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INDUSTRIAL/MANUFACTURING

How Warburg Pincus grew Sundyne before \$2.16bn sale to Honeywell

Warburg declined to comment on returns, but sources familiar with the deal said the PE firm tripled its money over its five-year holding period of Sundyne.

Warburg Pincus closed the sale of Sundyne to Honeywell for \$2.16 billion earlier in June in a deal that was closely watched by PE Hub. We were the first to report that the company was coming to market back in August 2024. And while Warburg declined to comment on returns for the transaction, sources familiar with the deal said the PE firm tripled its money over its five-year holding period.

Headquartered in Arvada, Colorado, with additional locations in Europe, India, and Japan, Sundyne is a global manufacturer of highly engineered pumps and compressors, and a provider of some aftermarket products, for the chemical, industrial, petrochemicals, refinery and clean energy sectors.

To learn more about how Warburg grew the global manufacturer, PE Hub spoke to Jeff Goldfaden, Warburg's managing director and head of industrials, Dan Zamlong and Zach Lazar, managing directors in the industrials team. We discussed how factors such as onshoring/reshoring, growing energy transition, and more, contributed to the growth of Sundyne.

"Sundyne is a great example of the playbook that we are looking to bring to bear in our industrials practice here at Warburg Pincus," Zamlong said. "It's in a space that we have tracked for a very long time."

Warburg bought Sundyne from BC



Zack Lazar and Dan Zamlong, Warburg Pincus

Partners and Carlyle in 2020.

Onshoring and reshoring

Many industrial manufacturers ramped up their US manufacturing capacities following the covid-induced snarling of global supply chains that left many businesses scrambling for products from overseas. The trend opened opportunities for many PE firms investing in the manufacturing sector.

"That trend is certainly a net positive for Sundyne," explained Lazar. "The company serves chemical plants, industrial production facilities and refinery facilities and investments that happened in those industries to improve efficiency and capacity created demand for Sundyne

products. That created tailwinds for the company."

Sundyne serves a wide range of process industries that benefit from onshoring," Lazar explained. "For example, in its industrial applications, Sundyne's pumps and compressors are used for silicon chip manufacturing under high temperatures and pressures. More broadly, Sundyne's customers make the building blocks for a wide range of industries (think chemicals used in material production, or fuels used in transportation), so Sundyne sees demand growth from rising US manufacturing activity."

To cater to a wide range of customers, Sundyne introduced a slew of new products during Warburg's ownership. "Sundyne

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Jeff Goldfaden, Warburg Pincus

became a real leader in supporting clean energy transition. They did that through a combination of commercial initiatives – targeting existing customers with existing products – and by developing new offerings,” added Lazar.

One example of such products includes the Pinnacle compressor. Sundyne “took an existing, well-regarded brand (the Pinnacle compressor), then modified it and made it larger, and, by doing so, opened up their addressable market for carbon capture significantly and already have strong traction to date.”

As part of the growth strategy, Sundyne expanded its testing facility at its Dijon, France site in 2021 to provide customers with a wider range of pump and compressor tests as well as expanding the footprint at the company’s Arvada, Colorado site to enhance production

capacity in 2024.

Construction is also currently underway for a new manufacturing site in Pune, India.

Warburg’s playbook

The firm’s thesis is anchored to growth and transformation. Before investing in Sundyne, the New York-based firm tracked the company for many years, going back to when it was a small division within United Technologies where, for a long time, it was a non-core part of the total, “but we felt it was an attractive business,” said Zamlong.

“We thought in many ways that this company was an overlooked jewel,” he said. First, the firm worked on strengthening Sundyne’s leadership.

Secondly, the firm focused on increasing production. “There was an opportunity to accelerate volume growth in the business with new products and investing in the company’s commercial function and make it more forward leaning,” said Zamlong. “We also helped the company shift from more of a cost-plus mindset to a value-based mindset where they price products to reflect the value they are providing to their customers.”

But there were challenges along the way, including disruptions related to the pandemic. “Despite living through one of the most uncertain times in all our generations, the business held up remarkably well,” he said. “That is testament to the mission critical and resilient nature of the business.”

With growth in sight, “several industry players took note” and Warburg

started to receive inbound interest from multiple parties in the industry, including Honeywell. “We wound up having dialogues with a small group of strategic buyers, and Honeywell emerged as the most excited about the business,” added Zamlong.

The firm also worked on improving operational capabilities for Sundyne, including factory automation and improved supply chains, to scale the business.

Tariff situation

Many PE thought leaders have indicated to PE Hub that the tariffs imposed by the US government are certainly going to create winners and losers within many sectors.

How is Warburg’s portfolio exposed to the tariff situation? “We continue to see interesting opportunities in industrials,” Goldfaden said. “Our group has always avoided cyclicalities, and obviously it feels very important given the possibility of an economic slowdown, but that’s not new to us. We are avoiding businesses that are exposed to some of the tariffs back and forth. Fortunately, we have pretty modest exposure in our portfolio.”

But specifically, did the tariff situation helped make Sundyne more attractive to manufacturers seeking to take advantage of the rising domestic demand for goods?

“We started engaging the buyers in advance of Liberation Day and before the tariff environment became acute,” Zamlong said, “but there is a longer-term trend for the US. Sundyne is certainly benefiting from that long-term growth trend among its customers.”