



# INDUSTRIAL AUTOMATION Q2 MARKET UPDATE

April to June 2022

**BLUE RIVER**  
FINANCIAL GROUP

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# Firm Overview



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## About Blue River

Founded in 2002, Blue River Financial Group is a middle market merger and acquisition advisory firm headquartered in Bloomfield Hills, MI. It assists corporations, private equity groups and individuals in the sale and acquisition of businesses, and has completed assignments in multiple business segments. With over 20 years of experience spanning across 50 global industries, Blue River provides a suite of services to middle market clients including corporate development, private equity support, valuations and transaction consulting, placing a premium on relationship-centered transaction counsel and client focus.

## Our Services

- [Sell Side M&A Advisory Services](#)
- [Buy Side M&A Advisory Services](#)
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# M&A INSIGHT

By: **Bryan Berent**  
Managing Partner

## M&A Activity In The Industrial Automation Space

The ongoing conflict between Russia and Ukraine continues to exacerbate rising energy prices and cause supply chain issues. These factors continue to impact performance and taper CapEx spend in corporate America. The concern about the impact of inflation and supply chain disruption among Industrial Automation ("IA") companies is real and has the potential to have material impacts on performance. Even with this, the outlook for IA companies remains positive. A recent J.P.Morgan report on the Automation Industry dated June 17, 2022 stated that 70% of IA companies surveyed reported positive growth over the last 12 months. On a forward outlook, the expected growth over the next 12 months is 83%. 70% of these same respondents expect that their clients CapEx spend will increase over the next 12 months.

Unfortunately, not all news was good. M&A volume for the first half of 2022 was down significantly across all sectors, including IA (see the following charts). Expectations for the full year are also down as many buyers pause to understand the effect on their own companies, target companies, and valuations. One of the key dynamics playing into this downturn is rising interest rates.

The inflation rate in the U.S. spiked to 8.60% in May of 2022. In March, in response to the high levels, the Federal Reserve raised the Fed funds rate by 0.25%. This was followed by a 50% increase in May. In June the Fed Funds rate was raised again by 0.75%, the largest increase since 1994. The Federal Reserve is likely to close out the year with a 3.25% to 3.50% interest rate, rather than the forecasted 2.50%. Why is this important? Because changing interest rates has a direct relationship to valuations. Consider this simple example.

# M&A INSIGHT

By: Bryan Berent  
Managing Partner

## Simplified Acquisition Deal Capital Stack



## Example

- Company A decides to acquire Company B for \$50M.
- Let's assume that Company A borrows 50% of the transaction consideration and uses its own cash reserves to fund the balance.
- Let's further assume that the current interest rate = 5.0% and that the rate at the end of 2022 = 6.5%, a 30% increase.
- At the end of 2022, half of the purchase price is 30% more expensive, which means that the full purchase price is 15% more expensive.
- Let's assume that the current average EBITDA Multiple is 7x at the current cost of capital.
- In order to keep the same overall ROI for Company A, the multiple would need to drop by 15%.
- A 15% reduction from a multiple of 7x is roughly 1x.
- Therefore, the EBITDA Multiple at the end of 2022 would be approximately 6x.

Of course, rising interest rates isn't the only external factor affecting valuations. Other external, uncontrollable risk factors such as industry direction, economic uncertainty, geo-political risk, to name a few, also impact valuations. Many of these factors, along with the rising interest rates, have led to slightly declining valuations during the second quarter of 2022. At Blue River, we look for continued volatility in the M&A market for Industrial Automation companies, in the second half of 2022 and possibly well into 2023. While the market continues to surprise us, we also expect valuations to continue to creep down before stabilizing in the later part of 2023. If your strategy is to sell the company in the next couple of years, "now" is the watchword of the wise.



[Bryan Berent](#) is Managing Partner and co-founder of Blue River. Berent brings over 40 years of expertise to small to mid-size business clients. He has deep experience in analyzing the financial, operational and investment components of businesses. He holds an MBA, with honors, in Corporate Finance and Corporate Strategy from the University of Michigan and a B.A. in Accounting and Statistics also from the University of Michigan.

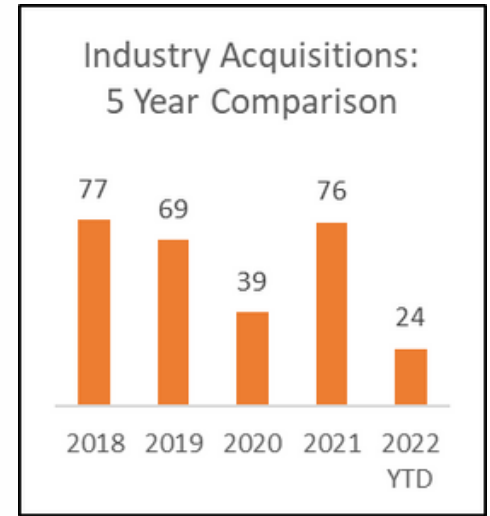
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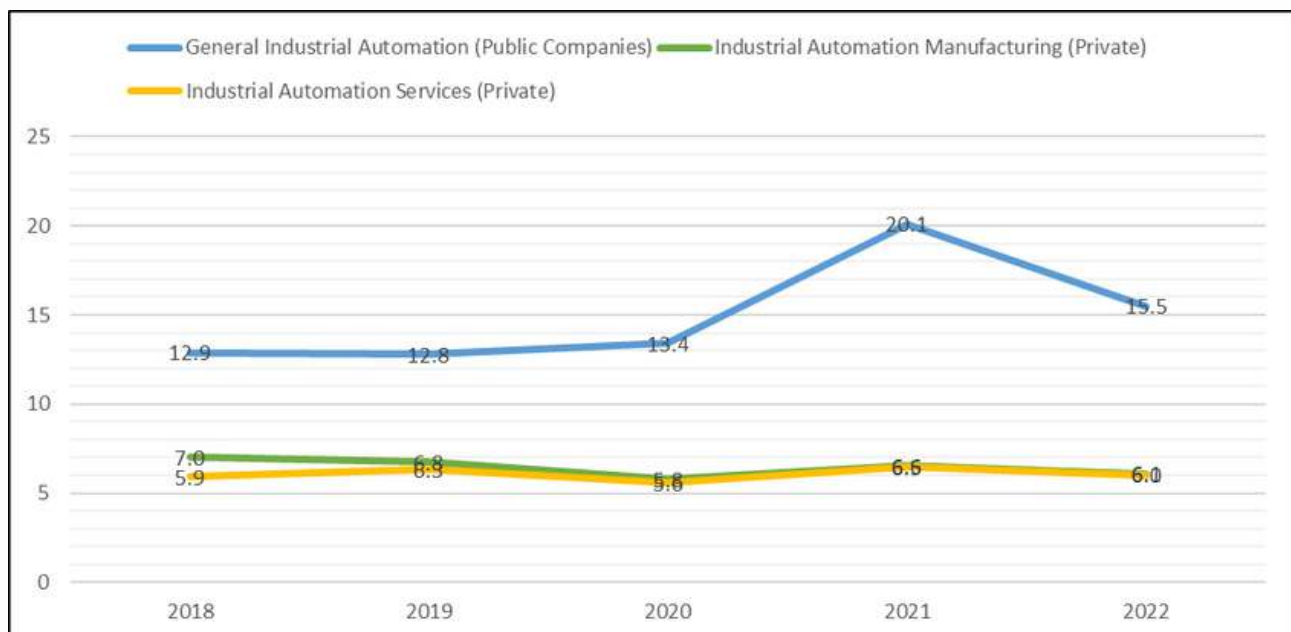


# Q2 2022 Industrial Automation Market Performance

Industrial Automation acquisition numbers for Q2 2022 were consistent with second quarter trends from the past several years.



The following chart shows a 5-year comparison of average multiples for sectors associated with the Industrial Automation industry. This view presents both public and private multiples for reference. The private sector numbers are calculated based on companies with approximately \$35M in revenue.



Source: GF Data, S&P Capital IQ, Pitchbook Data

# Q2 2022

## Publicly Traded Automation Companies

The following is a list of publicly traded automation companies, used to calculate our public IA valuation index listed in the table above.

Public Company	Ticker	Apr 1 Share Price	June 30 Share Price	Q2 Perf	Market Cap
ABB	ABBN	\$30.29	\$25.46	-15.95%	\$48,104
Cognex Corporation	CGNX	\$78.06	\$42.53	-45.53%	\$7,676
Eaton Corporation	ETN	\$151.81	\$125.99	-17.01%	\$51,072
Emerson Electric	EMR	\$98.42	\$79.54	-19.18%	\$53,682
Honeywell International	HON	\$196.03	\$173.81	-11.33%	\$129,530
National Instruments Corporation	NATI	\$41.29	\$31.23	-24.36%	\$4,098
Rockwell Automation	ROK	\$284.48	\$199.31	-29.94%	\$23,319
Schneider Electric	SU	\$158.74	\$116.09	-26.87%	\$75,424
Siemens	SIE	\$130.28	\$99.83	-23.37%	\$88,640
TE Connectivity	TEL	\$131.82	\$113.15	-14.16%	\$42,583
<b>AVERAGE:</b>		<b>\$130.12</b>	<b>\$100.69</b>	<b>-22.77%</b>	<b>\$52,413</b>
<b>MEDIAN:</b>		<b>\$131.05</b>	<b>\$106.49</b>	<b>-21.28%</b>	<b>\$49,588</b>

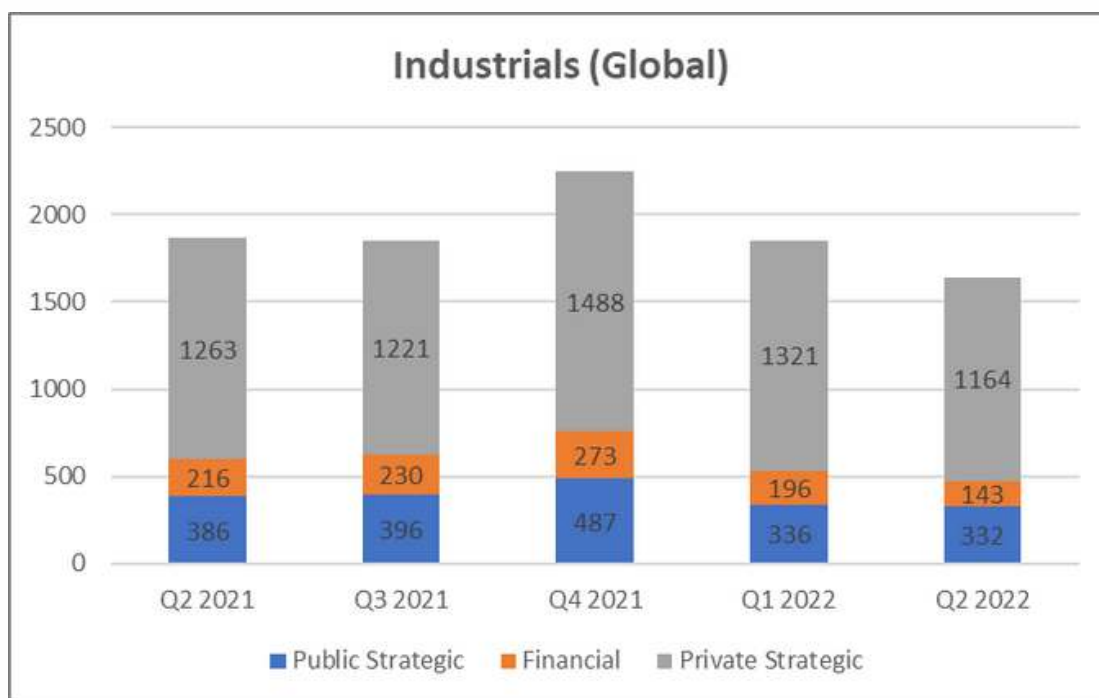
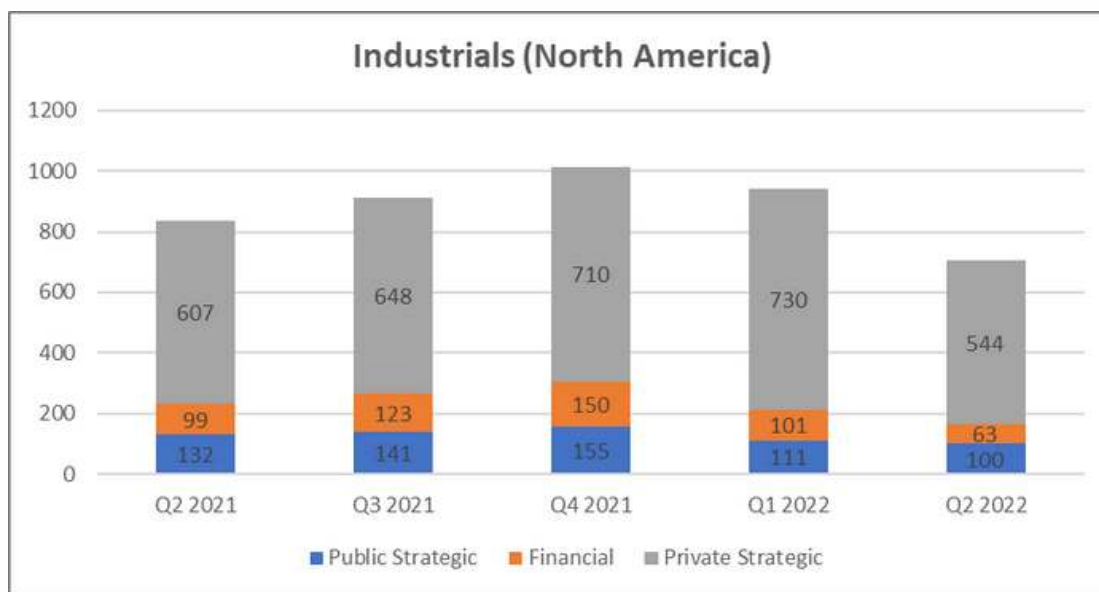
Public Company	Revenue	EBITDA	TEV	TEV / EBITDA	Debt / EBITDA
ABB	\$28,177	\$4,327	\$52,214	11.6x	2.1x
Cognex Corporation	\$1,081	\$343	\$7,396	21.0x	0.1x
Eaton Corporation	\$19,779	\$3,549	\$60,585	16.2x	2.7x
Emerson Electric	\$18,908	\$4,130	\$58,290	13.4x	2.6x
Honeywell International	\$34,459	\$8,375	\$141,602	16.3x	2.3x
National Instruments Corporation	\$1,520	\$238	\$4,326	17.0x	1.4x
Rockwell Automation	\$7,321	\$1,278	\$27,648	19.7x	3.2x
Schneider Electric	\$32,089	\$5,973	\$88,773	14.0x	2.0x
Siemens	\$68,959	\$9,225	\$137,319	13.8x	5.3x
TE Connectivity	\$15,740	\$3,702	\$46,068	11.9X	1.1X
<b>AVERAGE:</b>	<b>\$22,803</b>	<b>\$4,114</b>	<b>\$62,422</b>	<b>15.5x</b>	<b>2.3x</b>
<b>MEDIAN:</b>	<b>\$19,344</b>	<b>\$3,916</b>	<b>\$55,252</b>	<b>15.1x</b>	<b>2.2x</b>

Source: S&P Capital IQ

# Q2 2022

## Industrials Performance

The following charts show Q2 2022 acquisitive activity for the greater Industrial space. This provides a view of the sectors surrounding the Industrial Automation market.

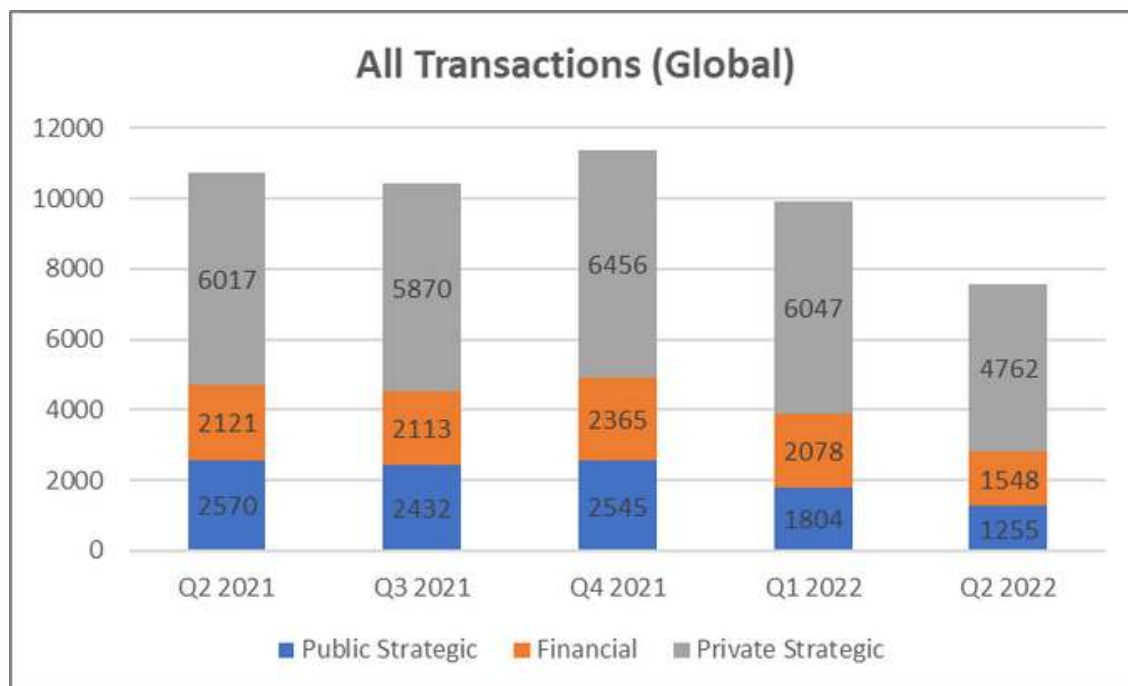
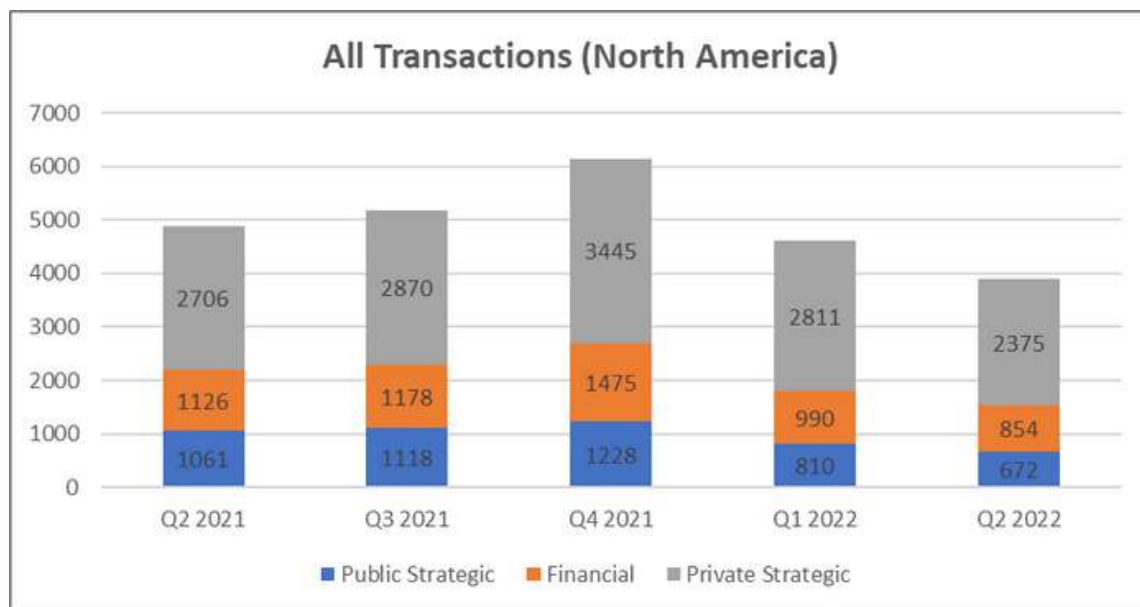


Source: S&P Capital IQ



# Q2 2022 M&A Performance

The following charts show Q2 2022 M&A acquisitive activity across all industries, providing a view of general M&A trends.



Source: S&P Capital IQ

# Industry Acquisitions

## Q2 2022

CVC

has acquired



**CVC Capital Partners** has acquired **Radwell International**. This acquisition will allow CVC to support the continued growth of Radwell known for their focus on providing critical services to their customers and creating excellent company culture.

- **Date:** April 2022
- **Subsector:** Distribution/Automation Services
- **EV:** Not Disclosed



has acquired



**Clip Automation** has acquired **Sapphire Automation**. This acquisition will allow Clip Automation to expand their industrial customer base and provide more control and automation services.

- **Date:** April 2022
- **Subsector:** Automation Services
- **EV:** Not Disclosed



has acquired



**Intel Corp.** has acquired **Ananki**. This acquisition will grow Intel's 5G network offering and services specifically to the industrial "Industry 4.0" sector.

- **Date:** April 2022
- **Subsector:** Automation Services
- **EV:** Not Disclosed



has acquired



**Relevant Industrial** has acquired **Rawson/IDC Inc.** This acquisition will allow them to provide innovative solutions and value-added services to their combined client base.

- **Date:** April 2022
- **Subsector:** Distribution/Automation Services
- **EV:** Not Disclosed



has acquired



**Huizenga Group** has acquired **Churchill Technologies**. This acquisition will allow Churchill to offer their excellent, proven engineering solutions for manufacturing to a wider customer base.

- **Date:** April 2022
- **Subsector:** Automation Services
- **EV:** Not Disclosed



has acquired



**GRAITEC Group** has acquired **Applied Software**. This acquisition strengthens GRAITEC's North American presence and will provide additional automation value to their customers, especially those in manufacturing and industrials.

- **Date:** April 2022
- **Subsector:** Automation Services
- **EV:** Not Disclosed

# Industry Acquisitions

## Q2 2022



has acquired



**Emerson Electric** has acquired **Aspentech Corp.** This acquisition allows Emerson to provide Industrial AI services in a high growth segment of the Industrial Services market.

- **Date:** May 2022
- **Subsector:** Automation Services
- **EV:** \$10.9B



has acquired



**Altura Capital** has acquired **Automation & Validation Solutions, Inc.** This acquisition will allow Altura to support the continued growth of AVS's offering in engineering and automation solutions.

- **Date:** May 2022
- **Subsector:** Automation Services
- **EV:** Not Disclosed



has acquired



**Evapco** has acquired **Select Technologies.** This acquisition will allow Evapco SelectTech to offer industrial automation, system integration, and control engineering services to their expanding customer base.

- **Date:** May 2022
- **Subsector:** Automation Services
- **EV:** Not Disclosed



has acquired



**Pike Street Capital** has acquired **Frost Engineering Service Company NW.** This acquisition will allow Pike Street to support the continued growth of Frost's industrial engineering solutions through the integration with their existing holding – PumpTech.

- **Date:** June 2022
- **Subsector:** Automation Services
- **EV:** Not Disclosed



has acquired



**LCG Holdings** has acquired **CEC Energy.** This acquisition will allow CEC Energy to pursue new automation and control growth opportunities.

- **Date:** June 2022
- **Subsector:** Automation Services
- **EV:** Not Disclosed



## About Blue River

Founded in 2002, Blue River has built its practice around delivering experienced, systematic transactional guidance. Our deep involvement in the private capital marketplace enables us to bring ideal outcomes to owners transitioning out of ownership. We provide a suite of services including corporate development, private equity support, confidential sell-side representation, valuations and transaction consulting. Blue River places a premium on relationship-centered transaction counsel and client support.

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