

PLUMBING SERVICES: A ROLL-UP OPPORTUNITY

The plumbing market has long been a target for private equity roll ups and there seems to be no sign of slowing down. With an estimated global market size of \$114 billion and a compound annual growth rate ("CAGR") of around 4.5% over the past 5 years, the sector is supported through nondiscretionary demand. [1] Growth continues to be driven by a variety of factors mainly circulating around aging infrastructure, global construction, urban development and increasing complexity of plumbing systems.

Plumbing as a market is extremely fragmented consisting largely of small, often owner operated businesses. PE has long had their sights on these industries, with the number of active buyers tripling in the last five years with deal activity across North America continuing to accelerate. [2] This paper will outline the market landscape, key demand drivers, recent transaction activity along with any operational and financial challenges to consider when evaluating acquisition targets.

INDUSTRY OVERVIEW

Plumbing service businesses have quite a few different segments, each falling under residential, commercial or industrial. (See Exhibit A)

North America houses some of the largest plumbing markets in the world, with the US at #1 and Canada at #8 representing ~\$24B and ~\$4B respectively in 2025. Together these regions offer a combined opportunity of nearly \$28B, representing the sheer scale available to consolidators across both regions. [1]

Plumbing services, like many other trades, displays an extremely fragmented market within the residential segment. As mentioned, the sector has countless small, owner operated businesses with few employees. Fragmentation of this level stems from a variety of reasons ranging from low barriers to entry to strong loyalty and limited access to growth capital.

This market also faces many cost pressures from rising insurance premiums, increased equipment costs and ever changing regulatory/compliance requirements. These reasons continue to hold back small operators without mentioning that skilled and licensed plumbers are becoming harder to find. These local, early stage or non-PE backed firms continue to struggle while the competitive moat of well staffed, PE backed groups with likely several locations continue to thrive. There has become a clear structural constraint which limits organic growth for these said groups.

DEMAND DRIVERS

Non-Discretionary Nature of Services

It is well known that a plumbing failure can happen at any time and is almost never optional to fix.

Business Line	Segment	Description	Characteristics
Emergency Repairs	- Residential - Commercial	- Pipes - Sewage - Flooding	- High urgency - Premium pricing - Nondiscretionary
Drain Cleaning	- Residential - Commercial	- Routine cleaning - Emergency cleaning	- High frequency - Recurring revenue potential
Installation	- Residential - Commercial	System installs for new builds	- Project based - Tied to construction
Maintenance and Inspection	- Residential - Commercial - Industrial	Service and compliance checks	- Recurring and predictable - Supports retention
Water Heating	- Residential - Commercial	Tank/tankless installs along with repairs	Mix of emergency and planned replacement
Hydro Jetting	- Commercial - Industrial	High pressure drains clearing Sewer clearing	- Specialized equipment - Higher ticket size
Inspection Services	- Residential - Commercial	Diagnostic assessments	- Often a gateway to repair work - Low labour cost

Exhibit A: Segmentation of Plumbing Revenue Streams and Service Lines

Emergency repairs (a large share of most plumbers' work) are driven by immediate need as opposed to a want. Such dynamic results in plumbing services to be naturally recession-resilient or even proof as nobody wants their home flooding, recession or not.

Aging Housing Stock

In addition to plumbing's typically nondiscretionary nature, another driver for demand is aging homes and commercial properties. Plumbing regulations and material standards of today are far stricter than a few decades ago (when most of the existing buildings across North America were built). Now that these homes and properties are well into old age, repairs, maintenance and upgrades have become commonplace, creating a consistent flow of work for plumbers across the region.

Urbanization and New Construction

Now on the installation side of things, globalization is another factor affecting increased demand for plumbing. As cities inevitably grow and build, commercial and residential construction supports business for installation focused plumbing projects.

Increasing System Complexity

It is no surprise that recent technology and innovation have advanced the sophistication of plumbing and water management systems. Both residential and commercial properties now have an increased requirement for selective expertise which come along with higher average job costs and stronger customer retention.

Date	Description	Frequency
Feb 2026	BCTS / Modern Niagara	Expanding commercial plumbing
Nov 2025	Lynx Equity	Acquisition of Valley Plumbing & Heating
Aug 2025	Kingsway Search Xcelerator	\$50M acquisition of MLC Plumbing LLC
Jun 2025	Champions Group Holdings	Residential services consolidation
Mar 2025	P3 Services	Expansion in home services

Exhibit B: Recent Plumbing Industry Deal Activity [4] [5] [6] [7]

MARKET TRENDS & TRANSACTION ACTIVITY

As mentioned, PE has long been a player in the plumbing industry and investors view it alongside HVAC and electrical as a pillar of residential/commercial services. With the number of buyers tripling over the past five years, there is a clear conviction in the roll-up thesis among fragmented trade industries.

Notable Strategic Buyers

The following companies represent a few of the more active residential and commercial property services consolidators with significant plumbing exposure, serving as key benchmarks for market consolidation:

- Neighborly
- P3 Services
- Redwood Services
- Any Hour Group
- The SEER Group

Valuation Benchmarks

Average EBITDA multiples in the plumbing industry have been in the range of 3x to 5x the past few years [8]. The actual deal value within that range depends largely on the individual targets size, geographic concentration, brand and profitability metrics among a range of other deal specific factors.

PE in this space and other residential or commercial services follows a very typical path:

Typical PE Roll-Up Playbook [3]

- PE buyers will look for either one plumbing platform with the idea to acquire add-ons or look for many smaller firms
- Through consolidating multiple groups and increasing margin via aggregating back-office functions, the profitability of the entity can be increased significantly
- PE will then sell off their consolidated entity at a premium due to its now larger brand, improved efficiency and size

CHALLENGES & BEST PRACTICES FOR ACQUIRERS

As with any industry, plumbing of course has its own set of diligence challenges. Many acquisition targets are owner operated that have long gone without sophisticated financial infrastructure. This often results in a misalignment with the matching principle, given that revenues and associated costs are not recognized in the same period. Acquirers must make themselves aware of some of the following issues and the practices that can adequately address them.

1. UNSOPHISTICATED ACCOUNTING PRACTICES

One of the most common issues we see surrounds businesses that operate on a cash basis. This tends to create challenges among the economic timing of revenues and expenses. Such practices tend to become a problem over prolonged installation or commercial projects in which revenue recognition and cost matching end up being poorly aligned.

Common issues

- Revenue is recorded at the date of the invoice rather than ongoing completion percentage leading to distorted period financials
- There are no work-in-progress (WIP) schedules which could effectively track open projects

Best practices

- Implement WIP for companies which aren't billing on a monthly cycle
- Accrue for over/under billings on a monthly basis
- Normalize EBITDA with financials restated on an accrual basis
- Evaluate whether the target's current accounting system can handle accrual reporting

2. POOR REVENUE SEGMENTATION & DATA QUALITY

Another issue, perhaps even more common than unsophisticated accounting practices, relates to the lack of reliable revenue segmentation.

Most smaller operators are unable to quickly relay which of their revenues are from residential versus commercial sources and looking deeper at planned maintenance versus emergency repairs. It goes without saying that knowing what margins might look like for any of those business lines is even more difficult.

Common issues

- Revenue is being recorded as a single item with no segmentation via service type or customer category
- Labour and cost of parts is often totaled rather than assigned to respective categories

Best practices

- Implement job costing, assigning labour hours and parts to each individual work order [9]
- Use unique job codes which will vary by category (for example, residential repair, commercial installation, maintenance)
- During diligence, aim to reconstruct revenue/gross profit by category for a smoother diligence process

3. INSUFFICIENT LABOUR DATA

The final issue we see often is be the lack of sufficient labour data. Even though labour represents the majority of costs for a plumbing business, general ledgers still fail to provide relevant information with respect to technician productivity, churn or the ratio of billable labour to overhead. Given this, assessing operational efficiency can often pose quite a challenge.

Common issue

- Technician wages are grouped into a single expense line with little to no distinction between revenue generating versus other work

Best practices

- Aim to reconstruct compensation by employee and further split by role (technician, management, admin)
- Perform diligence on tenure and churn rates; significant levels of turnover in staff almost always has a negative impact on value and poses a risk

OUR EXPERIENCE

Our team brings a wide range of transaction advisory experience in the plumbing and overall trades sector. We have supported both buy-side and sell-side engagements across residential and commercial groups along with platforms holding many different trade service groups.

Revenue & Commercial Analysis

- Customer concentration analysis: identifying key account dependency and churn risk
- Revenue segmentation by line of business: installation, maintenance, emergency and parts
- Margin analysis by service category and customer type
- KPI reporting: average ticket size, jobs per technician, and recurring revenue percentage

Financial Due Diligence

- Trend analysis of revenue and EBITDA
- Net working capital (NWC) peg development, including WIP and billing timing adjustments
- Quality of Earnings adjustments for non-recurring items and cash-basis normalization
- Proof of cash and accounts receivable aging analysis
- Delivery of a comprehensive QoE Report for lender and investor distribution

We understand the operational nuances of the trades encompassing everything from the realities of seasonal revenue concentration to the complexity of multi-trade labour structures and we bring a practical, diligence-ready perspective to every engagement.

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