

PRIVATE EQUITY AND HOME SERVICES

HVAC, Plumbing, and Electric

**Cambridge
International
Advisory
Group**

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WHY IS PRIVATE EQUITY INTERESTED IN HOME SERVICES

Fragmented Market

The industry is comprised of many small (>\$2.5 million) and medium sized (>\$7.5 million) businesses that operate across the country and service their local communities. There is no clear market leader with the largest single owner of market share owning less than 1.5% of the market.

Recession-Resistant

Regardless of economic conditions, homeowners will prioritize the HVAC, Plumbing, and Electrical components of their home above all else. It is an essential service focused on maintaining, servicing, and replacing the equipment and systems that provide people with comfortable, safe, and healthy homes.

Growth Tailwinds

Efficiency standards and regulations are driving demand for new installations. Repairs are not always an option if someone has outdated equipment. The average lifespan of an HVAC system is now 13 years, 40% lower than a decade ago.

Potential Net Profit of 20%

Average net profit target is 20% for a PE owned home services company. This is very attractive to investors looking for opportunities to generate return significantly higher than in public markets.



WHAT ARE CONSOLIDATORS LOOKING FOR WHEN CONSIDERING AN ACQUISITION

Residential Companies

Residentially focused companies benefit from a higher degree of urgency from their customer base and are not interested in too much price shopping. The customers want something done NOW. The customer's of residential companies are being incentivized to purchase new systems by government rebates and tax credits (Inflation Reduction Act).

- Single family home owners consider health, safety, and comfort over the cheapest options
- Recurring revenue through long term maintenance programs
- Most residential companies are owned by a single person which makes the acquisition process straight forward

Loyal Labor Force

Consolidators will consider how long a company has been in business, how it is structured, and the strength of the company culture. Skilled tradesmen are in high demand right now because of a lack of new workers entering the labor force over the past 20 years.

- Strong company culture with a proven track record of low turnover
- Framework and/or focus on training and developing new talent

Geography

Geographic considerations are becoming more relevant as competition amongst consolidators picks up. Anchor companies (\$8-\$12 million) are sought after in a variety of regions and are not always possible to acquire. The ability to purchase an anchor company will also dictate where a consolidator will grow.

- Suburban areas of the Midwest and Texas are in high demand
- Areas experiencing significant population growth



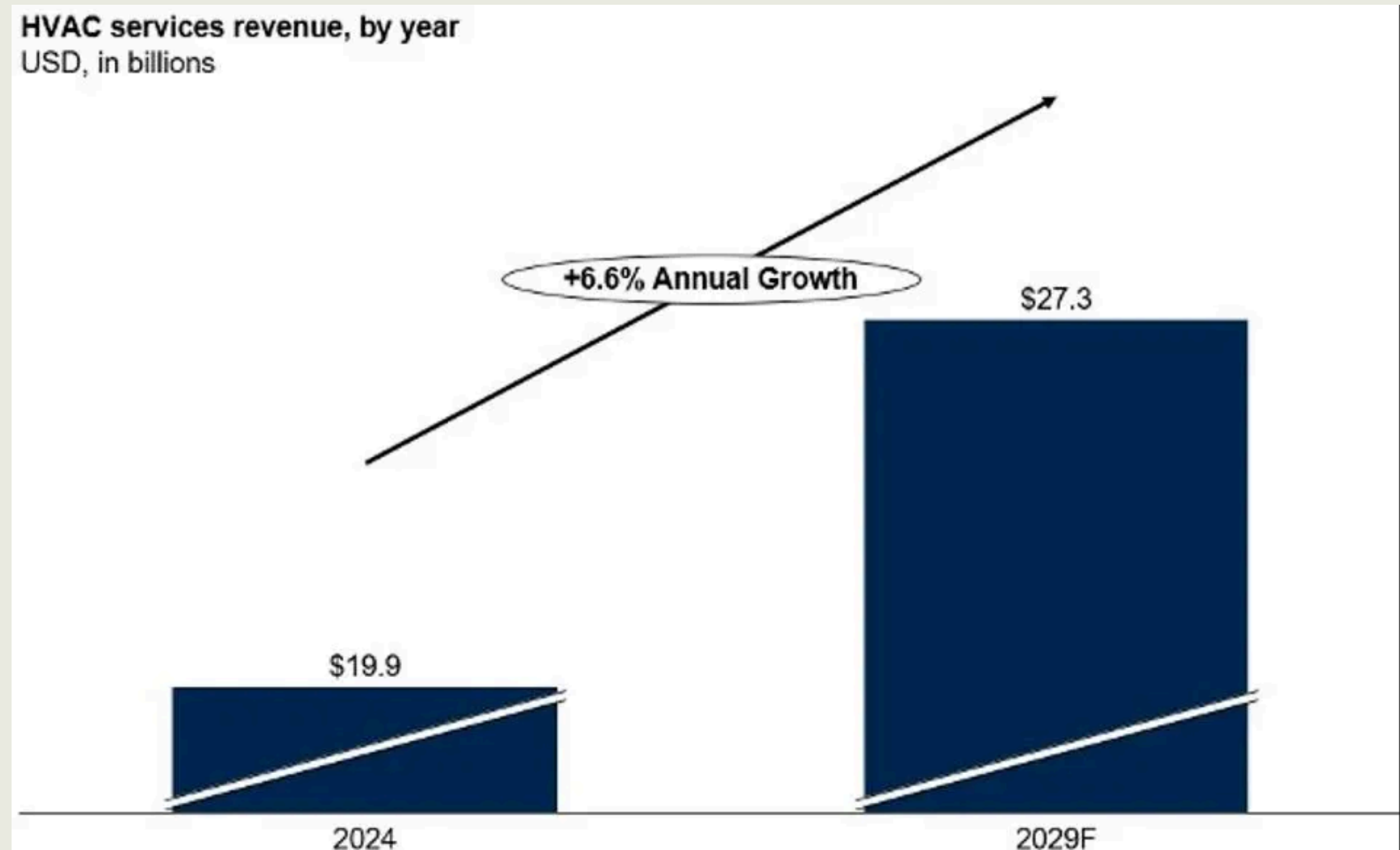
RECENT SURGE OF INVESTMENT INTO HOME SERVICES

COVID-19 Catalyzed Growth

COVID-19 drove a significant increase in demand during the late part of 2020 and into 2021. People were in their homes for a significant period of time. Heavy usage and home improvement projects resulted in large demand spikes from the public.

Technological Advancements

Recent advances in technology have provided consolidators with more tools to successfully grow businesses after acquisition. Field services softwares, applications on smartphones, newly developed financing platforms driven by fintech growth, artificial intelligence, etc.



PLATFORM APPROACH



LESSONS FROM HISTORY

- Private equity investment into home services during the 1990s resulted in widespread failure
 - Frenzied approach to buying as competition heated up
 - Lack of focus on company culture and retention of skilled tradesmen
 - Failure to recognize the frustrations shared by customers and technicians - no attempt to bridge public perception gap
- Lessons from the past are being applied to avoid a similar outcome
 - Leveraging technology to increase efficiency and ability to share best practices amongst companies under a platform model
 - Focus on culture, retention, and career growth for employees
 - Recognition that the customer experience has been broken for a long time
 - This is the second most complained about industry in America behind auto sales



CIAG CONSULTING SERVICES

The private equity-owned home services industry relies on a wide array of consulting services. A few areas in which CIAG consultants help with:

- Product and Technology
- AI, programming, integrations
- Marketing
- Accounting
- FP&A
- Human Resources



Questions?

