

# HVAC SERVICES MARKET PLAYERS PLACE EMPHASIS ON TALENT AS DEMAND RISES

HVAC SERVICES SECTOR UPDATE | OCTOBER 2024



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Capstone Partners, a subsidiary of Huntington Bancshares Incorporated (NASDAQ:HBAN), has been a trusted advisor to leading middle market companies for over 20 years, offering a fully integrated range of expert investment banking and financial advisory services uniquely tailored to help owners, investors, and creditors through each stage of the company's lifecycle.

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# HVAC Services

## HVAC Services Market Players Place Emphasis on Talent as Demand Rises

### KEY SECTOR TAKEAWAYS

Capstone Partners' [Industrials Group](#) is pleased to share its Heating, Ventilation, and Air Conditioning (HVAC) Services sector report, with insights and analysis on sector trends and buyer activity. A surge in demand for HVAC services has been propelled by increased construction activity, stricter environmental regulations, and a growing focus on energy efficiency and smart building systems. Several additional key report takeaways are outlined below.

1. HVAC Services merger and acquisition (M&A) volume has bucked broader trends, rising 6.9% year-over-year (YOY) to 124 deals announced or completed year-to-date (YTD).
2. The HVAC Services sector has faced a shortage of qualified technicians due to an aging workforce, an insufficient number of new entrants, and the technical training required to stay up to date with modern HVAC technologies.
3. With the U.S. Federal Reserve's September 50 basis point rate cut, lower borrowing costs are expected to encourage additional real estate investment and construction activity, lending to the blossoming HVAC Services M&A market.
4. Private equity firms have continued to be active in the sector, bolstering portfolio companies through operational improvements, technology adoption, and strategic investments.
5. Given the high level of investment interest in this sector, many founders have been happy to roll over some equity into the acquiring business and have the opportunity to have 'two bites of the apple' from selling their businesses.

Capstone Partners has developed a full suite of corporate finance solutions, including, financial advisory services, merger and acquisition advisory, debt advisory, and equity capital financing to help privately owned businesses and private equity firms navigate through each stage of a company's lifecycle.

To learn more about Capstone's wide range of advisory services and HVAC Services sector knowledge, please [contact us](#).

## RACE FOR TALENT RAMPS UP IN THE HVAC SERVICES MARKET

Increased construction activity, stricter environmental regulations, and the current corporate interest in energy efficiency and smart building systems has propelled demand for HVAC services and technicians. The Federal Reserve's September 50 basis point interest rate cut is expected to lower borrowing costs and spur additional real estate investment and construction activity. "If we have a series of rate cuts over the next three to six months, that will likely start to show up in lower construction [loan] rates and greater availability of equity investment toward the end of this year and into next year," John Sullivan, Chair of the U.S. Real Estate practice at DLA Piper, said in a September Construction Dive article.<sup>1</sup> Public strategic Comfort Systems (NYSE:FIX) has capitalized on robust demand, recording second quarter revenues of \$3.7 billion, a \$621.3 million or a 20.4% increase YOY, according to its recent earnings call.<sup>2</sup> Heightened demand has pushed companies to prioritize recruitment efforts, offer incentives, and invest in apprenticeship programs to train the next generation of HVAC technicians. Smaller businesses have found it challenging to compete with larger firms that can offer more attractive compensation packages, adding to the overall competition in the space and ripening of the M&A market. As the HVAC Services sector evolves, the competition for talent is likely to intensify, with companies that invest in technician development and career advancement standing to benefit the most.

Services sector participants have increasingly sought talent acquisitions of highly-skilled technicians capable of installing, maintaining, and repairing more modern, complex HVAC systems. The sector continues to face a shortage of qualified workers amid an aging workforce and an insufficient number of entrants. This shortage has led to a fiercely competitive labor environment where companies are not only vying for new talent but are also striving to retain their experienced technicians with higher salaries, benefits, and career development opportunities. Technicians with an undergraduate degree in HVAC can earn a median salary 32% higher than those without. Additionally, HVAC technicians with a master HVAC license earn an average annual income of \$77,000 compared to \$63,264 for those without a master license, according to a report from Workwave.<sup>3</sup> Strategics and private equity firms in the space have increasingly invested in HVAC technician training services to capitalize on heightened demand and retain key personnel. This has included private equity firm Southfield Capital, which acquired Business Development Resources (BDR) in July for an undisclosed sum. BDR provides coaching and training services for HVAC, plumbing, and electrical contractors. Companies have raised wages and benefits but also invested heavily in training and development to attract and retain talent as the skills gap widens, exacerbated by an aging workforce and a lack of new entrants. "Technicians at the HVAC businesses [private equity firms] acquire get a 20% pay bump in the first year after a company is sold, mostly through a combination of higher wages, bonuses and commission," according to a *Wall Street Journal* article.<sup>4</sup> This trend is expected to continue as the sector evolves, with talent acquisition and retention remaining key priorities for sustained growth and success.



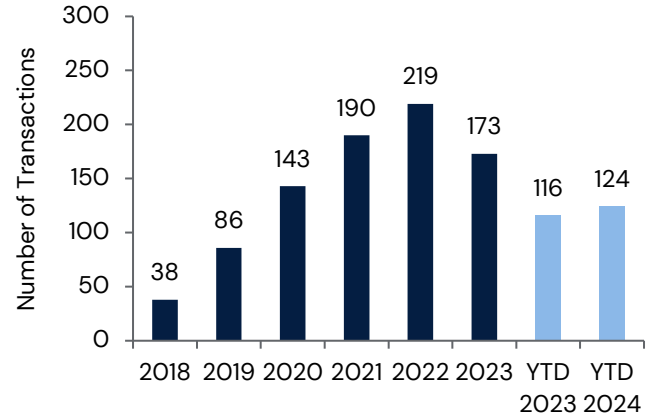
**Ted Polk,**  
Managing Director

As recently noted in a *Wall Street Journal* article, "A decade ago, nine out of 10 small-business owners in the skilled trades looking for a buyout wanted to retire and be done. These days, a growing number of them don't want to ride off into the sunset. Around a third are entrepreneurs who want to stay with the company and find ways to grow. They see what they can do on their own is a fraction of what they could if they had somebody behind them, saying, 'I'll help you buy these guys and those guys.' Next thing you know, you're running an empire."

## RECURRING REVENUE, DEMAND TOP OF MIND FOR PRIVATE EQUITY

HVAC Services M&A volume has risen 6.9% YOY to 124 deals announced or completed YTD. Transaction inventory in 2024 has remained robust in the space, characterized by low barriers to entry as HVAC Services players roll up competitors to bolster workforces across the U.S. Strategic buyers have retaken the lion’s share (62.9%) of deals—a trend not seen since 2020. Private strategic deal volume has grown 32.5% YOY to comprise 46% of transactions. Meanwhile, public strategic deal volume has risen 250% YOY to 21 deals to-date. Private equity add-on acquisitions have fallen 38.9% YOY as many sponsors have continued to transact at a slower pace, opting to grow portfolios organically. Platform acquisitions have remained flat as private equity firms prepare to deploy dry powder and utilize debt financing amid a more favorable borrowing environment.

**HVAC Services M&A Ticks Up Through Year to Date**

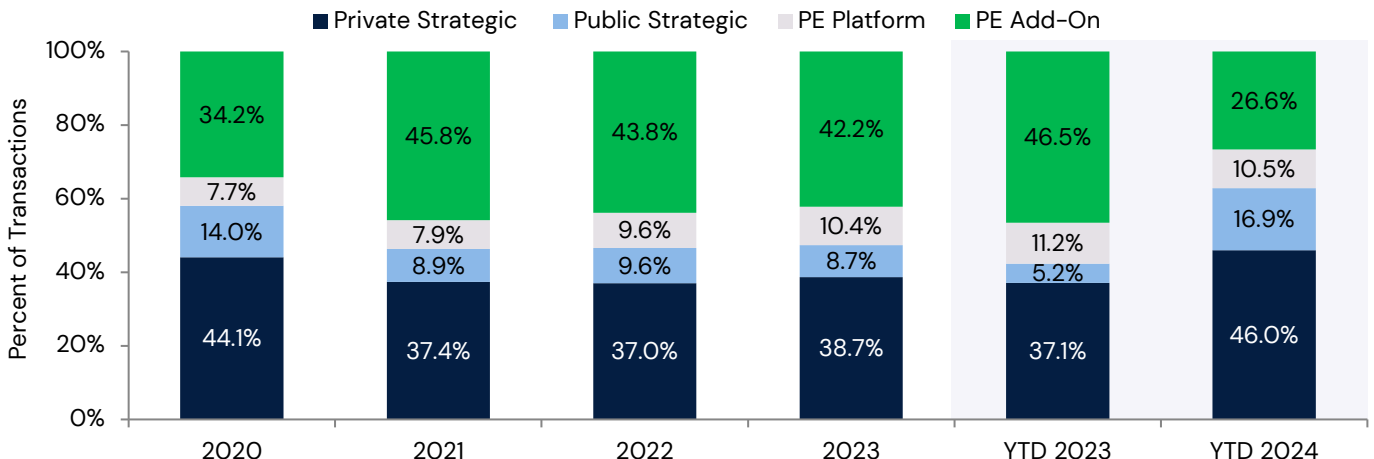


Year to date (YTD) ended September 6  
 Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

Private equity has maintained its affinity for the HVAC Services sector due to its resilience, recurring revenue streams, and strong growth potential. HVAC services—ranging from installation and maintenance to repair—have remained essential to both Residential and Commercial end markets, driving steady demand even during economic downturns. As buildings age and new energy-efficient technologies emerge alongside regulations and incentives to cultivate rapid adoption, customers are expected to require upgrades, repairs, and replacements for their HVAC systems, ensuring a reliable flow of business.

The sector has remained a compelling choice for private equity as many sponsors have bolstered portfolio companies’ operations, technological capabilities, and strategic investments to generate healthy long-term returns. Of note, Stellex Capital Management acquired TriplePoint MEP Holdings, a full-service HVAC and refrigeration contracting provider, from Caymus Equity Partners for an undisclosed sum (May). TriplePoint represents the holding company of a previous single-state provider, Temp-Con, and has since become a leader within the U.S. TriplePoint has closed six deals since 2019, and increased EBITDA of its portfolio companies 50% on average, according to a deal press release.<sup>5</sup>

**Strategic Buyer Activity Swells, Private Equity Firms Remain Sidelined Amid High Interest Rates**



Year to date (YTD) ended September 6  
 Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

## LEADING PRIVATE EQUITY PLAYERS UPHOLD SECTOR CONSOLIDATION



In September, LP First Capital-backed Cascade Services, a residential tri-trade services platform, announced the acquisitions of Sun Plumbing and Smith & Keene (S&K) Home Services for undisclosed sums. The announcement marks its 10th and 11th acquisitions over the last two years. Sun Plumbing expands Cascade’s footprint in Florida, providing a plumbing partner to established HVAC customers of portfolio companies Mid Florida Heating & Air and Kabran. Virginia-based S&K Home Services, provides heating, cooling, indoor air quality, plumbing, and electrical installation and repair services. The acquisition serves as a carve-out of the business’ Retail (Installation) and Service (Repair) divisions from parent Smith & Keene Electric Service. The two acquisitions are expected to be immediately accretive to the Cascade Residential Services platform and advance their strategic plan to consolidate and grow the South Atlantic and Gulf States regions, provide opportunities for vendor expansion, and improve customer service options.

Morgan Stanley Capital Partners (MSCP)-backed Sila Heating & Air Conditioning acquired Allied Experts for an undisclosed sum in August. Allied Experts is a home comfort service provider based in New Jersey. The deal marks Sila’s ninth acquisition announced or completed YTD and its 31<sup>st</sup> since MSCP’s investment. The platform has also expanded in New England and Pennsylvania with the acquisitions of Dave’s World (July, undisclosed) and Gary & Sons (July, undisclosed).

“Allied Experts has consistently demonstrated a distinctive commitment to helping homeowners achieve greater comfort, better indoor air quality, and more energy-efficient homes. This partnership aligns perfectly with Sila’s mission to deliver unparalleled home services and enhances our range and scope of services in New Jersey by providing residents with exceptional solutions that reduce energy costs, improve comfort, and decrease environmental impact,” commented Jason Rabbino, CEO of Sila, in a press release.<sup>6</sup>



White Wolf Capital Group’s platform, Seacoast Service Partners (SSP), announced its acquisition of Advanced Cooling and Heating (ACH) for an undisclosed sum in August. ACH, an HVAC and refrigeration servicing company, marks the platform’s fifth acquisition. SSP has actively sought add-on acquisition opportunities of companies in the Southeastern U.S. with revenues up to \$25 million, loyal customer bases, strong relationships with suppliers and vendors, and geographic presence that can expand Seacoast’s existing business lines, according to a press release.<sup>7</sup>

Gamut Capital Management, a New York-based middle market private equity firm, announced its acquisition of Airtron Heating & Air Conditioning, an HVAC maintenance provider, from NRG Energy, (NYSE:NRG) for an enterprise value of \$500 million, equivalent to 8.6x EV/EBITDA (August). Airtron is a residential new construction HVAC installation provider trusted by homebuilders nationwide serving the U.S. across 13 metropolitan statistical areas (MSAs) in Texas, the Midwest, and Mid-Atlantic regions, according to a press release.<sup>8</sup>

“The acquisition of Advanced Cooling and Heating represents an ideal fit for Seacoast’s expansion strategy across Florida, providing Seacoast with an entry point into Florida’s fast-growing Palm Beach County and complemented by a strong management team led by Erik Bryson and Victor Da Silva,” said Blake Conner, Managing Director of White Wolf, according to the press release.

“As a standalone business, we are fully dedicated to strengthening our customer and supplier relationships and are excited to enhance our service offerings through re-investment in the Company. Together, we look forward to developing the platform both organically and through acquisitions to expand our geographic presence and customer value proposition,” said Jeff Morrow, CEO of Airtron, according to the press release.

## SELECT M&A TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Buyer Type
09/05/24	Sun Group Enterprises	Cascade Residential Services	Offers contracting services.	PE Add-On
09/05/24	Smith and Keene Electric Service	Cascade Residential Services	Provides heating and cooling, electrical, and plumbing services.	PE Add-On
08/27/24	HVAC Services	Green Mechanical Construction	Services commercial refrigeration, indoor air quality, energy efficiency, new construction, and sheet metal.	Private Strategic
08/20/24	Allied Experts	Sila Heating & Air Conditioning	Provides home comfort services, such as heating, cooling, plumbing, and home performance solutions.	Private Strategic
08/20/24	Advanced Cooling and Heating	Seacoast Service Partners	Operates as a cooling and heating service provider.	PE Add-On
08/14/24	Elite Electric Plumbing and Air	Southern Home Services	Provides plumbing, HVAC, and electrical services.	Private Strategic
08/08/24	Airtron Heating & Air Conditioning	Gamut Capital Management	Operates as a heating and air conditioning installation provider for new home constructions.	PE Platform
08/04/24	The Spears Group	Mako Industries	Offers installation, repair, and maintenance of HVAC, air cleaners, and commercial refrigeration.	Private Strategic
08/01/24	Virginia Technical Institute Educational Components	Liberty University	Provides hands-on training in the fields of electrical, plumbing, heating and air, welding, and pipe-fitting.	Private Strategic
07/31/24	Feldkamp Enterprises	Marsden Services	Offers HVAC maintenance, plumbing, retrofit and installation, and engineering services.	Private Strategic
07/23/24	Smith-Boughan	Exigent Services	Provides mechanical services.	PE Add-On
07/12/24	Frost Air Services	Quality Heating & Cooling	Offers air conditioning and heating repair, maintenance, and installation services.	Private Strategic
07/10/24	Dave's World	Sila Heating & Air Conditioning	Operates as a heat pump installer.	Private Strategic
07/10/24	Business Development Resources	Southfield Capital	Provides coaching and training services for HVAC, plumbing, and electrical contractors.	PE Platform
07/03/24	Gary & Sons	Sila Heating & Air Conditioning	Offers heating and air conditioning repair services.	Private Strategic
06/12/24	SI Mechanical	PremiStar	Provides commercial HVAC and plumbing services.	PE Add-On
06/10/24	TriplePoint MEP	Stellex Capital Management	Offers full-service commercial heating, ventilation, air conditioning, and refrigeration contracting services.	PE Platform
06/04/24	5 Seasons Mechanical	Thermal Concepts	Provides HVAC and refrigeration maintenance and installation services.	PE Add-On
05/23/24	Cardinal Heating and Air Conditioning	SE Capital Partners	Operates as a plumbing, electrical, and indoor comfort solutions provider.	PE Platform
05/21/24	Heating Academy Northampton	Warmur Academy	Educates heating engineers.	Private Strategic
05/17/24	Air Mechanix	Profit Rocket Group	Offers HVAC installation and repair services.	Private Strategic
05/02/24	Dahms Refrigeration Services	Refrigeration Design & Service	Manufactures industrial refrigeration systems.	Private Strategic

PE=Private Equity; Source: Capital IQ, PitchBook, FactSet, and Capstone Partners





## CAPSTONE CASE STUDY

Capstone Partners advised National Grid on the divestiture of its Energy Management business—a division that services commercial energy plants—to Radius Mechanical.

Founded in 1996, National Grid Energy Management (NGEM) is a commercial energy service company that partners with businesses and municipalities to repair, maintain, and operate their energy plants. NGEM helps businesses in New York City and Long Island utilize renewable energy to grow more efficient and help protect the environment. In addition to renewable energy, NGEM successfully operates and maintains heating and power plant facilities within the NY Metropolitan area under long-term contracts and agreements, and its client list features a number of Fortune 500 companies. For more information, please visit [NationalGrid.com](https://www.nationalgrid.com).

Radius Mechanical, located in New Rochelle, New York, provides large scale commercial mechanical services throughout the New York Metropolitan area and the acquisition of NGEM is complementary with its current operations. Founded in 2018, it is a minority- and veteran-owned business with expertise in engineering and technical services. Radius primarily operates in the Mechanical Engineering space within the Engineering, Accounting, Research, and Management Services sectors.



**// NGEM is primarily known for its important role in helping maintain the heat plant in multi-family residential buildings operated by NYCHA, the largest public housing authority in North America. We are pleased that Radius Mechanical, NGEM's new owner, is an experienced operator with knowledge of NYCHA properties and we wish them well for future success. //**

**Ted Polk**  
Managing Director, Capstone Partners



## PUBLIC COMPANY DATA

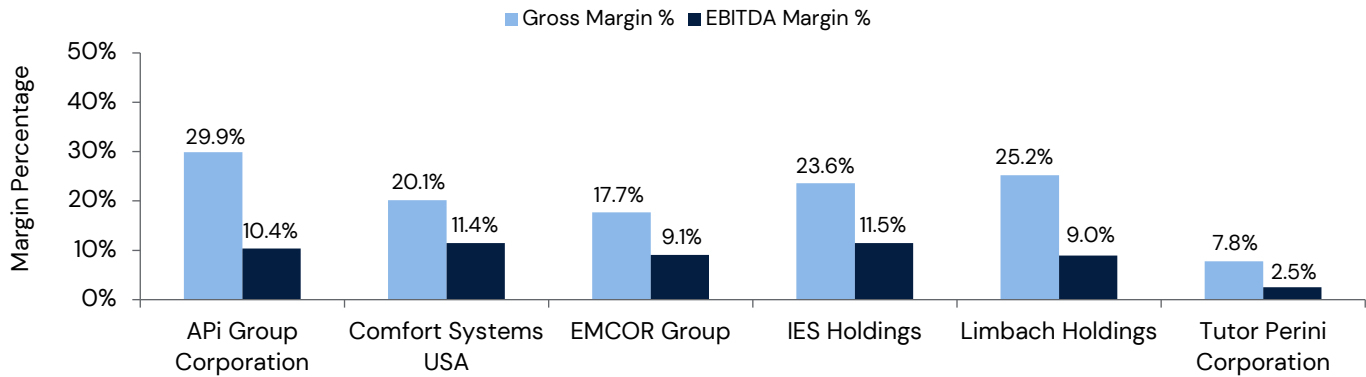
Company	Price 09/24/24	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
APi Group Corporation	\$33.99	85.0%	\$9,336.9	\$12,127.9	\$6,874.0	\$712.0	10.4%	1.8x	17.0x
Comfort Systems USA, Inc.	\$388.18	98.7%	\$13,805.1	\$13,932.0	\$6,083.0	\$803.8	13.2%	2.3x	17.3x
EMCOR Group, Inc.	\$433.56	98.1%	\$20,228.8	\$19,787.4	\$13,746.0	\$1,244.5	9.1%	1.4x	15.9x
IES Holdings, Inc.	\$188.66	96.2%	\$3,769.1	\$3,818.6	\$2,757.6	\$343.6	12.5%	1.4x	11.1x
Limbach Holdings, Inc.	\$73.83	89.8%	\$832.3	\$815.9	\$511.7	\$51.0	10.0%	1.6x	16.0x
Tutor Perini Corporation	\$25.55	94.5%	\$1,338.5	\$1,811.0	\$4,258.6	\$175.1	4.1%	0.4x	10.3x

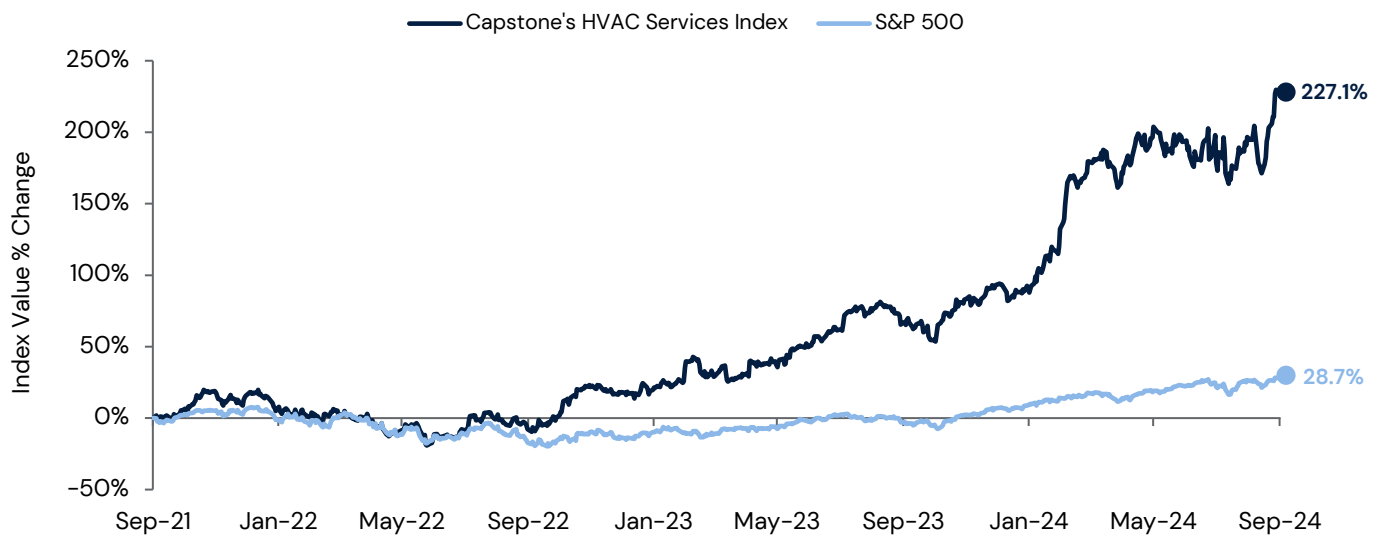
<b>Mean</b>	<b>9.9%</b>	<b>1.5x</b>	<b>14.6x</b>
<b>Median</b>	<b>10.2%</b>	<b>1.5x</b>	<b>16.0x</b>
<b>Harmonic Mean</b>	<b>8.5%</b>	<b>1.1x</b>	<b>14.0x</b>

EV = enterprise value; LTM = last twelve months  
 \$ in millions, except per share data  
 NM = Not Meaningful

### HVAC Services Players Demonstrate Strong Last Twelve-Month Margin Performance



### Capstone's HVAC Services Index Value Significantly Outpaces S&P 500



Capstone's HVAC Services Index includes: APG, EME, FIX, IESC, LMB, TPC  
 Source: Capital IQ and Capstone Partners as of September 24, 2024

## BUYER UNIVERSE

Capstone has built relationships with and tracked buyers that have been highly acquisitive in the HVAC Services sector, particularly those that have completed notable M&A transactions. Our sector knowledge and network provides us with unique insights into this buyer universe and industry and growth drivers for the companies within it.

### Leading Strategic Buyers



### Leading Financial Buyers



Source: Capstone Partners

## HVAC SERVICES REPORT CONTRIBUTORS



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Ted is a Managing Director at Capstone Partners. Prior to joining Capstone in 2010, Ted ran the corporate finance practice in the Central region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. He has over 30 years of experience working with businesses across a variety of industrial and tech-enabled markets and has focused interest in working with HVAC and energy management related businesses. Early in his career, Mr. Polk also provided valuation advisory services for an entity now owned by Duff & Phelps and was a lender to the Utility industry in the Corporate Banking Group at The Bank of New York and its predecessor Irving Trust Company.

Ted is an active public speaker on business exits and recapitalizations of privately owned businesses and is a frequent recipient of industry awards for his advisory services. Ted was recognized by the Global M&A Network for his participation in both the Canadian Deal of the Year in 2022 and the Aerospace and Defense Deals of the Year in 2024 and 2021. He was similarly recognized in 2018 for his involvement in the USA Recapitalization Deal of the Year, in 2017 for his participation in the U.S. Corporate M&A Deal of the Year and in 2015 for USA Recapitalization Deal of The Year. Previously, he was also recognized by the M&A Advisor in 2016 for his role on the Professional Services Deal of the year and was also previously recognized by this organization for his role on transactions awarded the Middle-Market M&A Deal of the Year, the Middle-Market M&A Financing Deal of the Year, and the Cross-Border Middle-Market Deal of the Year.



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Sam is a Managing Director at Capstone Partners with nearly 20 years of experience serving clients on transactions involving mergers, acquisitions, divestitures, valuations, recapitalizations and other corporate finance assignments. He has amassed extensive M&A experience across several diverse industrial sectors, including facility and residential services, value-added distribution, packaging, building products and services, energy, niche manufacturing, and specialty chemicals. Sam has successfully closed M&A transactions for entrepreneurs, private equity clients, and large and small public companies. Over the course of his career, Sam has participated as an advisor on M&A transactions with aggregate value in excess of \$3 billion. Prior to joining Capstone, Sam was a senior investment banker at Prestwick Partners. Earlier in his career, Sam worked for Colorado Capital Management, an investment advisor focused on financial planning and wealth management for high-net-worth individuals, families, and foundations.



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Neve serves as a Market Intelligence Analyst at Capstone Partners covering the Industrials industry. Prior to joining the firm's Market Intelligence Team, Neve was an intern at the Bank of New York Mellon and Gray Private Wealth. Neve graduated with a Bachelor's of Science degree in Finance from Bentley University.

## FIRM TRACK RECORD

Capstone Partners has represented a diversified group of HVAC and infrastructure-related companies that serve both Residential and Commercial marketplaces. Our [Industrials Group](#) has an active market presence in the HVAC sector, allowing Capstone to provide HVAC companies with experienced, up-to-date market data and access to key decision makers among the sector’s most active acquirers and investors.

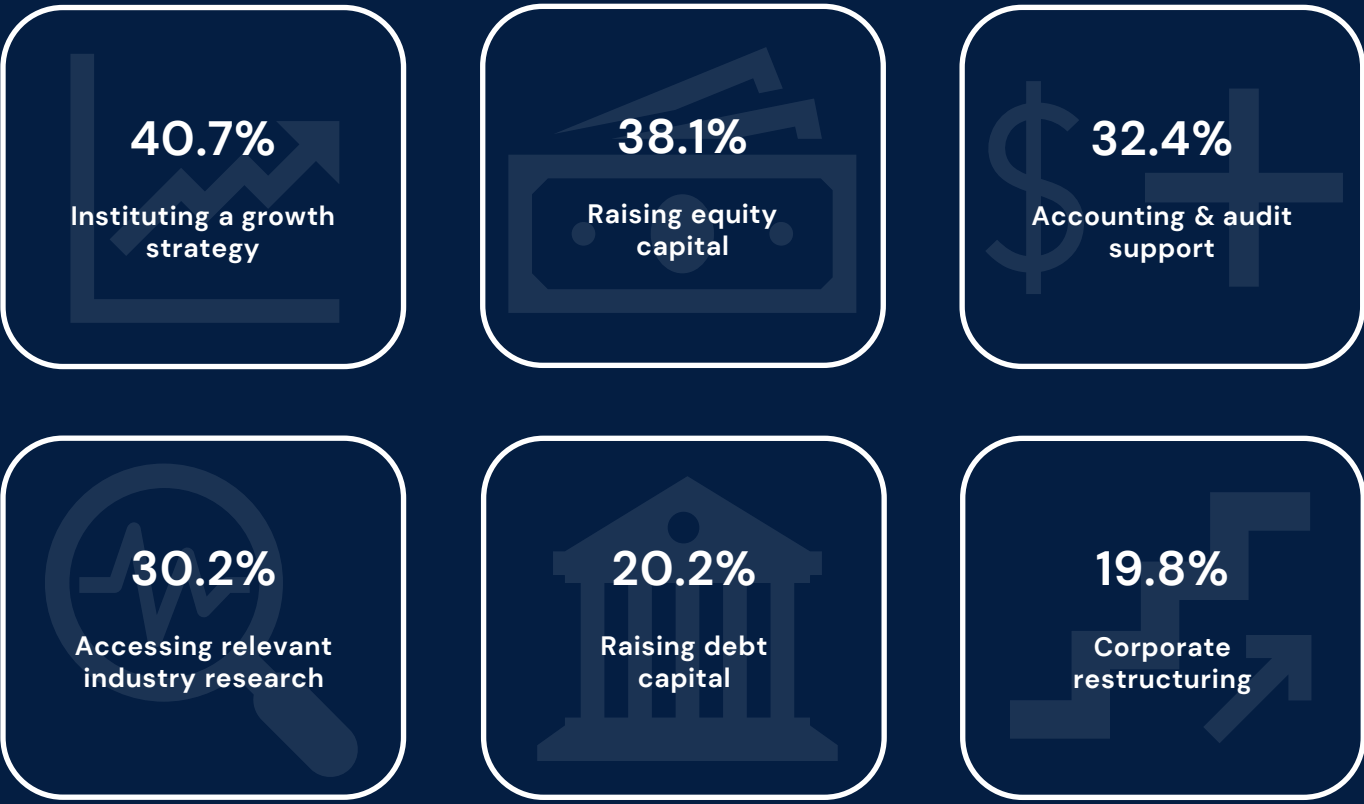
<p><b>CONFIDENTIAL</b></p> <p>IN CLOSING</p> <p>MANUFACTURER OF ENVIRONMENTAL CONTROL SYSTEMS</p>	<p> Eaglestone</p> <p>HAS RECEIVED DEBT FINANCING FROM</p> <p></p>	<p></p> <p>HAS DIVESTED</p> <p></p>	<p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p> <p>EAGLESTONE, LLC A PORTFOLIO COMPANY OF </p>
<p> <b>SCFS</b> Mechanical - Electrical - Plumbing</p> <p>HAS BEEN ACQUIRED BY</p> <p> <b>ServiceLogic</b> Building Efficiency and Sustainability A PORTFOLIO COMPANY OF </p>	<p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p>	<p></p> <p>HAS BEEN ACQUIRED BY</p> <p></p>	<p> <b>POWRMATIC</b> A portfolio of </p> <p>HAS BEEN ACQUIRED BY</p> <p></p>
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## CAPSTONE’S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The stage and initiatives of a business often dictate which financial services are in demand. As the bulk of CEOs polled in Capstone’s 2024 Middle Market Business Owners Survey indicated growth strategies are a priority for 2025, the lion’s share (40.7%) of owners anticipate a need for growth strategy support services. Similarly, 38.1% of CEOs require equity capital advisory services to support operational initiatives and business expansion. Nearly one-third of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, 30.2% of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company’s lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed specialty advisory practices to provide financial performance, buy-side, employee stock ownership plan (ESOP), and equity and debt services. All of these capabilities are supported by 12 industry banking groups, an active sponsor coverage group, and a dedicated Market Intelligence Team.

### Top Financial Services Required by Business Owners in 2025



*Question: Have you ever had, or do you anticipate having, a need for any of the following services?  
Source: Capstone Partners’ Middle Market Business Owner Survey, Rebased Sample Size (N): 278*



## ENDNOTES

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### Disclosure

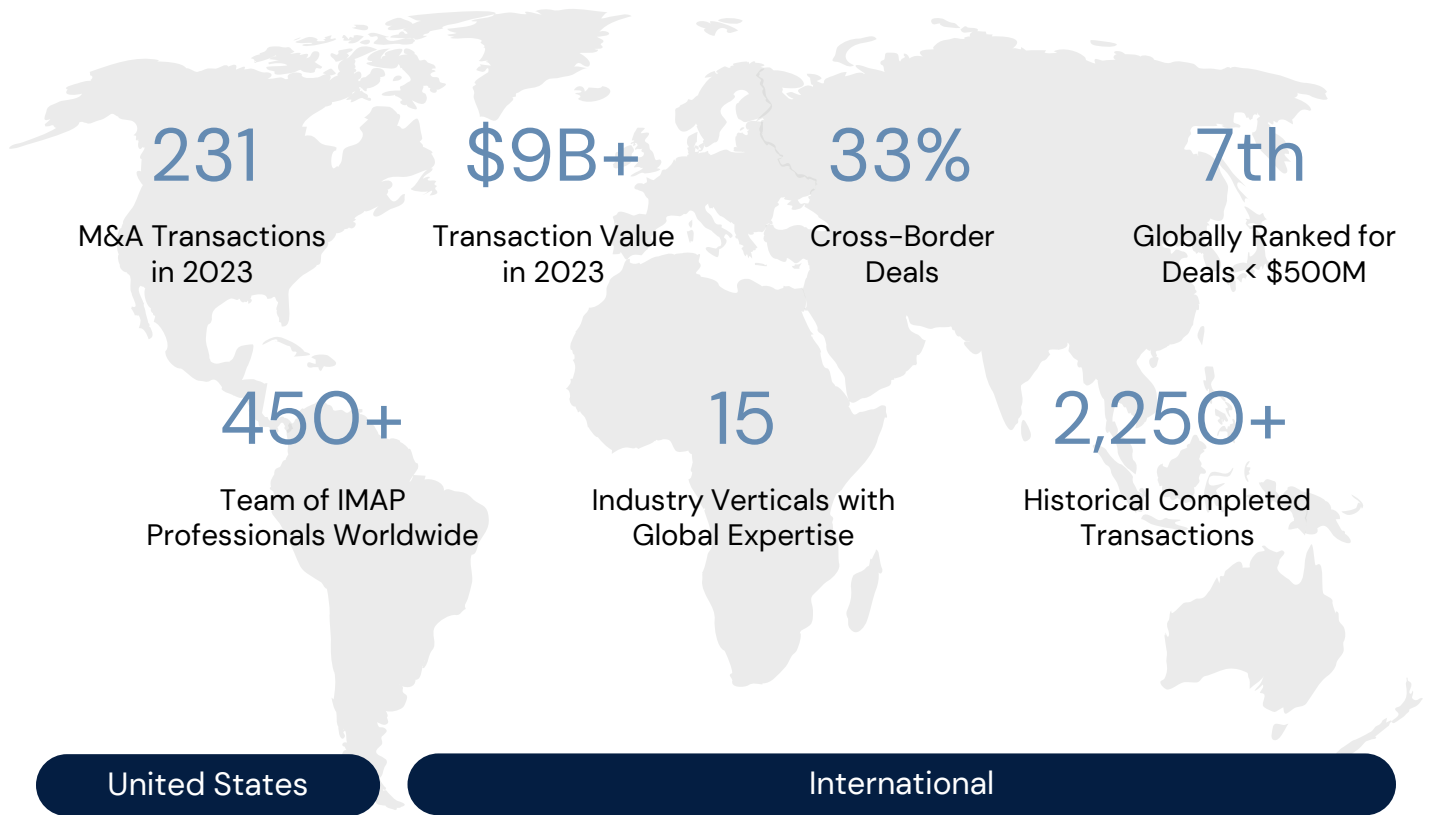
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## Market Presence

With a long-established U.S. footprint, together with an international partner platform, we provide clients with broad expertise and access to key market relationships on a global basis. Our presence is backed by ~200 professionals in the U.S. with 450+ professionals across 41 countries.



### United States

~200 professionals  
8 offices

Boston · Denver · Chicago · Dallas  
Detroit · Irvine · New York · Tampa

### International

450+ professionals  
60+ offices in 41 countries

Asia: China · India · Japan · Thailand  
Africa: Congo · Egypt · Ghana · Mauritius · Morocco · Senegal · South Africa  
Americas: Toronto · Vancouver · Argentina · Brazil · Chile · Colombia · Mexico · Paraguay · Peru  
Europe: Belgium · Bosnia & Herzegovina · Croatia · Czech Republic · Finland · France · Germany  
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