



# INDUSTRIAL AUTOMATION Q3 MARKET UPDATE

July to September 2021

**BLUE RIVER**  
FINANCIAL GROUP

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# M&A INSIGHT

By: Bryan Berent  
Managing Partner

## Growth In Deal Activity

As you can see from the charts on subsequent pages, M&A deal activity in the Industrial Automation sector has ticked up in the 3rd quarter of 2021, in particular when compared to the 3rd quarter of 2020. So why are we seeing such M&A growth in this sector? According to CapGemini, the Industrial Automation sector is currently estimated to be \$154 billion globally. A recent Deloitte Automation Report forecasted the IA sector to reach over \$15 trillion by 2030. Fueling the growth in this sector are several factors including:

- Recent on-shoring or re-shoring efforts of industrial manufacturing in an effort to lower supply chain vulnerabilities.
- Severe shortage of labor resources.
- The fact that US manufacturing is well behind the curve when compared to other industrialized economies.
- COVID-19 pandemic forcing manufacturers to shift to monitoring and running operations remotely.
- Manufacturers continue to apply industrial automation solutions to lower safety risks, improve operational performance and optimize production capabilities.

# M&A INSIGHT

By: Bryan Berent  
Managing Partner

## Firms Are Expanding Their Capabilities

Because of the proliferation of industrial automation requirements, many firms servicing this industry are expanding their own capabilities. Firms that have traditionally offered process engineering solutions have expanded to software, controls, and integration solutions, while firms that have historically focused on software and IT solutions are moving to offering more comprehensive automation solutions to their clients. Often, this expansion in capabilities is achieved through M&A.

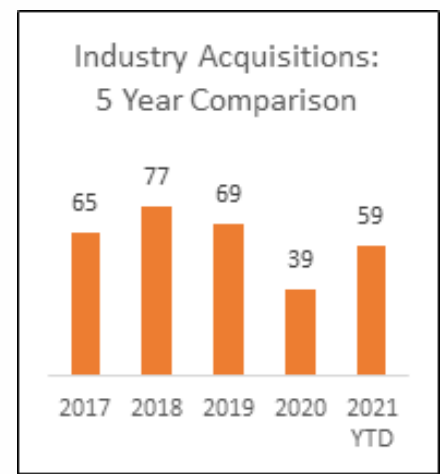
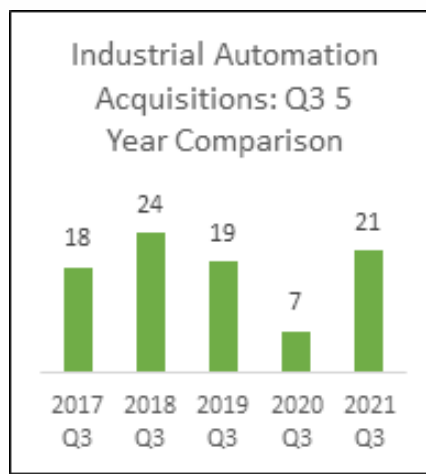
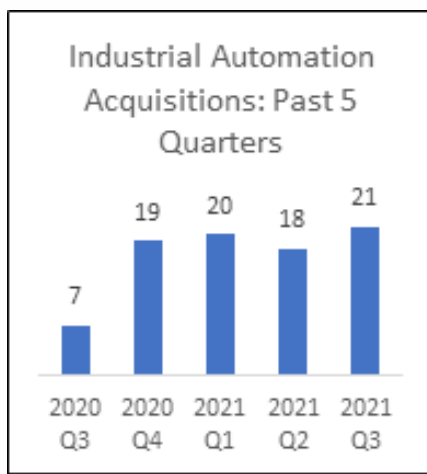
And guess what? Private Equity loves this space. The near term and long term forecasted sector growth imply impressive returns for both typical 10-year, as well as greenfield, PE funds. Many have recently launched Industrial Automation thesis' and are hungry for deals. Firms like [3 Rivers Capital](#) and [LLR Partners](#) are prime examples of firms driving hard into this space. This intensified appetite for Industrial Automation related M&A among both strategic acquirers and PE funds is starting to drive valuations back up to pre-pandemic levels (see valuation charts on subsequent pages of this report).

All this leads to a continued bullish M&A forecast for the balance of 2021 and into 2022.

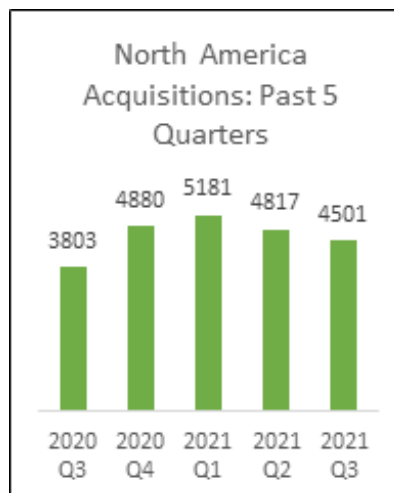
**Industry Note:** Rockwell Automation's 2021 Automation Fair is coming up soon; November 10-11 in Houston, TX this year. See [Rockwell's 2021 Automation Fair](#) for more information. This event provides for in person and virtual attendance.

# Q3 2021 M&A Activity and Trends

Industrial Automation acquisitions show strong numbers again this quarter, with a notable increase in acquisitive activity.



Acquisition activity in North America has returned to similar numbers compared to previous years (excluding 2020). However, the total number of acquisitions for Q3 2021 was on the lower end of the trend, which may be a result of some lingering instability and uncertainty in the market, contributing to continued risk averseness of sellers and buyers.



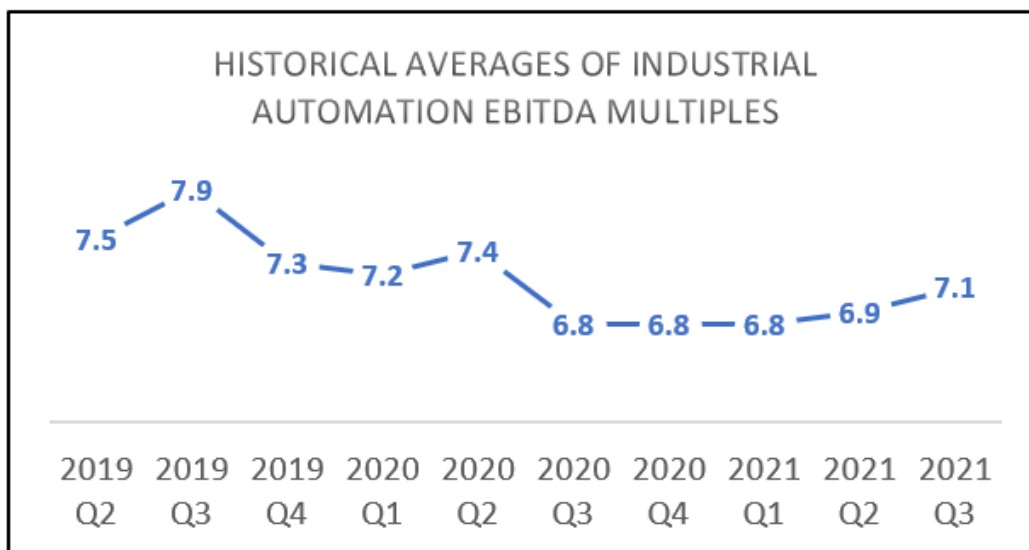
# Q3 2021

## M&A Activity and Trends

The following list shows current average multiples for various segments associated with the Industrial Automation Industry. These numbers are calculated based on averages over the past 3 years for companies with enterprise values between \$25M and \$75M. The current multiples average is 7.1x EBITDA.

| NAICS Code:                        | EBITDA Multiple: |
|------------------------------------|------------------|
| Industrial Controls Manufacturing  | 7.7              |
| Engineering Services               | 6.6              |
| Industrial Equipment Manufacturing | 7.7              |
| Industrial Machinery Manufacturing | 6.3              |
| <b>Average</b>                     | <b>7.1</b>       |

This chart shows the average EBITDA multiples for the industry over the past 10 quarters (calculated based on companies with enterprise values between \$25M and \$75M):



# DEAL TIPS

By: William Rosin, Partner

## M&A: Industrial Automation - Tips For Success

Manufacturers have been besieged by crisis after crisis in recent months, which have disrupted operations and threatened enterprise values. Industrial automation, once seen as a goal to someday aspire to, is now widely seen as an integral part of manufacturers' urgent strategic response to many of today's challenges. This realization is driving robust M&A activity in the industrial automation sector. The following deal tips are for companies seeking to enhance automation capabilities through business acquisitions and are intended to help ensure a successful transaction:

### 1. Due Diligence 2.0

Traditional due diligence activities primarily focus on identifying, minimizing or eliminating potential post-closing liabilities for a buyer. Due diligence in an industrial automation M&A transaction, however, needs to go beyond the traditional scope of due diligence as the buyer is seeking transformational synergies through the acquisition of automation capabilities. The buyer must tailor its due diligence activities to the type of automating assets being acquired, and know how the pursued technologies will be integrated into the buyer's operations. This necessitates a deep dive into the target's intellectual property, software, hardware, production systems and employees, key to the operation of such automated systems. The buyer's due diligence team must have the experience and expertise to effectively and efficiently evaluate all such items.

### 2. Deal Closes, Now the Hard Part - Effective Integration

Automating production through M&A has great potential to solve many operational challenges and create enterprise value. However, successful integration of transformative capabilities is critical to achieving these objectives. Common elements of successful integrators include:

- **Buyer's Understanding of Target's Automation Technologies.** The successful M&A integrator uses the pre-closing due diligence period to, among other things: (i) gain a full understanding of all aspects of the target's value driving automation technology, and (ii) develop a plan of how the automation technology will add-on to or replace the buyer's existing automation capabilities. A buyer who waits too long to understand the new technology or to come up with an effective implementation plan risks deal failure through integration failure.
- **C-Suite Support and Active Participation.** Integration of the target's automation technology should not be delegated to the IT department for roll-out. The integration and implementation of the newly acquired technology must have full executive officer support and the implementation team should be staffed in a manner consistent with such support.



# DEAL TIPS

By: William Rosin, Partner

- **Minimize Employee Disruption.** Company management must appreciate the impact of expanded automation on the workforce. Integration of new production technologies is complex and needs ground-level support to ensure long-term success. Investing in employee education, training, re-tasking, etc. can greatly improve the workforce environment and receptivity to the implementation of new automating initiatives.

### 3. Don't Overlook the Transition Services Agreement

A buyer acquiring most of, but not all, the key assets necessary to operate a target's business must enter into a transition services agreement (TSA) which temporarily grants the buyer post-closing use of those assets not included in the deal until the buyer has in place its own replacement capabilities. TSA's are particularly common in industrial automation M&A deals where complex automated production systems are present, and the target's operations are dependent (at least in part) on an affiliate's software or systems – the TSA provides the buyer with post-closing access to such systems pursuant to its terms and conditions as negotiated between the parties prior to closing. Unfortunately, too often buyers overlook the importance of the TSA and fail to properly address what is actually necessary to effectuate the transition. If the buyer misses the mark on the key terms of the TSA, unnecessary business disruptions may occur and/or the buyer may be forced to go back to the seller seeking new deal accommodations – these accommodations could be very costly to the buyer (assuming the seller is even willing to consider further accommodations).

As the impact of the pandemic recedes, companies will be under increasing pressure to expand production capabilities. We have seen that achieving and expanding industrial automation through successful M&A transactions can be a powerful tool. Each M&A transaction, however, also presents risks so it is important for companies to not only address the tips mentioned above but to also assemble an effective team of experienced M&A professionals to assist in the management and consummation of any transaction.

*William (Bill) Rosin is a partner at Dickinson Wright, PLLC and specializes in representing buyers and sellers in M&A transactions. Bill can be reached at [wrosin@dickinsonwright.com](mailto:wrosin@dickinsonwright.com) or (248) 433-7246.*

*The deal tips are presented for a buyer's consideration. However, in every M&A transaction, whether or not it involves industrial automation, there are a myriad of important issues to be identified, considered and addressed – in addition to those referenced herein. The parties must consult with their own legal, tax, financial and other professional advisors to be sure their interests are protected and significant objectives are achieved.*



# Industry Acquisitions

## Q3 2021



ALGORITHMIA



AXIAL



**ROLLON<sup>®</sup>iMS**



BLUE HORSESHOE



# Industry Acquisitions

## Q3 2021

- 07-01-2021** – EnVista LLC (Carmel, IN) acquired Material Handling Systems Integrator HCM Systems Inc. (Willowbrook, IL).
- 07-01-2021** – Agilix Solutions, LLC (Saint Louis, MO) acquired Industrial Automation Distributor French Gerleman Electric Company (St. Louis, MO).
- 07-05-2021** – Epiroc AB (Nacka, SE) acquired Electronic Equipment and Instruments Manufacturer Meglab Électronique Inc. (Quebec, CA).
- 07-06-2021** – Carbotech International Inc. (Quebec, CA) acquired Automation Solutions Manufacturer Autolog, Production Management Inc. (Quebec, CA).
- 07-12-2021** – Hottinger Brüel & Kjær A/S (Capital Region of Denmark, DK) acquired Real-time Computational Hardware and Software Solutions Provider Concurrent Real-Time, Inc. (Pompano Beach, FL).
- 07-16-2021** – Kuecker Logistics Group, Inc. (Belton, MO) acquired Logistics Automation Technology System Integrator PULSE Integration (Pittston, PA).
- 07-16-2021** – Ares Private Equity Group (Los Angeles, CA) acquired Material Handling Solutions Manufacturer Kuecker Logistics Group, Inc. (Belton, MO).
- 07-22-2021** – Re:Build Manufacturing, LLC (Framingham, MA) acquired Engineering Services Firm DAPR Engineering LLC (Nashua, NH).
- 07-27-2021** – DataRobot, Inc. (Boston, MA) acquired Machine Learning Operations Platform Algorithmia, Inc. (Seattle, WA).
- 08-02-2021** – CREO Tech Industrial Group Inc. (Surrey, BC) formed from the merger of Industrial Automation and Engineering Services Provider Axial Inc. (Calgary, AB) and Industrial Enclosures Manufacturer Silhouette Enclosures Ltd. (Abbotsford, BC).
- 08-04-2021** – HgCapital LLP (London, UK) acquired Automation Change Management Software Company MDT Software, Inc. (Alpharetta, GA).
- 08-04-2021** – Ehrhardt Tool & Machine, LLC (Granite City, IL) acquired Automation and Controls Solutions Provider SAF Drives Inc. (New Hamburg, ON).
- 08-10-2021** – Zebra Technologies Corporation (Lincolnshire, IL) acquired Warehousing and Intralogistics Autonomous Mobile Robots Developer Fetch Robotics, Inc. (San Jose, CA).
- 08-12-2021** – Genuen, LLC (Lenexa, KS) acquired Robotics and Automation Solutions Provider Versatech, LLC (Effingham, IL).

# Industry Acquisitions

## Q3 2021

**08-18-2021** – MES, Inc. (Lewis Center, OH) acquired the Manufacturing Portion of Robotics and Automation Solutions Provider Versatech, LLC (Effingham, IL).

**08-19-2021** - Applied Industrial Technologies, Inc. (Cleveland, OH) acquired Automation Solutions & Services Provider R.R.Floody Company, Inc. (Rockford, IL).

**08-20-2021** – The Timken Company (North Canton, OH) acquired Automation Machinery Manufacturer Rollon-iMS (North Shores, MI).

**08-26-2021** – Analog Devices, Inc. (Norwood, MA) acquired Analog Circuit Manufacturer Maxim Integrated Products, Inc. (San Jose, CA).

**08-27-2021** – Ashling Partners LLC (Chicago, IL) acquired Robotic Process Automation Technology Consulting Company Machina Automation (Houston, TX).

**08-31-2021** – Novanta Corporation (Bedford, MA) acquired Robotic Accessories and Robot Arm Tooling Developer ATI Industrial Automation, Inc. (Apex, NC).

**08-31-2021** – Novanta Corporation (Bedford, MA) acquired Motion Control Components Manufacturer Schneider Electric Motion USA, Inc. (Marlborough, CT).

**08-31-2021** – Crestview Partners, L.P. (New York, NY) acquired Engineering Services and Turnkey Solutions Provider JMP Solutions, Inc. (London, ON).

**09-01-2021** – ATS Automation Tooling Systems Inc. (Cambridge, ON) acquired Automation System Integrator NCC Automated Systems, Inc. (Souderton, PA).

**09-13-2021** – Thomas H. Lee Partners (Boston, MA) acquired Automated Solutions Provider House of Design (Nampa, ID).

**09-13-2021** – Accenture (Dublin, IE) acquired System Implementation and Integration Consulting Group Blue Horseshoe Solutions, Inc. (Carmel, IN).

**09-15-2021** – Compusoft AS (Østfold, NO) acquired Business Management Software Developer Access Information Technologies, Inc. (Farmingdale, NY).

**09-19-2021** – Honeywell International Inc. (Charlotte, NC) acquired Manufacturing Execution Software and Analytics Company Performix (Houston, TX).

**09-20-2021** – Locus Robotics Corp. (Wilmington, MA) acquired Mobile Robotics Manufacturer Waypoint Robotics (Nashua, NH).





## 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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