

OMERS PE EYES PROVEN HVAC STRATEGY WITH PUEBLO

The firm is on the hunt for businesses in the education, healthcare and government markets to build up the commercial HVAC company, as it has done with residential HVAC and plumbing leader Turnpoint.

BY NIKITHA SATTIRAJU

As Omers Private Equity Inc. looks to build up its latest portfolio company, Pueblo Mechanical & Controls Inc., the firm may take a page or two out of the playbook it has enlisted at fellow HVAC and services portfolio company Turnpoint Services LLC, which has more than doubled Ebitda in less than two years, according to managing director Eric Haley.

Like Turnpoint — a residential HVAC and plumbing services provider that completed 21 add-on deals in 2021 alone — the newly acquired commercial HVAC company's plans include deals to expand its geographic footprint as well as add new services among other investments to improve scale and efficiency.

"We are open to both larger, transformational acquisitions that would add new capabilities or customers, or provide a strong entry point to a new geography for Pueblo, as well as smaller tuck-ins to build regional density," said Haley of the firm's Aug. 5 investment (closed on Aug. 23), though he declined to give specific ranges for such deals.

The firm is looking for add-on businesses with a high proportion of retrofit and service work for commercial buildings in the K-12, higher education, healthcare and government markets, Haley said. Pueblo will focus its geographic expansion on contiguous southern states in the U.S., with plans for national scale. The company, with an existing presence in its home state of Arizona as well as Colorado, New Mexico, Texas and Utah, already has a "robust" M&A pipeline, Haley said.

The strategy rings true of one that is already unfolding at Louisville, Ky.-based Turnpoint, which Omers acquired in

November 2020 from Trivest Partners LP with an eye on building on the company's acquisition history that included 16 rollups.

Turnpoint's 21 acquisitions last year pushed the predominantly Southeast and Midwestern company further into the West. In addition to a blistering pace of add-ons for Turnpoint, Omers has also invested in the company's lead generation, conversion and digital marketing capabilities as well as increased the size of the corporate team from about a dozen employees to 75, he said.

Omers plans to similarly invest in people and systems at Pueblo to boost organic growth, according to Haley.

While commercial building services is a smaller market compared with residential services, it remains in the early innings of consolidation. Services in the sector also tend to be more recurring due to maintenance contracts with commercial buildings and a growing demand for new energy-efficient HVAC systems, Haley said.

Toronto-based Omers typically invests \$200 million to \$700 million in companies with enterprise value between \$200 million and \$1.5 billion, according to FactSet Research Systems Inc.

Omers acquired Pueblo from Huron Capital Partners LLC for an undisclosed amount earlier this month. The target's CEO Dan Bueschel will continue to lead Pueblo.

Detroit-based Huron invested in Pueblo in 2018. The firm acquired the company through its fifth fund, which typically invests \$20 million to \$200 million in companies with at least \$5 million in Ebitda, according to FactSet.