



Private Equity- Backed Manufacturers Deserve CARES Act Protection

Private Equity-Backed Manufacturers Are Critical to the US Middle-Market and Deserve Access to CARES Act Protection

Key Takeaways

- More than 6,600 manufacturing companies owned by private equity firms could be denied the opportunity to qualify for CARES Act relief
- Each of these companies has fewer than 500 employees with an average headcount below 200
- Collectively, these manufacturers directly employ more than 1 million people
- Efforts to deny private equity-owned companies access to stimulus relief overlook the fact that these companies are an essential part of our economy that provide jobs and drive some of our

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The CARES Act is providing hundreds of billions of dollars in relief for companies across the country. There are current efforts afoot to extend funding beyond its original amount. However, some want companies that would otherwise qualify for these funds to be denied because they are owned by private equity firms. A number of articles recently published have centered their criticisms on the largest firms with broad strokes of wealth envy and by levying arguments that the private equity approach is a 'predatory business model'. A new [Vanity Fair article](#) is the most recent in a line of attacks to argue against funding.

Politics aside, efforts to deny private equity-owned companies access to stimulus relief overlook the fact that these companies are an essential part of our economy that provide jobs and drive some of our most innovative new products and services.

In addition, a vast majority of private equity firms and their respective portfolio companies operate in the middle-market to lower middle-market and a sizeable number of them have annual revenue below \$50M.

Another point overlooked is the sheer number of middle market manufacturers represented in this group and the vital role they play in our national and local economies. The numbers are not insignificant. The [American Investment Council](#) identified that in 2018, 1.9 million people were employed at manufacturing companies owned within private equity. This does not count an additional one million who work at suppliers to those companies. Unfortunately, these numbers do not permit us to see company size and how many could qualify for support.

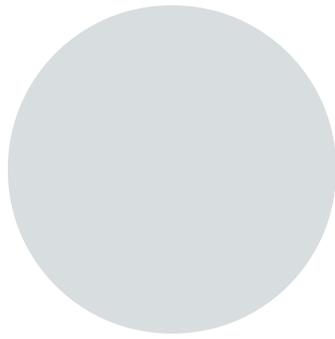
Since information on middle market manufacturers in the private equity space is limited, we did our own research using data from two key resources: [Pitchbook](#), a company that delivers data, research and technology covering private capital markets and the [National Center for the Middle Market](#) which provides insights and research on the middle market economy.

Through our analysis, we discovered the following facts about private-equity-back manufacturing companies who might lose out on CARES Act protection.

- More than 6,600 manufacturing companies owned by private equity firms could potentially qualify for this relief.
- Each of these companies has fewer than 500 employees with an average headcount below 200.
- Collectively, these manufacturers directly employ more than one million people.

We have worked with thousands of manufacturers in this group over the past 30 years and we've seen the tremendous role they play to supply the nation with critical goods and services. From consumer products, industrial goods, to technology to healthcare products, these companies are incredible innovators providing breakthroughs and solutions to some of our most challenging problems.

Some progress has been made in recent days to grant these companies access to funds but more must be done. Without the CARES Act, many of these manufacturers will be at risk of survival and their employees could lose their jobs. The private equity community provides a platform for small and mid-market companies to provide better jobs, stronger performance, and healthy communities. We should not deny support for a core group of innovative companies that make up the backbone of our economy.



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Gary has over 30 years of experience as a global leader. He rejoined TBM after working as Vice President of Operations at ESAB. Gary currently leads TBM's Global Private Equity practice.