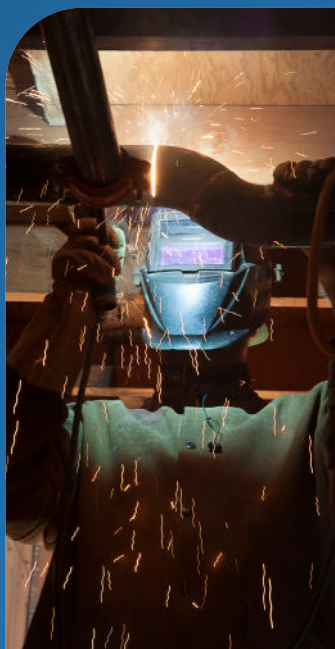
AMERICAN INVESTMENT COUNCIL

Data provided by PitchBook

Private Equity Boosts American Manufacturing

MARCH 2024



A message from Drew Maloney

Manufacturing is a complicated business. Marrying engineering, design, distribution, and marketing, manufacturers produce an incredibly wide array of goods for multiple purposes, from infant toys to gutter-cleaning tools.

American manufacturing has a long and storied history dating all the way back to 1802 with the founding of DuPont. Over the years, the American economy grew to become the largest in the world. As technology accelerated, commerce has become globalized, and to compete in this new global economy manufacturers need capital, additional sophistication, and technical expertise to compete in today's world. PE has proven over decades to be an important partner, providing capital and expertise to help them navigate an ever-changing world. Especially in current markets, the experience of many PE managers in working with multiple companies spanning different manufacturing aspects and different types of challenges can prove valuable. Today's investors are savvy at helping businesses develop new products, devise new ways of distribution, hire more workers, and open new factories—which helps generate prosperity for not just business owners but employees, engendering multiplier effects for many Americans.

This report, part of a long series of research in conjunction with PitchBook, shows just how comprehensive PE's partnership with manufacturing really is. PE firms back many types of manufacturers and businesses at different stages and circumstances, from companies that fell on hard times and entered distress, to those that need growth capital to scale further. Over the past decade, more than $1.4 trillion has been invested in American manufacturers across more than 11,000 companies in every state of the country. We are excited to highlight examples of growth stories, turnarounds, and rebirths of American manufacturing.

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Drew Maloney
President & CEO,
American Investment Council

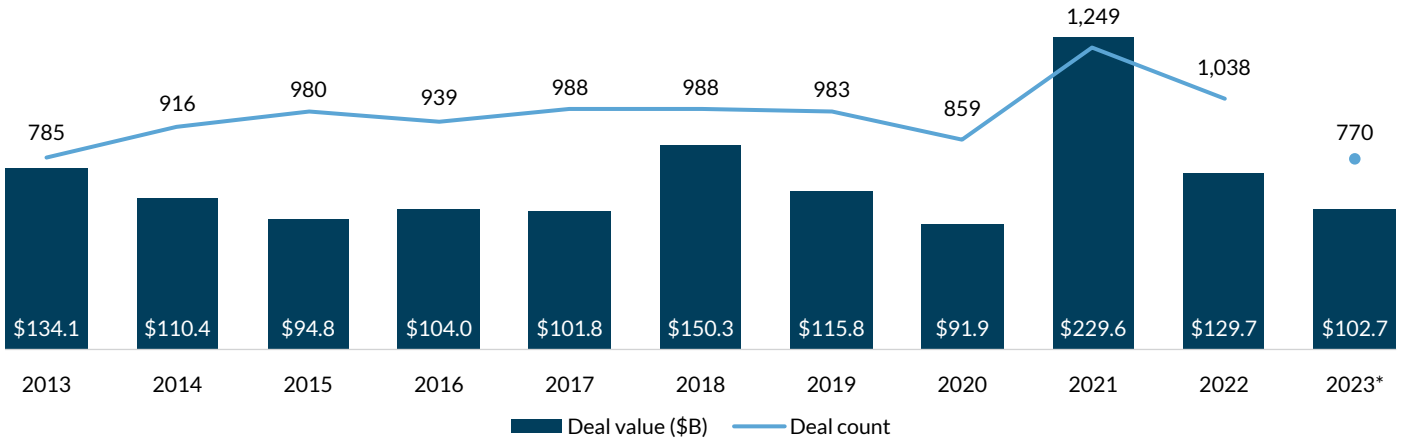
How PE transforms manufacturing

PE investments in manufacturers have a long and storied history, dating back to the earliest buyout transactions. That partnership continues today. PitchBook data shows that over the past decade, more than 11,000 manufacturers in the US have partnered with private equity, and PE firms have invested more than $1.4 trillion in the same timespan.

Manufacturing takes many forms, and the numbers above include manufacturers of industrial parts, machinery, agricultural equipment, medical devices, food products, apparel and clothing, computer hardware, and textiles, among many other things. A full list of manufacturing types can be found on page 6.

Each year, nearly 1,000 manufacturers take on new PE investments, and it is not uncommon to see at least $100 billion channeled into these companies in any given year. These investments include growth opportunities, where manufacturers are looking for capital partners to upgrade equipment, hire more employees, and build out new products and services to better serve their clients. But they also include many turnaround stories. Manufacturers in particular can fall on hard times—factories close, layoffs increase, and a host of other problems can hit America's manufacturers at any time. But a big part of PE's success is turning those stories around. AIC member Platinum Equity is helping one company, HarbisonWalker International (HWI), do just that in Fairfield, Alabama. There are hundreds of other stories across dozens of other industries, but central Alabama is a good place to start.

US manufacturing PE deal activity



Source: PitchBook • Geography: US
*Data through November 30, 2023

A rebirth in Alabama

To call Fairfield, Alabama, a manufacturing town is an understatement. Located about seven miles west of Birmingham, Fairfield was founded in 1910 by none other than US Steel.[1] A planned city from the get-go, its purpose was to manufacture, and specifically, to manufacture steel.

Fast-forward one century to 2021. Fairfield, like many American cities, had seen some of its factories shuttered. One in particular was abandoned and losing its battle to the elements; pigeons and weeds had replaced factory workers over the years. That year, two executives from HWI trekked to the plant and decided to revitalize it. HWI already had a plant in Michigan but was looking to expand its presence to the South. Dubbed "Alabama One," the abandoned factory would be the cornerstone of the effort. One year and $35.0 million later, the abandoned factory "reopened" its doors in December 2022.

A couple months later, AIC member Platinum Equity announced plans to acquire HWI alongside a division of another company.[2] The plan was to merge the two businesses and create a growing brand in the high temperatures conditions business, which serves thousands of clients in iron and steel manufacturing as well as the thermal and foundry end markets. HWI used its own money to refurbish the old factory, but Platinum Equity resources are being channeled to the combined company to help it reach new heights. According to Platinum Equity, the factory had employed 30 people by the time of its investment, with another 20 openings for electricians, welders, and mechanics.[3] As of late 2023, the factory was still hiring.[4]

Alabama One is one part of a larger success story, but an important part, nonetheless. Going forward, PE capital is going to take the "new" factory to new heights, and a once-abandoned facility will be part of a global success story in the years ahead.

1: "Historic Town of Fairfield," Fairfield, Alabama, Housing Authority, n.d., accessed December 14, 2023.
2: "How $35M Renewal of Alabama Refractory Plant Is a 'Remarkable' Story for HarbisonWalker," Platinum Equity, September 4, 2023.
3: "HarbisonWalker International Will Be Hiring 50 People for Its New Fairfield Plant in 2022," Bham Now, Callie Puryear, June 3, 2022.
4: "Recast Your Future," HWI, n.d., accessed December 14, 2023.

A turnaround for the ages

Based in Royal Oak, Michigan, HHI Group Holdings is not a household name, but it should be. A former portfolio company of KPS Capital Partners, an AIC member, HHI is a combination of five automotive manufacturers that were facing difficulties before PE became involved.

In 2005, KPS bought five struggling manufacturers and combined them into one. It was no small feat, and it was a move that other investors would likely not have attempted. At the time, automotive manufacturing was in the news for all the wrong reasons—while GM and Chrysler were facing bankruptcies, KPS was taking five separate manufacturers—all with distinct issues to be dealt with—and combining them into one company that had to stand on its own going forward.

The deals would later earn KPS the "Operational Excellence" award from Private Equity International, with one judge, a former buyout executive in her own right, commenting that she was "in awe of what the KPS folks accomplished in what was an awful time." As part of the process, KPS negotiated with the United Auto Workers, the United Steelworkers (USW), and other unions to make the combined company possible. In the process, more than 3,000 manufacturing jobs were saved, and 15 manufacturing facilities were kept running as part of the transactions.

Between 2005, when KPS first invested in the companies, and 2012, when HHI was ultimately sold, the group of companies went from a combined $2.0 million EBITDA to $141.0 million. KPS saw what no one else did: the potential to turn around not one but five struggling automotive manufacturers and turn around their prospects in a short time. Thousands of jobs were saved, and PE's ability to find diamonds in the rough was once again proven in the brightest way possible.

5: "The Operational Excellence Special 2013," Private Equity International, October 2013.

By the numbers

US manufacturing PE investment activity by category (2012-2023*)

Consumer nondurables

$169.7B deal value

946 deal count

Industrial supplies & parts

$130.3B deal value

1,313 deal count

Consumer durables

$104.4B deal value

922 deal count

Healthcare devices & supplies

$98.4B deal value

572 deal count

Machinery (B2B)

$82.1B deal value

696 deal count

Computer hardware

$59.4B deal value

308 deal count

Apparel & accessories

$42.6B deal value

400 deal count

Automotive

$38.4B deal value

265 deal count

Aerospace & defense

$35.2B deal value

406 deal count

Construction & engineering

$8.4B deal value

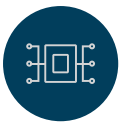
90 deal count

Textiles

$6.6B deal value

67 deal count

Semiconductors



$6.4B deal value

68 deal count

Source: PitchBook • Geography: US
*Data through November 30, 2023

By the numbers

US manufacturing PE deal count since 2012 by state*

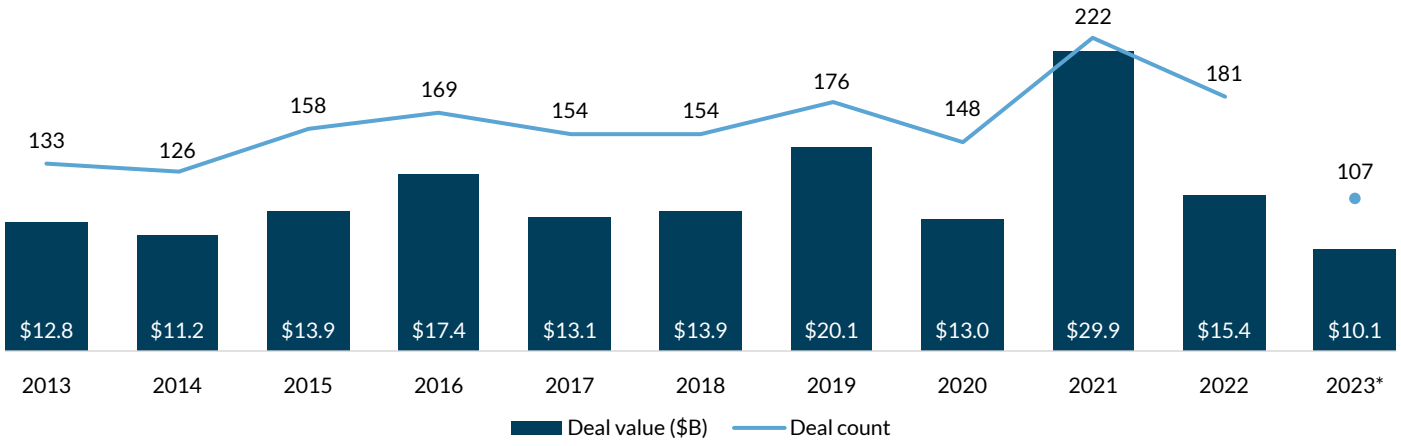
State	Deal count
California	1,438
Texas	899
Illinois	625
Ohio	593
New York	586
Florida	543
Pennsylvania	521
Michigan	490
Wisconsin	401
North Carolina	350
Georgia	347
Massachusetts	340
Minnesota	331
New Jersey	321
Indiana	269
Washington	258
Colorado	244
Tennessee	237
Missouri	220
Connecticut	207
Arizona	207
Utah	158
South Carolina	136
Virginia	135
Oregon	131

State	Deal count
Kansas	116
New Hampshire	108
Alabama	104
Kentucky	100
Maryland	95
Oklahoma	84
Iowa	81
Nevada	67
Louisiana	57
Maine	56
Arkansas	56
Rhode Island	42
Idaho	41
Mississippi	37
New Mexico	32
Nebraska	30
Vermont	27
Delaware	26
Montana	23
West Virginia	22
South Dakota	19
North Dakota	10
Hawaii	9
Wyoming	7
Alaska	2

Source: PitchBook • Geography: US
*Data through November 30, 2023

The West

West manufacturing PE deal activity



Source: PitchBook • Geography: California, Oregon, Washington, Hawaii, and Alaska
*Data through November 30, 2023

In the West, a balance exists between access to many natural resources and agricultural outputs and direct imports from a variety of foreign nations. This has resulted in the West being a nexus of outputs that are processed and built elsewhere—from timber to niche manufacturing segments to lifestyle and consumer brands. In recent years, consumer goods manufacturers have seen the most PE deal value, while a variety of B2B-focused companies account for a majority of volume. The West still sees a considerable amount of dealmaking activity in manufacturing overall, even if not as much as other areas given the West is not the primary center for manufacturing in the country. For example, 2023 saw a handful of major deals, such as sporting apparel firm Boardriders being acquired by PE-backed Authentic Brands Group.

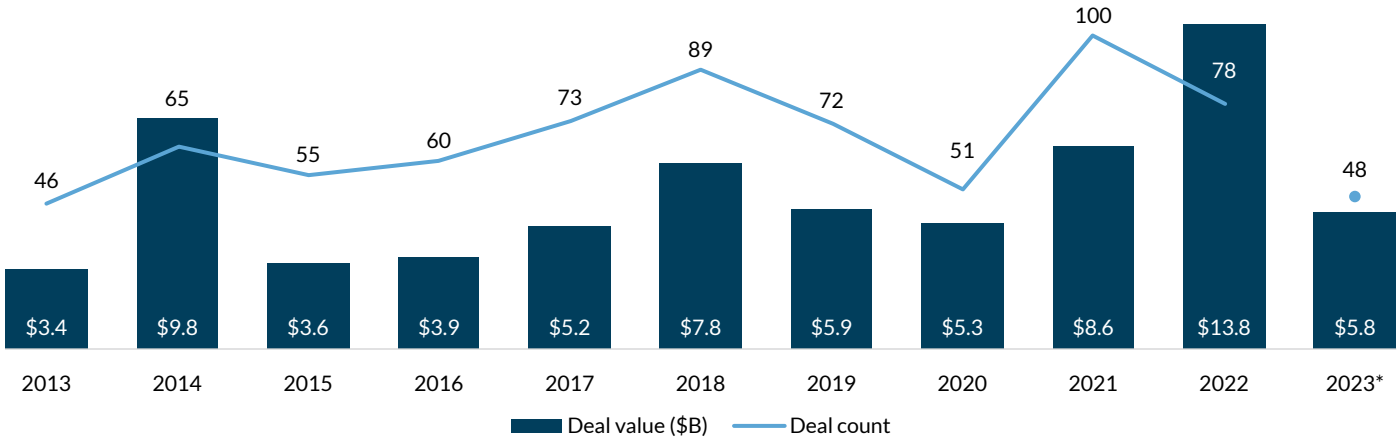
Private Equity at Work

TaylorMade is a household name for golfers. Unbeknownst to many of them, TaylorMade was in trouble in 2015. It was part of adidas at the time and was losing about $100 million.[12] For nearly two years, adidas tried to divest the California-based company, but no one wanted to buy it. AIC member KPS Capital Partners, which revitalizes all types of manufacturing companies, saw past TaylorMade's problems and acquired it in 2017. KPS led an aggressive turnaround that included new product development and research & development for clubs and golf balls; regional initiatives in Europe, South Korea, and Japan; and more focused sponsorships with golfers who could carry the brand forward. Revenue, profitability, and market share all grew as a result, and the company's revitalized golf ball line is among the top-rated balls on the market, according to *Golf Monthly*.[13] KPS' efforts were awarded in 2022 when TaylorMade was named the "Turnaround of the Year" by *Buyouts Magazine*,[14] its fifth time winning the award.[15]

12: "How Tiger Woods Helped Fuel A Private Equity Hole-In-One at TaylorMade," Forbes, Kevin Dowd, March 12, 2022.
13: "Best Golf Balls 2023," Golf Monthly, Neil Tappin, December 14, 2023.
14: "Turnaround deal of the Year: KPS Capital Partners and TaylorMade," Buyouts, Kirk Falconer, April 1, 2022.
15: "Transforming Manufacturing and Industrial Businesses," KPS Capital Partners, n.d., accessed December 14, 2023.

The Mountains

Mountain manufacturing PE deal activity



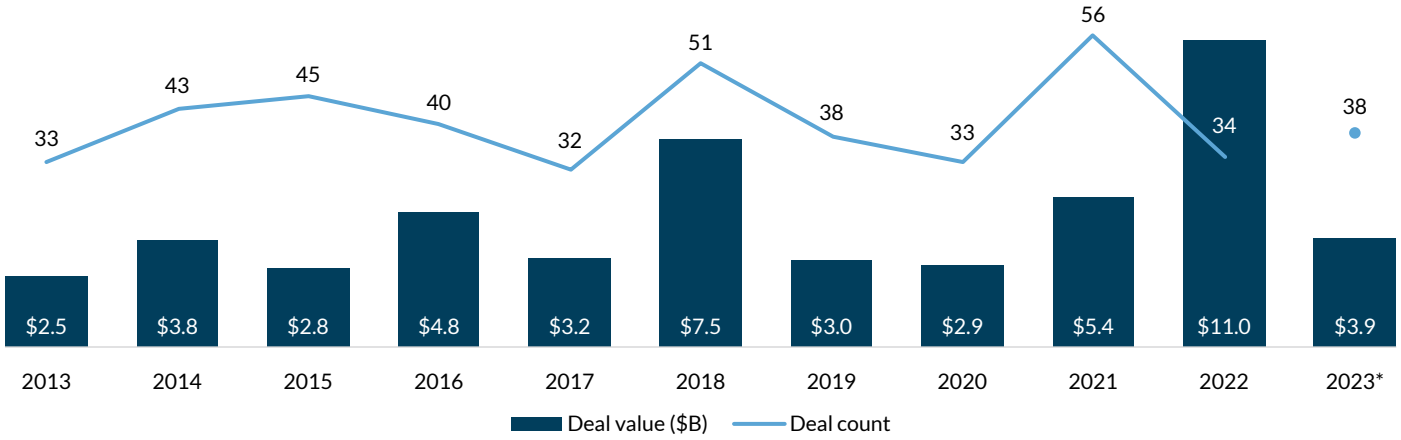
Source: PitchBook • Geography: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming
*Data through November 30, 2023

The Mountain region includes most of the American West, excluding the states that touch the Pacific Ocean. That includes places such as Arizona, Colorado, Utah, and Nevada—states in which American manufacturing is alive and well. Over the past decade, 779 manufacturers in the Mountain region have taken in $75.0 billion in PE capital altogether. One of the biggest PE success stories is Gates, now a public company, which manufactures power transmissions out of its headquarters in Denver. Other PE stories include Vivint Smart Home, which makes security and smart home systems, out of Provo, Utah, and the Isola Group, which manufactures laminates that are used by the automotive, aerospace, and military industries, out of Chandler, Arizona. These companies, among others, have struck large deals with PE firms over the years, hence the bumps in 2014 to $9.8 billion in aggregate deal value versus $13.8 billion in 2022—the all-time high—across 78 completed transactions.

Key businesses such as Gates or Vivint Smart Home achieved promising growth rates that drew the interest of PE firms with sufficient expertise and resources to take the companies even further, beyond regional markets into national presences. From a regional standpoint, that also entailed significant levels of local revenue and domestic employment. During their PE ownership, to continue the examples of Gates and Vivint Smart Home, their PE owners did precisely that. Vivint underwent several years of growth to culminate in a multibillion-dollar acquisition by NRG Energy in early 2023, while Blackstone took Gates public in 2018, after four years of majority ownership.

The Midwest

Midwest manufacturing PE deal activity



Source: PitchBook • Geography: Iowa, Kansas, Missouri, Nebraska, North Dakota, and South Dakota
*Data through November 30, 2023

The Midwest is a major region for American manufacturing that includes states such as Missouri, Iowa, Kansas, Nebraska, and the Dakotas. Almost 500 manufacturers have been helped by PE over the past decade, and more than $50 billion has been invested in the region during that time. Because of the Midwest's vast store of American farmland, many of these success stories involve agricultural manufacturing and food production. But they also include investments in steel manufacturers, railroad car producers, makers of plastic containers, and electric equipment manufacturers.

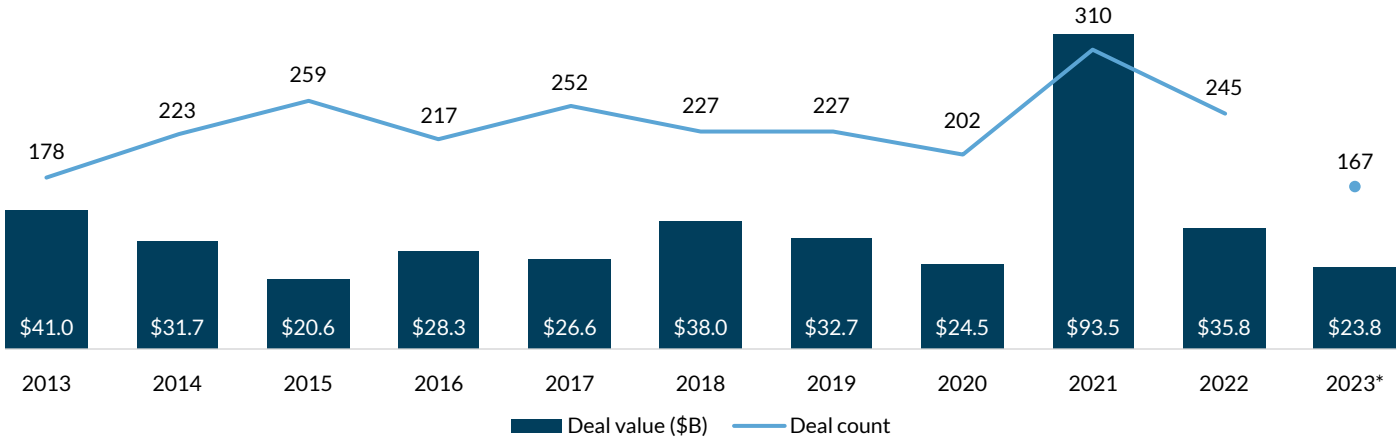
Private Equity at Work

Accella Polyurethane Systems makes complicated polyurethane systems and recycled rubber products out of its Maryland Heights, Missouri, headquarters. Its core business churns out products such as foams, coatings, and sealants that can be used for many different end products, including athletic flooring, safe playgrounds, and equine matting. Accella (now Carlisle Polyurethane Systems after its $670 million acquisition in 2017) was acquired by AIC member Arsenal Capital Partners in 2012 and spent the next five years building itself into a stronger manufacturer. Arsenal helped recruit experienced executives and bolstered Accella's management team while refocusing its sales and marketing teams to new growth markets, where Accella could sell more of its specialty products. With Arsenal's help, Accella was also able to develop new, environmentally friendly products that helped new clients decide to switch to the company. Under PE stewardship, Accella's revenue increased more than sevenfold, and it became a preferred manufacturer in new markets such as roofing and truck bed liners.[8]

8: "Formulated Polyurethane Products and Solutions," Accella, n.d., accessed December 14, 2023.

The Great Lakes

Great Lakes manufacturing PE deal activity



Source: PitchBook • Geography: Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin
*Data through November 30, 2023

The Great Lakes region is the most active region for American manufacturing. The states included in the area are synonymous with manufacturing: Ohio, Michigan, Wisconsin, Minnesota, Indiana, and Illinois. Over the past decade, more than 2,700 manufacturers have partnered with PE, and more than $420 billion has been invested in them combined. Some of the companies that have been aided by PE capital include Gardner Denver, which makes industrial machinery in Milwaukee; Consolidated Precision Products, which makes cast metal components out of Cleveland; and US Farathane, which makes plastic injection-molded components in Auburn Hills, Michigan.

Private Equity at Work

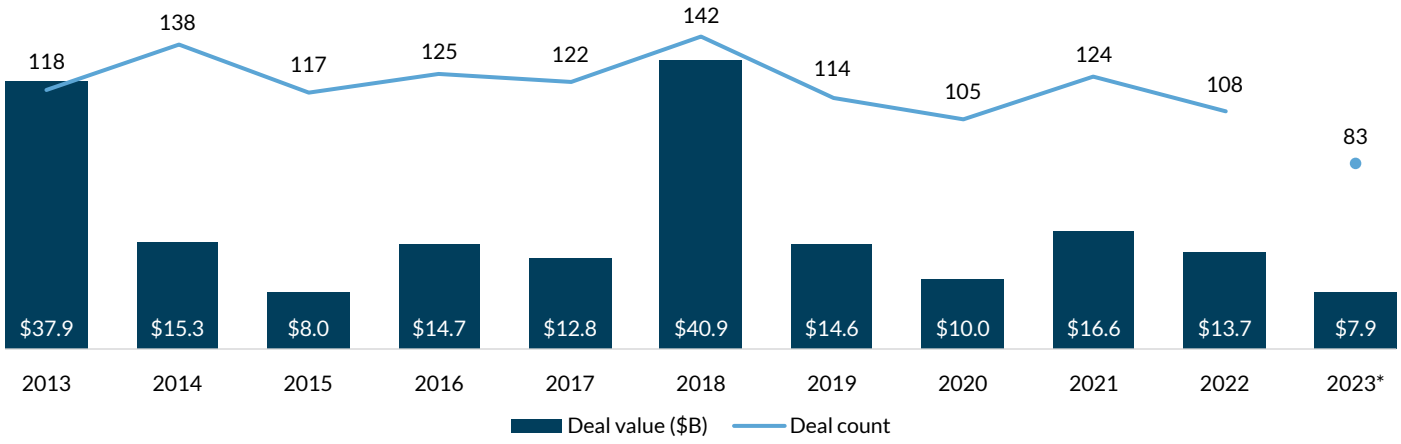
Aarrowcast™

Aarrowcast makes ductile iron castings, which are used in a variety of end markets, including trucking, construction, and agriculture. The company operates a single plant in Shawano, Wisconsin, west of Green Bay. Its management team was looking for assistance in some complicated expenditures, including upgrading aging equipment and boosting manufacturing capacity. AIC member Industrial Opportunity Partners took the call and went to work improving the company in several directions. A new CEO and CFO were brought in to lead the effort, and new best practices were implemented to improve plant safety. Their help was well timed, as Aarrowcast had to make the improvements while juggling a downturn in one of its biggest markets, agriculture. Once the short-term challenges were overcome, Aarrowcast found itself in a stronger position in several key markets and poised for more long-term growth than it had before IOP got involved.[9]

9: "Understanding and Maximizing a Unique Iron Foundry," Industrial Opportunity Partners, n.d., accessed December 14, 2023.

The South

South manufacturing PE deal activity



Source: PitchBook • Geography: Texas, Oklahoma, Louisiana, and Arkansas
*Data through November 30, 2023

The South, using PitchBook's classification, includes Texas, Oklahoma, Louisiana, and Arkansas. Texas is a major center in American manufacturing, particularly in energy equipment and food production. Since 2012, almost 1,500 manufacturers have received PE investments, and those capital infusions totaled more than $200 billion. The biggest manufacturer to take in PE capital was Dell Technologies, which makes computers and other hardware systems that are sold to and used by millions, out of Round Rock, Texas. Other examples include the Filtration Group, an Austin-based maker of air and gas filtration systems used by the automotive, chemical, and energy industries, and Big River Steel, an Arkansas-based steel manufacturer that serves the energy, construction, and agricultural industries.

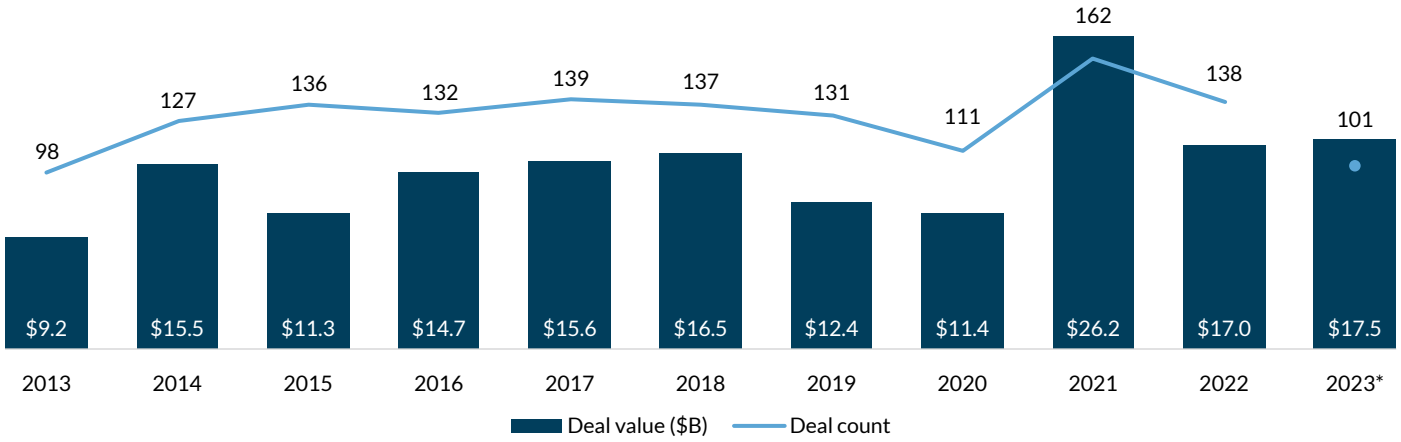
Private Equity at Work

The WellMark Company, based in Oklahoma City, makes flow control instruments for the American energy industry. For a brief but productive two years, it was a portfolio company of Platte River Equity, which invests in lower-middle-market companies. When Platte River first sponsored WellMark in 2012, its goal was to grow the company while honoring the family's intent to protect its legacy by maintaining quality even while branching out into new directions. In a short time, Platte River helped WellMark develop a new line of products, including remote monitoring tools, explosion-proof pumping instruments, and safety relief valves, all of which helped its clients increase their safety while boosting productivity.[6] Beyond those new products, WellMark also benefited from professionalized human resources and accounting systems put in place by Platte River, and concentrated more attention on underserved geographies. The results were 50% increases in revenue and profits and a brighter future in the energy manufacturing market.[7]

6: "WellMark Offers New Products," The Journal Record (Oklahoma), October 7, 2023.
7: "The WellMark Company, Inc," Platte River Equity, n.d., accessed December 14, 2023.

The Southeast

Southeast manufacturing PE deal activity



Source: PitchBook • Geography: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee
*Data through November 30, 2023

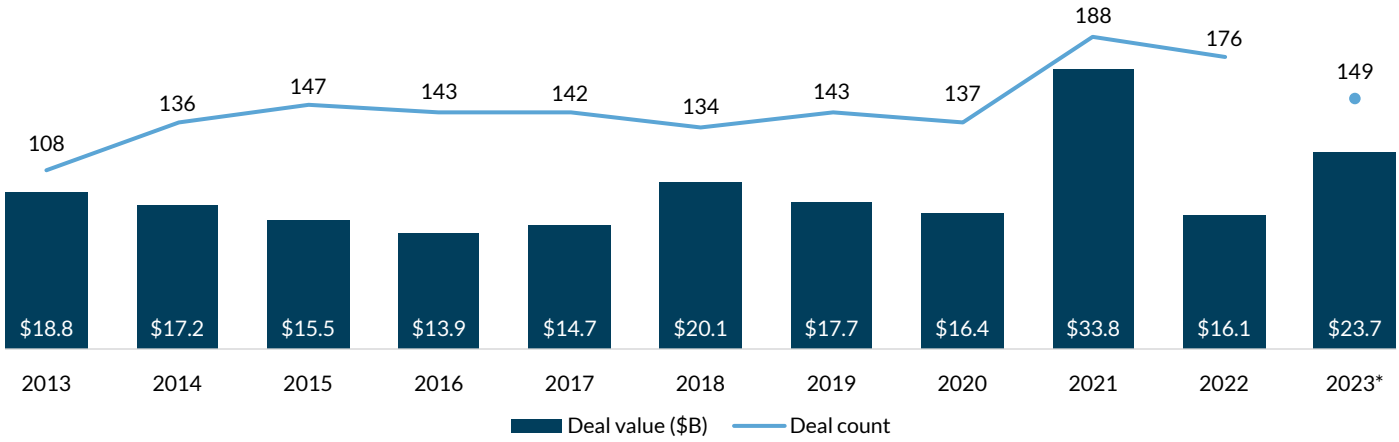
The Southeast region includes some of the biggest states in American manufacturing, including Georgia, North Carolina, Tennessee, and five other states across the South. More than 1,500 manufacturers in the area have partnered with PE over the past decade, taking in almost $180 billion combined. The list of success stories is long and includes portfolio companies that make window and patio doors, gas turbines, exterior building products, wallboards, tires, glass containers, and automotive parts, to name a few.

Private Equity at Work

Anchor Glass Container, based in Tampa, Florida, makes glass bottles for liquor, beer, and food companies. Financial hardships are common in the industry, and Anchor Glass was no exception when AIC member KPS Capital Partners acquired it in 2014. KPS had similar investments in the glass manufacturing business, having invested in North American Breweries Holdings, which included the Labatt and Genesee brands. As soon as Anchor Glass was acquired, KPS and Anchor Glass went to work upgrading its equipment and rebuilding four glass furnaces, replacing them with state-of-the-art facilities while cutting transportation routes to reduce costs. Within two years, Anchor Glass had $50.0 million of new business and was adding new customers while retaining existing ones. As a result, KPS earned Private Equity International's 2017 "Deal of the Year" award, while the company itself expanded its footprint and put itself on a path to growth in the years ahead.

The Mid-Atlantic

Mid-Atlantic manufacturing PE deal activity



Source: PitchBook • Geography: Delaware, Washington, DC, Maryland, New Jersey, New York, Pennsylvania, Virginia, and West Virginia
*Data through November 30, 2023

The Mid-Atlantic region covers much of the Eastern Seaboard and is home to thousands of manufacturers, especially in Pennsylvania and New York. Over the past decade, more than 1,700 manufacturers have taken PE capital to the tune of $225 billion. Notable PE investments in the Mid-Atlantic include Pennsylvania-based Axalta Coating Systems, an independent coating manufacturer that used to be an underserved division of DuPont; Pennsylvania-based TekniPlex, which makes packaging materials used by the pharmaceutical and personal care markets; and Maryland-based Apex Tool Group, which manufactures industrial tools such as hand and power tools.

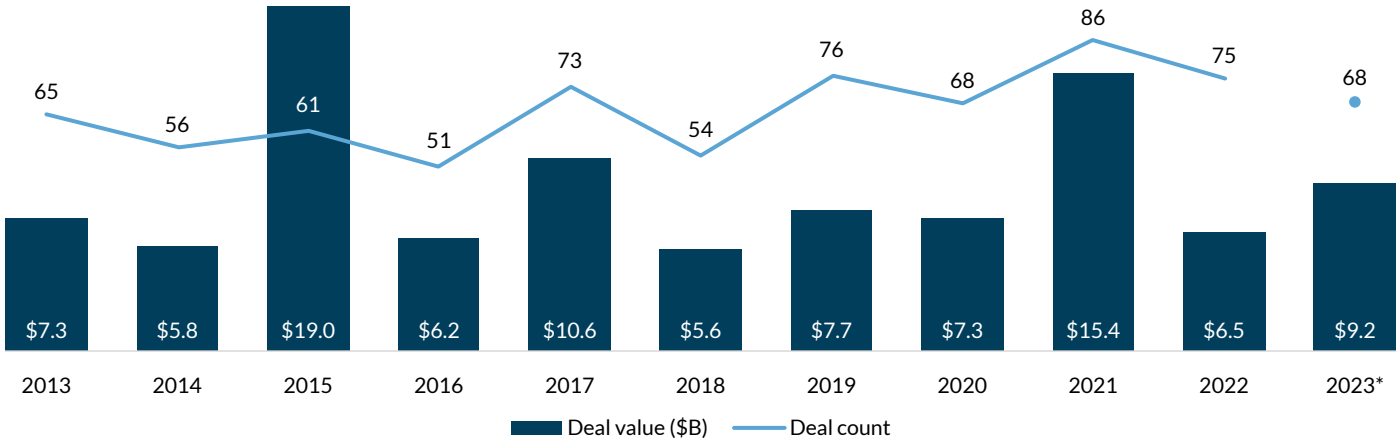
Private Equity at Work

The A. Stucki Company, based in Moon, Pennsylvania, has been manufacturing railroad parts since 1911. Nearly one century after its founding, A. Stucki became a portfolio company of AIC member Quad-C Management. With Quad-C's guidance, A. Stucki rolled out a new product line of reconditioned railcar bearings, which helped the company increase the amount it could charge for shipping. On top of that, Quad-C helped the management team build out its corporate infrastructure and finance teams while enhancing its reporting capabilities.[11]

11: "Case Studies: A. Stucki," Quad-C, n.d., accessed December 14, 2023.

New England

New England manufacturing PE deal activity



Source: PitchBook • Geography: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
*Data through November 30, 2023

The New England region covers the Eastern Seaboard above (and excluding) New York, including Massachusetts and Connecticut. Most of these states aren't the biggest in the union, but they punch above their weight in terms of manufacturing, and PE has noticed. Over the past decade, there have been 780 PE investments in New England manufacturing, worth a combined $103 billion. Notable deals include Connecticut-based Sun Products, which makes laundry detergents and other cleaning supplies; BVI Medical in Massachusetts, which makes surgical devices; and Pursuit Aerospace, which manufactures aviation parts for the global aerospace industry, out of Manchester, Connecticut.

Private Equity at Work

AvCarb, based in Lowell, Massachusetts, is a new portfolio company of AIC member Arsenal Capital Partners. The company makes carbon-fiber-based products that are incorporated into hydrogen fuel cells, flow batteries, and electrolyzers. Its products are ultimately used to produce better energy conversion and improve storage systems—important components in the renewable energy industry. Arsenal is going to help AvCarb build out its product line and make it more accessible to more clients around the world.[10]

10: "Advanced Materials Serving Renewable Energy Technology," AvCarb, n.d., accessed December 14, 2023.

About AIC

The American Investment Council (AIC) is the leading advocacy and resource organization established to develop and provide information about the private investment industry and its contributions to the long-term growth of the U.S. economy and the retirement security of American workers. Member firms of the AIC consist of the country's leading private equity, private credit, and growth capital firms united by their successful partnerships with limited partners and American businesses. More information about the AIC can be found at www.investmentcouncil.org.