

Resilient Hard FM sector sees surge in deals

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New building regulations, the drive towards net zero and advances in technology are fuelling a surge in merger and acquisition activity across the hard FM sector, new research shows.

Analysis by [HURST Corporate Finance](#), which advises owner-managed businesses on M&A transactions, fundraising and securing investment, has found that private equity firms, trade buyers and international companies seeking a foothold in the UK market are driving the increase in transactions.

Trade buyers are the most frequent acquirers, with sector consolidation now widespread.

More than 200 deals involving UK businesses were reported in the year to June. The south east was the most active region, with 30 per cent of acquired businesses based there, followed by the north west and the West Midlands.

Those regions were also the busiest in terms of acquirers. The south east accounted for 47 per cent of UK buyers, followed by the north west and the West Midlands.

Globally, over 500 M&A transactions were recorded in the hard FM sector in the year to June 30.

Nigel Barratt, head of HURST Corporate Finance, pictured, says: “UK deal volumes in the hard FM sector have increased significantly in recent years, and 2025 shows promise for being another good year, confirming enduring market strength.”

“Deal activity spans the whole of the UK and Ireland, with larger buyers showing flexibility on location – prioritising strategic fit, expertise and brand quality over geographical position.”

HURST Corporate Finance has identified the characteristics that make a business stand out as an ideal acquisition target, and what could increase its valuation.

These include:

- Annual revenues of more than £5m, with underlying profits of over £500,000
- Gross margins of over 30 per cent, a track record of profit growth and a healthy order book
- A strong revenue model – 50-70 per cent of turnover from recurring revenue will result in a premium valuation, although at least 20 per cent is attractive to buyers. A high focus on service and maintenance for driving revenues is also a desirable factor
- A diverse client base spanning the public and private sectors
- Strong management and in-house expertise, and an identified growth strategy.

HURST Corporate Finance’s research has found that overseas trade buyers and investors interested in the UK market prefer acquiring established businesses rather than launching a start-up, to benefit from an existing client base while minimising risks.

Nigel says: “We know businesses in France, Germany, Sweden and the United States with a strong appetite to acquire in the UK. We have also seen recent deals involving buyers headquartered across other areas of the EU, as well as Australia, Canada, Singapore and elsewhere.

“The UK offers a great geographical expansion opportunity to companies seeking a presence in Europe. It’s much easier to acquire a business with existing clients and a positive reputation, rather than having to start a new division from scratch. UK regulations are seen to be stronger and stricter, providing a reliable benchmark.”

Private equity buyers are showing considerable interest in the sector as they seek new opportunities and bolt-on acquisitions for companies in their existing portfolios.

Their portfolio companies are often acquisitive in their own right, looking to broaden their service range with new synergies, expand geographically, or cement their sector expertise. PE-backed businesses are experienced buyers with funds available to buy companies that are ready to be acquired.

High-demand subsectors include fire protection and life safety services, driven by tighter regulation and inspection requirements.

M&E, HVAC and building compliance specialists are also attracting interest, supported by the push for energy efficiency and decarbonisation, particularly in new developments.

Other active areas include door installation, building maintenance and inspection, security systems and monitoring, alongside energy specialisms and BEMS.

Acquirers are further targeting contractors with a strong sustainability focus, including those installing solar panels, heat pumps, insulation, EV charging infrastructure and sustainable HVAC systems, and other businesses aligned with ESG priorities.

Factors driving M&A activity

Nigel says the hard FM sector is resilient, as buildings will always need to be maintained, particularly as stricter requirements are introduced to enforce safety and sustainability measures.

Tighter building regulations are driving demand for service providers offering inspection, maintenance and retrofitting, boosting deal activity in the sector.

Key reforms include the Fire Safety (England) Regulations 2022, mandating monthly checks on fire systems in buildings over 18 metres in height, quarterly fire door inspections, and sprinkler requirements for developments over 11 metres and all care homes since March this year.

Monthly lift and firefighting equipment checks are now also compulsory. The Grenfell Tower Inquiry has accelerated reforms, with the Building Safety Act 2022 tightening standards around fire safety, passive systems and cladding.

Alongside safety, the UK's net zero 2050 target and the Future Homes Standard are pushing for energy-efficient buildings, phasing out gas boilers and introducing stricter ventilation and overheating standards.

The Minimum Energy Efficiency Standards Act 2023 further requires commercial properties to meet at least an EPC rating of E, spurring demand for hard FM specialists in energy efficiency and retrofitting.

Meanwhile, companies pursuing their own net zero targets have invested in greener mechanical systems and smart building systems.

The urgency of adapting buildings to meet new regulations has accelerated demand for hard FM services, fuelling M&A activity as buyers compete to lock in contract opportunities.

Consolidation within the sector is also driven by groups wanting to provide a one-stop service.

This is generating M&A interest in companies that can provide a full range of FM services or integrated fire and security services.

The hard FM market is highly fragmented, and the many thousands of smaller UK firms in this industry provide a chance for acquirers to roll up these businesses into regional or national platforms with a wide range of disciplines.

Advancing technology has been a key driver of change in the hard FM sector, with a marked shift towards integrated smart systems as demand for recurring maintenance services gathers pace. These systems identify issues that can be monitored and fixed before they become a larger problem. AI is becoming more widely used too, along with sensors and wireless systems in fire protection, access control, security, and unified building management systems.

“We expect the sector to remain robust in terms of M&A activity for the foreseeable future, fuelled by legislative changes and the strategic drive towards more integrated building management services and

sustainability.” Nigel reflects.

“Our research reinforces what we are seeing in the market: acquirers are actively targeting well-managed, technically-strong businesses with recurring revenues and scalable operations. This is a compelling environment for owner-managers considering a sale, especially those with specialist capabilities or a regional presence that complements larger platforms.”

HURST Corporate Finance has a highly experienced advisory team operating nationwide on behalf of owner-managed businesses, advising on mergers and acquisitions on both the buy and sell sides, as well as fundraising and securing PE investment.

It has a strong track record in the hard FM sector, with an approach driven by thorough sector-specific research, allowing the team to fully understand a business and market activity.

The team’s experience in this sector, coupled with close relationships with acquisitive trade and PE buyers, puts HURST Corporate Finance in a prime position to find the perfect home for a business in the hard FM sector.

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