



GENNX360 CAPITAL: BUILDING THE NEXT GENERATION OF MANUFACTURING AND BUSINESS SERVICES COMPANIES

The Largest Network of Diverse- Owned
Private Equity Firms and Hedge Funds

Not many firms can say their investment leadership put together a deal that resulted in a 4x return during an economic downturn and a global pandemic. But in 2020, the GenNx360 Capital Partners team did precisely that. In the deal, which closed in March 2020, GenNx360 sold Midwest Can Company and Container Specialties, a designer and manufacturer of portable fuel containers and fluid management accessories, to Argand Partners – another NAIC member firm.

When GenNx360 acquired Midwest Can in 2017 as part of its packaging sector investment strategy, it was a \$12 million EBITDA business headed by an 89-year-old founder. The company was doing well enough, but the family-run business was not optimizing performance. So, the GenNx360 team went to work. The founder was finally able to retire – as were some of his children. Despite the fair amount of risk that comes with transitioning from a family-owned business, the GenNx360 team executed seamlessly.

GenNx360 immediately leveraged its network to quickly identify a CEO and rebuild the leadership team to take the business to the next level. In the ensuing 24 months, GenNx360 focused on improving the commercial strategy. This included implementing a robust pricing strategy, introducing an expanded product offering, driving variable and fixed cost productivity, and professionalizing the sourcing and manufacturing processes. They identified cost-savings for raw materials and expanded capacity (there were times when Midwest Can would have to turn away business because the company lacked capacity). GenNx360 also optimized scheduling and demand drivers and getting information from customers so they could flex up and expand when the market did.

Under the new leadership, Midwest Can also introduced two new products. “They hadn’t really done any innovation in terms of the product for quite some time,” recalls Daphne Dufresne, GenNx360 Managing Partner. “We launched a complete R&D process internally, which developed an innovative product modification and a higher-end premium product.” As a result, Midwest Can realized substantial organic growth and EBITDA grew from \$12 million at acquisition to over \$19 million at exit.

BUY-AND-BUILD

Headquartered in New York City, GenNx360 was founded by Lloyd Trotter, Ronald Blaylock, the late Art Harper, and Jim Shepherd in December 2006 with \$600 million in committed capital from leading institutional investors. The four partners were together at a cookout when they envisioned a next-generation private equity firm focused on operational improvement and leveraging the lessons they learned over their careers. The conversation quickly evolved into how they would create a private equity firm focused on operational value creation investing in middle market industrial companies where they have the right experience and C-suite relationships to maximize their potential.

Trotter and Blaylock continue to lead the firm along with Dufresne, Monty Yort, and Chuck Castine. Each founding partner brings critical experience to the firm. Trotter is steeped in the industrial space, having spent 37 years with General Electric. In his final position there, he served as Vice Chairman and CEO of GE Industrial, where he oversaw a \$28 billion business and nearly 80,000 employees worldwide. Blaylock brings the financial industry acumen, having founded and managed Blaylock & Co., an investment banking firm that underwrote and advised on over \$150 billion in transactions in 2005 alone.

With \$1.8 billion in AUM, the firm seeks opportunities mainly with family-owned or under-managed companies where the team can apply its expertise in operations and execution to add value. “We play a very hands-on role with our portfolio companies to help optimize their infrastructure, processes, and go-to-market strategy,” Dufresne explains. “We’re not looking for distressed situations, but opportunities where we can come in and really improve performance.”

A substantial part of the firm’s strategy is a buy-and-build approach in fragmented industries where GenNx360 will buy the platform, ensure that the correct senior leadership is in place, as well as the proper processes and systems. Once that’s checked off, the firm begins acquiring smaller industry players to build scale through complementary bolt-ons.

The buy-and-build strategy is a key investment theme in the company’s acquisition of Plainview, NY-based GenServe LLC, a provider of power generator maintenance, repair and sales. Acquired by GenNx360 in 2018, it is now the largest independent industry player in the North Atlantic region having completed four acquisitions and expectations of another four or five before exit. The company’s EBITDA has grown 60% under GenNx ownership.

Another portfolio company, Precision Aviation Group, Inc., which provides aftermarket repair and servicing of aviation components, is both an example of GenNx’s organic revenue growth playbook and acquisition-based buy-and-build strategy. With over 69% EBITDA growth under GenNx’s watch, they are poised to double by the end of 2021. “We’re basically going in and helping companies operate more effectively and more efficiently,” says Dufresne. “We’re expanding our geographic footprint, adding customers, and adding great talent to the team. All in all, it becomes a better, well-run business.”

A HANDS-ON APPROACH

While the COVID-19 pandemic has had a profoundly negative impact on many industries, industrial and manufacturing companies have been spared from the worst of the fallout. The pandemic also exposed the risks of a company having its supply chain concentrated in just a few countries where the costs are lower. When the Great Lockdown shuttered much of Asia, large and small companies experienced severe shipping and logistics challenges as a result. More are now engaging in geographical diversity for their supply chain – which benefits American manufacturers.

All of this was good news for GenNx360’s portfolio. “We didn’t have a situation where revenues went to zero because we had to shut down,” Dufresne says. “All of our businesses were deemed essential. But we immediately had to spring to action to help our companies weather the storm and figure out how to operate in this new world order. We had to keep all of our employees safe. We needed PPE and a lot of it.”

The firm also scheduled regular conference calls so its portfolio companies could leverage collective buying power and work together to realize cost savings. “We had weekly calls to make sure that we were preserving cash as much as possible, maximizing cash generation opportunities, putting strategies together on how we were working with our lenders – both keeping them informed of what was going on and to identify ways to pull down cash for a rainy day,” Dufresne recalls. “We were very hands-on with the portfolios during that period.”

Overall, 2020 was a good year for the firm with three strong exits, one new platform and six add-ons. Looking ahead, GenNx360 will continue to employ its strategy, but with a bit more focus on automation and industrial technology. "If anything, COVID taught us that every company needs to be able to handle a reality where your folks can't go into the office," Dufresne explains. "That means remote monitoring and automating processes will be critical investments in every industry – whether it's using more predictive and analytic software or whether it's robotics within a manufacturing facility. COVID was an accelerant for embracing change."