

# INDUSTRIAL AUTOMATION

A rich “hunting ground” for  
corporates and private equity



In the second of a series of articles on the industrial automation sector<sup>1</sup>, we take a deeper dive into the industrial automation market and its sub-segments and provide you with a summary of our industrial automation market database.

Hot on the heels of this article, we will be issuing a review of the industrial automation M&A market and why we believe the sector is going to be a hotbed for M&A activity over the next decade.

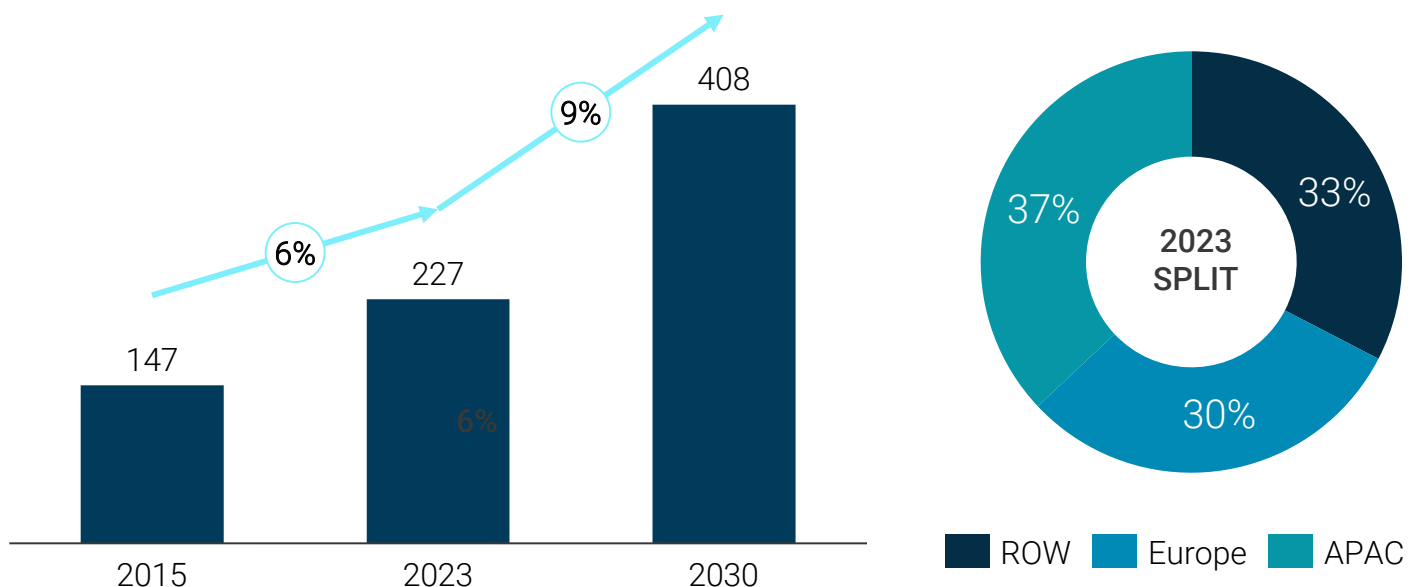
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[1. April 2024: Industrial Automation - global megatrends are turbocharging M&A activity](#)

# MARKET GROWTH EXPECTED TO ACCELERATE THROUGH TO 2030

The industrial automation market is on a significant growth trajectory. The outlook through to the end of the decade looks very strong, with all regional markets expected to grow close to 10% CAGR by 2030 and the overall market size to surpass \$400 billion (see figure 1). The industry is benefiting from several megatrends and tailwinds, with continued technological innovations driving growth in adoption of digitization and AI, and the continued need for efficient manufacturing processes in a demand-driven, labor-constrained environment. While challenges such as high initial investments and skill shortages exist, the opportunities presented by emerging technologies and increasing demand for automation and personalization across various industries are substantial. The focus on safety, sustainability, and smart manufacturing is expected to shape the future of the sector.

**FIGURE 1: MARKET SIZE AND REGIONAL BREAKDOWN (HISTORIC AND FORECAST; \$BN)**

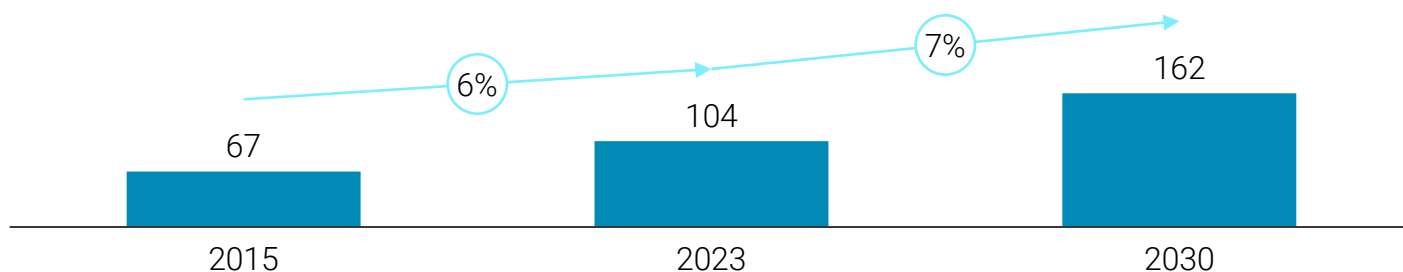


## The overall market growth trend is also evident across the industry's three core subsectors, including **Process Automation**

The process automation industry, *which uses technology and control systems to automate specific workflows in the overall manufacturing process*, is expected to continue on the growth trajectory it has experienced since 2015, growing at 7% CAGR to the end of the decade (see figure 2). This growth continues to be underpinned by (i) greater adoption of machine learning to enhance productivity, optimize processes, improve quality, and drive cost reduction; (ii) predictive maintenance to improve overall equipment effectiveness (OEE) and anticipate and react to maintenance needs; and (iii) embracing cloud computing to improve data collection, monitoring, and processing capabilities to aid real-time decision-making.

A classic example of a company embracing automation and digital transformation is BASF, the global specialty chemicals player. BASF has made a number of strategic investments in digital infrastructure to modernize its operations, including the deployment of IoT sensors, advanced analytical tools and cloud-based platforms to collect and analyze data in real time. In 2023, it expanded its collaboration with Microsoft to leverage the power of cloud computing in its R&D activities and also announced the launch of its Digital Lab, which leverages advanced data analytics and machine learning algorithms to optimize chemical processes.

**FIGURE 2: PROCESS AUTOMATION – MARKET SIZE AND GROWTH (HISTORIC AND FORECAST; \$BN)**



### EXAMPLE END MARKETS



Oil and Gas



Wastewater



Life  
Sciences



Power &  
Utilities



Natural  
Resources



Chemicals

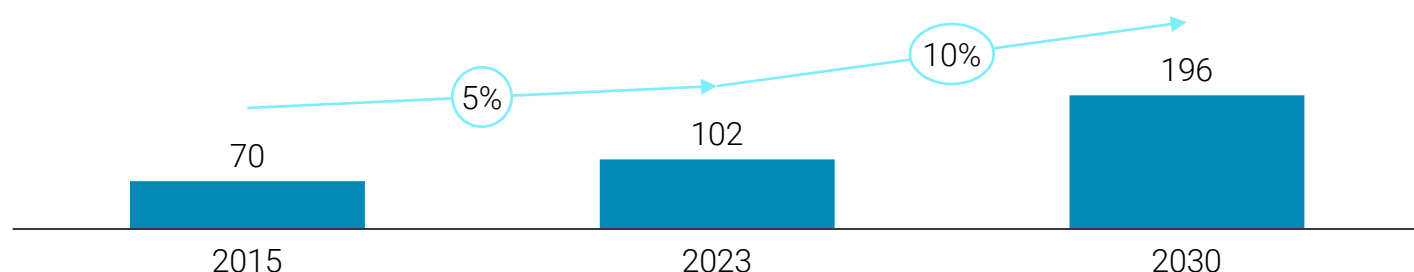


# Factory Automation: expected to double CAGR from 5% to 2023 to 10% by 2030

The factory automation industry, *which uses control systems and technology to automate machinery and processes in a manufacturing environment*, is expected to double its CAGR from 5% (from 2015 to 2023) to 10% from 2023 to 2030, with the market reaching close to \$200 billion by the end of the decade (see figure 3). This acceleration in growth stems from a mix of (i) technological advancements, particularly incorporation of robotics and AI in specific manufacturing tasks; (ii) the continued need to drive efficiencies and maintain margins in an economically-pressured environment with rising labor costs and labor shortages in developed economies, particularly as developed countries continue to 'reshore' supply chains; and (iii) evolving market demands as manufacturers seek higher efficiency and productivity (in both an energy-efficient and sustainable manner) whilst maximizing flexibility, quality, and precision to meet the rising demands of consumers.

Together, these factors are fueling innovation and investment as manufacturers seek more efficient and adaptable production methods. An example of an automotive manufacturer at the forefront of embracing innovation and automation in its manufacturing process is Tesla, the global automotive and clean energy company. The business acquired a German automation company in January 2017, which develops automated manufacturing systems for batteries and fuel cells, with the sole purpose of manufacturing automation products to be used by the wider Tesla group to ultimately increase production throughput and volume, and lower costs. Since then, Tesla has set up automation-driven gigafactories across the globe as it looks to scale up vehicle production.

**FIGURE 3: FACTORY AUTOMATION – MARKET SIZE AND GROWTH (HISTORIC AND FORECAST; \$BN)**



## EXAMPLE END MARKETS



**Industrial Manufacturing**



**Aero and Defense**



**Maritime**



**Automotive**



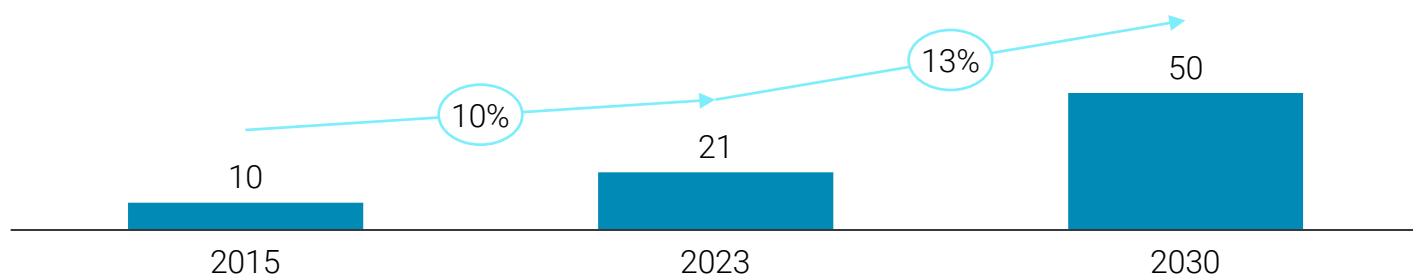
**Packaging**

# Further acceleration in Warehouse Automation expected

The warehouse automation industry, *which implements technology and systems to streamline warehouse workflows, including storage, retrieval, and inventory management processes*, is the smallest segment out of the three core segments and is expected to continue to grow at a fast pace, with annual growth of 13% expected to 2030 (see figure 4). This area of the overall industry is set to benefit from (i) technological advancements, particularly the advances in robotics and autonomous guided vehicles (AGVs) supporting the automation of picking/sorting/transporting items and ultimately driving cost reduction; (ii) continued growth in e-commerce trade and the desire (and expectation to some extent) for “extra fast” order fulfillment; (iii) greater demand for flexibility and scalability in seasonal industries (e.g. retail); and (iv) growth of analytics and its role in smart warehousing solutions to optimize inventory management, predict demand, and enhance operational efficiency.

These factors are pushing companies to adopt automation technologies that enable them to run leaner, faster, and more efficient warehousing operations. Examples include Walmart (which has been heavily investing in warehouse automation to handle the surge in online shopping, and is working with companies like Symbotic to implement AI-powered robots in its distribution centers), Amazon (with the development of Titan, a robot designed to handle larger, bulkier items in fulfillment centers, which is part of its broader robotics strategy, where over 750,000 robots are deployed across their facilities globally) and IKEA (which, in 2023, started deploying AGVs in its logistics network to improve efficiency and reduce the time it takes to fulfill online orders).

**FIGURE 4: WAREHOUSE AUTOMATION – MARKET SIZE AND GROWTH (HISTORIC AND FORECAST; \$BN)**



## EXAMPLE END MARKETS



**Business  
Services**



**General  
Merchandising**



**Retail**



**E-commerce  
& Logistics**

# STRONG TAILWINDS CONTINUE TO SUPPORT PERFORMANCE OF PUBLICLY TRADED AUTOMATION COMPANIES

It is no surprise that these favorable megatrends have supported the strong performance of publicly traded automation companies. As seen in figure 5, on a rebased basis as at Jan-19, our basket of public automation players split by subsector has seen strong share price increases. System integrators and process automation players have seen ~170% improvement in share price whilst discrete factory and warehouse automation players and software companies have seen ~110% improvement, all outperforming the MSCI World Industrials index. Notable outperformers in the process automation segment are Indutrade

(a Sweden-based company specialized in high-tech products and solutions that streamline customers' systems and processes) and Ingersoll Rand (a U.S. multinational that manufactures flow control and industrial products). Both have been very acquisitive and benefitted from strong growth across their core end markets. Similarly, large multi-faceted automation players like Schneider Electric and ABB have continued to ride the wave of growth across core segments and developed valuable partnerships with software providers as they continue to scale up as large system integrators and look to provide enterprise-wide solutions.

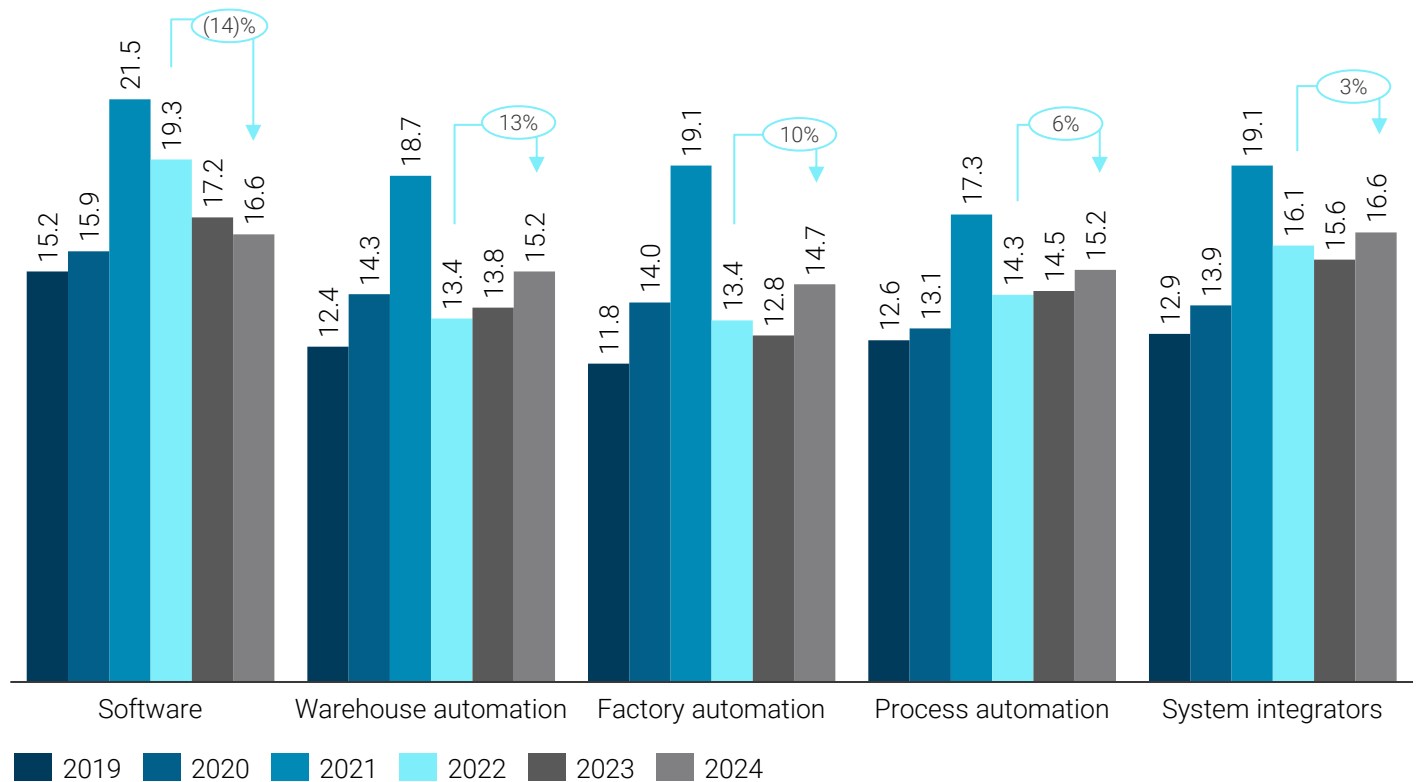
**FIGURE 5: REBASED SHARE PRICE PERFORMANCE BY SUB SECTOR FROM JAN-19 TO OCT-24**



# STRONG TAILWINDS CONTINUE TO SUPPORT PERFORMANCE OF PUBLICLY TRADED AUTOMATION COMPANIES (CONT'D)

As seen in figure 6, all segments of the industry continue to trade at healthy EV/EBITDA multiples between 15x and 17x and are on an upward trajectory post-2022, with the exception of software stocks which have had a tough year given macroeconomic pressures and a growing desire of from investors to place greater focus on profitability over potential growth. Despite this, the outlook for software players remains positive, especially as AI and digital transformation continue to gain traction across industries.

**FIGURE 6: EV/EBITDA MULTIPLES BY SUB-SECTOR (2019 to 2024)**



EV/EBITDA	SYSTEM INTEGRATORS	SOFTWARE	PROCESS	FACTORY	WAREHOUSE
Current multiple	17.1x	16.0x	15.6x	15.9x	14.8x
Period average Avg.	15.7x	17.7x	14.5x	14.3x	14.6x

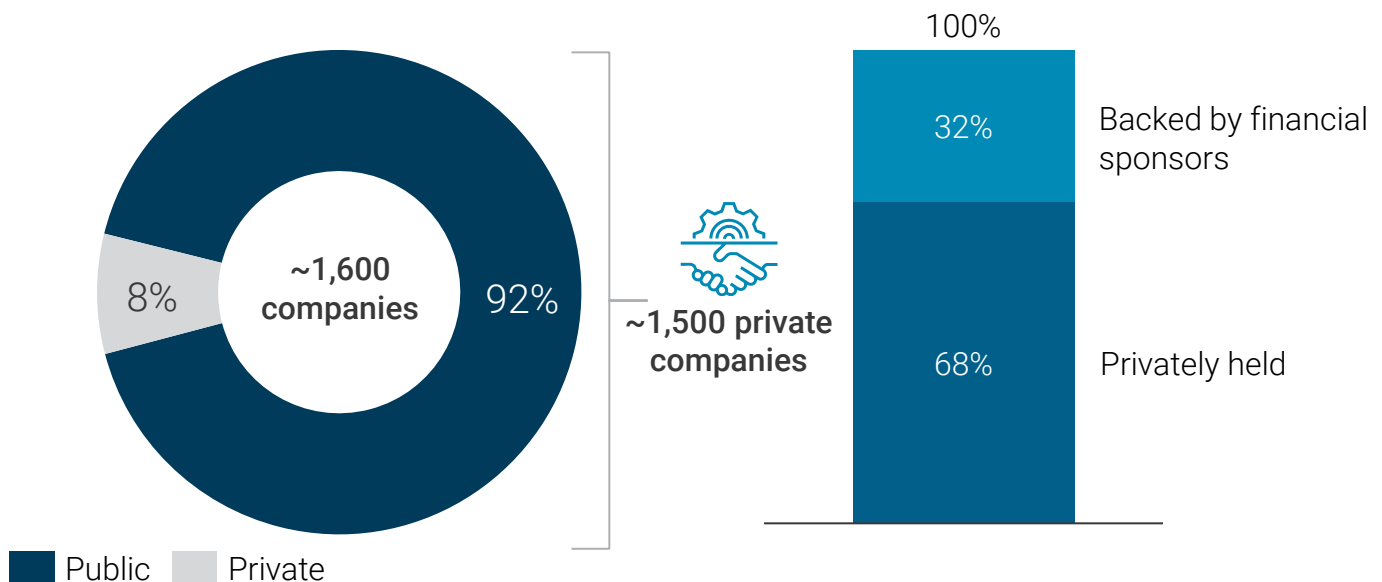


# A LARGE, FRAGMENTED INDUSTRY RIPE FOR M&A

The industrial automation market is highly fragmented and whilst there are a number of large industrial conglomerates that have successfully transitioned into becoming tech-enabled system integrators over the last five to ten years, the market continues to be fragmented across North America and Europe.

A deep dive into [AlixPartners' Industrial Automation database](#) shows a total population of ~1,600 companies across North America and Western Europe, with private companies representing 92% of the population, and public companies representing 8% of the population (public companies have an average revenue of \$3.7bn) (see figure 7).

**FIGURE 7: SPLIT BY OWNERSHIP**



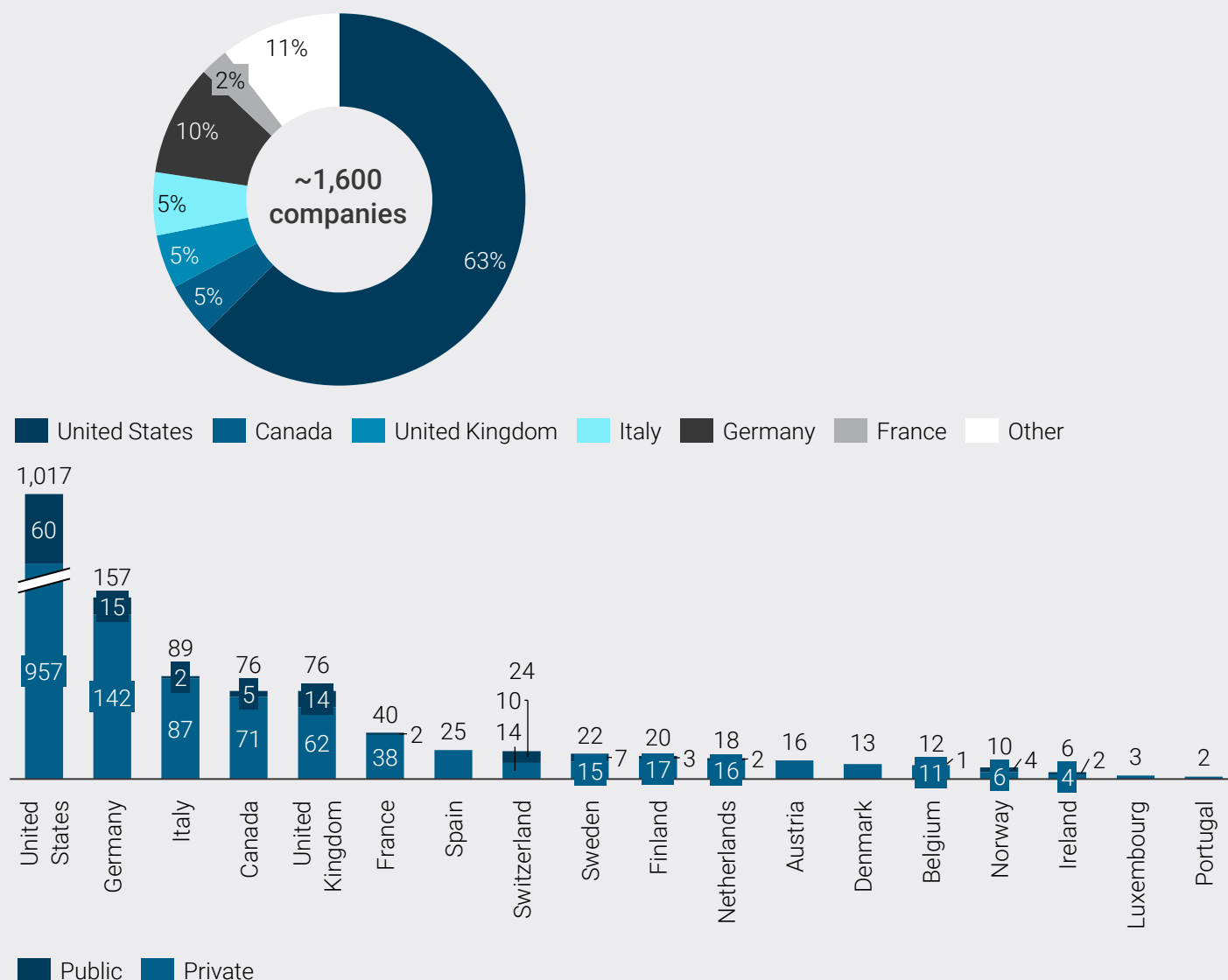
Interestingly, of the total universe of private companies (**~1,500**) across North America and Western Europe, **32%** have received backing from financial sponsors with the remainder privately held (see figure 7).

## A LARGE, FRAGMENTED INDUSTRY RIPE FOR M&A (CONT'D)

From a geographic perspective, the US represents the largest market in terms of the number of companies (63% of the total population). However, this represents only 36% of total revenue, indicating the US market is clearly dominated by a large number of smaller private companies – 94% of the total population in the US comprises private companies. Europe, on the other hand, has ~50% of the number of companies in the US, but ~75% more revenue than the US, which is not a surprise given the average revenue of listed companies in Europe (~£4.7bn) is materially higher than that of the US (£2.7bn).

Specifically, Germany represents 10% of the total population in terms of the number of companies but 24% of total revenue, clearly highlighting the larger international players headquartered in Germany (e.g. Siemens, GEA, Infineon, Durr Group etc.) and somewhat reflects the domestic heritage in industrial manufacturing within the country (see figure 8).

**FIGURE 8: SPLIT BY COUNTRY**



Source: CapitalIQ, AlixPartners analysis

To conclude, the industrial automation sector is a large, high-growth and high-margin industry benefiting from favorable market dynamics and underpinned by highly attractive strong tailwinds that are set to propel the sector over the next five to ten years. As a result, EV/EBITDA multiples of public players across the industry have remained robust, trading at healthy double-digit multiples and, despite the challenging macro-environment in recent years, these organizations have continued to generate strong equity returns for shareholders.

Given these dynamics and the fact that the industry is highly fragmented in the US and Europe, we expect the industry to offer significant opportunities for both strategics and private equity looking to build scale, grow internationally, and add capabilities across the value chain. In turn, we expect high levels of M&A activity to continue across the sector over the medium term.

In the next edition of our industrial automation series, which will be released early this year, we present the result of a **deeper dive into the M&A landscape, the key drivers of activity, and what we expect in the coming years.**

## AUTHORS



**UTSAV PATEL**

**Director**

+44 7823 402 535

[upatel@alixpartners.com](mailto:upatel@alixpartners.com)



**NICK WOOD**

**Partner & Managing Director**

+44 7976 851 379

[nwood@alixpartners.com](mailto:nwood@alixpartners.com)

## CONTRIBUTORS



**BRUNO PISOEIRO**

**Research analyst**

+44 7436 857 001

[bmarquespisoero@alixpartners.com](mailto:bmarquespisoero@alixpartners.com)



## INTRODUCTION TO ALIXPARTNERS' INDUSTRIALS M&A CAPABILITIES

AlixPartners' Industrials M&A Advisory is a global business that combines sector expertise, performance improvement capabilities, and experienced M&A practitioners focused on value creation and deal certainty

- We support international **corporates, private equity, and privately owned businesses** of scale on all aspects of M&A
- We provide **end-to-end M&A services** and pride ourselves on our value creation capabilities
- We are experts in leading and delivering on **traditional high growth M&A, complex situations, and accelerated M&A**
- Through thorough preparation, challenging the status quo and deploying pre-exit performance improvement capabilities, we support in the development of **bankable, robust and deliverable equity growth stories**

## WE SUPPORT CLIENTS ACROSS THE ENTIRE INVESTMENT AND TRANSACTION LIFECYCLE



## SELECT EXAMPLE CLIENTS



### ABOUT US

For more than 40 years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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