Initiating Coverage:

SPX Technologies Inc. ($SPXC)

Underneath the Cloud: The Cooling Infrastructure Driving Data Growth

Key Take-away: The rise in data centers has led to an increasing need for HVAC systems, largely explaining the 3.7% year-over-year increase in revenue growth for SPX Technologies ($465m in Q1 2024 to $483m in Q1 2025). The organic growth within HVAC, however, was offset by the Detection & Measurement side of the company, which attributes its 2% year-over-year decrease to poor timing of project deliveries with respect to previous years.

The recent acquisition of Sigma & Omega, a Toronto-based manufacturer of Hydronic heating and cooling equipment is set to increase revenue with more volume in a high-growth market. Despite concerns over cost inflation, we believe SPX Technologies' solid positioning within the HVAC market, along with its strategic and timely acquisitions will drive continued growth.

Marley Cooling Towers for data center usage: The expansion of this advanced cooling technology reflects a strategic and purposeful response to the demand for energy-efficient and sustainable HVAC and cooling systems. This expansion puts SPX Technologies in a solid position to capture market share through continued rollouts of these cooling towers, as well as continued product innovation, especially at a time when data center capacity is projected to rise at an average rate of 33% a year between 2025 and 2030 (McKinsey).

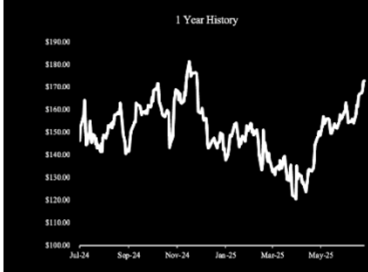
Acquisition of Sigma & Omega: This acquisition strengthens the HVAC side of SPX by expanding its hydronic heating and cooling offerings. The acquisition of this Canadian company in April 2025 opens a new opportunity to expand its reach to more of North America, and as a result, enhance long-term growth for SPX. This acquisition cost roughly $144m, while expected to bring in $65m in annualized revenue for 2025 and raise EPS about 12% YoY.

Valuation: We initiate coverage with a $200 PT.

Consortium Research Group
Industrials | Machinery
July 7, 2025

Stock Rating:	Overweight
Price Target:	$200.00

Price:	$167.15
Potential Upside/Downside:	19.65%
Ticker:	$SPXC



Industrials Coverage Team

Analyst
Henry Sheldon
Bowdoin College
hsheldon@bowdoin.edu

Company Overview

Background: SPX Technologies (NYSE: SPXC) was founded in 1912 as a piping company. In the last century, its become a global leader in both of its 2 segments: HVAC and Detection & Measurement, specializing in cooling towers, hydronic heating, underground locators, inspection equipment, and more while continuing to grow with innovation and strategic acquisitions being the priority.

Lowe as CEO: Ever since Eugene Joseph Lowe was the CEO beginning in 2015, the refocus of SPX on HVAC and Detection & Management has taken place. Revenue has increased at a quick pace with recent acquisitions, shown in SPX Technologies' annual revenue in 2024 being $1.984B, a 13.94% increase from 2023. Under Lowe's authority, there was a massive reshaping of the SPXC portfolio that included the divestment of all their non-core businesses (notably the sale of SPX Transformer Solutions in 2021). SPX's segment income margins expanded drastically in the last decade, from around 10% to roughly 20%.

Gaining Dominant Market Position: Acquiring Sigma & Omega allows for high cross-selling potential as their products pair well with SPXC's other hydronics and cooling towers offerings, giving them a dominant market position and allowing them to secure channel partner relationships.

Industry Overview

Data Center Expansion Fuels HVAC Demand: The surge in data center construction has sharply increased demand for efficient cooling systems. Data center capacity globally is expected to grow at around a 10% CAGR through 2028, while the U.S. cooling tower market size is projected to surpass $5B by 2029 with a 4.84% CAGR. SPXC, through its Marley cooling towers and similar businesses, is very well positioned, as in 2024, 70% of the SPXC revenue came from its HVAC segment, which is primarily based on cooling towers.

Reshoring and Infrastructure Modernization: The push for U.S. manufacturing, driven by legislation like the CHIPS Act, is driving steady demand for industrial HVAC and cooling. The CHIPS Act has led to over $200 billion in announced private-sector semiconductor projects, which will lead to a demand for reliable and strong thermal management systems that will be able to support these large-scale facilities. Modern industrial plants increasingly require HVAC and cooling solutions that are capable of meeting stricter environmental standards. Also, the ongoing trend of infrastructure modernization has led to a large demand for cooling and ventilation equipment that can handle higher needs while having lower operating costs.

Desire for Energy Efficiency and Value: Rising input costs and customer focus on total cost of ownership have made energy efficiency and value the key selling points in the HVAC space. SPX and all its competitors are leaning into this by offering newer solutions that reduce energy and water use while delivering savings long-term. Fast-growing demand for services and parts after the original purchase (estimated at 3-5% annual growth in HVAC service revenues), reflects how industrial buyers are much more willing to put down money to extend equipment life than take the risk of adding to capital expenditures.

Peer Comparisons

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Watts Water Technologies, Inc. (NYSE:WTS)	$7,971	$7,830	27.4x	$2,239	$460
Franklin Electric Co., Inc. (NasdaqGS:FELE)	$3,858	$4,003	22.1x	$2,016	$305
Spirax Group plc (LSE:SPX)	$5,953	$6,893	23.0x	$2,264	$504
Dover Corporation (NYSE:DOV)	$24,204	$25,372	23.5x	$7,728	$1,666
SPX Technologies	$7,214	$7,994	35.6x	$2,001	$422

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margi	EBIT Margin	Yr Rev Growth Rate LF
Watts Water Technologies, Inc. (NYSE:WTS)	17.0x	47.2%	20.5%	18.1%	9.5%
Franklin Electric Co., Inc. (NasdaqGS:FELE)	13.1x	35.5%	15.1%	12.3%	(1.3%)
Spirax Group plc (LSE:SPX)	13.7x	70.5%	22.3%	17.9%	(1.0%)
Dover Corporation (NYSE:DOV)	15.2x	38.7%	21.6%	17.1%	1.0%
SPX Technologies	19.0x	37.0%	21.1%	16.2%	13.9%
High	18.97x	70.5%	22.3%	18.1%	13.9%
75th Percentile	17.04x	47.2%	21.6%	17.9%	9.5%
Average	15.61x	45.8%	20.1%	16.3%	4.4%
Median	15.23x	38.7%	21.1%	17.1%	1.0%
25th Percentile	13.67x	37.0%	20.5%	16.2%	-1.0%
Low	13.14x	35.5%	15.1%	12.3%	-1.3%

SPX Valuation		
Implied Enterprise Value (25th Percentile)	$	5,762
Implied Enterprise Value (Median)	**$**	**6,419**
Implied Enterprise Value (75th Percentile)	$	7,182
Implied Share Price (25th Percentile)	$	107.35
Implied Share Price (Median)	**$**	**121.52**
Implied Share Price (75th Percentile)	$	137.98

Source: CapIQ

Investment Theses

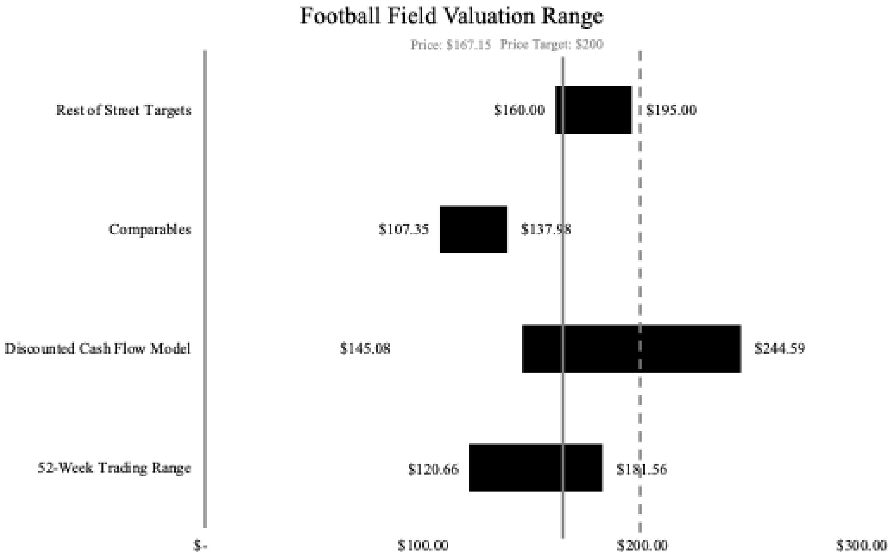
Tactical Acquisitions: The increase in acquisitions in the last decade was deliberate, as the need to boost its HVAC segment was vital. Specifically, the acquisitions of Patterson-Kelley, Ingenia Technologies, and Sigma & Omega have proven not only to generate increase in revenue but also capture a larger scale of the market. As a part of the 6.8% year-over-year revenue increase in the HVAC segment, the majority of this growth was simply due to the organic increase due to higher heating sales (4.4%). The skyrocketing demand for HVAC, timed right with the acquisitions they're making will allow them to capture more market space within this growing industry.

Data Center Growth: SPX Technologies is set to benefit from the rapid growth of data centers as demand for cloud services and AI continue to rise. The Marley cooling towers and HVAC products play a vital role in helping these data centers manage the heat they produce. The U.S. cooling tower market size is projected to surpass $5B by 2029 with a 4.84% CAGR.

Strong Pricing Power and Margin Resilience: SPXC has demonstrated the ability to pass through cost inflation, reflecting strong pricing power across its HVAC and Detection & Measurement segments. Despite input costs continuing to rise, SPX has maintained very healthy margins, aided by contractual protections and disciplined cost control. If inflationary pressures continue, SPX could very well see drastic margin expansion while keeping revenue gains consistent, giving SPX further operating leverage. Despite the demand for data centers being the ‘main’ talking point, margin momentum is a very strong upside for SPX.

Price Target & Valuation

Our analysis gives ($SPXC) a price target of $200.00 and an overweight rating.



Potential Downsides to Our Rating

Reliance on Non-Resi Construction: SPX Technologies is heavily reliant on non-residential construction markets, specifically with its HVAC and cooling tower segments. A slowdown in commercial construction or delays in large-scale infrastructure projects (which we saw with SPX's Detection & Measurement segment) could reduce new equipment demand, eventually impacting revenue growth and backlog conversion.

Integration Risks: As with any company, there are risks introduced when acquiring new businesses. Acquisitions introduce potential risks such as operational challenges, merging sales and distribution networks, and company culture modification. Potential changes between acquired businesses and SPX could lead to inefficiencies or employee turnover.

Our Price Target: $200.00

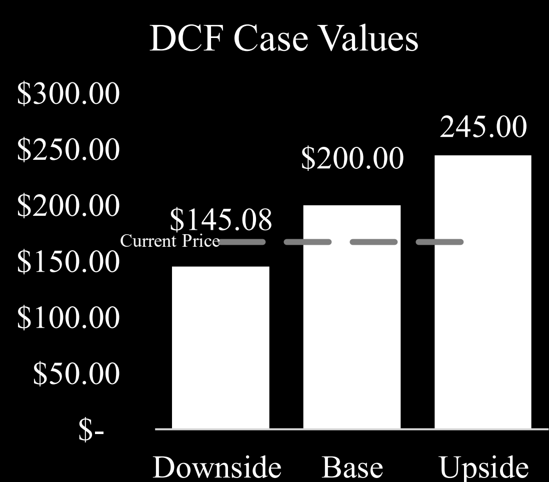
Our PT is based on a 15x 2030 EV/EBITDA and HSD revenue growth, assuming a continued strong demand for data centers paired with continued accretive tactical acquisitions. We assume margins will expand 0.3% a year through 2030 due to a mix shift toward higher-margin businesses, specifically within the Detection & Measurement segment, as well as ongoing cost initiatives within the company.

Our Upside Case: $245.00

Our upside case is based on a 16x 2030 EV/EBITDA and HSD revenue growth, with EBIT margins growing from 18.7% to 21.5% by 2030 due to further operating leverage. We model HSD revenue growth due to reshoring tailwinds and the assumption that SPX executes well on its record backlog. We apply a 16x EV/EBITDA multiple to reflect stronger growth visibility, improved investor sentiment around SPX's role in enabling next-gen infrastructure, and upside in future accretive M&A.

Our Downside Case: $145

Our downside case is based on a 13x 2030 EV/EBITDA and MSD revenue growth, with EBIT margins only reaching 18.5% by 2030. A slowdown in data center growth is a possibility, with issues relating to supply chain constraints and regulatory shifts, which could eventually result in ~5% revenue growth. This exit multiple is indicative of the potential input cost inflation outpacing pricing actions, potentially leading to poor investor sentiment.



Projections

Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	1,984	2,260	2,441	2,636	2,847	12.8%
EBITDA	409	490	557	611	670	17.9%
EBIT	318	395	452	498	548	19.9%
NOPAT	101	109	138	187	264	37.7%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	20.6%	21.7%	22.8%	23.2%	23.6%	22.4%
EBIT Margin	16.0%	17.5%	18.5%	18.9%	19.3%	18.0%
Revenue Growth	13.9%	13.9%	8.0%	8.0%	8.0%	10.4%
EBIT Growth	39.0%	24.4%	14.3%	10.2%	10.1%	19.6%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	25.0x	22.2x	18.6x	16.9x	15.3x	19.6x
EV/Sales	4.0x	3.5x	3.3x	3.0x	2.8x	3.3x
EV/EBITDA	19.6x	16.3x	14.4x	13.1x	11.9x	15.0x
FCF Yield	4.0%	4.5%	5.4%	5.9%	6.5%	5.3%

About $SPXC

SPX Technologies ($SPXC), founded in 1912, operates as a global supplier of infrastructure equipment, with a focus on specialized engineered solutions in heating, ventilation, air conditioning (HVAC), detection and measurement, and industrial components. SPX Technologies operates through two main business segments: HVAC and Detection & Measurement, with operations primarily in North America and a growing international presence; what makes them unique is their strong market position in cooling technologies (such as Marley cooling towers) and critical detection systems, as well as their strategic focus on modular, energy-efficient solutions tailored for data centers, power plants, and industrial facilities. The company's key goal is to deliver sustainable, high-performance solutions that support critical infrastructure modernization and environmental responsibility, while driving long-term shareholder value through innovation and disciplined growth.

Disclosures & Ratings

Appendix

DCF Analysis ($mm)	FY2020 12/31/2020	FY2021 12/31/2021	FY2022 12/31/2022	FY2023 12/31/2023	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Stub						0.53	1.53	2.53	3.53	4.53	5.53
Discount Period						0.24	0.97	1.97	2.97	3.97	4.97
Revenue	1,128	1,220	1,461	1,741	1,984	2,260	2,441	2,636	2,847	3,075	3,321
Revenue Growth	*0%*	*8%*	*20%*	*19%*	*14%*	*14%*	*8%*	*8%*	*8%*	*8%*	*8%*
EBIT	106	120	145	229	318	395	452	498	548	603	664
EBIT Margin	*9%*	*10%*	*10%*	*13%*	*16%*	*17%*	*19%*	*19%*	*19%*	*20%*	*20%*
Tax Expense	5	11	7	42	54	90	81	90	99	109	120
Effective Tax Rate	*5%*	*9%*	*5%*	*18%*	*17%*	*23%*	*18%*	*18%*	*18%*	*18%*	*18%*
NOPAT	101.20	108.70	137.90	186.90	264.00	305.00	370.27	408.00	449.39	494.80	544.59
D&A	29	41	46	63	91	95	105	113	122	132	143
Capex	15	10	16	24	38	40	46	49	53	56	60
Changes in NWC	35	(56)	146	3	7	10	11	12	14	15	17
UFCF	81	196	22	223	310	350	418	460	506	556	611
PV of FCF						343	383	386	388	391	393

Terminal Value	
Perpetuity Growth Method	
2034 FCF	$611
Growth	3.50%
Terminal Value	$10,571
PV of Terminal Value	$6,798
PV of Projection Period	$2,284
PV of Terminal Value	$6,798
Implied TEV	$9,082
(-) Debt	$960
(+) Cash	$178
Implied Equity Value	$8,300
Basic Shares Outstanding	46
Implied Share Price	$178.94
Upside/Downside	7.05%

Implied Exit BF EV/EBITDA	13.7x

Terminal Value	
Exit Multiple Method	
2034 EBITDA	$807
EV/EBITDA Exit Multiple	15.0x
Terminal Value	$12,104
PV of Terminal Value	$7,784
PV of Projection Period	$2,284
PV of Terminal Value	$7,784
Implied TEV	$10,068
(-) Debt	$960
(+) Cash	$178
Implied Equity Value	$9,286
Diluted Shares Outstanding	46
Implied Share Price	$200.20
Upside/Downside	19.8%

Implied PGR	1.3%

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	1.23
Risk Free Rate	4.39%
Cost of Equity	8.83%
Weighted Average Cost of Debt	6.00%
Tax Rate	18.00%
Cost of Debt	0.45%
Total Equity	$7,753
Total Debt	$241
Equity/Total Capitalization	90.86%
Debt/Total Capitalization	9.14%
WACC	9.28%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$200.20
Upside/Downside	19.77%