



INDUSTRIAL AUTOMATION Q4 MARKET UPDATE

November to December 2022

BLUE RIVER
FINANCIAL GROUP

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Firm Overview



Contacts

Bryan Berent, *Managing Partner*

✉ bberent@goblueriver.com

William Loftis, *Managing Partner*

✉ wloftis@goblueriver.com

Sara Clevenger, *Principal*

✉ sclevenger@goblueriver.com

Thomas Hagan, *Managing Director*

✉ thagan@goblueriver.com

Josh Baran, *Director of Research*

✉ jbaran@goblueriver.com

**Dana Bolgar Popov, *Director, Marketing
and Business Development***

✉ dbolgarpopov@goblueriver.com

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](#)
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goblueriver.com



contact@goblueriver.com



(248) 309-3730



(248) 309-3742



M&A INSIGHT

By: Bryan Berent
Managing Partner

M&A Activity In The Industrial Automation Space

2022 was an interesting year for M&A in the Industrial Automation Sector, and in general. After a torrid 2021 (making up for the downturn in 2020), 2022 started out strong but finished on a downswing. Industrial Automation M&A, if looked at in isolation, reflects this significant downward trajectory as Q4, 2022 was down from Q4 of 2021, and was the lowest volume quarter of the year. But if you look at the IA sector in relation to the M&A activity as a whole, you can see that it actually remained relatively strong. Yes, valuations ticked down a bit in IA, but not at the same scale as in other industries. According to Bain's annual in-depth recap of the year in M&A, valuations are down, across the board, more than 20% for the year.

GF Data reported that in the fourth quarter of 2022, overall market valuations retreated from record levels. Valuations on deals completed in the quarter averaged 6.8x Trailing Twelve Months (TTM) adjusted EBITDA, down from 7.7x in the first nine months of the year. But for the IA sector, the retreat was less significant, moving down less than a half point.

There are a number of headwinds that continue to support strength in the Industrial Automation sector:

- According to Pitchbook and CapitalIQ, there is a reported 51 percent increase in interest in automated solutions among business leaders in the wake of the COVID-19 pandemic, causing a rethink regarding automation investments, especially with regard to the use of robots.

M&A INSIGHT

By: **Bryan Berent**
Managing Partner

- Human Capital Resources remain tight with unemployment rates low and the availability of talent remaining a significant issue.
- Trillions of dollars in corporate cash reserves and private equity overhang are still available for M&A.
- OEMs continue to increase IA investment across many end markets.
- Pay-back periods for IA investments are typically less than 12 months.
- There remains significant interest in quality IA companies, propping up valuation levels.
- There is still a significant appetite for M&A. According to SS&C/Intralinks/MergerMarket. They reported 73% of North American dealmakers expect M&A activity to increase in the next 12 months.

Even though the pace of the M&A market has certainly slowed since the 2021 boom, we still expect significant M&A activity in 2023, especially among quality IA companies (those with strong financial management, strong management teams, low customer concentration, 10%+ growth rates and strong profitability). Economic instability may be the biggest challenge to the activity with inflation and interest rate issues still looming large, but this will likely have a more significant effect on M&A in general, vs. the IA M&A market. Even with this relative market strength, we do forecast continued valuation rationalization from the highs leading up to 2022 as the cost of capital has increased, leading acquirers to reduce acquisition costs to drive the same IRR as in 2021.



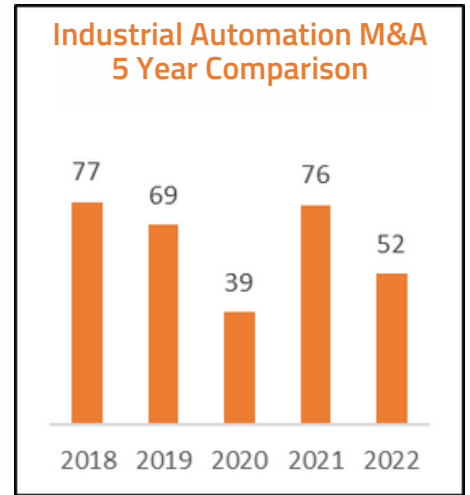
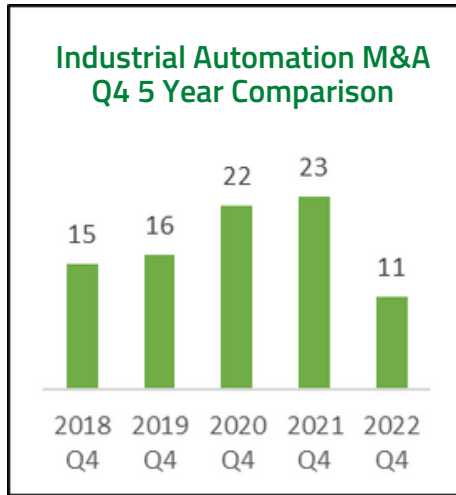
[Bryan Berent](#) is Managing Partner and co-founder of Blue River. Berent brings over 40 years of expertise to small to mid-size business clients. He has deep experience in analyzing the financial, operational and investment components of businesses. He holds an MBA, with honors, in Corporate Finance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

O: (248) 309-3730 ext. 204

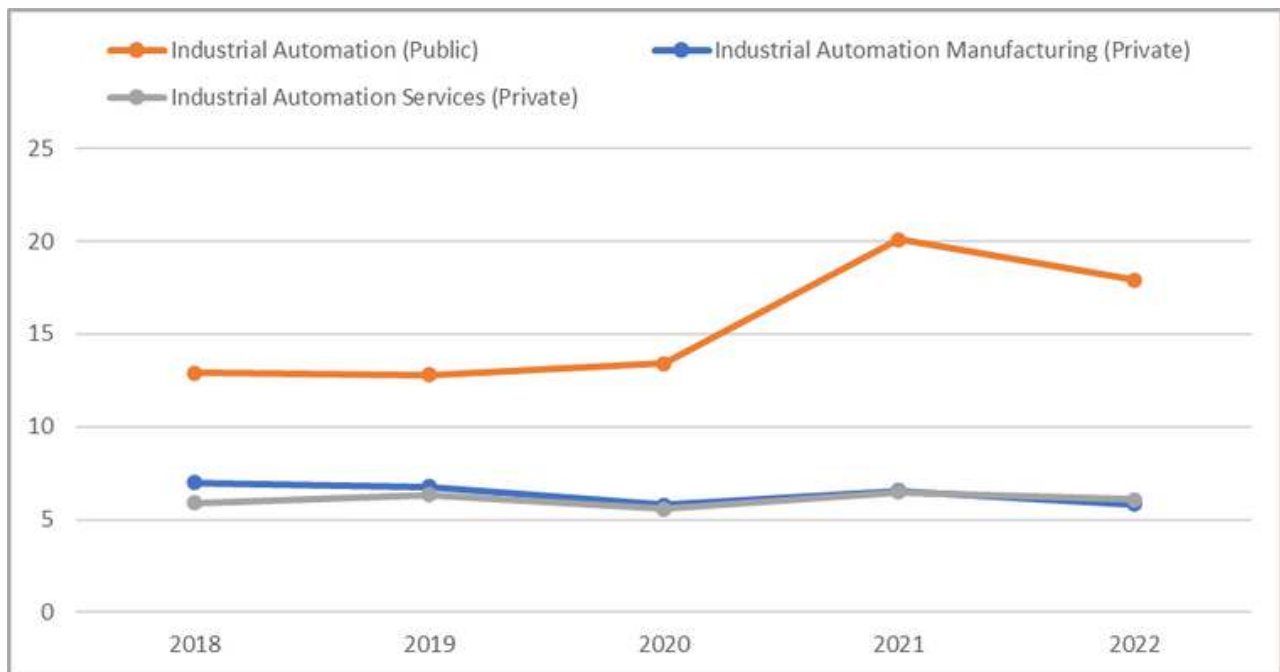
E: bberent@goblueriver.com

Q4 2022 Industrial Automation Market Performance

Industrial Automation acquisitions for Q4 2022 were lower than numbers from the same quarter over the past 5 years. This decrease in activity matches M&A trends across all industries for Q4 2022. Transaction numbers for the year show overall healthy activity. Transaction activity within the industry is expected to remain positive in 2023.



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 medium revenue of approximately \$35M.



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

Q4 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.

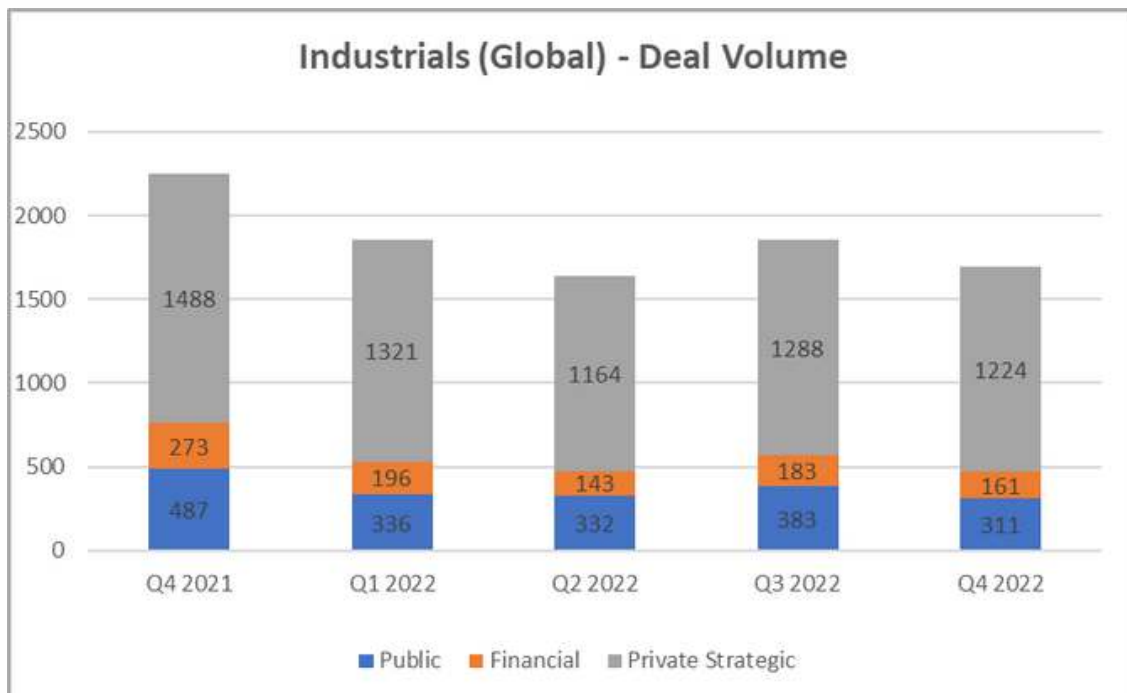
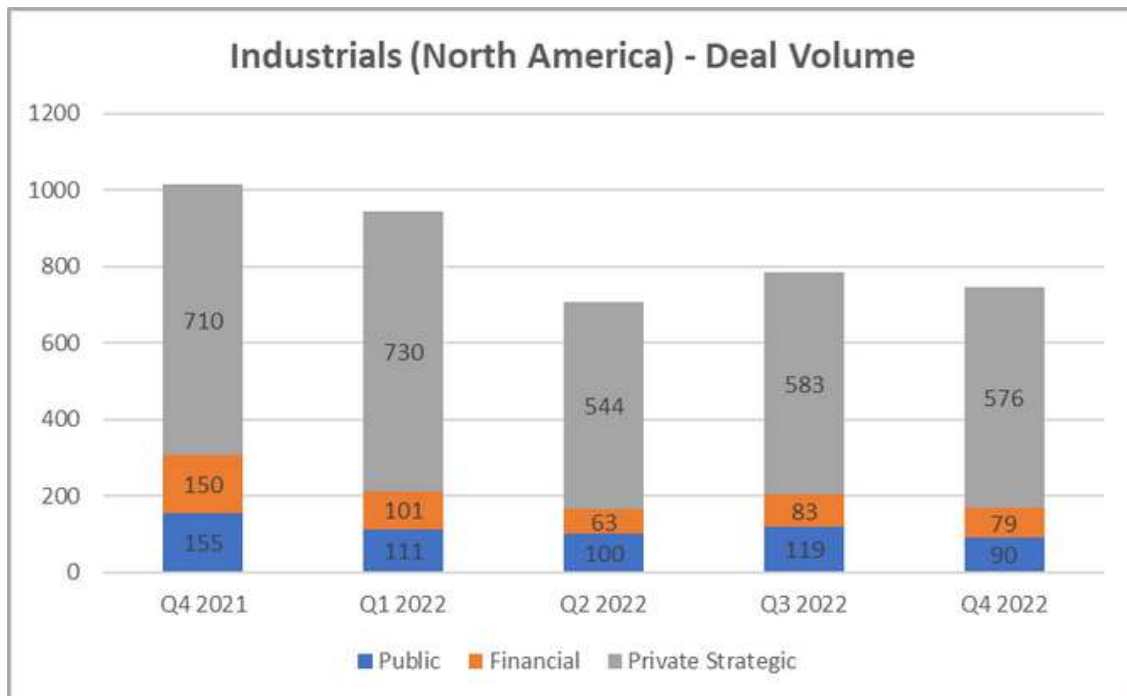
Public Company	Ticker	Q4 Starting Share Price	Q4 Ending Share Price	Q4 Performance	Market Cap
ABB	ABBN	\$27.19	\$28.06	3.20%	\$63,545
Cognex Corporation	CGNX	\$41.45	\$47.11	13.66%	\$9,864
Eaton Corporation	ETN	\$133.36	\$156.95	17.69%	\$64,412
Emerson Electric	EMR	\$73.22	\$96.06	31.19%	\$54,101
Honeywell International	HON	\$166.97	\$214.30	28.35%	\$139,426
National Instruments Corporation	NATI	\$37.74	\$36.90	-2.23%	\$7,031
Rockwell Automation	ROK	\$215.11	\$257.57	19.74%	\$33,420
Schneider Electric	SU	\$120.99	\$139.87	15.60%	\$92,521
Siemens	SIE	\$104.70	\$138.71	32.48%	\$124,569
TE Connectivity	TEL	\$110.36	\$114.80	4.02%	\$42,706
AVERAGE:		\$103.11	\$123.03	16.37%	\$63,160
MEDIAN:		\$107.53	\$126.76	16.65%	\$58,823

Public Company	Revenue	EBITDA	TEV	TEV / EBITDA	Debt / EBITDA
ABB	\$29,372	\$4,255	\$67,697	14.8x	1.9x
Cognex Corporation	\$1,011	\$288	\$9,423	31.7x	0.1x
Eaton Corporation	\$20,166	\$3,787	\$73,384	18.5x	2.4x
Emerson Electric	\$19,629	\$4,590	\$69,115	14.4x	2.3x
Honeywell International	\$34,937	\$8,499	\$150,038	17x	2x
National Instruments Corporation	\$1,657	\$291	\$7,477	23.9x	1.9x
Rockwell Automation	\$7,884	\$1,611	\$37,605	21.7x	2.5x
Schneider Electric	\$34,130	\$6,353	\$106,719	15.8x	2x
Siemens	\$78,716	\$10,871	\$173,609	18.4x	4.7x
TE Connectivity	\$16,304	\$3,646	\$46,252	12.1x	1.1x
AVERAGE:	\$24,381	\$4,419	\$74,132	18.8x	2.1x
MEDIAN:	\$19,898	\$4,021	\$68,406	17.7x	2x

Source: S&P Capital IQ

Q4 2022 Industrials Performance

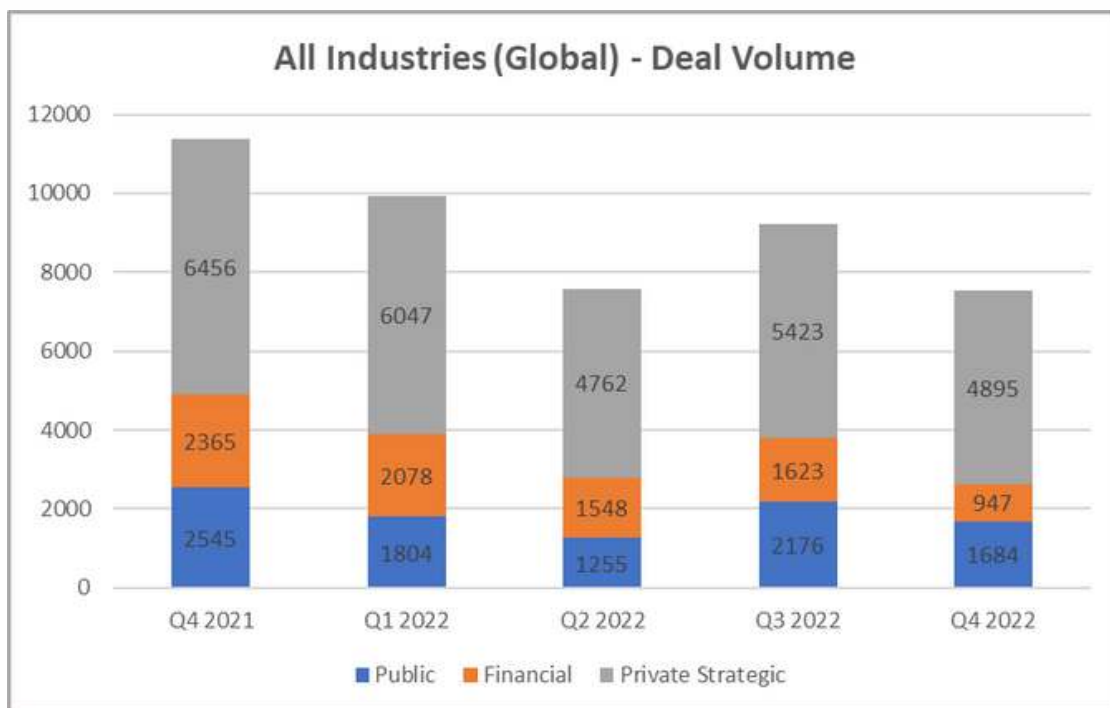
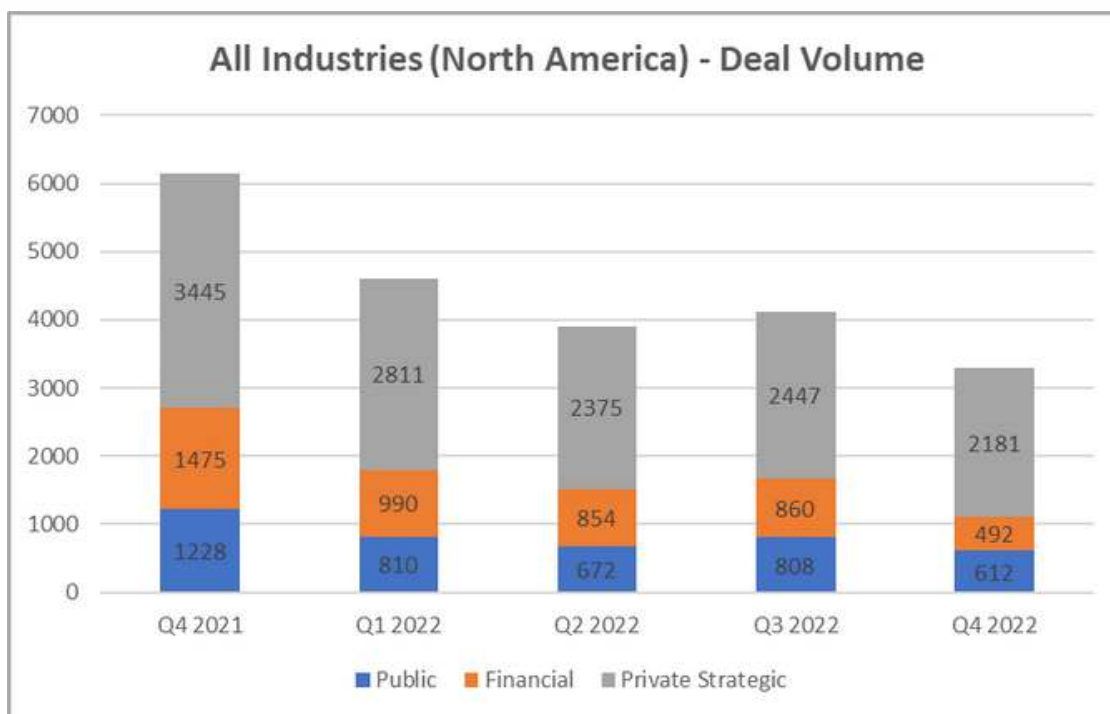
The following charts show acquisitive activity for the last 5 quarters for the broader Industrial sector.



Source: S&P Capital IQ

Q4 2022 M&A Performance

The following charts show M&A acquisitive activity for the last 5 quarters across all industries.



Industry Acquisitions Q4 2022



has acquired



Addtronics has acquired **Dynamic Design Solutions**. This acquisition will help Addtronics reach its goal of becoming a leader of robotic solutions in the manufacturing industry.

- ▶ **Date:** October 2022
- ▶ **Subsector:** Automation Services
- ▶ **EV:** Not Disclosed



has acquired



Dorsett Controls has acquired **Sunapsys**. This acquisition allows Dorsett Controls to offer additional automation services to an expanded customer portfolio.

- ▶ **Date:** October 2022
- ▶ **Subsector:** Automation Services
- ▶ **EV:** Not Disclosed



has acquired



AdeptAg has acquired **Bellpark Solutions**. This acquisition will allow AdeptAg to better service their customer base with expanded automation services and product offerings.

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



has acquired



Exotic Automation and Supply has acquired **Bond Fluidaire, Inc.** This acquisition will allow Exotic Automation and Supply and Bond Fluidaire to expand their sales to additional markets.

- ▶ **Date:** October 2022
- ▶ **Subsector:** Distribution
- ▶ **EV:** Not Disclosed



has acquired



Applied Industrial Technologies has acquired **Automation Inc.** This acquisition provides Applied Industrial Technologies with expanded industry reach and expertise.

- ▶ **Date:** November 2022
- ▶ **Subsector:** Distribution
- ▶ **EV:** \$25.52M



has acquired



Krones has acquired **R+D Custom Automation**. This acquisition will strengthen Krones' presence and expertise in key customer industries.

- ▶ **Date:** November 2022
- ▶ **Subsector:** Automation Services
- ▶ **EV:** Not Disclosed

Industry Acquisitions

Q4 2022



has acquired



Lear Corporation has acquired **Intouch Automation**. This acquisition will help grow Lear Corporation's automation focused product offering.

- **Date:** November 2022
- **Subsector:** Manufacturing
- **EV:** Not Disclosed



has acquired



Machine Solutions Inc. has acquired **Intec Automation**. Intec provides Machine Solutions with strong industry experience and excellent customer service.

- **Date:** November 2022
- **Subsector:** Manufacturing
- **EV:** Not Disclosed



has acquired



Valstone Corporation has acquired **WEM Automation**. This acquisition strengthens Valstone's international presence and provides their customers with additional service offerings.

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



has acquired



Lincoln Electric has acquired **Fori Automation**. This acquisition will allow Lincoln Electric to provide additional automation support and services to an expanding customer base across numerous industries.

- **Date:** December 2022
- **Subsector:** Automation Services
- **EV:** \$427M



has acquired



AdeptAg has acquired **Plantech Control Systems Family of Companies**. This acquisition will allow AdeptAg to provide a centralized hub for growers to access automation and control systems and solutions.

- **Date:** December 2022
- **Subsector:** Automation Services/ 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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goblueriver.com
contact@goblueriver.com



(248) 309-3730
(248) 309-3742

