The Numbers Behind a Residential HVAC Service Business

A free field guide from Bytell Press. The figures come from our example financial model for a one-truck residential heating and cooling company run by an owner and one technician. They are planning assumptions, not quotes for your market; the worksheet at the end is for your own numbers.

A new HVAC company is busy in July and quiet in October, and the bills are the same in both. This guide shows what the business must bring in every month, and which months come close to missing it.

1. How the work is priced

The example model runs three lines with three different margins, and tracks them separately. Repairs are sold at a flat rate, not by the hour.

Service line	Model price	Model gross margin
Diagnostic or service-call fee	$75–$200	Part of service
Service and repair	$150–$600 per ticket, target $300 or more	50–65%
Replacement and installation	$5,000–$12,500, average changeout about $7,500	About 40%
Maintenance agreement	$300–$800 per year, near $35 a month	High, recurring
Blended across the mix	**55% install, 45% service and agreements**	**48%**

Installs bring the revenue, but the equipment is a large pass-through cost. The margin is in service and in agreements. A repair call is also where the next sale starts: the model has a service-only technician booking roughly $200 a ticket, and a technician trained to present options booking $600 or more.

2. What it costs to open

The example model opens on about **$71,000**. The owner puts in about $26,000 and the remaining $45,000 is borrowed. The model spends the borrowed part this way:

Use of funds	Amount
Service vehicle and wrap	$18,000
Tools and instruments	$9,000
Fees and first-year insurance	$4,500
Software and systems	$2,250

Use of funds	Amount
Initial marketing	$6,750
Working-capital reserve	$4,500
Total borrowed	**$45,000**

3. What it costs to stay open

The model carries about **$10,000 a month** in fixed costs outside of labor, plus the loan payment:

Monthly fixed cost	Amount
Non-labor fixed costs	$10,000
Loan payment	$967
Total	**$10,967**

These fixed costs do not include the owner's pay.

4. The break-even: the one number to know

Break-even revenue = monthly fixed costs ÷ gross margin.

Card fees and marketing rise with every sale, so the model takes them off the 48% gross margin first. That leaves about 42% of each dollar to cover fixed costs. Then $10,967 ÷ 0.42 = about **$26,000 a month**.

At the model's mix, that is about $14,300 of installs and $11,700 of service: roughly **two changeouts and 39 service tickets a month** at $7,500 and $300 each. The model's run-rate is $40,000 a month, so a normal month clears the line. What is left above it is the owner's pay, and in the model's first year that comes to about $52,000 before any draw.

5. The risk the numbers show: the shoulder months

Heating and cooling demand follows the weather. The model applies these multipliers to its $40,000 run-rate:

Season	Multiplier	Monthly revenue
Peak cooling, April to August	1.3	About $52,000
Run-rate month	1.0	$40,000
Shoulder months, fall and late winter	0.70	About $28,000

A $28,000 month is barely above the $26,000 break-even. At a 42% margin it produces $11,760 against $10,967 of fixed costs, which leaves about $793 for the owner. That is why it holds back peak-season cash, and why it sells maintenance agreements: the tune-up visits are scheduled into the slow months on purpose.

6. Your numbers

Fill this in with your own prices and costs before you sign for the truck.

Question	Model	Yours
Average service ticket	$300	_____
Average replacement job	$7,500	_____
Blended gross margin	48%	_____
Margin after card fees and marketing	42%	_____
Monthly fixed costs with loan payment	$10,967	_____
Break-even revenue (fixed costs ÷ margin)	$26,000	_____
Monthly pay you need on top of that	Not in the fixed costs	_____

If your break-even is out of reach in your slowest month, fix the plan before you borrow: raise the average ticket, sign more agreements, or cut a fixed cost.

This guide is general business information, not legal, tax, accounting or investment advice. The figures are illustrative assumptions from an example model and are not a forecast or a promise of results. Licensing and insurance requirements vary by state and are not covered here; check yours with the state agency.

Bytell Press publishes the full business plan, the editable financial model behind these numbers, and the operating playbooks for a residential HVAC service company.

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