

C.H.I. SOLD FOR \$3 BILLION

Employees earn windfall payouts, dealers reap sales and supply chain benefits

On May 16, 2022, KKR, one of the nation's largest investment firms, announced the sale of Illinois-based garage door manufacturer C.H.I. Overhead Doors (C.H.I.) to Nucor Corporation, the largest steel producer in the United States.

The transaction is valued at \$3 billion. KKR and C.H.I. employees will profit generously from the sale, which is expected to close by early third quarter of 2022 following customary regulatory approvals.

The breaking news rocked not only the garage door industry but financial and private equity circles as well. Within 24 hours, the story was featured in Bloomberg, the Chicago Tribune, the Wall Street Journal, and CNBC, to name a few.

Employees reap rewards

At an owner's meeting in the company's Arthur, Ill. headquarters, C.H.I. employees were informed that every employee, from the hourly truck drivers to the salaried executives, would receive large payouts determined by tenure and salary.

The return to employees was substantial due to the exceptional performance of the business since having been purchased by KKR in 2015. The Wall Street Journal (WSJ) reported that hourly workers at C.H.I. will receive an average of \$175,000 in a payout, with the most-tenured earning more than \$800,000 as a result of the sale.

As part of the overall package, all 800 C.H.I. employees will receive 12 months of prepaid personal financial coaching and tax preparation services. C.H.I. CEO Dave Bangert said, "It was critically important to offer these additional services to our teammates. We recognize the impact the payouts could have on C.H.I. families and their communities for decades to come."

Employee-ownership model works

The windfall from the Nucor deal can be linked to the equity-ownership program implemented by KKR when they acquired the company in 2015. Bangert said, "We knew then that KKR would be

a different partner and that the employee-ownership model was fundamentally different. We were excited about the opportunity it offered C.H.I. and its employees."

Pete Stavros of KKR has been a leading advocate for implementing

employee-ownership models, stating that they build stronger companies and financially elevate working families.

As the son of a 45-year construction worker, Stavros recognized the challenges his father experienced when trying to create long-term wealth on an hourly wage. So, Stavros dedicated his education and early career to exploring employee-ownership, profit-sharing, and engagement initiatives.

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By Vicki Jones, Editor





ON AVERAGE, HOURLY WORKERS AT C.H.I. WILL RECEIVE \$175,000 IN A PAYOUT, WITH THE MOST-TENURED EARNING MORE THAN \$800,000 AS A RESULT OF THE SALE.

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Today, he's witnessing firsthand the positive results and financial gains that employee-ownership models can offer companies, and C.H.I. is a prime example. He said that this model has "delivered great results for companies and great outcomes for workers."

Bangert agreed, adding, "It creates a better work environment because everyone has a stake in the game. It reinforces that every voice is critical and matters to the overall success of the company."

"This isn't charity, it's not a gift," Stavros said. "They [C.H.I. employees] earned it. They drove an unbelievable amount of productivity in the business."



THE ACQUISITION PUTS C.H.I. IN A GREAT POSITION TO MINIMIZE SUPPLY CHAIN ISSUES.



Trickle-down effect

Nucor is expected to continue with its own profit-sharing model. Some C.H.I. employees say that this model breeds employee loyalty.

In the CNBC report, C.H.I. General Manager Kenroy Morrison said, "I am all in with C.H.I., simple as that." Team Lead Jim Hill said, "They're going to have to wheel me out of here."

The local community is also reaping the benefits of the sale and employee-ownership program. C.H.I. is located in Arthur, Ill., and has approximately 800 employees. With a population of roughly 2,200 people, the city of Arthur and its surrounding community will indirectly benefit from the employee payouts generated from this sale.

WSJ interviewed Josh Ryan, an assembly-line supervisor for C.H.I., who said, "I can't explain how much it's going to change — not just people's lives here — it's going to change the entire community."

WSJ adds that Ryan, his fiancée, and future mother-in-law all work for C.H.I., and together they expect to reap \$750,000 before taxes.

Worth the investment

KKR reportedly paid more than \$600 million for C.H.I. in July 2015. The \$3 billion deal with Nucor marks one of KKR's largest returns in over

30 years, generating 10 times the original equity invested (inclusive of distributions).

KKR said in a press release that C.H.I. has experienced an impressive transformation since being purchased by KKR. "C.H.I.'s EBITDA [Earnings Before Interest, Taxes, Depreciation, and Amortization] margin steadily improved over a seven-year period and revenue grew by nearly 120% organically."

KKR attributes the growth to key investments in the workforce and plant, the addition of a second plant in Indiana, and operating improvements, including scrap reduction and increased labor productivity. Workplace improvements included air conditioning in the factory, new break rooms, a new cafeteria with healthier food options, and an on-site health clinic.

However, the most influential contributor could be the employee ownership culture. "We have seen firsthand the impact that the ownership mindset can have on individual owners and the business," said Stavros.

Company culture continues

C.H.I.'s entire leadership team and CEO Dave Bangert will remain in place and continue to run the business under the C.H.I. name.

"Nucor is our forever home. For the past 41 years, we've advocated faith, family, and C.H.I., in that order. Nucor shares the same principles, and they want to continue to grow the company by investing in C.H.I. and promoting our shared core values."

"Our employees are excited about the payouts, but also about the company's future with Nucor," added Bangert.

Dealers benefit from "steel" of a deal

The Nucor acquisition offers another obvious advantage for the garage door company. "Under Nucor's ownership, C.H.I. will have strong continuity with our supply chain," said Bangert.

Nucor is the largest steel producer in the U.S. "The acquisition puts C.H.I. in a great position to

minimize supply chain issues," he added.

However, the acquisition offers C.H.I. access to more resources than just steel. As Bangert pointed out, Nucor has a good number of commercial businesses under its family of brands.

He said, "This is great news for our dealers! The stability in our supply chain is one part; we're also excited about the reach of Nucor's existing downstream businesses."

"Their commercial businesses offer a range of products, such as metal building systems, warehouse racking, paneling, joists, and decking, that provide C.H.I. and our dealer partners a great opportunity to work together to grow our respective businesses."

Starting a movement

As C.H.I. looks ahead under its new ownership, Stavros is on a mission to make the shared-ownership model the norm. He recently launched Ownership Works, a nonprofit company dedicated to "reimagining equity to build wealth for all." Its website says the shared-ownership model creates a better business and is "the right thing to do."

"We can't thank our strategic partners at KKR enough for believing in us at C.H.I., providing a life-changing experience for us all, and driving a movement not only across the industry but across the country," said Bangert.

The C.H.I. story is certainly an example of a lucrative deal that generated significant payouts for its employees and fostered a culture of dedicated and loyal employees in the process. As a CNBC news anchor asked ... "Do you think other firms are watching and listening?" ■

Editor's note

This is the first of two D+AS articles covering the sale of C.H.I. Watch for the follow-up story in the fall issue featuring an exclusive interview with the leadership teams.

COMMENTS FROM GARAGE DOOR TECHS ON FACEBOOK

- "I wonder what the people who quit last year are thinking."
- "Makes me happy to see those employees so happy."
- "[Employees] are all going to stay because they love their jobs and they love the company."