NEPONSET RIVER

WEALTH STRATEGIES

A WHITE PAPER FOR HVAC BUSINESS OWNERS

The HVAC Owner's Manual

What your company is worth, how to keep more of what it earns, and how to turn thirty years of hard work into a retirement ***you actually control.***

23%	8× EBITDA	92%
of HVAC acquisitions went to private equity in 2024 — nearly triple the year before	where quality HVAC businesses have been trading, ~20% above pre-pandemic	of smaller businesses whose owners hit retirement age are projected to close — not sell

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Somebody Has Probably Already Tried to Buy Your Company

If you own an HVAC business of any real size, check your inbox. Or your mailbox. Or your voicemail. Somewhere in there, odds are, sits a message from a private equity firm, a broker, or a “buy-side advisor” who would love fifteen minutes of your time.

This isn't a coincidence, and it isn't flattery. It's arithmetic. Roughly two dozen institutional platforms are actively buying heating and cooling companies across the country right now, carving up a U.S. HVAC market worth nearly $89 billion.

Here's what almost nobody is telling you: **whether or not you ever sell, this consolidation wave has quietly changed your financial life.** The market has put a real, dollars-and-cents price on businesses like yours. For most owners, that number is the single largest asset they own — sitting completely unprotected, undiversified, and unplanned.

The concentration problem

You tell customers this all the time: the system that gets no maintenance is the one that fails on the hottest day of the year. Then most owners run their own financial lives exactly that way. Exit-planning research consistently finds owners hold **70–80% of their net worth inside the business** — in the trucks, the customer list, and the phone that rings because of your name. Of businesses that actually go to market, only 20–30% complete a sale.

You don't fix concentration by panicking, and you don't fix it by selling tomorrow. You fix it the way you'd fix a neglected system: a proper inspection, a maintenance plan, and steady work over time.

> *Most owners carry 70 to 80 percent of their net worth in a single, illiquid asset.*

88%	$89B	3M
year-over-year jump in PE-backed add-on acquisitions of HVAC companies through mid-2025	size of the U.S. HVAC market the consolidators are competing to buy	U.S. businesses owned by someone 55 or older — a $5 trillion transfer coming by 2035

What Your Company Is Actually Worth

Ask ten HVAC owners what their business is worth and you'll get ten guesses: a rumor about what a competitor got, a number they need for retirement, or pure gut feel. Buyers don't use any of those. **They use math, and the math is worth understanding.**

Smaller, owner-operated shops (typically under $3M revenue) are valued on **seller's discretionary earnings (SDE)** — net profit plus your salary and perks. The buyer asks: "How much will I personally make running this?" These shops have typically traded around **2.5–3.5× SDE.**

Larger companies with management in place get valued on **EBITDA.** Here the buyer asks: "How much does this business produce without me in it?" Average HVAC EBITDA multiples have been running around **8×** for quality businesses — with strong residential service companies commanding even more.

Same industry, same trucks, wildly different outcomes. A company earning $500,000 might be worth $1.5 million on one yardstick and $4 million on the other. **The difference isn't luck. It's structure.**

VALUE DRIVER	BUYERS PAY MORE FOR...	BUYERS DISCOUNT FOR...
Revenue mix	**Recurring maintenance agreements; service & replacement work**	**Heavy reliance on new-construction installs**
Owner dependency	**A business that runs on systems and a management layer**	**Customers who call because of you personally**
Customer base	**Hundreds of residential accounts; no client over 10–15% of revenue**	**One GC or property manager driving a third of sales**
Financials	**Clean, accountant-prepared books with verifiable margins**	**Heavy "adjustments" and personal expenses buyers can't verify**
Workforce	**Licensed techs with tenure, low turnover, a bench**	**Chronic understaffing; key techs likely to leave at sale**

Valuation isn't weather. It's maintenance.

Every item in the middle column is something you can start working on this quarter. Owners who spend two or three years deliberately building recurring revenue, documenting systems, and getting out of the critical path routinely **add significant value to their eventual sale price** — and run a less stressful company in the meantime. One timing note: analysts describe residential HVAC as roughly midway through its consolidation cycle. The window for selling into a seller's market is real, measurable, and not permanent.

Keeping More of What You Earn

For most owners, the biggest wealth leak isn't a bad sale someday. It's the tax bill, every single year, on a business that was never structured with taxes in mind. Most of that bill is set long before your CPA opens your file in February — the entity structure was whatever it was, the equipment was bought when it was bought, the retirement plan either existed or it didn't.

> *Tax preparation looks backward. Tax planning looks forward. Most HVAC owners are paying for the first and assuming they're getting the second.*

Entity structure that fits the business you have now

Plenty of seven-figure HVAC companies still run on the structure set up at a kitchen table twenty years ago. The right entity — and for S corporation owners, the right balance of salary versus distributions — can meaningfully change your self-employment and income tax picture. The wrong one quietly costs them each year. Revisit it every few years, not once.

Equipment write-offs got dramatically better

The 2025 tax law permanently restored **100% bonus depreciation** for qualified equipment and raised the **Section 179** limit to **$2.5 million.** Trucks, recovery machines, diagnostic tools, software, even certain building improvements can now be fully deducted in year one. The strategy isn't “buy stuff for the write-off” — it's timing purchases you were making anyway so they land in your highest-income years.

The 20% deduction hiding in plain sight

The qualified business income (QBI) deduction lets pass-through owners deduct up to **20% of qualified business income** — and it's now permanent. Better still: HVAC contracting is not a “specified service” business, so high-earning owners can generally keep the deduction. But it interacts with your S-corp salary, equipment write-offs, and retirement contributions — pull one lever and three others move.

A CPA is necessary. A CPA alone is not sufficient.

Most CPAs do exactly what they're hired for: file accurate returns and keep you compliant. That work looks backward by design. Tax strategy looks forward — entity decisions, purchase timing, plan design, and eventually the structure of a sale, which can swing after-tax proceeds by hundreds of thousands of dollars. **The owners who keep the most are the ones whose CPA and financial advisor talk to each other, before year-end instead of after.**

“The Business Is My Retirement Plan”

Say that sentence to a room full of HVAC owners and half will nod. The math disagrees, and not gently: on current trends, **92% of smaller businesses** whose owners reach retirement age will close rather than sell. “The business is my retirement plan” is a strategy with a documented failure rate north of two-thirds. **No one would install equipment with those specs.**

The alternative: a system that moves money out of the company and into your name every single year — with the IRS subsidizing the transfer, the law shielding it from business creditors, and your recruiting pitch getting stronger in the process.

Level one: the workhorse 401(k)

A safe-harbor 401(k) with profit sharing lets a 2026 owner defer **$24,500** of salary (plus an **$8,000** catch-up at 50+, and **$11,250** at ages 60–63), with total contributions reaching **$72,000** before catch-ups — all deductible to the business. And in this labor market, the PE platforms recruiting your technicians all offer a 401(k) with a match. A real plan partially pays for itself in reduced turnover.

Level two: the cash balance plan

The strategy most HVAC owners have never heard of — and the one with the biggest numbers. A cash balance plan is a modern defined-benefit plan that **stacks on top of a 401(k).** Because limits are driven by age and a target retirement benefit rather than a flat cap, the older you are, the more you can put in.

$150–175K
typical annual deductible contribution for a high-earning owner around age 50

$290K+
annual contributions approaching this level around age 60 — on top of the 401(k)

For the owner who spent twenty years reinvesting every spare dollar into trucks and people and is now “behind” on personal savings, this is the catch-up machine: **eight to ten years of large, deductible contributions can build a seven-figure asset outside the business** — in your name, tax-deferred, generally protected from business creditors, and completely indifferent to whether a buyer ever calls.

Fine print, honestly: contributions are required (not optional), employees must be covered, and the design works best with consistent profits. Whether one fits is exactly what a planning conversation is for.

> *A retirement plan doesn't compete with the business. It's the one investment that pays off whether the business sells for millions or closes quietly.*

When the Letter Arrives

The single most common way an HVAC owner sells is by responding to an unsolicited approach: unprepared, unrepresented, and negotiating against a team that buys companies for a living. The owner has sold one business in his life: this one, once. The person across the table closed three deals last quarter.

> *An unsolicited offer is priced for the buyer's benefit. One buyer is not a market. Preparation — not negotiation — is where sellers actually win.*

The two numbers that matter more than the offer

Your "enough" number. What does the life you want actually cost, after tax, for the next thirty years? Most owners have never run it. Which means when an offer lands, they're comparing it to a feeling, and a feeling can be talked up or down by a skilled buyer.

Your after-tax number. A "$4 million sale" is not $4 million. Asset-versus-stock structure, purchase-price allocation, state taxes, and installment timing can move the same headline price by hundreds of thousands of dollars. Planning the tax side two or three years ahead is often able to add value.

Four ways out — and the one to avoid

PATH	WATCH OUT FOR
Family succession	**Wishful thinking about capability; financing the buyout; treating non-business children fairly**
Key employees / ESOP	**Slower payouts; seller-financing risk; setup cost and complexity**
Strategic / PE sale	**Earnouts that never pay; rollover equity you can't control; employment terms; culture change for your people**
Orderly wind-down	**Decades of goodwill converted into the proceeds of an equipment auction — the default for owners who never plan**

Owners who run a real process: prepared financials, multiple bidders, put themselves in position to command **higher multiples and better terms** than those who negotiate alone with whoever called first. Watch the structure, not the headline: how much is cash at close versus earnouts you may never collect, and whether you're expected to roll equity and keep working for the new owner. If your goal is the beach, say so before the letter of intent, not after.

Wealth Beyond the Trucks

Everything above points at one destination: a personal balance sheet that doesn't live or die with the company. Treat the business like the concentrated position it is: hold it, grow it, and **methodically take chips off the table.**

1. Diversification on a schedule, not a whim

Money moves out of the business on autopilot, in priority order: tax-advantaged retirement plans first (biggest subsidy, creditor protection), then a taxable brokerage account: liquid, diversified, indifferent to the HVAC labor market — then real estate, starting with your own shop. Outside money should be boring. **The business is where you take your risk.**

2. Protection that matches reality

If the company is 75% of your net worth, insurance isn't paperwork, it's the firewall around three-quarters of everything you own: **own-occupation disability** on you, a **funded, current buy-sell agreement** if you have partners, **key-person coverage**, term life sized to the whole picture, and umbrella liability.

3. An estate plan that knows today's value

If your company is worth several million more than when you last signed documents, your estate plan may be quietly out of date in ways that cost your family real money. Many buy-sell agreements were never funded with insurance, or haven't been updated since the valuation doubled, either one turns a tragedy into a lawsuit.

4. A plan for Tuesday morning

The least-discussed risk of a successful exit is waking up with nothing to do. Owners who thrive after a sale planned their purpose: consulting, mentoring, family, the next venture, with the same seriousness as their finances.

> **Ask yourself the honest question**
>
> If the business disappeared tomorrow: a buyer fell through, your health changed, a platform started buying your techs, **how many years could your family live on what's saved outside the company?** For most owners, the answer is uncomfortable. It's also fixable.

The Ten-Minute Owner's Inspection

You wouldn't quote a system replacement without an inspection. Run the same diagnostic on your financial life. **Give yourself one point for every box you can honestly check:**

- ❑ I know, within a defensible range, what my business is worth today.
- ❑ Less than half of my total net worth is tied up in the business.
- ❑ I'm contributing the maximum I'm eligible for to tax-advantaged retirement accounts.
- ❑ My CPA and my financial advisor have spoken to each other in the last twelve months.
- ❑ I've calculated the after-tax amount I'd need to fund retirement without the business.
- ❑ The business could run for 90 days without me and not lose customers.
- ❑ I have a written succession or exit intention — even a rough one — with a target date.
- ❑ My buy-sell agreement (if I have partners) is funded and reflects current value.
- ❑ I reviewed my entity structure and compensation strategy in the last three years.
- ❑ If a serious offer arrived next month, I'd know how to evaluate it — and who to call.

8–10 · Rare Company
The conversation now is optimization — squeezing more from taxes, plan design, and timing.

4–7 · Typical — and Fixable
A focused year of planning usually moves owners in this range dramatically.

0–3 · Exposed
You've built something valuable with no protection around it. The single most expensive thing you can do from here is wait.

Whatever you scored — bring it to the call.
The complimentary review on the next page starts exactly here: we walk your inspection results together and identify the two or three items worth fixing first. Most owners are surprised how quickly the score moves.

WHERE TO GO FROM HERE

Your Business Gets Maintained on a Schedule. Your Wealth Should Too.

You've spent a career making sure other people's systems don't fail at the worst possible moment. Your financial life deserves the same standard of care: a real inspection, a clear diagnosis, and a maintenance plan built for how you actually live.

That's the work I do with HVAC owners: an integrated look at the **value of your company**, your **tax picture**, your **retirement plan design**, and your **eventual exit**, coordinated with your CPA and attorney, and built around your “enough number,” not a product pitch.

THE OWNER'S FINANCIAL INSPECTION

A complimentary, no-obligation conversation — typically 15 minutes. We’ll look for at least one specific thing you can act on, **whether or not we ever work together.**

CALL 508-492-3316

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BOOK Schedule your inspection →

Selected sources

S&P Global Market Intelligence, HVAC deal analyses 2023–2025 • Capstone Partners midyear deal data • Global Market Insights, U.S. HVAC market sizing 2024 • Exit Planning Institute owner-readiness research • Gallup / U.S. Census Bureau ownership-by-age analysis 2025 • McKinsey Institute for Economic Mobility, SMB ownership transitions through 2035 • Brentwood Growth & First Page Sage HVAC valuation reports 2025 • PKF O'Connor Davies, U.S. HVAC M&A Update 2025 • One Big Beautiful Bill Act (2025); IRS 2026 retirement plan limits.