

# Capstone Partners Reports: Evolving Manufacturing Trends Bolster Industrial Automation M&A

BOSTON, MA, U.S., June 26, 2024 /EINPresswire.com/ -- Capstone Partners, a leading middle market investment banking firm, released its June 2024 Industrial Automation Sector Update, reporting that a tight labor market, advancements in technology, and an increasing drive towards digitization have continued to support global merger and acquisition (M&A) and capital raising activity in the Industrial Automation sector year-to-date (YTD).



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*Managing Director Steven Dana, Capstone Partners*

Despite a notable broader market decline in M&A levels throughout 2023 due to macroeconomic challenges, the Industrial Automation space remained resilient due to heightened demand for automation. The 94 deals announced or completed in 2023 exceeded pre-COVID levels, and early signs suggest 2024 will be similar to 2023 in deal volume. Attractive trading multiples have

materialized in the Industrial Automation sector with public players and M&A garnering healthy multiples, underscoring buyer appetite. A modest upswing in M&A deal size is anticipated in 2024 with increased momentum expected towards the back half of the year. Private strategic buyers dominated M&A activity in 2023, the largest of any other buyer type, comprising 37.2% of transactions. Public strategics claimed 29.8% of deal activity in 2023 but have captured 23.3% of M&A early in YTD 2024. Growth in deal flow among strategics is expected to be driven by an imperative to stay ahead of technological shifts that offer both opportunities and threats to existing business models.

Private equity interest is expected to be supported by a record \$1.6 trillion of dry powder reserves and significant interest in automation, particularly in the Systems Integration and Maintenance, Repair, & Operations (MRO) Services segments. Several players have vied for assets to form new platforms in these spaces, while significant investments have already been made by a number of funds. Fund activity is expected to improve due to heightened visibility into the pricing of the debt financing markets, with the stabilization of interest rate hikes.

An increase in the number of private equity exits is also expected, owed to the highest U.S. private equity holding period on record (6.4 years) stretching far beyond the five-year investment

timeline outlined by investors, as reported in Capstone Partners' [Q4 2023 Capital Markets Update](#). With a scarcity of private equity exit activity in 2023, we expect to see financial buyers return to market in 2024. This trend has already been observed, as private equity buyers have represented a 40% share of total sector deals by volume through YTD 2024, buoyed by seven add-on acquisitions.

Due to the growing value of automation, cloud, and artificial intelligence (AI) technologies in the strategic roadmaps of acquirers, sectors with exposure to these pivotal growth areas have experienced heightened M&A and financing activity. We expect strategic acquirers to aggressively pursue differentiated assets, including more technology players vying for a role on an increasingly digitized factory floor. Our tracked public company index has been trading at near 52-week highs with significant levels of cash, buoying the ability to pay for strategic assets.

"Industrial Automation is a critically important sector as manufacturers globally struggle with skilled labor shortages amidst a massive push towards reshoring. Meanwhile, advancements in technology enables automation beyond high-throughput applications. At the same time, AI and machine learning are creating opportunities to shake up the existing Industrial Automation landscape. Because of this we expect continued M&A from strategics and PE as we head into the back-half of '24 and into '25," said Capstone Managing Director Steven Dana, the lead contributor in the newly released report.

Also included in this report:

- A breakdown of Industrial Automation trends that have proliferated the market and are driving sector M&A.
- Insights into multiples from leading public players and sector M&A deals.
- Notable transactions and the characteristics being targeted by strategic buyers.

To access to full report, [click here](#).

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For over 20 years, the firm has been a trusted advisor to leading middle market companies, offering a fully integrated range of investment banking and financial advisory services uniquely tailored to help owners, investors, and creditors through each stage of the company's lifecycle. Capstone's services include M&A advisory, debt and equity placement, corporate restructuring, special situations, valuation and fairness opinions and financial advisory services. Headquartered in Boston, the firm has 175+ professionals in multiple offices across the U.S. With 12 dedicated industry groups, Capstone delivers sector-specific expertise through large, cross-functional teams. Capstone is a subsidiary of Huntington Bancshares Incorporated (NASDAQ:HBAN). For more information, visit [www.capstonepartners.com](http://www.capstonepartners.com).

For More Information Contact:

Steven Dana  
Managing Director  
646-594-0633  
sdana@capstonepartners.com

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Rebecca Levesque  
Capstone Partners  
+1 617-619-3322  
[email us here](#)

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