

## Industrial Machinery & digital automation

Sector and M&A Report

December 2016



### Globalization and the rise of ‘smart manufacturing’

The European industry for Industrial Machinery leads the world, producing €650bn in annual revenues (one-third of global production and half of global exports), as well as the highest quality and most innovative products. However major change is under way. Pursuing traditional strategies is no guarantee of continued success. An increasing number of players are responding proactively to shifting growth patterns and profit-pools by using corporate transactions.

We are seeing a record amount of M&A activity, fueled by deals that tap digital & technological know-how, scale and geographic reach – all vital ingredients for premium valuations.

- **Structural change:** The Industrial Machinery market remains fragmented (80% of European actors are SMEs), however customers continue to get bigger and more international. Also, profit pools are shifting, both geographically and along the value chain. Businesses need to adapt their business models to future-proof operations and grow beyond the core.
- **Corporate M&A activity rising:** Our global sector team is observing above average M&A activity and a substantial increase in transactions in 2016 (excluding alliances). Important catalysts for deals include technology, digitization and geographic growth. Europe has been the most popular region for acquirers, with 41% of all M&A transactions, followed by the US and China, which is an important source of new deal demand and also growth.
- **Tapping growth beyond the core:** Businesses are accessing growth in attractive emerging markets (China) by transitioning away from traditional export models towards more integrated global offerings. Horizontal and vertical integration are front and center of strategic thoughts and corporate activity. For instance, Components and Machinery manufacturers are acquiring companies with automation & digital know-how to add value, and vice-versa.
- **Valuations are typically high:** Technological know-how is top of buyers’ shopping lists. Premium valuations are being paid for any business that delivers technology, innovation and/or smart software capabilities. Industry 4.0 (automation & data exchange) is in especially high demand: while the average valuation for the sector is 11x EBITDA, Software is receiving 16x EBITDA. Digital will continue to be the biggest value-add going forward.



“The transition from ‘smart machines’ to ‘smart factories’ – to plant-wide digital automation that considers the entire value chain has begun. Successful are considering growth strategies that look beyond the core to achieve scale and a global footprint. It’s right that we should be proud of European quality and innovation but much more needs to be done.”

#### Ervin Schellenberg

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# Key takeaways

## Shifting growth

Growth patterns are shifting, both along the value chain and by region – those who embrace ‘smarter’ manufacturing and globalization will do best.

## Industry 4.0

Digitization is changing the face of the sector, as automation already has.

## M&A ramping up

Transactions are going ‘through the roof’ as strategic actors use M&A to scale up and tool up for the challenges that lie ahead.

## Contact Us

Capitalmind has a highly experienced Industrial team with 25 dedicated professionals and an average experience of 15 years. The team has advised many leading groups and mid-caps on diversified and specialized transactions in the industrial and technical business services sectors.

If you would like to discuss this report or opportunities for your business, call our European Partners below. We would also be happy to connect you to our overseas sector teams:



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## Selection of our recent Industrial Machinery deals

wise sgr  
wisequity funds  
sold

**SPII**

to

**SCHALTBAU**

Automation

**Schneider Electric**  
sold

**CONTROLLI**  
1936

to its management  
backed by

**B. GROUP S.p.A.**  
Capo di Investimenti Industriali e Finanziari  
S.p.A. - ITALIA

Automation

**sonepar**

acquired

**Routeco**

Automation

**BELECTRIC**

was sold to

**innogy**  
a company of  
**RWE**

Machinery & Automation

**WOOD GROUP**

acquired

**THE AUTOMATED TECHNOLOGY GROUP**

Automation

MBO of

**C-MAC**

with

**KBC**

Automation

**AIR LIQUIDE**  
WELDING

sold

**COMMERCY**  
ROBOTIQUE

to

**Gorgé**

Robotics

**LAPMASTER**  
Precision Grinding Solutions

acquired

**Peter Wolters**

Grinding machines

**FFG**

acquired

**Pfiffner**  
precise solutions

Machine tools

**LUMMUS**

acquired

**SYSTEM SOLUTIONS**  
OF KENTUCKY

Conveying & sortation

**MARPOSS**

acquired

**DITTEL**

Sensors

**CARRARO GROUP**

sold

**ELETTRONICA SANTERNO**

Drives & control cabinets

**21 Partners**

acquired

**NADELLA**

Drives

**MARPOSS**

acquired

**BRANKAMP**

Process monitoring

**FIELDS GROUP**  
sold

**Maehler Kaege**

to

**Reflex & Allen**  
YOUR TRUST OUR PURPOSE

Connectors

Smart advice, by your side, worldwide

Australia  
Brazil  
Canada  
China  
India  
Italy

Japan  
Mexico  
Peru  
Poland  
Russia  
Slovenia  
South Africa

Spain  
Switzerland  
Thailand  
Turkey  
UK  
USA

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- 50+ experienced professionals in 6 offices across Europe, including Benelux, France, Germany and Denmark
- 200+ deals in the last 5 years, with a focus on the mid-market
- Industry insight via dedicated sector teams: Business Services, Consumer, Food & Agro, Healthcare, Industrials and TMT
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