



MANUFACTURING:

Growth Through Operational Excellence

2026 Private Equity Survey
Manufacturing Spotlight

Manufacturing investors are pursuing growth through operational excellence and disciplined execution.

Private equity (PE) investors continue to view manufacturing as an attractive destination for capital, even as competition over quality assets rises. Increased competition from other buyers or investors has emerged as the leading challenge to capital deployment, surpassing risk exposure uncovered during due diligence. Meanwhile, investors continue to pursue growth through both new platform acquisitions and add-on acquisitions, signaling continued confidence in the sector.

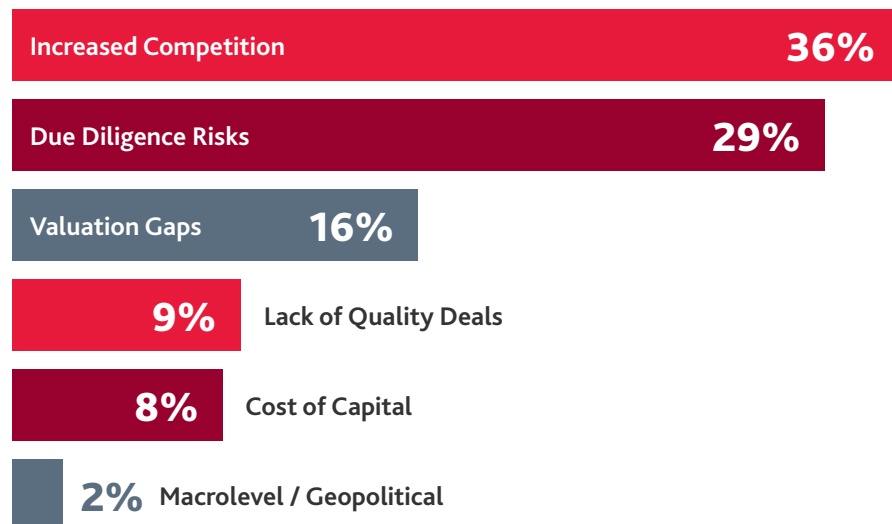
To help them get ahead as competition increases, manufacturing investors are also placing greater emphasis on talent acquisition and updating their approach to value creation. Nearly half identify finding and retaining the right people as their biggest internal constraint to executing deals at speed, while cash flow management and technology and artificial intelligence (AI) adoption are emerging as the most impactful levers for value creation. Overall, investors are becoming more focused on operational excellence as they compete for growth opportunities and position portfolio companies for future exits.



FINDING # 1

Manufacturing Investors Face a More Competitive Buying Environment

What is the top challenge you are facing when it comes to deploying capital?



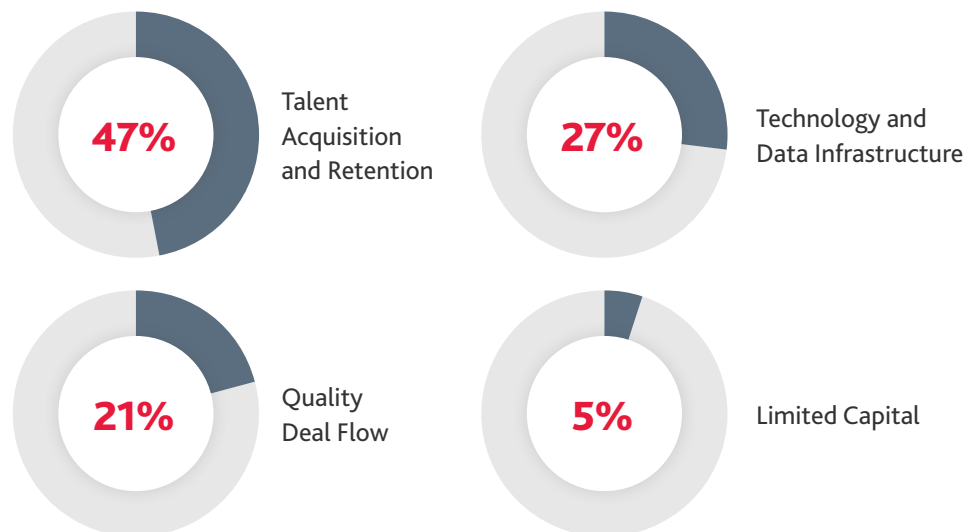
Analysis

- ▶ Competition has overtaken diligence risk as the primary barrier to capital deployment. More than one-third of manufacturing investors (36%) cite increased competition from buyers and investors as their biggest challenge, compared with 29% who point to risk exposure uncovered during due diligence.
- ▶ The challenge is not finding opportunities but winning them. Only 9% identify a lack of quality deals being brought to market as their biggest challenge, cementing the reality that manufacturing investors continue to see opportunities but face increasing pressure from competing buyers.
- ▶ Demand for manufacturing assets remains strong. As investors compete for a finite pool of attractive targets, differentiation through diligence, speed, value creation strategy, and operating capabilities is becoming increasingly important.

FINDING # 2

Manufacturing Investors Say Talent Remains the Biggest Constraint

What internal capability is most limiting your firm's ability to execute deals at speed?



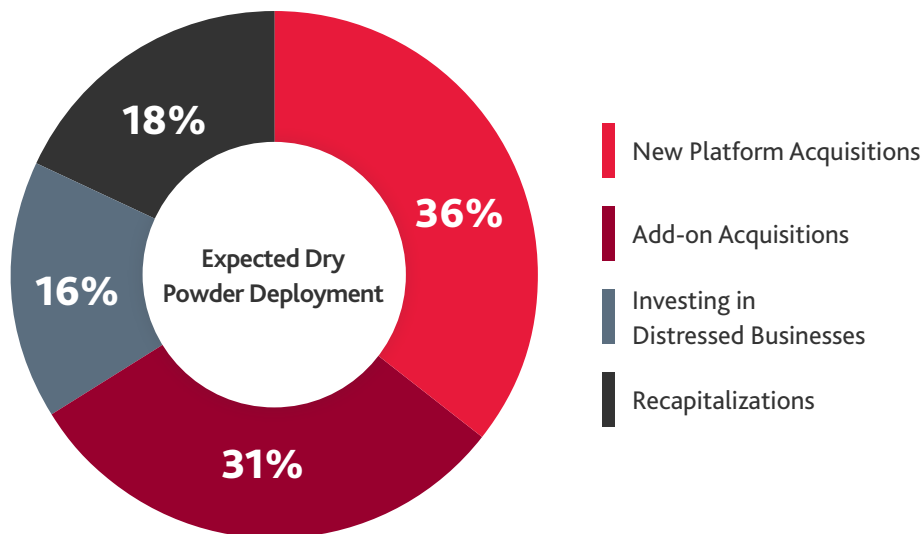
Analysis

- ▶ Talent, not capital, stands as the biggest obstacle to execution. Nearly half of manufacturing investors (47%) cite finding and retaining the right people at both the fund and portfolio company level as their primary limitation when executing deals at speed.
- ▶ Additionally, a lack of sufficient execution capabilities in key areas is becoming a competitive disadvantage. Technology and data infrastructure ranks second at 27% on respondents' list of major obstacles, followed by access to quality deal flow at 21%, reinforcing that operational readiness often matters as much as sourcing opportunities.
- ▶ Capital availability ranks low on respondents' list of concerns. Only 5% identify limited capital as their biggest challenge, suggesting investors are more constrained by execution capacity than financial resources.

FINDING # 3

Manufacturing Sponsors Continue to Pursue Acquisition-Led Growth

In the NEXT year, what is the primary way you anticipate your firm will deploy your dry powder?



Analysis

- ▶ Growth remains firmly centered on acquisitions. New platform acquisitions (36%) narrowly lead add-on acquisitions (31%) as firms' preferred deployment strategy, indicating that investors are balancing new investment opportunities with portfolio expansion.
- ▶ Acquisition activity continues to outweigh more defensive strategies. Together, platform and add-on acquisitions account for nearly two-thirds of anticipated deployment activity, well ahead of recapitalizations (18%) and distressed investments (16%).
- ▶ Manufacturing investors appear focused on expansion rather than preservation. Despite market uncertainty, they continue prioritizing growth-oriented deployment strategies over defensive capital allocation approaches.

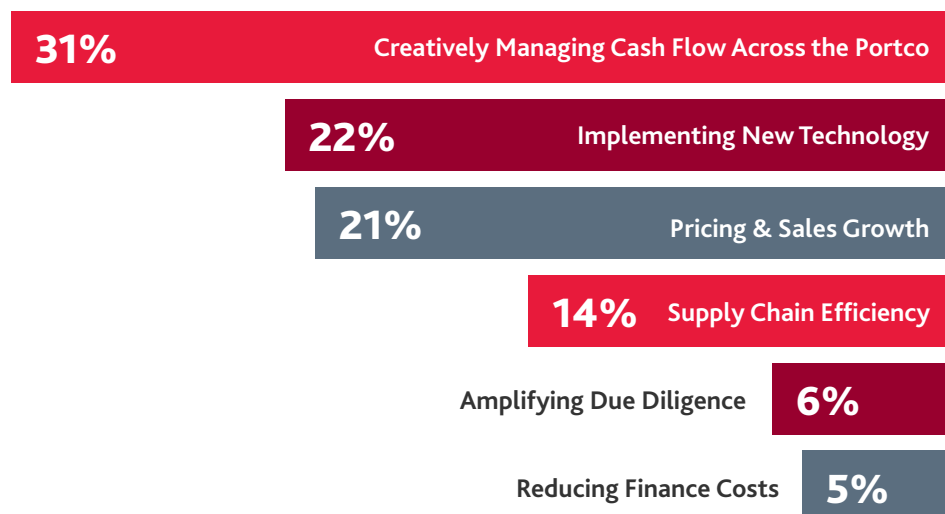
*Totals may not equal 100% due to rounding.

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FINDING # 4

Operational Excellence is Driving Manufacturing Value Creation

Which of the following value creation strategies do you feel would have the most impact this year?



Analysis

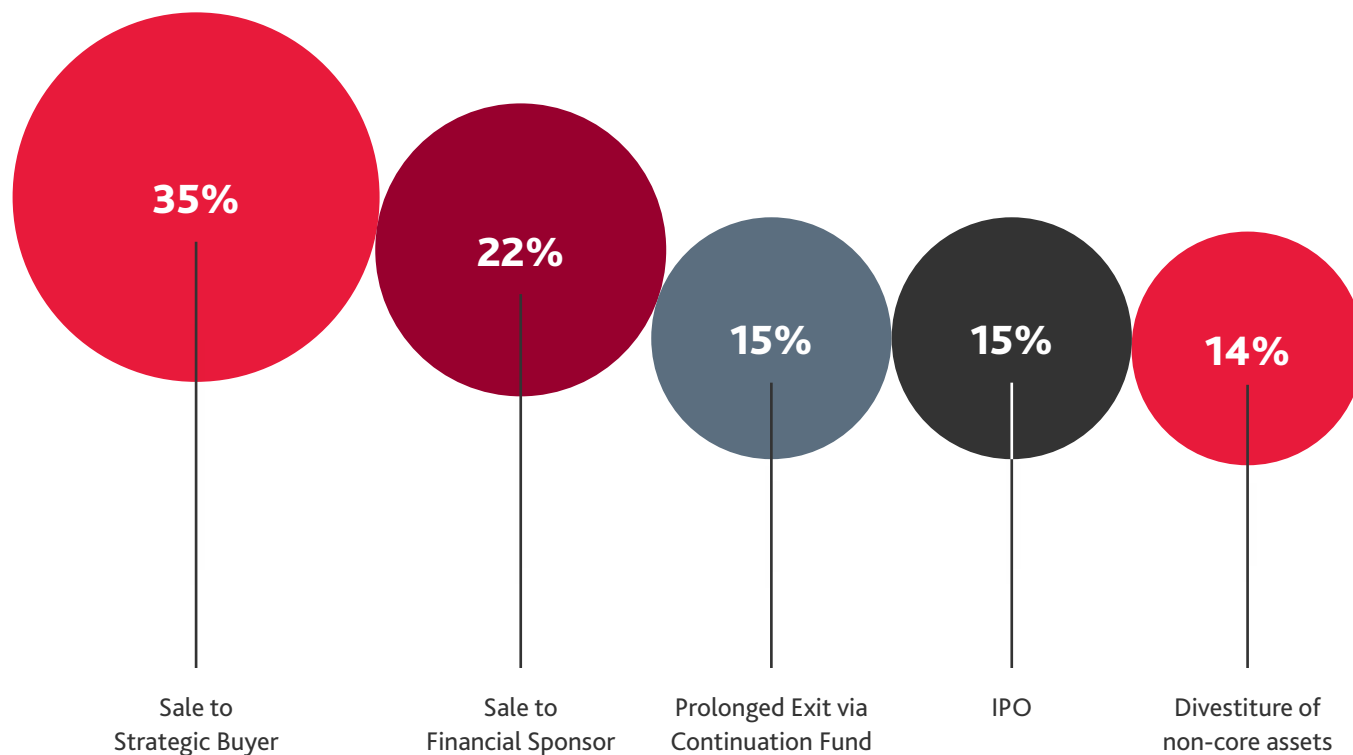
- ▶ Cash flow improvement has emerged as the leading value creation priority. Asked what value creation strategy they expect to have the largest impact, more manufacturing investors selected creatively managing cash flow across portfolio companies (31%) than any other strategy. This response highlights the importance of liquidity, working capital efficiency, and financial discipline.
- ▶ Technology remains important, but it does not stand alone. Implementing new technology, including AI and digital capabilities, ranks second at 22%, followed closely by pricing and sales growth initiatives at 21%.
- ▶ Overall, investors are pursuing a balanced operational value creation agenda. Supply chain efficiencies (14%) and enhanced diligence efforts (6%) also remain part of the mix, suggesting manufacturing investors are focused on improving performance across multiple operating levers rather than relying on a single strategy.

*Totals may not equal 100% due to rounding.

FINDING # 5

Manufacturing Investors are Preserving Maximum Exit Flexibility

Top path you will pursue for your exits in the next 12 months.



Analysis

- ▶ Strategic buyers remain investors' preferred exit route (35%) over the next 12 months.
- ▶ Beyond strategic buyers, multiple exit channels remain viable. Financial sponsor sales (22%), continuation funds (15%), IPOs (15%) and divestitures of non-core assets (14%) all remain under active consideration by significant shares of respondents.
- ▶ Flexibility is increasingly critical in today's environment. Rather than committing to a single liquidity strategy, investors are maintaining multiple potential exit pathways as market conditions continue to evolve.

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BDO's Take

Methodology: BDO's *2026 Private Equity Survey*, conducted by Rabin Roberts Research, polled 400 U.S. PE fund managers and operating partners in May 2026. This spotlight reflects responses from 141 PE firms that invest in manufacturing.

Manufacturing PE investors are not retreating from the market. They continue to pursue growth through both new platform acquisitions and add-on acquisitions, but the environment has become more crowded. Increased competition from buyers and investors has surpassed diligence-related concerns as firms' leading challenge to deploying capital, signaling that attractive manufacturing assets remain in demand and increasingly difficult to secure.

At the same time, investors are placing greater emphasis on execution. Talent remains their most significant internal constraint, while leading value creation priorities center on cash flow management and technology adoption. Together, these findings suggest manufacturing investors are increasingly differentiating themselves through operational excellence rather than financial engineering alone. As firms pursue growth in this increasingly competitive market, maintaining execution discipline and preserving flexibility across multiple exit pathways may become critical performance drivers.

See the full picture. Explore insights from all 400 respondents in the 2026 Private Equity Survey. ►

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