



INDUSTRIAL AUTOMATION Q3 MARKET UPDATE

July to September 2024

BLUE RIVER
FINANCIAL GROUP

Table of Contents

Contents:

Firm Overview 3

M&A Insight from Thomas Hagan 4

Market Performance 7

Public Companies 8

Industrials Performance 9

M&A Performance 10

Guest Contribution by John Sznewajs 11

Industry Acquisitions 14

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. We assist corporations, private equity groups and individuals in the sale and acquisition of businesses, and have 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

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M&A INSIGHT

By: Thomas Hagan
Managing Director

M&A Activity In The Industrial Automation Space

The industrial automation (IA) sector saw a surge in M&A activity in Q3 2024, driven by growing demand for software-based automation solutions. Deal volume increased by 53% year-over-year, reflecting heightened consolidation among strategic players seeking geographic and vertical expansion. This trend is driven and supported by integrating advanced technologies such as artificial intelligence, big data, and the Industrial Internet of Things.

The recent M&A transactions reflect a shift towards more adaptable and intelligent automation systems. This quarter saw a further rise in private equity investments, signaling a continuing trend of increased involvement, innovation, portfolio expansion, and consolidation. Year-to-date private equity investment in industrial automation has already more than doubled the full-year investment in 2023 and is on pace to eclipse 2021's record outlay, according to S&P Market Intelligence. Year-to-date investment by private equity funds in industrial automation reached \$15 billion through Sept. 21 vs. \$7.2 billion in 2023 and \$17 billion for the full year in 2021.

There are transactions across robotics, process and control systems automation, and manufacturing, among other sectors. As middle-market M&A activity overall is expected to pick back up, we expect deal volume in industrial automation (IA) to further accelerate, driven by a resilient economy, strategic opportunities, reduced economic and political uncertainty entering 2025, a lower interest rate regime and favorable valuations.

Several key drivers shaped the Q3 M&A landscape:

M&A INSIGHT

By: Thomas Hagan
Managing Director

- **Automation & Robotics Integration:** This quarter has been pivotal for acquisitions centered on integrating robotics and AI across sectors such as crop management, HVAC, security, electrical solutions, and industrial manufacturing. This trend is driven by the desire from acquirers to expand their solution-based capabilities and dive into new markets, products, and geographies. A prime example is TKH Group's acquisition of Liberty Robotics in August 2024. This acquisition marks a key milestone in TKH's 3D vision strategic growth, expanding its solution-based capabilities in the automotive, packaging, and logistics industries.
- **Customization and Specialized Solution:** In the current period, there has been notable M&A activity in contract and custom manufacturing solutions, particularly in flow control, facility management, and electrical automation. For instance, in July 2024, Exigent Services acquired Electrical Automation Systems, to enhance its existing product portfolio and expand operations in the Mid-Atlantic, Southeast, Northeast, and Midwest regions of the United States. Similarly, in September 2024, Foxtronics acquired Accutron, enabling it to offer clients a wide range of value-added capabilities, including in-house design, injection molding, full box-build, and CNC machining, alongside expertise in assembling various technologies.
- **Automation in Industrial Motion:** The integration of AI and automation in industrial motion products is increasingly prevalent across sectors, including medical, metals, general industry, and factory automation as it helps simplify processes and enhance operational efficiency. The acquisition of CGI by The Timken Company in September 2024 highlights the trend. This acquisition enhances Timken's capabilities and product offerings in industrial motion and drives growth in automation and robotics solutions.
- **Energy Efficiency and Digital Transformation:** This quarter reflects the growing significance of energy management, digital automation, and smart systems, particularly within the oil and gas, power, and renewable energy sectors, where efficient energy solutions are essential. A key example is PakEnergy's acquisition of Plow Technologies in August 2024. This deal enables PakEnergy to expand its suite of optimization solutions for the oil & gas and renewable energy industries.

M&A INSIGHT

By: **Thomas Hagan**
Managing Director

Summary

Recent M&A activity underscores the widespread adoption of automation and robotics across various sectors, driven by a growing reliance on digital solutions and AI technologies to enhance efficiency. This trend reflects a new wave of the industrial revolution, and we expect it to continue with increased investment in AI systems. We anticipate ongoing activity from strategic buyers and heightened interest from private equity firms, especially as interest rates stabilize and businesses seek to improve efficiency amid current economic and labor challenges.

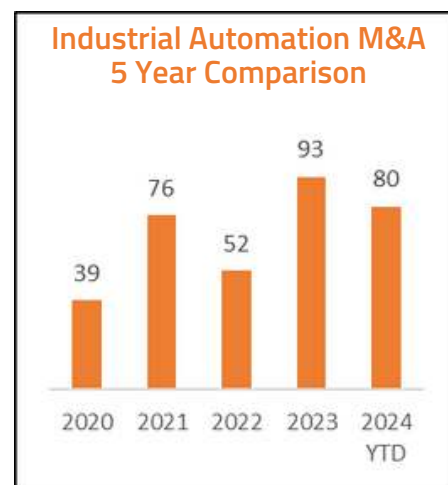
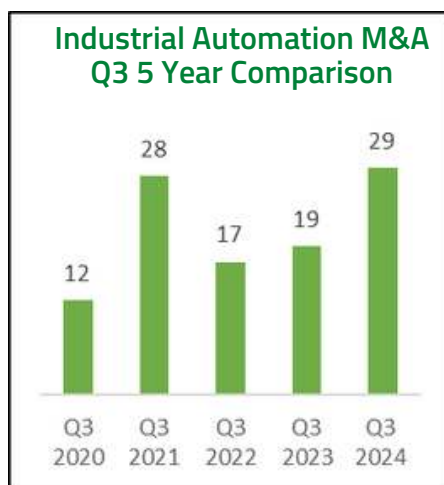
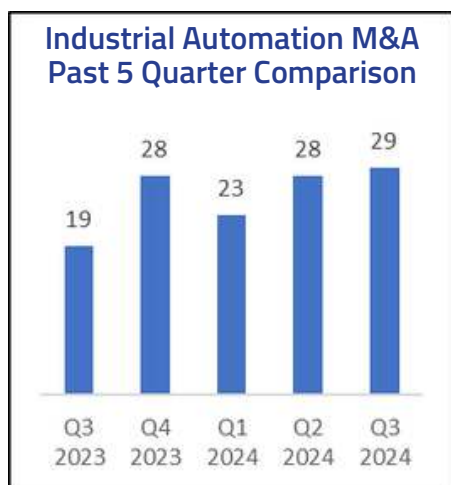


Thomas Hagan, Managing Director, brings over 20 years of proven PE portfolio company leadership experience, encompassing mid-cap domestic and multi-national companies. Thomas is highly effective at analyzing complex business situations, developing and communicating strategic initiatives, and implementing comprehensive solutions that focus on increasing cash and shareholder value.

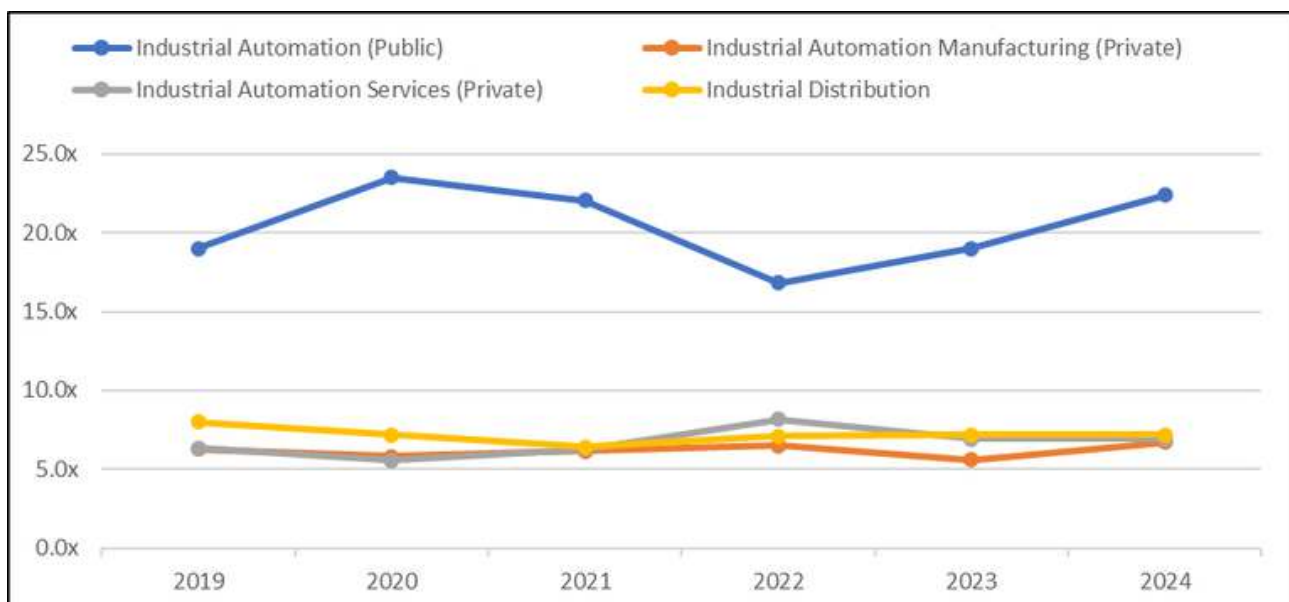
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Q3 2024 Industrial Automation Market Performance

Industrial Automation acquisitions for Q3 2024 increased significantly as compared to Q3 2023 and are at a similar level to the last quarter. Transaction numbers for the quarter show overall healthy activity, with projections for 2024 suggesting a continued positive trend. The growth in transaction volumes highlight the dynamic nature of the Industrial Automation sector, driven by increase in consolidation and adaptations to economic and market trends.



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 average revenues of \$60M.



Source: GF Data, Proprietary Databases

Q3 2024 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.

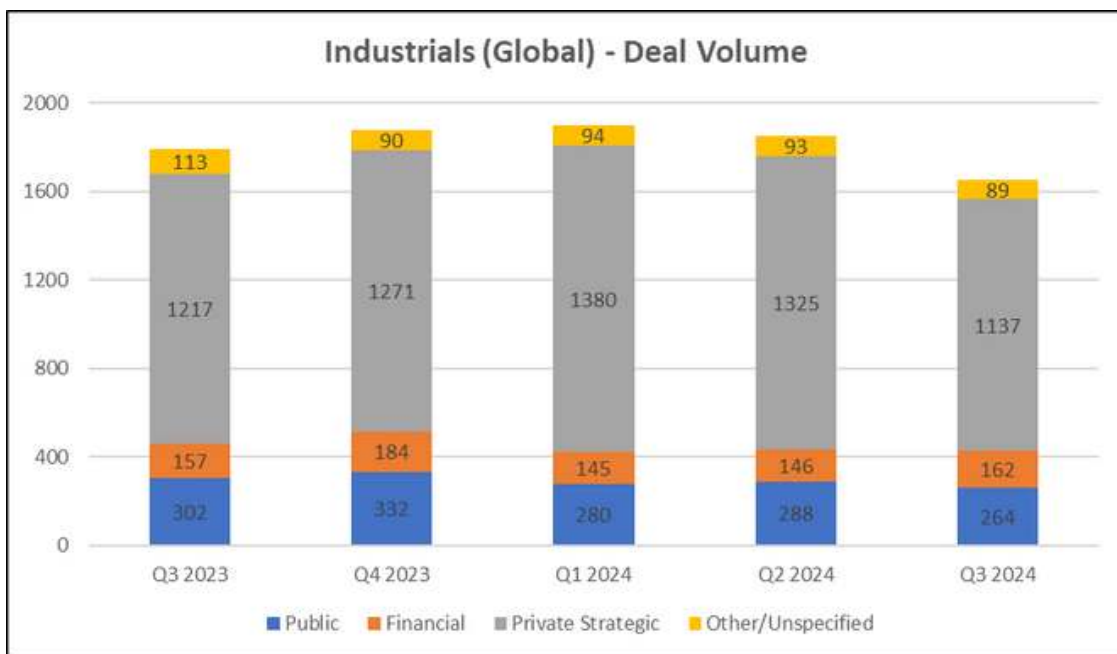
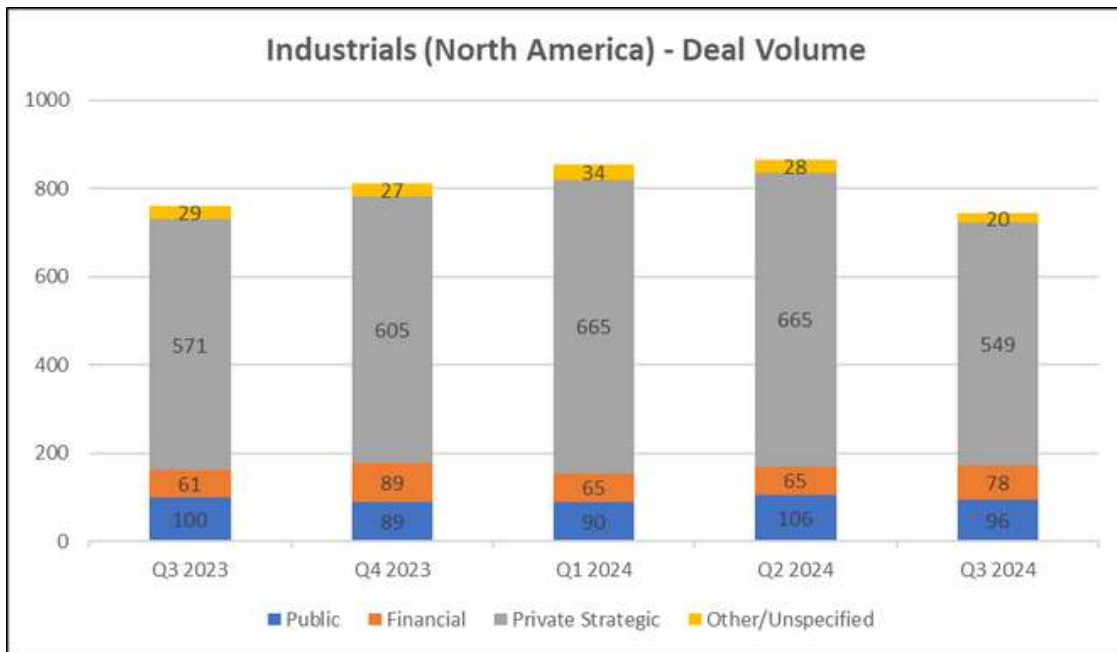
Public Company	Ticker	Q3 Starting Share Price	Q3 Ending Share Price	Q3 Performance	Market Cap
ABB	ABBN	\$50.38	\$48.99	-2.8%	\$90,299
Cognex Corporation	CGNX	\$46.40	\$40.50	-12.7%	\$6,946
Eaton Corporation	ETN	\$312.37	\$331.44	6.1%	\$131,946
Emerson Electric	EMR	\$108.05	\$109.37	1.2%	\$62,571
Honeywell International	HON	\$210.95	\$206.71	-2.0%	\$134,294
Rockwell Automation	ROK	\$265.52	\$268.46	1.1%	\$30,461
Schneider Electric	SU	\$225.35	\$236.20	4.8%	\$132,534
Siemens	SIE	\$177.12	\$181.34	2.4%	\$141,274
TE Connectivity	TEL	\$148.47	\$150.99	1.7%	\$45,889
AVERAGE:		\$171.62	\$174.89	0.0%	\$86,246
MEDIAN:		\$177.12	\$181.34	1.2%	\$90,299

Public Company	Revenue	EBITDA	TEV	TEV / EBITDA	Debt / EBITDA
ABB	\$32,322	\$5,724	\$111,513	19.5x	1.3x
Cognex Corporation	\$844	\$119	\$6,731	56.8x	0.6x
Eaton Corporation	\$24,140	\$5,295	\$139,693	26.4x	1.9x
Emerson Electric	\$16,963	\$4,393	\$76,928	17.5x	2.3x
Honeywell International	\$37,334	\$9,048	\$154,087	17.0x	3.1x
Rockwell Automation	\$8,792	\$1,794	\$34,339	19.1x	2.1x
Schneider Electric	\$39,046	\$7,479	\$161,306	21.6x	2.2x
Siemens	\$84,240	\$12,689	\$210,109	16.6x	4.0x
TE Connectivity	\$15,812	\$3,689	\$48,768	13.2x	1.1x
AVERAGE:	\$28,833	\$5,581	\$104,830	23.1x	2.1x
MEDIAN:	\$24,140	\$5,295	\$111,513	19.1x	2.1x

Source: S&P Capital IQ

Q3 2024 Industrials Performance

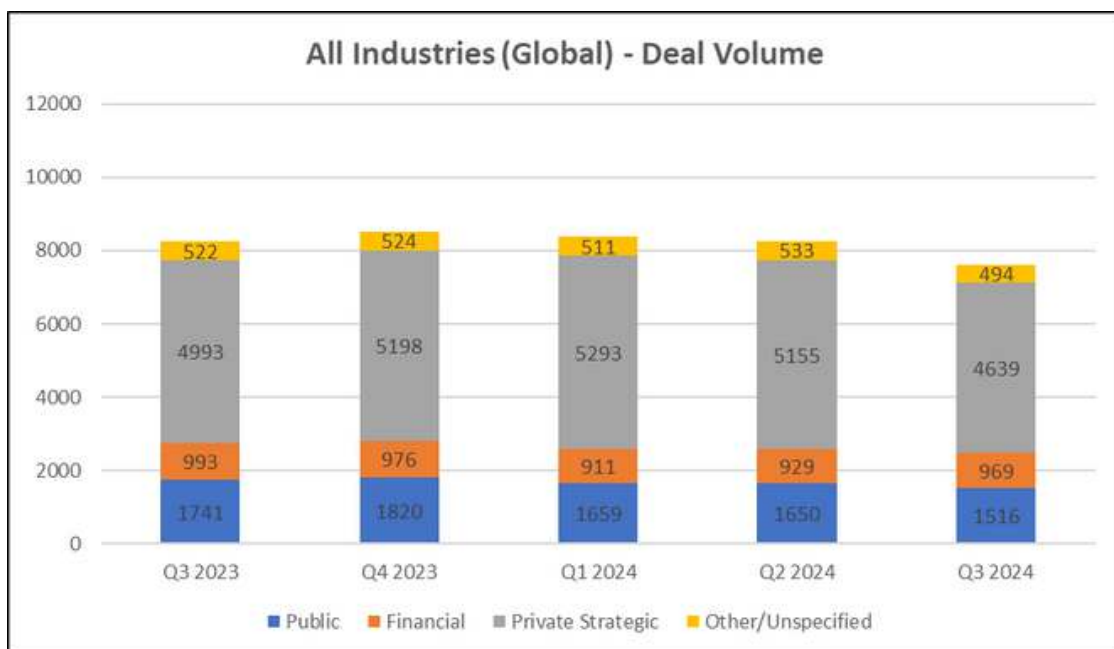
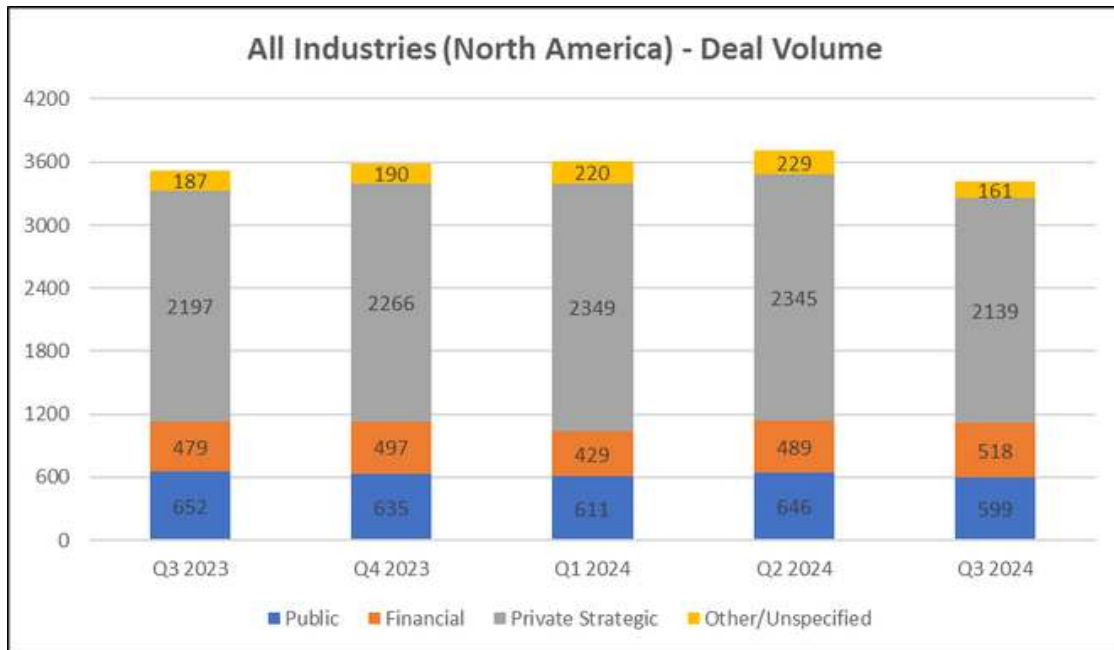
The following charts show Q3 2024 M&A acquisitive activity for the greater Industrial industry. This provides a view of the sectors surrounding the Industrial Automation market.



**Disclaimer: The figures in this chart may differ from those presented in previous newsletters due to updates and revisions of past data by our sources. We strive to provide the most accurate and current information in each quarterly release.*

Q3 2024 M&A Performance

The following charts show Q3 2024 M&A acquisitive activity across all industries. This provides a view of general M&A trends.



**Disclaimer: The figures in this chart may differ from those presented in previous newsletters due to updates and revisions of past data by our sources. We strive to provide the most accurate and current information in each quarterly release.*

GROWTH & CHALLENGES IN THE IA SPACE

By: John Sznewajs, Partner



Navigating Growth and Challenges in the Industrial Automation Space

The Industrial Automation industry is growing rapidly, and entrepreneurs are experiencing opportunities and challenges to win in an increasingly competitive market.

By addressing industry challenges head on, entrepreneurs can better position a company for a successful PE partnership. We often tell founders that they've forgotten more about their business than we'll ever know, but as a financial partner coming in, we've done a lot of homework and we're pretty in tune with the market and the pain points small business owners face. Over the years, we have developed a repeatable 360° process that focuses on business operations and infrastructure, expanding services offered to customers and providing long-term career paths to employees.

We are seeing three key trends in the industrial automation industry:

1. Consolidation and Market Fragmentation: Investors are increasingly enabling ongoing consolidation in the industrial automation sector. While the market remains fragmented with numerous small players, there's a noticeable trend toward consolidation as larger companies acquire smaller ones to enhance capabilities and reach. Consolidation can lead to more comprehensive service offerings and increased market share. Companies that position themselves as attractive acquisition targets or proactively pursue strategic acquisitions can capitalize on this trend.

2. Re-shoring and Near-shoring Manufacturing: Recent global events have prompted companies to reconsider supply chain strategies. There's a growing trend of re-shoring and near-shoring. This shift increases demand for industrial automation solutions domestically, as companies seek to enhance efficiency and reduce costs associated with North American manufacturing. Understanding end market growth prospects and customers' capital planning is crucial.

GROWTH & CHALLENGES IN THE IA SPACE

By: John Sznewajs, Partner



3. It is Not Getting Easier for Independent Operators: Smaller companies often face compounding operational challenges due to industry, economic, and local headwinds. Businesses struggle with rising costs, labor availability, supply chain issues, and technological advancements requiring significant investment. Investors that understand employee retention, end markets and customers are in a great position to partner, scale, and create long-term success for strong regional companies.

When private equity firms consider acquiring a founder-owned industrial automation systems integrator, they look for several key factors that influence the potential for growth, profitability, and overall investment returns. Understanding these factors is crucial for both founders and investors as they navigate the complexities of such transactions.

1. Strong Management Team and Leadership:

Private equity investors prioritize a capable management team, particularly when the founder is transitioning out of the day-to-day operations. We seek individuals with industry expertise, a proven track record of performance, and the ability to execute strategic initiatives. A cohesive leadership team can enhance operational efficiency and drive growth, making the company more attractive for a partnership.

2. Consistent Financial Performance:

Financial health is a primary concern for private equity firms. As investors, we understand that this is a project-based industry which can lead to year-to-year fluctuations in financial performance. Founders who can demonstrate consistent financial performance, coupled with effective cost management, will appeal to potential investors. Additionally, transparent financial records and a strong accounting framework are crucial to build trust and facilitate due diligence processes.

3. Scalability and Growth Potential:

Private equity investors seek businesses with clear pathways for growth. For an industrial automation systems integrator, this could involve expanding service offerings, entering new markets, or leveraging emerging technologies. The ability to scale operations efficiently while maintaining quality is vital. Founders who can articulate a compelling growth strategy and demonstrate potential scalability will capture investor interest.

GROWTH & CHALLENGES IN THE IA SPACE

By: John Sznewajs, Partner

4. Alignment of Interests:

Successful acquisitions often depend on the alignment of interests between the private equity firm and the founder. Investors prefer to work with founders who are open to collaboration and willing to share their vision for the company's future. This alignment ensures a smoother transition and can enhance the likelihood of achieving the desired outcomes post-acquisition.

Summary

Small and mid-sized business entrepreneurs and investors are experiencing similar opportunities and challenges. Those with a solid plan can build a competitive advantage and gain market share. It starts with knowing which levers to pull and aligning them with where your business is today. Private equity firms focus on a combination of high character growth-oriented management, consistent financial performance, growth potential and alignment of interests when considering a partnership with a founder-owned industrial automation systems integrator. By understanding and addressing these factors, founders can enhance their attractiveness to potential investors, positioning their businesses for a successful transition and future growth.



John Sznewajs
Partner

About Shore Capital



Shore Capital focuses on businesses with \$1M to \$20M in EBITDA and partnering with great companies to navigate the complexities of growth. Our proven playbook was developed over 15 years and acquiring 1,000+ companies. Shore is seeking industrial automation products and automation services investments. Most recently forming Ondex Automation, focusing on systems integrators that have end-market exposure to the life sciences, pharmaceutical, medical device, food & beverage and semiconductor end markets. Learn more by visiting us at shorecp.com.

Industry Acquisitions Q3 2024



has acquired



AAE has acquired **Solara Solutions**. This acquisition allows AAE to expand factory automation solutions and manufacturing in the US.

- ▶ **Date:** July 2024
- ▶ **Subsector:** Manufacturing
- ▶ **EV:** Not Disclosed



has acquired



HMH Holding has acquired **Drillform Technical Services**. This acquisition enables HMH to expand onshore capabilities and improve drilling safety and performance.

- ▶ **Date:** July 2024
- ▶ **Subsector:** Manufacturing
- ▶ **EV:** Not Disclosed



has acquired



Symbotic has acquired **Veo Robotics**. This acquisition diversifies Symbotic's assets and enhances its efficiency and safety innovation.

- ▶ **Date:** July 2024
- ▶ **Subsector:** Manufacturing
- ▶ **EV:** \$9 Million



has acquired



Exigent Services has acquired **Electrical Automation Systems**. This acquisition allows Exigent to expand its operations in Mid-Atlantic, Southeast, Northeast, and Midwest regions of the US.

- ▶ **Date:** July 2024
- ▶ **Subsector:** Service
- ▶ **EV:** Not Disclosed



has acquired



ATS Corporation has acquired **Paxiom Automation**. This acquisition by ATS complements with Paxiom's strong reputation and sophisticated offerings and create both organic and synergistic growth opportunities for Paxiom.

- ▶ **Date:** July 2024
- ▶ **Subsector:** Manufacturing
- ▶ **EV:** Not Disclosed



has acquired



Korea Investment PE and LIG Nex1 has acquired **Ghost Robotics**. This acquisition enables LIG Nex1 to create synergies in both defense and civilian markets and pave the way for unique growth opportunities on a global scale.

- ▶ **Date:** July 2024
- ▶ **Subsector:** Manufacturing
- ▶ **EV:** \$239 Million

Industry Acquisitions

Q3 2024



has acquired



Acieta has acquired **Capital Industries**. This acquisition expands Acieta's material handling, assembly systems, and testing and control systems capabilities across a broader set of end markets.

- ▶ **Date:** July 2024
- ▶ **Subsector:** Manufacturing
- ▶ **EV:** Not Disclosed



has acquired



Motion & Control Enterprises has acquired **Air Automation Engineering**. This acquisition expands Motion & Control automation business into new markets, products and geographies.

- ▶ **Date:** August 2024
- ▶ **Subsector:** Distribution
- ▶ **EV:** Not Disclosed



has acquired



TKH Group has acquired **Liberty Robotics**. This acquisition marks a key milestone in TKH's 3D vision strategic growth, expanding its solution-based capabilities in the automotive, packaging, and logistics industries.

- ▶ **Date:** August 2024
- ▶ **Subsector:** Manufacturing
- ▶ **EV:** Not Disclosed



has acquired



J. Schmalz has acquired **Soft Gripping Business of Soft Robotics Inc.** This acquisition helps Schmalz expand its market position in the food product handling sector.

- ▶ **Date:** August 2024
- ▶ **Subsector:** Manufacturing
- ▶ **EV:** Not Disclosed



has acquired



FloWorks has acquired **Assured Automation**. This acquisition allows FloWorks to expand its customer solutions portfolio and aims to drive Assured Automation's next stage of growth.

- ▶ **Date:** August 2024
- ▶ **Subsector:** Distribution
- ▶ **EV:** Not Disclosed



has acquired



Karl Storz has acquired **Asensus Surgical**. This acquisition allows to create a surgical robotics hub and drive Performance-Guided Surgery for Storz.

- ▶ **Date:** August 2024
- ▶ **Subsector:** Manufacturing
- ▶ **EV:** \$100 Million

Industry Acquisitions

Q3 2024



has acquired



Houchens Industries has acquired **H.H. Barnum**. This acquisition aligns perfectly with Houchen's strategic plan to further grow and diversify their ESOP.

- **Date:** September 2024
- **Subsector:** Distribution
- **EV:** Not Disclosed



has acquired



LFM Capital has acquired Southern Tooling. This acquisition enables LFM Capital to create an automation solution platform.

- **Date:** September 2024
- **Subsector:** Manufacturing
- **EV:** Not Disclosed



has acquired



The Timken Company has acquired **CGI**. This acquisition strengthens and enhances Timken's capabilities and product offerings.

- **Date:** September 2024
- **Subsector:** Manufacturing
- **EV:** Not Disclosed



has acquired



Kubota has acquired **Bloomfield Robotics**. This acquisition accelerates Kubota's integration of crop monitoring technologies into agricultural machinery, enabling faster delivery of solutions to the specialty crop market.

- **Date:** September 2024
- **Subsector:** Service
- **EV:** Not Disclosed



has acquired



MITAR Private Capital has acquired **Micromatic**. This acquisition allows Micromatic to grow as well as fits with portfolio expansion for Mitar Private Capital in automation.

- **Date:** September 2024
- **Subsector:** Distribution
- **EV:** Not Disclosed



has acquired



TransTech Energy has acquired **CTR**. This acquisition bolsters TransTech's portfolio and establish it as a comprehensive partner for both plant owners and operators serving the rapidly expanding cryogenic gas market, and the engineering and construction contractors who support them.

- **Date:** September 2024
- **Subsector:** Manufacturing
- **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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