

MANUFACTURING OUTLOOK

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**CNC
MACHINING**

EDITION

MICHAEL CLARK,
DIRECTOR OF SALES
AND MARKETING

MATT DIETRICH,
CEO

CHUCK SCHIAVELLO,
CFO

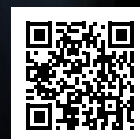
TROY RILEY,
VP OPERATIONS

ALCO

MANUFACTURING CORPORATION

A STALWART IN **PRECISION**
MACHINED METALLIC
PRODUCTS

\$15



COVER STORY

Alco Manufacturing, one of the largest producers of precision machined products in the U.S., is celebrating its 50th anniversary in business this year. The story of the company's journey and its passion for manufacturing and machining is nothing short of an inspiring tale for budding entrepreneurs. Alco Manufacturing was once a small machine shop that began in 1971 with several ACME screw machines and a small base of business in steel hydraulic fittings. Thanks to forward-thinking founders, hard-working employees, and the creation of a strong problem-solving and customer service culture, Alco developed that humble start into a meaningful contract machining market position.

Presently, the company operates hundreds of diverse and sophisticated pieces of production equipment, machines many grades of steel, brass, aluminum and other alloys, and actively serves the very largest producers of hydraulic systems in the United States. MiddleGround Capital, a KY and NY based private equity firm that makes control investments in North American middle-market B2B industrial and specialty distribution companies, acquired Alco in July 2018. This investment in Alco has enabled the management team to accomplish significant optimization in operational efficiencies, and to refocus the business on a path to diversification and growth as a solutions-oriented precision machining business. In that context, MiddleGround Capital recently also acquired Manth-Brownell, a similar precision machine parts manufacturer located in Kirkville, NY, for integration with the Alco platform. The addition of Manth-Brownell helps broaden and accelerate diversity in Alco's overall machining capabilities, while also broadening the customer base in

ALCO MANUFACTURING CORPORATION

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continuation of the company’s growth plans. According to Alco’s leadership, this is just the beginning – with more evolution ahead.

Alco Manufacturing, today, has emerged as a truly world-class manufacturer of machined steel, aluminum, and brass products, including a vast array of hydraulic connectors, garden hose connectors, plumbing cartridges, and many other products used across many industrial and consumer end markets. Alco leverages the latest technologies and an unusually large, diverse stable of precision machinery to manufacture many metallic components ranging from basic to complex. The company owns over 600 pieces of production equipment, including a wide array of multi-spindle cam-driven machines, multi-axis CNC machines, rotary-transfer Hydromat machines. Alco operates in five facilities across three midwestern states, with almost 500,000 sq ft of manufacturing space to serve customers with high-value, competitively-priced products, coupled with industry-recognized, customer award-winning service.

Differentiation in the Machined Components Supply Chain

Interestingly, the precision contract machining industry in the United States has remained quite fragmented for many years. At the same time, the COVID-19 pandemic disrupted many businesses and supply chain landscapes, placing significant stress on many smaller operations that try to compete in this space. Many companies are struggling to keep pace with increasing demand from the broad recovery across multiple end-use markets. This situation also illustrates how supply chains are often not configured to handle dramatic swings in the market. In fact, recent supply disruptions have forced many OEMs to change their business models and operational configurations to properly serve their customers and remain competitive, causing many to seek domestic

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”



machining suppliers who can handle complex, non-core component production in a flexible and cost-effective manner. Matt Dietrich, Alco’s CEO, explains. “In working with Alco as a capable, domestic contract machining partner, many of our customers are gaining capacity flexibility in the midst of a rapidly changing demand environment, enabling better responses to their customers with appropriate controls on costs, and freeing up valuable warehouse and production space within their own facilities.” Dietrich continues, “At the same time, our customers can then refocus their efforts on core areas where

they excel, leaving outsourced production of many critical, precision-machined components to us to save both time and money.”

Indeed. As OEMs look to consolidate and reduce complexity in their supply chains, simplify inventory requirements, and reduce asset-intensity, having a cost-effective, precision machining partner in Alco can prove to be highly beneficial. At its core, Alco Manufacturing is a contract manufacturer and supply chain partner that serves customers from prototypes to large-scale orders in a truly cost-effective manner. “We partner with

our customers, collaborating with their engineering and manufacturing teams to help produce high-quality products—essentially becoming an extension of their manufacturing facilities,” states Matt Dietrich. Alco takes customer designs and uses its proprietary platforms, assets, and precision machining know-how to deliver great products and services to their customers. Alco increasingly offers notable advantages over offshore competitors by providing comparatively fast turnaround times and requiring much less inventory and working capital than many traditional offshore supply

chain options. To meet the rising demand for components, Alco procures raw materials directly from producer mills at a very optimized and attractive cost structure because of the high volume of materials that Alco processes. To this point, Alco’s ability to buy large-scale volumes of metallic raw materials at advantageous cost really sets them apart from competitors. “We combine decades of extensive machining expertise, process innovation, consistent quality, a best-in-class cost structure, and customized inventory flexibility to be the best choice contract manufacturing partner to our customers. Today perhaps more than ever, these are things our customers demand from us,” says Chuck Schiavello, Alco’s CFO.

Unparalleled Operational Expertise and Customer Engagement

When it comes to engagement, Alco’s well-trained commercial team interacts closely with customers to understand their objectives and pain points. This enables Alco to solve problems in precision machining, and to even assist with related supply chain management issues. “Fundamentally, Alco’s strength lies in its ability to provide solutions that meet or exceed customer expectations,” says Mike Clark, Alco’s Director of Sales and Marketing. This is possible through a well-developed model that leverages Alco’s team of experienced machinists, technicians, and engineers. As a practical example of this model in action, one medium-sized customer was recently trying to launch a new product to meet aggressive cost targets necessary to make their project viable in the marketplace.

However, late in the development process there was recognition that they lacked the equipment, expertise, and general capability to manufacture certain key machined components in a cost-effective manner. The situation threatened significant cause cost overruns, launch delays, and potential revenue and profitability losses, so they sought help

from Alco as a precision machining partner. Alco’s capabilities meshed well with several critical components, and the company was able to react thoroughly and quickly. Consequently, the customer was able to successfully launch the new product on time and within cost targets. “This scenario happens often, actually,” says Clark. By adding value to customer designs such as offering potential tweaks to materials, product attributes, and machining processes, Alco’s consultative model can help customers meet competitive cost targets and sometimes even enhance product performance and durability. “This allows our customers to focus on efficient deployment of capital and resources, future designs and new products, and potential exploitation of broader market opportunities within their own businesses,” says Clark.

Alco’s manufacturing team is obviously essential to the demonstrated capabilities of the company. “We are vigilant in optimizing our manufacturing processes to provide value and remain relevant and competitive in the marketplace,” says Troy Riley, Alco’s Vice President of Operations. “Alco’s entire mindset of bringing value to our customers involves the elimination of waste and making meaningful reductions in cost to create that value by leveraging our precision machining capabilities and expertise. Our in-house engineering team’s extensive knowledge of materials, comprehensive understanding of product development, and innovative machining technologies allow us to provide finished products with optimized utility and performance.” Alco has also developed a robust internal skilled labor training program that allows people without prior experience to become skilled machinists on a much faster timetable than previously practiced. This program has aims to address the shortage of skilled labor in operating screw machines and developing general machinists necessary to serve Alco customer needs.

The company complements this through its large-scale buying power



OUR IN-HOUSE ENGINEERING TEAM'S EXTENSIVE KNOWLEDGE OF MATERIALS, COMPREHENSIVE UNDERSTANDING OF PRODUCT DEVELOPMENT, AND INNOVATIVE TECHNOLOGY ALLOW US TO PROVIDE FINISHED PRODUCTS WITH ECONOMICAL AND OPTIMAL FUNCTION



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of raw materials and a culture of lean manufacturing initiatives. “We work on operational excellence and efficiency within our factories; we live by the concepts of lean manufacturing,” says Riley. It is no coincidence that MiddleGround Capital’s Partners and many in its operations management team have backgrounds in well-developed businesses in these areas, including Toyota Motor Company. Under MiddleGround Capital ownership, Alco has incorporated Lean and value creation principles into its culture and operating approach, which has helped Alco to become more efficient and to remain competitive in the market.

Trusted, Differentiated Capabilities

“One of the main reasons why many customers continue to trust and buy from Alco is because we provide them with flexibility to outsource machining to a capable, experienced, and proven supplier, and to instead focus on their core markets,” adds Alco’s CEO, Matt Dietrich. Alco is a low-cost, high-efficiency machining business that is committed to producing high-quality, high-reliability precision parts for its many clients while also delivering excellent customer service.

Many smaller-sized OEMs today don’t have sufficient capacity, workforce, or equipment to react to the broad 2021 economic recovery, so there is notable demand for the capabilities of Alco. At the same time, Alco’s larger customers also rely on the company’s capabilities and flexibility with respect to capacity, experienced skilled labor, and the ability to manage through notable demand-led volume swings. Alco is intent on leveraging these many opportunities and is focused on the continued growth of its platform to position for success across the cycle. Moving forward, Alco is actively expanding revenues and its customer base both organically and also through mergers and acquisitions. “We know that active M&A helps Alco further broaden and accelerate diversity in our overall machining capabilities, helps us expand into new and attractive markets, and improves our offerings. These things all create value,” explains Dietrich.

Throughout the COVID-19 pandemic in 2020 and now well into the recovery in 2021, Alco has continued to serve customers incessantly, helping them bounce back and strengthen their business. “Our goal is to support our customers through the tough times and position our business to help production rebound quickly as the demand for products strengthened,” extols Clark. “We are always striving to be a long-term partner and an extension of our customer’s manufacturing capabilities. We see this as a great formula for success across the cycle of business; it’s an approach that helps us all win together.” 

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*The annual listing of 40 companies that are at the forefront of providing
CNC Machining consulting / services and transforming businesses*