



Timo
Tauber



Arthur
Sturm

HVAC leader invests in green solutions

Q&A with Timo Tauber and Arthur Sturm, the M&A team at Viessmann Invest

The Viessmann Group is a world leader in the manufacture of heating, industrial, and refrigeration systems. The company was founded in 1917 and remains a family-led business after four generations. Today the Viessmann Group has over EUR 2.8 billion in revenues with 13,000 employees, and production sites, distributors, and sales offices throughout the world.

As part of its “Leap to Net Zero” strategy, in 2021 Viessmann invested in Priva, a smart building and green-tech solutions company. Priva develops hardware, software, and services in the field of climate control, energy efficiency, and optimal reuse of water. Its products are used in greenhouses, urban farming, and indoor growing environments such as offices, public buildings, retail, hotels, healthcare settings, and museums.

The huge success of Viessmann Group is not the only story. The latest generation has recognized the leadership role it can play in combatting climate change. Today Viessmann aims to make sustainable heating, ventilation, and cooling solutions accessible to everyone, as well as to make its own manufacturing process carbon neutral.

Viessmann, with a long history in climate solutions, recently invested in Priva, a process-automation specialist in vertical farming. Priva isn't the typical Viessmann investment. What drives Viessmann to invest in innovative businesses?

The HVAC industry, and thus the greater energy sector, is undergoing a massive paradigm shift. As a society, but also as a company, we are distancing ourselves from fossil fuels and are switching to renewable energy sources and sustainable electricity. For example, regulatory changes in many countries have prohibited or will soon ban oil-and-gas-based HVAC solutions.

In the past, Viessmann was a product manufacturer. With our corporate vision “we create living spaces for generations to come,” the objective is to provide sustainable seamlessly-integrated climate solutions and a corresponding (digital) service offering for the residential and commercial space.

To become an integrated climate solution provider, it is not enough to sell only products that are CO2 neutral. Products need to be intelligently integrated using IoT and a networking cloud. To achieve integration, one needs building automation, a higher-level system that intelligently networks and controls the various products in a building to ensure the highest level of energy efficiency, lowest cost level, and minimal environmental impact.

The Viessmann Group is heavily invested in the HVAC industry and is constantly looking to diversify its asset base, both geographically, meaning outside of Europe and

the DACH region, and also via segments that are related to the core business and pose expansion opportunities.

How does your investment in Priva address these trends and drivers?

From a bird's-eye perspective, Priva is a process automation specialist that has been very successful in applying its expertise and knowledge to the two verticals of horticulture and building automation.

The investment in Priva has two strategic benefits. On the one hand, Priva's building-automation business segment enables access to building-automation know-how and products that do not need to be developed in-house. This is in line with the notion that it is not sufficient to sell products that are CO2 neutral, but that we also need to move forward to become an integrated solution provider. This is a recurring theme in all of Viessmann's transactions.

On the other hand, Priva is the world market leader for climate control in vertical farming and aims to diversify Viessmann's business operations. Vertical farming is not a core business segment of Viessmann, but vertical farming is another facet of climate solutions in a new and exciting industry, which aligns with Viessmann's vision of sustainable living spaces for generations to come. The horticulture and vertical farming segment is interesting as an attractive growth market and addresses the global questions of how future food can be produced in a climate-neutral and energy-efficient way.

Ultimately the investment of Viessmann in Priva not only anticipates an expansion of our core business by accessing building automation, but also serves as a diversification strategy. However, investments of Viessmann Invest will continue to be oriented around Viessmann's core business.

Has the pandemic forced a new way of thinking at your business?

The Viessmann Group has been fortunate enough to make it through the Covid pandemic very well. Of course, we had the pleasure of introducing remote working for our employees, with only the critical production remaining on-site under strict hygienic conditions. At first it was a shock, but it soon became evident that the pandemic was an opportunity for the core business of the Group, including from an M&A perspective. The pandemic has also shown that some industries and segments, such as the HVAC industry, can be highly crisis-resistant. Thus, the Covid pandemic has served as an accelerator for our activities, specifically in the areas of climate efficiency, CO2 neutrality, and regulation. This is also seen in the deal landscape, as we closed eight transactions in 2021.

In general, the HVAC industry has experienced rapid development over the past two years. Ventilation plays a critical and central role in healthy indoor spaces. For example, going forward every real estate developer will make sure that filters and sufficient airflow are in place to enable on-site working despite a pandemic situation.

Are new processes and procedures something you look at in your business regularly? How does Viessmann tackle the proposition of becoming an integrated climate solution provider?

The megatrend of climate change is a key industry driver and is a catalyst for change in our business processes. With global building stock accounting for approximately 40% of

global CO2 emissions, which is more than the emissions from cars and planes combined, it is of utmost importance that newly installed products are CO2 neutral. Large amounts of capital are being invested to retrofit current building stock with climate-neutral solutions, especially now that people are spending more time at home. This has also increased the regulatory requirements for products in the residential sector. This is something we look at regularly and intensely in our line of business.

Even before the COVID pandemic, it was Viessmann's objective to become an integrated solution provider, from design and build to product manufacture to installation and maintenance. The pandemic has demonstrated that end-customers prefer one point of contact, rather than multiple parties that offer different services.

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Do you think unions of traditional industrial businesses with innovative green businesses are something that we can expect to see more of?

Absolutely! Companies that are not actively positioning themselves in a sustainable manner and looking at innovative solutions are setting themselves up for failure in the medium to long term. In our industry, everybody that bets on outdated fossil fuels, such as oil and natural gas, will disappear from the competitive landscape. One need only look to the automotive industry as a reference.

The Viessmann Group started discussing innovative solutions for its business operations back in 2016/2017, when there were only a handful of companies actively addressing the climate impact of their business operations. The future will see a combination of different solutions and innovative technologies to address climate change, rather than a single technology to govern everything.

Viessmann is actively positioning itself in a manner that is sustainable. For example, a couple of years back, Viessmann had the opportunity to invest/acquire several large natural gas-based product manufacturers but decided to pass on the opportunity. It would be unthinkable to invest in such companies today. The only reason Viessmann offers natural gas-based solutions today, and will continue to do so in the future, is because we as manufacturers are already able to operate them based on hydrogen.

Looking at the urgency of climate change and the Viessmann heritage of embracing innovation for a better future, we are happy to be positioned as leaders in the industry and the business world in seeking and implementing green solutions for our company and customers. ■



For more information on Viessmann, contact head of Clairfield's industrials sector group Albert Schander: aschander@clairfield.com.