are integrating downstream to reduce distributor margins and capture the full profit stack from equipment sales through service contracts.⁴
- **Geographic Expansion:** Acquiring regional operators accelerates geographic footprint at lower cost than organic build-out.⁴

Regional or Multi-State Consolidators

- **Consolidation and Tuck-In Strategy:** Acquire 10-20 small local firms, standardize back-office and operations, and leverage shared procurement and labor pools.^{4,7}
- **Operational Efficiency:** Aggregate purchasing power, shared technician training programs, and centralized dispatch reduce unit costs by 10-15%.⁷
- **Recurring Revenue Conversion:** Implement maintenance contract models and performance pricing across acquired firms to stabilize and grow revenue.⁴

Private Equity Firms

- **Roll-Up Potential:** The sector's fragmentation provides a long runway for add-on acquisitions.⁴
- **EBITDA Multiple Arbitrage:** Acquire single-location or small regional firms, invest in operational improvements and consolidation, and exit a mature platform at a higher multiple 3-4 years later.⁵

- **Recurring Revenue Defensibility:** Service contracts and maintenance plans provide stable, predictable cash flows that support higher exit multiples.^{1,4}
- **Lower Execution Risk vs. Other Sectors:** Compared to technology or manufacturing, HVAC services have more predictable demand, limited disruption risk, and straightforward operational improvement opportunities.^{4,7}

Consolidator Platforms (Owned by PE or Strategic)

A growing category of buyers is established HVAC and plumbing platforms that are themselves backed by PE or strategic capital and are actively acquiring add-on targets. Examples include platforms that have grown to \$50M-\$500M in revenue and are using platform leverage to make multiple bolt-on acquisitions, creating a “second-level” consolidation machine.⁴



Deal Friction Points and Challenges

While the HVAC and plumbing M&A market is active, several operational and cultural challenges frequently emerge during transactions and integration. Awareness of these friction points helps sellers prepare, and buyers structure deals more effectively.

Technician Retention and Labor Continuity

HVAC and plumbing technicians are the business. A company's ability to execute service contracts depends entirely on the quality, availability, and customer relationships of its technicians. Technician turnover during or after an acquisition is the single most common cause of lost customer revenue and failed acquisitions.

Mitigation Strategies:

- Announce key technician retention bonuses at deal close and communicate long-term career opportunities.
- Structure earnouts tied to technician retention (e.g., bonus if 95% of technicians remain on payroll for 12 months).
- Preserve operational autonomy and local decision-making during the first 12 months of integration.
- Document key technician relationships and account assignments before close.

Customer Concentration and Retention

Many HVAC and plumbing firms face customer concentration risk: a few large commercial accounts or a dependent relationship with a major customer that represents 20-40% of revenue. If these customers are not contractually locked in, acquisition risk increases significantly.

Mitigation Strategies:

- Lock in major customers with 3-5 year maintenance contracts before sale.
- Ensure customer relationships are documented and not solely dependent on the owner.
- Demonstrate revenue stickiness through multi-year renewal rates and contract backlogs.

Owner Dependency and Key Person Risk

Many acquired firms are highly dependent on the founder/owner for customer relationships, technical expertise, bidding authority, or sales. If the owner exits immediately post-close or does not actively support integration, the business may deteriorate.

Mitigation Strategies:

- Document and systematize decision-making and customer relationships before sale.
- Build a management team (general manager, operations manager, service manager) that can operate independently.
- Negotiate a 12-24 month transition employment agreement with the owner at agreed-upon compensation.
- Create organizational charts and define decision-making authority.

Operational and Job-Costing Clarity

Many HVAC and plumbing firms operate on a cash-based or loosely tracked financial model. Job costs, labor allocation, and profitability by service line are often unclear or not systematically tracked. Buyers require a granular understanding of unit economics and profitability to model acquisition returns.

Mitigation Strategies:

- Implement job-costing systems 6-12 months before sale.
- Track labor hours, material costs, and overhead allocation by job and customer.
- Clean up financial records and accruals (reserve for warranties, vacation pay, etc.).
- Prepare detailed P&Ls by service line (residential vs. commercial, installation vs. service) and by customer segment.

Cultural Integration and Compensation Models

HVAC and plumbing shops have distinct cultures shaped by the owners' personalities, local market dynamics, and technician compensation practices. Acquirers often attempt to standardize compensation, benefits, and work practices across multiple acquired firms, which triggers friction and technician departures.

Mitigation Strategies:

- Preserve local compensation models during the first 12 months of integration; gradually standardize once buy-in from local management and technicians is secured.
- Consider pay increases or bonuses for technicians post-acquisition.
- Invest in technician training and career pathing to improve retention and morale.

Regulatory, Licensing, and Compliance Issues

HVAC and plumbing businesses require multiple licenses (master plumber, HVAC contractor, EPA certification, etc.) that are often tied to specific individuals. State or local regulations may restrict license transfer, delay integration, or increase compliance costs.

Mitigation Strategies:

- Begin license transfer processes 3-6 months before acquisition close.
- Identify and document all regulatory requirements by jurisdiction.
- Ensure key technicians maintain current licenses and certifications.
- Budget for regulatory consulting to navigate state/local requirements.

Integration of Disparate Systems and Processes

Acquired firms often operate on different dispatch systems, accounting software, safety protocols, and business processes. Integrating these systems is time-consuming and operationally disruptive.

Mitigation Strategies:

- Standardize on core systems (one dispatch system, one accounting system, one CRM) before or immediately after close.
- Allow 90-180 days for parallel operations during system transition.
- Invest heavily in training for new systems.
- Preserve local customizations where they improve customer service or technician efficiency.



Preparing Your Business For A Transaction

Owners seeking to position their business for a successful transition should begin preparation 12-18 months before the anticipated sale. Key preparation areas include:

Financial Clarity and Documentation

Ensure financial statements are accurate, auditable, and aligned with operational reality.

Action Items:

- ✓ Implement accrual accounting with monthly financial closes; cash basis accounting raises buyer concerns.
- ✓ Prepare at least three years of audited or reviewed financial statements; single-year statements are insufficient for major transactions.
- ✓ Reconcile all balance sheet accounts and resolve aging items.
- ✓ Document and reserve for warranty obligations, deferred revenue, and customer refunds.
- ✓ Prepare detailed P&Ls by service line and customer segment.
- ✓ Verify tax compliance: ensure all payroll taxes, sales taxes, and income taxes have been paid, and filings are up to date.

Recurring Revenue Development and Documentation

Demonstrate predictable, contractual revenue from maintenance agreements and service plans.

Action Items:

- ✓ Increase recurring revenue (maintenance contracts, annual service plans, performance agreements) to 30-40% of total revenue.^{1,4}

- ✓ Document all recurring revenue contracts: customer name, service level, renewal terms, pricing, and expiration dates.
- ✓ Prepare customer retention analysis: show 3-year rolling retention rates by cohort; retention rates of 90%+ are highly valued.
- ✓ Create pricing alignment: ensure recurring revenue pricing is competitive and defensible; excessive discounting raises buyer concerns about sustainability.
- ✓ Prepare customer lifetime value analysis: show revenue and margin per customer over 3-5 years.

Operational Systems and Job-Costing

Demonstrate operational excellence and clear unit economics.

Action Items:

- ✓ Implement a job-costing system that tracks labor hours, material costs, overhead, and profitability by job and customer.
- ✓ Document standard operating procedures for key processes: customer intake, job quoting, scheduling, technician dispatch, invoicing, and quality assurance.
- ✓ Prepare job profitability analysis: show gross margin by job type, by customer segment, and by technician.
- ✓ Track key operational metrics: average gross margin, technician productivity, customer acquisition cost, and job cycle time.
- ✓ Document safety and quality programs, including safety certifications, training records, and customer satisfaction scores.

Customer Relationships and Concentration

Reduce customer concentration risk and demonstrate customer stickiness.

Action Items:

- ✓ Document all customer relationships: account name, contact, service history, contract terms, and annual revenue.
- ✓ Identify customers representing >5% of revenue and ensure they have written service agreements with 3+ year terms.
- ✓ Prepare customer profitability analysis: segment customers by profitability, retention rate, and strategic importance.
- ✓ Reduce customer concentration: large customers should represent no more than 10% of total revenue; extremely concentrated customers warrant customer acquisition efforts to diversify.
- ✓ Prepare customer testimonials or satisfaction surveys.

Technician Retention and Management Team Building

Build a management team independent of the owner and document technician retention.

Action Items:

- ✓ Hire or develop a general or operations manager who can manage the business if the owner is not involved; this reduces key person risk.
- ✓ Develop a management team: operations, service, and sales, if not already in place.

- ✓ Implement technician development and training programs; demonstrate career pathing and advancement.
- ✓ Create a technician compensation framework that is clear, competitive, and documented; this facilitates post-acquisition integration.
- ✓ Document technician certifications, tenure, and performance records.
- ✓ Conduct technician satisfaction surveys and address retention risks before sale.

Legal, Regulatory, and Compliance Preparation

Ensure all licenses, permits, contracts, and legal obligations are clean and transferable.

Action Items:

- ✓ Prepare a list of all licenses and permits required to operate and verify that all are current and transferable.
- ✓ Review all customer contracts and identify those with change-of-control clauses that may require customer consent for acquisition.
- ✓ Resolve any outstanding litigation, customer disputes, or regulatory complaints; these are major deal friction points.
- ✓ Ensure all employee agreements are documented and current; review for any non-competes or incentive agreements that may complicate integration.
- ✓ Verify compliance with environmental and safety regulations.
- ✓ Prepare an insurance and claims history; disclose any material claims or coverage gaps.

Valuation Benchmarking

Understand enterprise value and obtain a valuation.

Action Items:

- ✓ Work with an advisor to obtain a thorough understanding of what your company is worth.
- ✓ Calculate a normalized EBITDA figure; adjust for one-time expenses, owner perks, and non-recurring items.
- ✓ Use valuation to identify gaps in your business (e.g., work to improve revenue quality or margins to increase valuation before going to market).

Narrative and Investor Presentation

Work with an advisor to prepare a compelling narrative that explains the business, market opportunity, and growth trajectory.

Action Items:

- ✓ Prepare a confidential information memorandum (CIM) or executive summary that tells the business story: market opportunity, competitive advantage, growth strategy, and key success factors.
- ✓ Highlight market tailwinds: aging infrastructure, demographic shifts, and regulatory tailwinds (energy efficiency, air quality standards).
- ✓ Demonstrate management team quality and bench strength.
- ✓ Show historical growth: revenue, EBITDA, customer count, and recurring revenue over the prior 3-5 years.

- ✓ Project future growth: articulate credible assumptions for customer acquisition, retention, pricing, and margin expansion.
- ✓ Identify strategic buyer motivations: geographic expansion, service bundling, recurring revenue capture, or supply chain advantages.



Key Takeaways

The HVAC and plumbing services sector is at an inflection point for consolidation. Demographic tailwinds, industry fragmentation, recurring-revenue economics, and strong buyer appetite have created a favorable but evolving market for service business owners to achieve attractive valuations and strategic exits.

For owners, the time to prepare is now. Improving financial clarity, building a professional management team, developing recurring revenue streams, and documenting customer relationships will position the business for a successful, lucrative transaction. In our experience, the most successful sellers are those who begin preparing 12-18 months in advance and work with experienced advisors to maximize enterprise value.

Owners should consult qualified legal, tax, and transaction advisors before making any sale or capital-raising decision.



About Western Commerce Group

About

Western Commerce Group is an M&A and strategic advisory firm that focuses on family-owned and privately held businesses. Since its founding in 1998, the firm has completed transactions totaling over \$13 billion and has advised 160+ clients across more than 30 U.S. states, as well as Canada and Mexico. The firm emphasizes long-term client relationships, providing trusted advisory support that aligns with clients' strategic goals and preserves the legacy of their businesses.

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