From Products to Platforms:
How Industrial Companies Can Build Higher-Value, More Resilient Businesses

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Industrial companies are increasingly being valued not simply for the products they manufacture, but for the quality, resilience and growth potential of the businesses that surround those products. Moving towards recurring aftermarket services can improve the economics of an existing installed base, while exposure to structural themes such as electrification, automation, energy efficiency and industrial sustainability can provide a more attractive long-term growth trajectory. M&A can accelerate both transformations by adding capabilities, technologies, customers, installed base and geographic reach much faster than organic development alone.

This creates an opportunity to build industrial platforms that are larger, more diversified and strategically more valuable than the individual businesses from which they were assembled. The model is already well established in the US and Europe, particularly among private equity investors, but there appears to be significant scope to apply it more systematically in Asia, where fragmented industrial markets, family ownership and succession issues often coexist with attractive long-term industrial growth.

The changing economics of industrial businesses

For much of the industrial economy, value creation has traditionally centred on designing and manufacturing better equipment, improving production efficiency and gaining market share. Those remain important sources of competitive advantage, but they do not necessarily produce the most attractive economic model. Equipment sales are often cyclical and capital intensive, and the relationship with the customer can be relatively transactional: the manufacturer invests heavily in engineering, production and sales resources, while the revenue opportunity is concentrated around the initial purchase.

Aftersales activities can support stronger margins and deeper customer relationships

The economics change once the manufacturer captures a greater share of the equipment's lifecycle. Spare parts, maintenance, repairs, refurbishment, upgrades, inspections, monitoring and service contracts can generate revenue repeatedly over many years. Because the customer is often purchasing uptime, reliability and technical expertise rather than simply a physical component, these activities can also support stronger margins and deeper customer relationships. Research across industrial sectors consistently points to a substantial margin advantage for aftermarket services compared with new-equipment sales, while service revenues tend to be more resilient through the industrial cycle.

This creates a broader strategic opportunity. An installed base should not be viewed simply as a record of past equipment sales; it can become an asset from which a company generates recurring economic value for many years. The more equipment a manufacturer has in the field, the greater the potential opportunity for parts, maintenance, refurbishment and upgrades. If that installed base is sufficiently concentrated within particular industries or geographies, the company can also develop specialist technical capabilities and service networks that become difficult for competitors to replicate.

The opportunity is particularly relevant in Asia. China, India and Southeast Asia have accumulated enormous installed bases of industrial equipment as manufacturing, infrastructure and energy systems have expanded. Yet the aftermarket is often fragmented between OEMs, distributors and independent service providers, leaving a meaningful portion of the lifecycle economics outside the original equipment manufacturer. This raises a fundamental strategic question for industrial companies: rather than attempting to develop every service capability organically, could acquisitions be used to build the customer relationships, technical expertise and geographic coverage required to capture a greater share of the lifecycle?

Two routes to building a higher-value industrial business

There are two broadly complementary ways in which an industrial company can change the economics of its business. The first is to move closer to the customer and the asset lifecycle by increasing the proportion of revenue generated after the initial equipment sale. The second is to reposition the portfolio towards markets benefiting from structural investment trends.

Two complimentary strategies for industries companies: aftersales services and structural alignment to investment trends

The first route involves expanding beyond the sale of equipment into parts, maintenance, repair, refurbishment, upgrades, monitoring and longer-term service arrangements. The objective is not simply to increase service revenue but to create a business in which a greater proportion of future cash flow is connected to an existing installed base. This can improve revenue visibility, customer retention and margins while making the organisation less dependent on the timing of new equipment purchases.

The second route involves using the company's existing capabilities to participate in markets where demand is expected to grow over an extended period. Electrification, automation, energy efficiency, water infrastructure and industrial decarbonisation are examples of themes that can create such opportunities. The most attractive situations are generally those in which the company already possesses relevant engineering or manufacturing capabilities that can be transferred into these markets, rather than simply acquiring exposure to a fashionable theme.

The two routes can reinforce one another. An industrial company supplying equipment into a structurally growing market can use its installed base to build a high-margin service business, while a service company can use acquisitions to add products and technologies that strengthen its position in attractive end markets.

The result can be a business with both a better quality of revenue and a stronger long-term growth profile.

Exhibit 1: The evolution from equipment sales to lifecycle value

Traditional equipment model	Higher-value lifecycle model
Revenue concentrated around equipment sale	Revenue distributed across equipment lifecycle
Predominantly transactional relationship	Longer-term customer relationship
High exposure to capital-expenditure cycles	Greater exposure to maintenance and operating expenditure
Product-led differentiation	Product, service and technology differentiation
Installed base primarily represents historical sales	Installed base becomes a recurring-revenue asset
Growth driven mainly by new equipment	Growth from equipment, services, upgrades and adjacencies
Valuation driven largely by manufacturing economics	Valuation increasingly influenced by revenue quality, resilience and growth

The important implication is that M&A should not be viewed simply as a mechanism for adding revenue. The more interesting objective is to change the composition of the business itself. An acquisition that adds another million dollars of cyclical equipment sales may have limited strategic significance. An acquisition that gives the platform access to thousands of additional installed assets, a specialist service workforce or a technology required to enter a structurally growing market can fundamentally change the future economics of the company.

M&A as a mechanism for transforming the business

This distinction is particularly important when considering industrial buy-and-build strategies. A conventional acquisition adds another business to an existing portfolio. A platform strategy uses acquisitions to create capabilities that would be difficult, slow or expensive to develop organically.

One of the most obvious opportunities is to increase the density of the installed base. A service organisation becomes more economically attractive when it has more equipment to maintain within the same geography or customer segment. Greater density can improve technician utilisation, shorten response times and support more efficient parts distribution, while the broader customer relationship creates opportunities for cross-selling.

Acquisitions can also provide capabilities that complement the platform's existing technology. A company with a strong position in fans, for example, may be able to expand its addressable market by adding compressors, turbines or heat-exchange technologies. The resulting organisation can address a broader part of the customer's process and potentially offer a more integrated solution.

Industrial M&A can serve several strategic objectives: increase the installed base, add capabilities, expand the geographic scope and industry exposure

Geographic expansion is another important rationale, particularly in Asia. Local industrial companies often possess relationships and technical capabilities that are difficult for an external company to reproduce quickly. Acquiring a respected local operator can therefore provide much more than revenue: it can provide access to customers, technicians, suppliers and market knowledge that would otherwise take years to build.

Finally, acquisitions can accelerate exposure to structural growth markets. Rather than developing a new technology, establishing a customer base and building credibility over many years, an industrial company can acquire a business that already possesses the relevant engineering expertise, intellectual property and application knowledge.

The strategic question for each acquisition should therefore be broader than the target's standalone financial performance. The more important question is what the combined company will be able to do that neither business could do independently. That is the point at which an acquisition begins to contribute to a platform strategy rather than simply becoming another company within a group.

Howden: an early example of industrial transformation

My first project as a strategy consultant, back in 1996, involved supporting Charter plc as it developed its approach to Howden. That approach ultimately became a successful £385 million bid, announced in March 1997 and completed later that year.

At the time, Howden was a long-established British engineering business whose roots stretched back more than a century. Its core activities centred on highly engineered air and gas handling equipment, including fans, compressors and related technologies. It had strong technical capabilities and an installed base of industrial equipment, but its fundamental economic model remained that of an engineered-equipment manufacturer.

Earlier this year I supported a private equity client in a transaction involving a Singapore based industrial company and as we were looking for some case examples to illustrate growth and exit opportunities, I stumbled upon Howden, 30 years after first looking at it!

Turns out Howden provides a very relevant illustration of industrial transformation because its history spans several ownership models and shows how an industrial business can progressively change its strategic position.

SIDEBAR:
1996-2026: Howden Illustrates industrial transformation through M&A

1. Charter: building and restructuring the industrial business

Following the acquisition in 1997, Howden became part of Charter plc, a British industrial group with a portfolio of engineering businesses. The ownership period was characterised by portfolio development and restructuring, while Howden continued to build on its engineering expertise and established product franchises. By 2012, Howden had developed into a substantial global air and gas handling business with a broader international footprint, and the business was acquired by Colfax

2. Colfax: placing Howden within a global industrial platform

Colfax Corporation was a US industrial company pursuing an acquisition-led strategy across engineered products and industrial technologies. Its acquisition of Charter brought Howden into a much larger global industrial portfolio, giving the business access to broader markets and resources while allowing it to continue developing its core air and gas handling capabilities. Its portfolio increasingly combined different technologies and applications, creating a stronger foundation for the next phase of development. That phase began when Colfax decided to separate Howden from the group.

3. KPS: from industrial division to focused platform

In 2019, KPS Capital Partners, a US private equity firm specialising in industrial and manufacturing investments, acquired Howden from Colfax for an enterprise value of approximately $1.8 billion.

The transaction was a complex carve-out, requiring Howden to become a standalone organisation. Establishing standalone systems, functions and management processes gave the business greater strategic focus and allowed KPS to pursue a dedicated transformation programme.

KPS combined operational improvement with targeted M&A. Over the subsequent holding period, Howden acquired a series of businesses that broadened its technological capabilities and addressable markets, including Compressor Products International, Spencer Turbine and Peter Brotherhood. These acquisitions added technologies, engineering capabilities and aftermarket opportunities that strengthened the broader platform rather than simply increasing revenue. At the same time, Howden increasingly focused its development efforts on applications linked to long-term industrial investment, including hydrogen, carbon capture, water treatment and energy recovery.

The result was a business less dependent on a narrow set of traditional equipment markets, with a broader technology portfolio, greater exposure to lifecycle services and a stronger position in industrial applications associated with the energy transition.

4. Chart: a strategic buyer takes the platform further

The transformation culminated in 2023, when Chart Industries completed its acquisition of Howden for approximately $4.4 billion. Chart is a US-listed manufacturer of highly engineered equipment serving clean-energy, industrial-gas and related applications. Its rationale was therefore different from that of KPS: rather than acquiring an industrial business to improve and eventually sell, Chart was acquiring capabilities that complemented its own strategic portfolio.

The combination expanded Chart's position across what it described as the "Nexus of Clean", including applications in hydrogen, carbon capture, water treatment and energy recovery. Howden's rotating equipment and engineering capabilities could be combined with Chart's existing products and customer relationships.

By the time of the transaction, Howden had evolved substantially from the equipment-focused business Charter had acquired more than two decades earlier. It had become a global technology and industrial solutions platform with a broader product portfolio, deeper engineering capabilities, greater service exposure and a significantly stronger position in several structural growth markets.

Howden's transformation through successive ownership

The Howden story becomes particularly revealing when viewed not simply as a sequence of ownership changes, but as a progression in the underlying business model. Each owner inherited the capabilities created by the previous period and used them as the starting point for the next stage of development.

Exhibit 2: Howden: ownership, strategy and product/service evolution

Period	Ownership	Strategic Focus	Product / service focus
Pre-1997	Independent / Howden Group	Develop established engineering franchises	Primarily engineered air and gas handling equipment, including fans, compressors and related machinery
1997–2012	Charter plc	Build and restructure a broader industrial engineering group	Product-led engineering businesses, with development of global equipment franchises and associated technical support
2012–2019	Colfax Corporation	Integrate Howden into a global industrial platform and broaden its reach	Broader air and gas handling portfolio, with growing global installed base and aftermarket/service activities
2019–2023	KPS Capital Partners	Standalone carve-out, operational improvement and programmatic M&A	Broader rotating-equipment portfolio, expanded aftermarket capabilities and new applications including hydrogen, CCUS, water and energy recovery
2023 onward	Chart Industries	Integrate Howden into a broader clean-energy and industrial technology platform	Rotating equipment and lifecycle solutions combined with complementary clean-energy technologies and applications

The progression is significant because the ownership changes did more than transfer financial control. They progressively changed the strategic role of the business. Charter developed and restructured the industrial platform; Colfax provided a broader global industrial context; KPS separated the business and accelerated its transformation through operational improvement and M&A; and Chart acquired the resulting platform because those capabilities complemented its own strategic direction.

This suggests an important lesson for industrial M&A more generally. Value creation does not necessarily occur through one transformational transaction. It can occur through a sequence of ownership and investment decisions, with each stage increasing the strategic options available to the next owner.

What the Howden case tells us about industrial M&A

Several elements of the Howden journey are particularly relevant when considering industrial platform strategies today:

1. The importance of having a strong starting point. Howden did not need to be reinvented from scratch. It had an established engineering heritage, recognised technologies,

customers and an installed base. These assets provided the foundation on which subsequent owners could build. This is an important characteristic of an attractive platform: the objective is generally to amplify an existing competitive position rather than compensate for the absence of one.

2. The role of acquisitions in filling specific capability gaps. The most strategically relevant acquisitions during the KPS period were not necessarily the largest ones; their value came from what they added to the platform. Additional compressor, turbine and engineering capabilities expanded the range of products and applications that Howden could address, while also increasing the potential aftermarket opportunity. This is a more powerful approach than treating M&A simply as a mechanism for buying EBITDA.

3. The importance of aligning the business with long-duration growth. Hydrogen, carbon capture, water treatment and energy recovery were attractive not simply because they represented sustainability themes, but because Howden's existing engineering capabilities were relevant to these applications. The lesson is therefore not to chase every new industrial theme, but to identify where a company's existing capabilities can be transferred into markets with superior long-term growth.

4. The relationship between installed base and services. Mission-critical equipment creates a natural aftermarket because customers place a high value on uptime, reliability and technical support. As the installed base expands, the potential service opportunity expands with it. Acquisitions can therefore create a reinforcing cycle in which a larger installed base supports a larger service organisation, which in turn strengthens customer relationships and makes further acquisitions more valuable.

Why the model is relevant to private equity

For private equity investors, the attraction of the industrial platform model is that it can create several sources of value within a single investment thesis. Operational improvement can raise margins, business-model transformation can improve revenue quality, acquisitions can accelerate growth, and increased scale and strategic relevance can create greater exit optionality.

The most interesting situations are therefore those in which the investment thesis can be articulated before the first acquisition is made. An investor should be able to describe the business it wants to own at exit and then identify which capabilities, geographies, customers or technologies are required to get there.

Industry fragmentation creates an acquisition pipeline, but targets need to fit into a coherent strategic architecture

This also explains why fragmented markets are attractive. Fragmentation creates an acquisition pipeline, but it is not sufficient on its own. The targets need to fit into a coherent strategic architecture. A series of unrelated acquisitions may produce a larger company, but it does not necessarily create a better one.

A successful platform can ultimately become attractive to strategic buyers for reasons that extend beyond its financial performance. A larger installed base, a stronger service network, proprietary technology or exposure to an attractive end market can provide a strategic rationale for an acquisition that did not exist for the individual companies before consolidation.

The distinction between a financial roll-up and a strategic platform is therefore important. A financial roll-up primarily seeks to benefit from consolidation and scale economics. A strategic platform uses consolidation to create a business with capabilities, revenue characteristics and market positioning that would have been difficult to achieve organically.

Why Asia could provide an attractive next frontier

The platform model has become increasingly familiar in the US and Europe, but it appears less institutionalised and less visible across many Asian industrial markets. This does not necessarily mean that the opportunity is smaller. In several respects, the underlying conditions may make the model particularly attractive.

Industrial markets across Asia are frequently fragmented by country, product category and ownership structure. A technically strong local business may hold a leading position within its domestic market but lack the capital, management resources or geographic coverage required to expand regionally. At the same time, many industrial companies remain founder- or family-owned, creating potential succession situations in which an external investor can provide both capital and a pathway to the next stage of development.

The fragmentation also creates potential operational benefits from scale. Procurement can be consolidated, engineering resources shared and service infrastructure expanded across a broader installed base. A platform with a presence in several Asian markets can also provide multinational customers with a more consistent service proposition while giving smaller local businesses access to capabilities they could not develop independently.

Asia's industrial markets differ substantially in maturity, competitive structure and ownership patterns

The opportunity should not, however, be interpreted simply as a matter of importing a US-style roll-up model into Asia. The region's industrial markets differ substantially in maturity, competitive structure and ownership patterns. In some cases, the best platform may be a leading domestic manufacturer that expands regionally. In others, it may be an independent service business that consolidates specialist providers across several countries. Another opportunity may be to use an established Asian manufacturing business as the foundation for a China+1 or Southeast Asian production network.

The common principle is that M&A should be used to create capabilities and scale that would otherwise take too long to build organically.

What makes an attractive industrial platform?

The most attractive platform candidates typically combine several characteristics, although few will possess all of them to the same degree. A defensible core business provides the starting point, whether that advantage comes from technology, an installed base, customer relationships, specialist expertise or a leading position in a niche market.

The aftermarket opportunity is equally important because it determines how much additional value can potentially be captured from the installed base. A business whose products require regular maintenance, replacement parts, refurbishment or upgrades has a fundamentally different growth opportunity from one where the customer has little reason to engage with the manufacturer after purchase.

Fragmentation then creates the potential for consolidation, while adjacency determines whether that consolidation can actually create value. The strongest acquisition opportunities tend to be close enough to the platform that customers, technologies, engineering resources, service infrastructure or geographic coverage can be shared.

Exposure to structural growth adds another dimension. A fragmented market can be consolidated, but if the underlying market is shrinking, the platform may ultimately become very good at consolidating a declining industry. The combination of fragmentation with attractive long-term demand is considerably more powerful.

Finally, the organisation needs the ability to execute repeated acquisitions without losing operational focus. The platform must have a clear integration philosophy, appropriate management capacity and a repeatable process for identifying, diligencing and integrating targets.

Exhibit 3: The industrial platform attractiveness framewo

Core business	• Does the platform have a defensible competitive position, technology, installed base or customer relationship?
Aftermarket	• Can the installed base support recurring or repeat revenue and higher margins?
Fragmentation	• Are there sufficient credible acquisition targets to support a multi-year strategy?
Adjacency	• Can acquisitions share customers, technologies, service infrastructure or geographic coverage?
Structural growth	• Is the platform exposed to markets benefiting from long-term industrial investment?
Integration capability	• Can management repeatedly acquire and integrate businesses without destroying value?

The execution challenge: building rather than buying

The attractiveness of the strategy should not obscure its difficulty. Many industrial roll-ups create a larger organisation without creating a fundamentally better one because the acquired companies continue to operate as independent businesses with limited commercial or operational integration.

The starting point therefore needs to be a clear platform strategy. Before acquiring the first target, management should have a view of the capabilities it wants to build, the customer segments it wants to serve and the position it ultimately wants the business to occupy. This makes it possible to distinguish strategically valuable acquisitions from businesses that are merely available.

Acquisition discipline becomes particularly important as competition for attractive targets increases. A small company with a distinctive technology, a valuable installed base or an important geographic position may create more value than a larger company with less differentiation. The strategic value of the target needs to be assessed alongside its standalone financial performance.

Integration capability and management capacity are key factors in determining the success of an industrial M&A roll-up

Integration also needs to be approached deliberately. Some businesses may benefit from full integration of systems and functions, while others may retain significant local autonomy because their customer relationships or specialist capabilities depend on that independence. What matters is that the platform knows where integration creates value and where it does not.

As the number of acquisitions increases, management capacity becomes another potential constraint. A platform executing several acquisitions over a multi-year period cannot rely indefinitely on the original leadership team to manage every transaction and integration. Dedicated M&A, integration and operational capabilities become increasingly important as the organisation scales.

Finally, financial discipline remains critical. The logic of a buy-and-build strategy can become self-reinforcing, which can tempt investors to pay increasingly high prices for targets simply because they fit the thesis. The ability to create value through M&A ultimately depends on maintaining discipline around entry valuation, acquisition multiples, integration costs and leverage.

Implications for corporate leaders and private equity investors

For corporate industrial leaders, the central question is whether the company's existing business model will remain sufficiently attractive as industrial markets evolve. A company with strong engineering capabilities but limited aftermarket penetration may have an opportunity to acquire service businesses and capture more of the economics of its installed base. A company operating in a mature market may instead use acquisitions to reposition itself towards faster-growing applications. In both situations, M&A becomes a strategic tool for changing the business rather than simply expanding it.

For private equity investors, the opportunity is to identify industrial sectors where fragmentation, aftermarket economics and structural growth can reinforce one another. The most compelling investment theses are likely to involve a high-quality platform with a defensible core, followed by a combination of operational improvement, organic growth and programmatic M&A that changes both the scale and the quality of the business.

For both corporate and financial investors, the most useful question is therefore not simply which companies are available to buy. It is what the business could become if the right acquisitions were combined with the right operational and strategic changes.

That question provides a more powerful framework for industrial M&A because it shifts the emphasis from transactions to transformation.

Conclusion

Industrial value creation is increasingly about building businesses that combine differentiated products, recurring services, technical capabilities and exposure to long-term growth markets.

M&A can accelerate that journey by adding the capabilities, customers, technologies and geographic reach that would take years to build organically. The goal is not simply to become larger, but to create a business with fundamentally stronger economics and a more defensible strategic position.

For industrial companies and investors alike, the opportunity is to look beyond consolidation and ask how M&A can change the business itself. That is the difference between a roll-up and a platform.

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