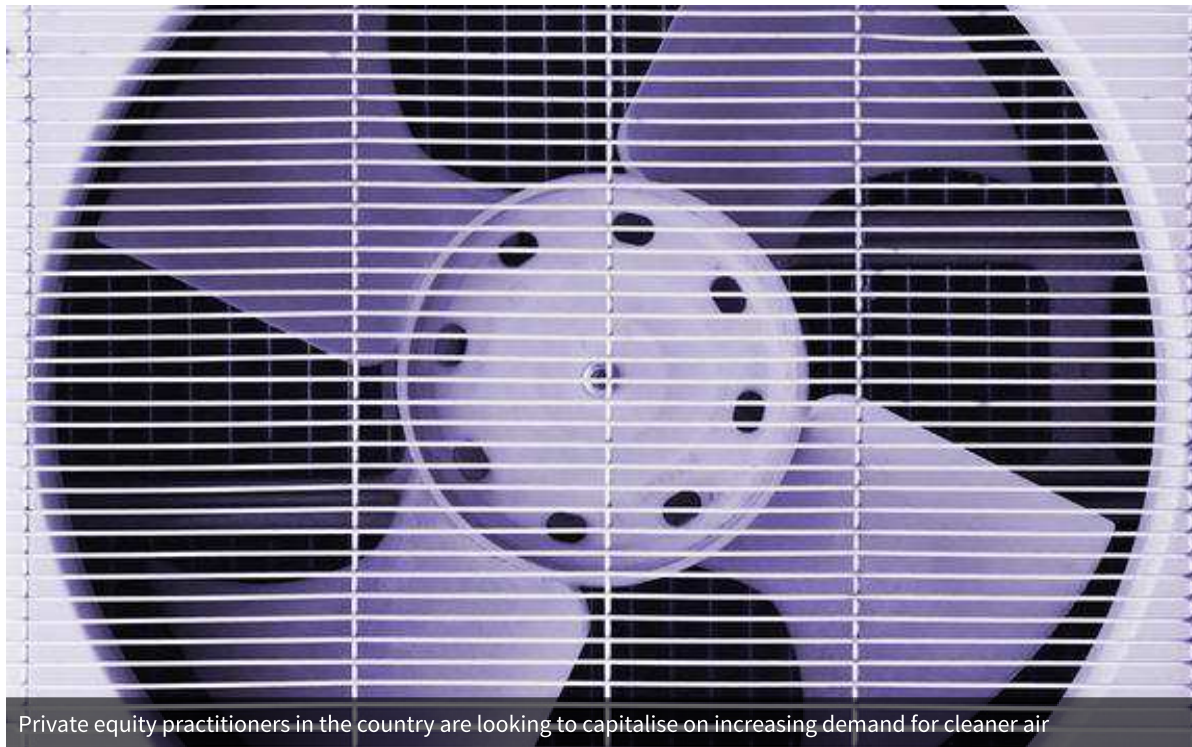


German PE finds breath of fresh air in ventilation sector



Oscar Geen

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Under pressure to deploy, German PE firms are adopting a fresh approach by investing in ventilation companies. Oscar Geen examines the rationale behind buyouts of industrial air conditioning companies and the broader societal trend towards cleaner air

Afinum Management became the third private equity firm in the German lower-mid-market to acquire an air conditioning business in September with the [buyout of Landshut-based Ventomaxx](#). This set a post-crisis record for the number of buyouts in this niche sub-sector, which would not be so noteworthy if it was not for the fact that it is also the first post-crisis year recording more than a single buyout of one of these companies.

Clearly, pressure to deploy the increasing amount of capital raised is a key driver of investment into more specialised and niche businesses. However, there are a number of other important macroeconomic factors contributing to the underlying growth of this industry.

The first was highlighted by an Afinum spokesperson, who told *Unquote* at the time of the Ventomaxx announcement that improvement in insulation technology necessitates upgraded ventilation systems to maintain an acceptable level of humidity and prevent mould. The hotels, schools, restaurants and other semi-public buildings that the firm serves often opt for decentralised systems like the ones provided by Ventomaxx as a cost-saving measure.

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These investments also have a clear ESG objective, in a time when more LPs are demanding their fund managers take their responsibility to wider society and the environment more seriously. ESG specialist buyout firm Ambienta has looked closely at the segment for this reason, Nico Helling from the firm's Dusseldorf office explains: "Ambienta is only investing in businesses that either contribute to pollution control or resource efficiency. We have evaluated a number of businesses in the air conditioning and ventilation sector that advance both of these aims."

However, Helling shares Afinum's view that a growing demand for improved ventilation in a range of industrial contexts is what makes them most attractive to PE. "The growth rates of companies that can differentiate themselves by their product or technology are very sound," he says. "Those businesses are very well-positioned to be acquired in LBO transactions."

Winds of change

This growth is based on a shift in the way air quality is viewed, both by government institutions and the general public. "Air has become a more important media in recent years," says Helling. "And with the introduction of

industry 4.0 concepts globally, purity requirements are higher than ever." The success of Dyson's consumer air purifier products in Europe is further proof that people are more conscious of the health benefits of breathing cleaner air in their everyday lives.

This was a trend already observed by Triton Partners when it completed the segment's largest ever DACH-headquartered deal with the €400-450m [secondary buyout of Fläkt Woods Group](#) from Equistone in 2013. Fläkt Group (as it was rebranded after the acquisition of competitor DencoHappel) takes advantage of both the pollution reduction theme by supplying a similar list of semi-public institutions to Ventomaxx – offices, hotels, hospitals and airports. It also pursues the industrial energy efficiency theme highlighted by Ambienta's Helling, servicing "specialist applications like data centers, and pharmaceutical, marine, nuclear, oil and gas companies all over the world", according to Triton's website.

Helling explains how the demand from other industries has grown in recent years: "It is no longer only the healthcare industry that makes use of clean rooms. The production of semi-conductors in these specialised facilities for example has been a large area of growth for specialised ventilation system manufacturers."

This is a shift that Deutsche Beteiligungs AG has profited from with a different strategy, outsourcing the clean rooms entirely. Its portfolio company Cleanpart decontaminates and cleans parts for the semiconductor industry in its own sterile environments.

Ambienta has yet to close on one of these deals in Germany but Helling thinks it is where some of the most attractive opportunities lie. "In certain aspects the technology is slightly ahead in Germany, although it really depends on which specific company and technology you're talking about," he says. "In the segment more broadly, there are many good deals in the UK and along Europe's industrial corridor from Denmark, through Benelux and the DACH region, into northern Italy."