



## **Industry Focus: M&A for HVACR Companies in the COVID-19 World**

By Brooks Crankshaw, Managing Director

As I wrote in HVACR Business earlier this month (<https://bit.ly/2JhfjBI>), activity in the M&A and financing markets continues to be strong for companies in the industry. The earth shattering COVID-19 events have had marginal effect on buyers' appetite for good HVACR companies, and most lenders remain willing to provide funding.

In many states, HVACR activities are considered "essential," causing less disruption to business. Although major projects are negatively affected (i.e., new or renewed systems at schools that have been shut down), maintenance projects are either moving forward or only temporarily delayed. Emergency business, in both residential and commercial sides of the market, continues with urgency. As was the case before the COVID-19 crisis, HVACR companies with large maintenance business or those in metropolitan areas will find it easier to find a buyer or obtain financing.

Particularly in those "essential" states, industry leaders are cautioning against making claims that HVAC systems have the ability to cleanse the air of viruses such as COVID-19. Although some technologies may be effective in purifying air, there is limited scientific evidence of the degree of efficiency and caution is recommended. Aggressive marketing strategies may draw incremental revenue but will ultimately affect the company's image and ability to get financing, if necessary.

In our business, we have implemented varying degrees of adjustment in our advice to clients, customizing our strategies to fit each unique situation. We are finding that financial and corporate owners of HVACR companies have started assessing their situations and creating financing strategies to manage their business in the current environment. Generally, since companies have grown accustomed to the logistics of working remotely, many are open for business again. Investors remain highly interested in either acquiring or financing HVACR businesses, and valuations will track with the financial results of the business.

Finally, for HVACR companies in the residential market, the risks associated with COVID-19 exposure among technicians must be addressed. Medical professionals have provided several preventative measures for the community, and I urge all of our partners in the industry to take precautions in order to protect employees as much as possible.

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