

Industrial Technology

2020 Year in Review | **February 2021**



Founders' Industrial Technology Update

As we reflect on a turbulent and truly unprecedented year, we are both grateful to see light at the end of the tunnel and for our clients, past and present, with whom we are privileged to walk through this season of uncertainty. This year in review includes some of the articles we've read this year, an update on public Industrial Technology companies, recent M&A activity and trends, a brief note on several transactions we've closed this year, and last, several additions to our team.

We hope you enjoy this update and look forward to serving you in the future. Please reach out to any of us below if you have questions.

To light at the end of the tunnel—

Warm regards,



Gene Bazemore



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Industrial Technology Subsector Coverage

Founders' Industrial Technology practice serves companies providing proprietary components, products, systems, or software, driving productivity and efficiency in a wide variety of industrial end markets

Advanced Materials

Proprietary technologies and formulations in materials, improving upon existing offerings, often purpose-designed for challenging applications



Electrical and Electronics

Industrial products leveraging proprietary electrical solutions, including lighting, power, and connectivity



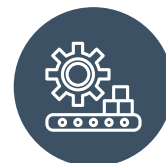
Safety and Security

Products and services used to secure assets and protect people in residential, commercial, and industrial environments



Advanced Manufacturing and Process Equipment

Companies leveraging innovative technologies in the manufacturing process as well as businesses producing equipment and devices used for storage and handling of materials



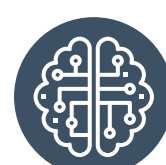
Automation and Robotics

Solutions serving to automate and integrate the industrial world, including HMI, controllers, and motion control



Industrial Internet of Things

Technologies serving across the flow of data and operational insights for industrial end markets, including machine connectivity, AI/ML, predictive analytics software



Test and Measurement

Equipment and services used to monitor and assess products to ensure performance, specifications, and safety along the product life-cycle



What We're Reading

In a year of uncertainty and turbulence, we've found the below articles helpful to navigate this year, look to the future, and focus on what's most important

Will 'normal' be business as usual or better?

(EY, June 29, 2020)

"EY analysis of major recessive cycles of the last 50 years has shown that each recession presents a tipping point for a new type of business cycle. Companies that successfully navigated these business cycles moved early to position themselves while those that adopted a wait-and-see strategy paid the price." [Article link](#)

Manufacturers Forge Ahead With Tech, R&D Projects, Despite Capex Cuts

(WSJ, July 12, 2020)

"Manufacturers have scaled back spending on large projects during the coronavirus pandemic, but many say they're continuing with software upgrades and technology initiatives to keep up with changing customer needs and remain competitive." [Article link](#)

Industry 4.0: Reimagining manufacturing operations after COVID-19

(McKinsey, July 29, 2020)

"The role of Industry 4.0 becomes even more critical in the backdrop of a crisis such as COVID-19. Players utilizing digital solutions are better-positioned to weather the storm, having moved faster and further than their peers during the crisis." [Article link](#)

Tested by Fire: Three Keys to Making Better Decisions through Disruption

(Bain & Company, November 17, 2020)

"In any crisis, decision making must accelerate and sharpen in focus. During periods of urgency and uncertainty, leaders seek to answer pressing questions faster, even as their teams feel increasingly stretched. As a result, companies often improvise, circumventing typical, sometimes antiquated, processes and routines in favor of a much more pragmatic and agile approach." [Article link](#)

Work Will Never Be the Same—Savvy Business Leaders Are Adapting to Change That's Already Here

(BCG, November 17, 2020)

"Several new, innovative work models are being created, and the best of these will be retained forever. The transformation of work is accelerating toward more flexible and customized models. This shift is here to stay. If companies don't rapidly reinvent how they serve customers and support their employees, they will lose in the new reality." [Article link](#)

The Pandemic is Widening a Corporate Productivity Gap

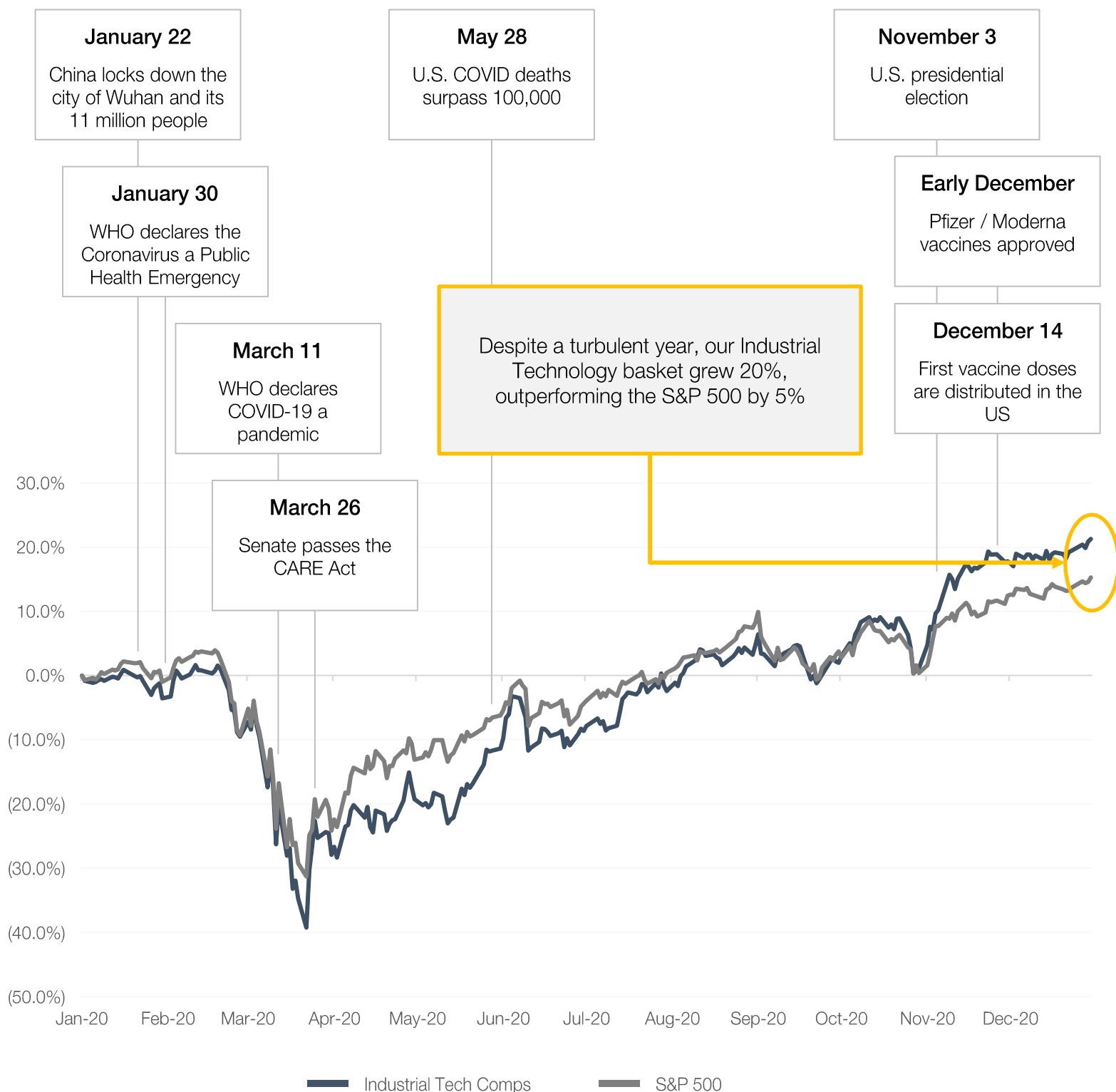
(HBR, December 1, 2020)

"The companies that are the very best at managing scarce time, talent and energy — that is, the average of the top quartile of companies in our research — are 40% more productive than the rest. This enormous productivity gap is a key source of competitive advantage for the very best companies." [Article link](#)

Industrial Technology Showing Resilience, Bounceback from Year of Uncertainty

In the wake of COVID-related disruptions, Industrial Technology companies are benefiting from accelerated adoption of key technologies such as automation and connectivity

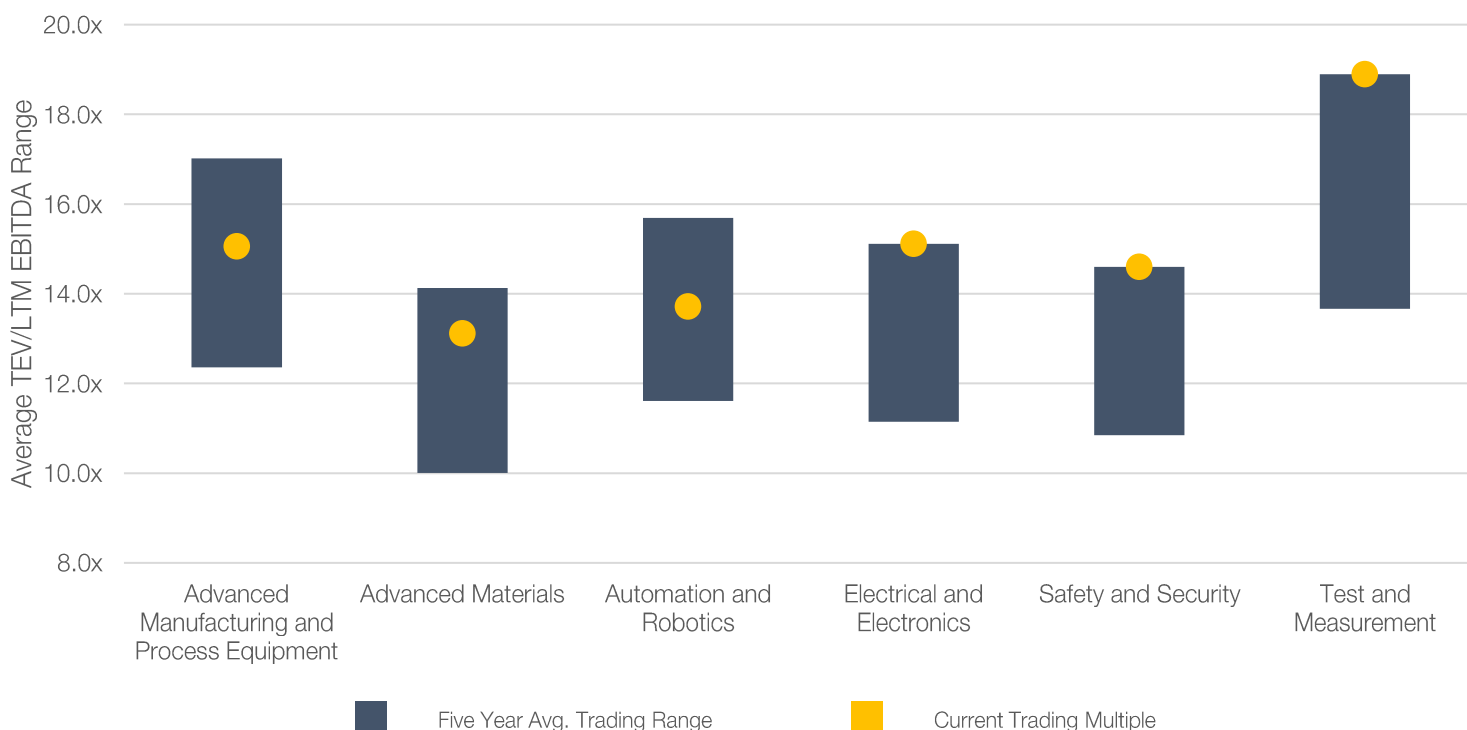
Industrial Technology Sectors Poised for Continued Strong Recovery



Historical Trading Multiple Ranges

Industrial Technology companies continue to trade above other industries while current valuation levels are generally higher than the typical range of the last five years

Trading Comparables by Vertical – Historical Ranges vs Current Multiples



Selected Players in Markets Served

Advanced Manufacturing and Process Equipment



Advanced Materials



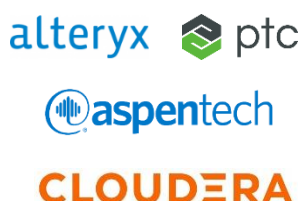
Automation and Robotics



Electrical and Electronics



Industrial Internet of Things



Safety and Security



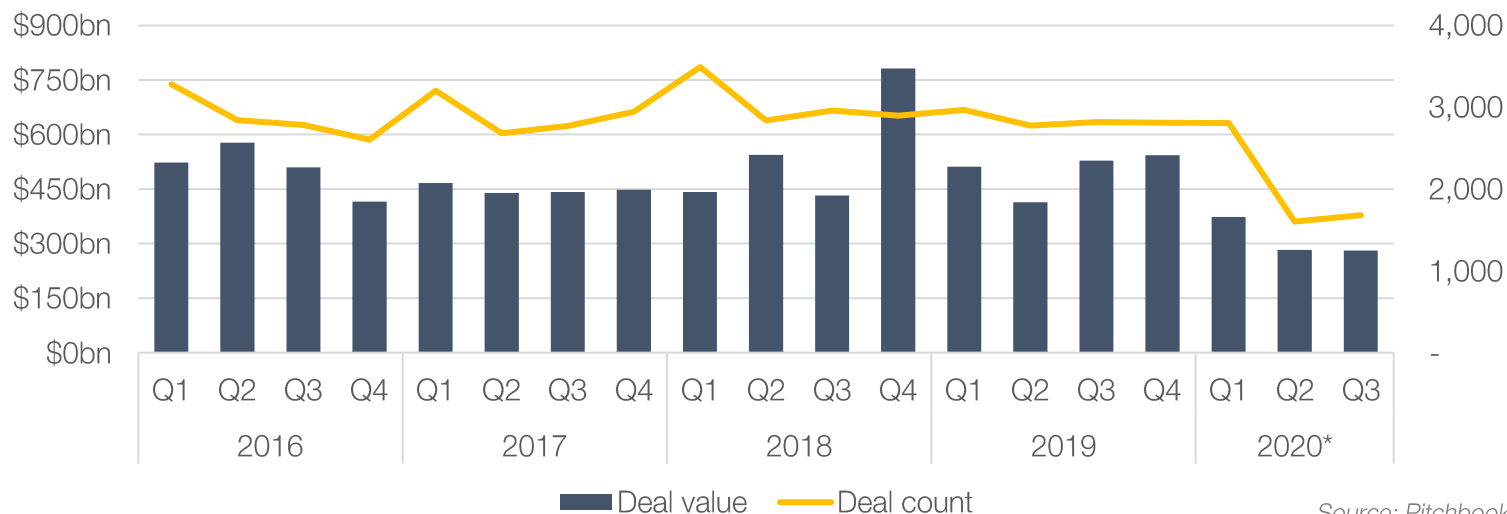
Test and Measurement



2020 Transaction Trends

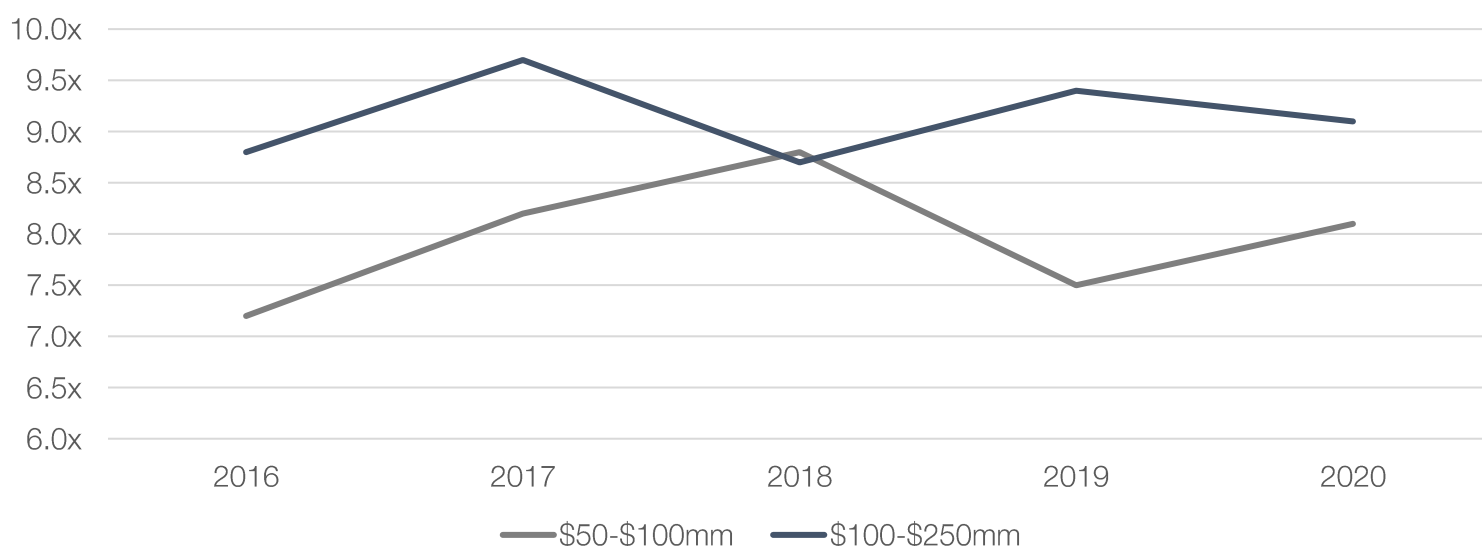
Transaction volume has slowed slightly in 2020, as COVID-related disruptions slowed deal flow for a significant portion of the year

Deal Volumes Slowed, Rebounding from COVID Slump



- Deal volumes in the U.S. M&A market at large slowed in 2020; however, while we don't have official Q4 data yet, anecdotally we saw transaction activity pick up considerably
- This drive to get transactions done in 2020 was due, in part, to the possibility of an increase to capital gains tax that could be effective as of January 1, 2021

LMM EBITDA Multiples Remained Strong in COVID Environment



- Although deal volume slowed in 2020, valuation levels for completed deals did not dip
- In fact, with the amount of dry powder available, quality businesses performing well through the pandemic generated a significant amount of interest

Source: GF Data

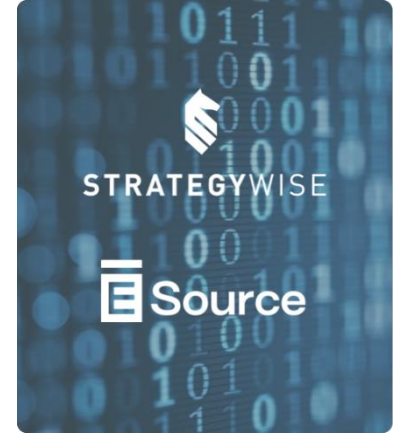
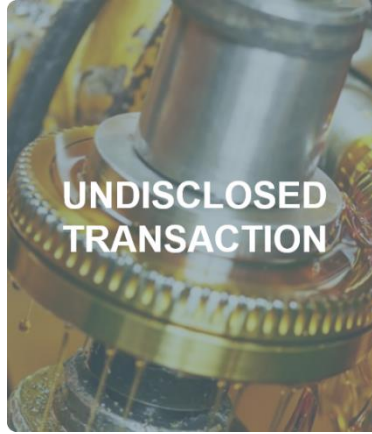
2020 Notable Industrial Technology Transactions

Date	Acquirer	Target	Commentary / Rationale	EV (\$mm)	EV / EBITDA
20-Dec-2020	Lockheed Martin	Aerojet Rocketdyne Holdings	This acquisition gives Lockheed a larger footprint in space and hypersonic technology and generates synergies with Aerojet Rocketdyne's propulsion systems (already key components of Lockheed's supply chain).	4,400	18.0x
09-Dec-2020	Amphenol	MTS Systems	This acquisition will help Amphenol to expand its range of sensor and sensor-based products across a wide array of industries to further capitalize on the long-term growth potential of the electronics revolution.	1,700	NM
28-Jun-2020	Amazon	Zoox	This transaction will allow Amazon to accelerate its development of self-driving cars for integration into its logistics network to offer cheaper and faster delivery.	1,300	NA
24-Jun-2020	Atlas Copco	ISRA Vision	This acquisition strengthens Atlas Copco's focus on technologies enabling digital manufacturing while meeting increased demands for quality inspection and flexible automation.	1,132	19.0x
29-May-2020	ZF Friedrichshafen	Wabco	This acquisition enables ZF's existing commercial vehicle division to expand its expertise in vehicle dynamics control.	7,400	20.1x
16-Apr-2020	Infineon Technologies	Cypress Semiconductor	Infineon further strengthens its focus on structural growth drivers and on a broader range of applications.	9,813	23.6x
03-Apr-2020	Raytheon Technologies	Raytheon / United Technologies	This acquisition will enable Raytheon Technologies to offer expanded technology and R&D capabilities to deliver innovative and cost-effective solutions aligned with customer priorities and the national defense strategies of the U.S. and its allies and friends.	33,166	7.0x
12-Mar-2020	TE Connectivity	First Sensor	This transaction with TE allows the company with its market-leading product portfolio to become part of a global technology and manufacturing leader for connectivity and sensor solutions and provides the scale, customer base, and existing sensor expertise to create a more comprehensive offering to a deeper and broader customer base.	230	17.6x

Recent Industrial Technology Deal Highlights

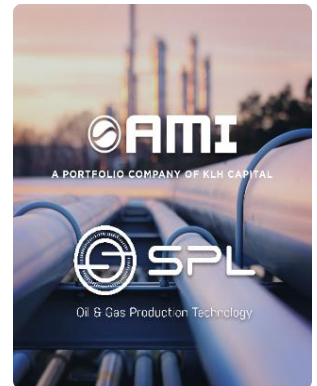
In the midst of the 2020 pandemic, Founders' Industrial Technology team was fortunate to close three deals, two of which were located in the Dallas area

2020 Industrial Technology Closed Transactions and Commentary



- COVID-19 is the story of 2020, which along with an election year created a very challenging deal environment. Acquirers, both strategic and financial, had to overcome difficulties in securing financing and were extremely selective in deploying capital.
- Founders Advisors executed several transactions throughout the year that experienced significant delays and a number of these transactions are expected to close in 2021 as concerns around COVID-19 continue to alleviate.

Other Industrial Technology Closed Transactions



Updates to the Team

The Industrial Technology team made several additions this year, adding both Joe Timberlake and EJ Marino in 2020 to support the growing team

Additions to the Industrial Technology Team



Joe Timberlake

Analyst

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Joe is from Birmingham, AL and received his B.S.B.A from Auburn University, majoring in Accounting, and earned his Masters in Accounting from Samford University. Joe is a Certified Public Accountant and worked as an Assurance Senior at Ernst & Young in Atlanta before joining Founders in October of 2020.



EJ Marino

Analyst

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EJ is from Birmingham, AL and received his B.S.B.A. from Auburn University, majoring in Accounting. During his time at Auburn, EJ completed a summer internship with Founders in 2019. Upon graduating, he earned a Masters in Accounting from Notre Dame's Mendoza College of Business. He joined Founders in June of 2020.

Promotions

David Szell and Kendrick Vinar both joined Founders Advisors in 2017 after graduating from Georgia and Harvard, respectively. Each has continued to grow and develop at Founders, contributing throughout the various stages of a deal. Kendrick has focused on opportunities in the Industrial Internet of Things, assisting in the sale of Predikto to UTC and Presenso to SKF. David took on a significant role in recent deals, helping push two deals across the finish line in December of 2020. In September they were recognized for their continued growth and promoted from Senior Analyst to Associate.



Kendrick Vinar

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David Szell

Associate

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Index Key

Advanced Materials	Advanced Manufacturing & Process Equipment	Automation & Robotics	Electrical & Electronics	Safety & Security	Test & Measurement
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Large Cap

3M Co. Celanese Corp. Compagnie de Saint-Gobain S.A. Corning, Inc.	Atlas Copco Danaher Corp. Dover Corp. General Electric IDEX Corp. Parker-Hannifin Roper Technologies	ABB Ltd AMETEK, Inc. Eaton Corp. Emerson Electric Co. Fortive Corp. General Electric Hexagon AB Hitachi Honeywell Keyence Corp. Parker-Hannifin Rockwell Automation Roper Technologies Schneider Electric Siemens SKF TransDigm Group YASKAWA Electric	ABB Ltd AMETEK, Inc. Amphenol Corning, Inc. Eaton Corp. plc General Electric HEICO Corp. Hitachi, Ltd. IDEX Corp. Keyence Corp. Mitsubishi Corp. TE Connectivity, Ltd. Teledyne Technologies Toshiba Corp.	3M Co. Halma plc Honeywell Johnson Controls Kimberly-Clark Corp. OMRON Corp. Rockwell Automation	3M Co. ABB, Ltd. Agilent Technologies AMETEK, Inc. Amphenol Emerson Electric Co. Fortive Corp. General Electric Halma plc Hexagon AB Honeywell IDEX Corp. Mettler-Toledo Rockwell Automation Roper Technologies Schneider Electric Siemens TE Connectivity, Ltd. Teledyne Thermo Fisher
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Mid Cap

Avient Corporation GCP H.B. Fuller Co. Hexcel Corp. Kaman Corp. Morgan Adv. Material Rogers Corp. RPM International Teijin, Ltd. Trinseo S.A.	Alfa Laval Colfax Corp. Crane Co. Curtiss-Wright Donaldson Co. Enerpac Tool Group EnPro Industries ESCO Technologies Flowserve Franklin Electric Co. Graco, Inc. Hillenbrand, Inc. ITT, Inc. Mueller Water Nordson Corp. Regal Beloit SPX FLOW, Inc.	Cognex Corp. Curtiss-Wright ITT, Inc. Meggitt PLC National Instruments Regal Beloit Yokogawa Electric	Acuity Brands, Inc. Advanced Energy Belden, Inc. Carlisle Companies Coherent, Inc. Crane Co. Curtiss-Wright Generac Holdings Hubbell II-VI, Inc. IPG Photonics Knowles Corp. Littelfuse, Inc. Materion Corp. Meggitt PLC SPX Corp. Vishay Intertech	ADT, Inc. Autoliv, Inc. Brady Corp. MSA Safety	AB SKF Advanced Energy Badger Meter, Inc. Bruker Corp. Curtiss-Wright ESCO Technologies FLIR Systems, Inc. II-VI, Inc. Itron, Inc. Littelfuse, Inc. Meggitt PLC MKS Instruments MSA Safety, Inc. National Instruments Oxford Instruments Sensata Technologies Spectris plc SPX Corp. Yokogawa Electric
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Small Cap

Ducommun, Inc. Ferro Corp. Kraton Corp. Materion Corp. SGL Carbon SE	CIRCOR Columbus McKinnon	Allied Motion Tech. CalAmp Corp. Columbus McKinnon Servotronics, Inc.	American Superconductor CalAmp Corp. Ducommun Powell Industries	JOST Werke AG Lakeland Industries Saftec Co., Ltd.	CTS Corp. FARO Technologies Mesa Laboratories Mistras Group, Inc. MTS Systems Vishay Precision
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Note: Some Companies Listed in Multiple Verticals

About Founders Advisors

Who We Are

Serving Founders and Business Owners in the Lower-Middle Market

- Independent investment banking advisory firm focused on founder-owned lower middle market businesses since 2003
- Senior bankers with decades of experience in banking, private equity, business development, industry, and entrepreneurship
- Headquartered in Birmingham, AL, with offices in Dallas and Houston
- Industry expertise across six focus industries of Consumer, Industrial Services, Healthcare, Technology, Industrial Technology, and Energy
- Founders has been a trusted advisor to hundreds of lower middle market business owners, supporting growth and transitions through tailored financing, recapitalization, and transaction solutions

Industry Coverage

Consumer



Industrial Services



Healthcare



Technology



Industrial Technology



Energy



M&A and Financing Expertise

Sell-Side M&A

Buy-Side M&A

Leveraged Recapitalization

Debt Financing

Minority Recapitalization

Growth Capital

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