



# Industry Report

Manufacturing & Distribution  
Engineered Components

Industry Update | Manufacturing & Distribution Practice

April 2024

**OBJECTIVE**

Investment Banking & Valuation

# Market Overview

## Key Takeaways

- M&A deal volume in the Engineered Components (“EC”) vertical was down modestly by 3.5% in the LTM 2024 period (through February). While down, this trend compares favorably with overall M&A volume which was down almost 22% during the same timeframe. As they always do in times of uncertainty, investors seek investment in the more stable segments of our economy and EC companies fits the bill. Manufacturing M&A is certainly being encouraged by near-and on-shoring as well.
- Valuation multiples in the EC vertical held steady in Q1 2024, averaging 8.5x EBITDA during the period. It will be interesting to see if multiples hold up similarly in 2024 – the Q1 result was materially higher than the most recent 5-year average of 7.5x.
- Publicly traded EC companies continue to outperform the broader market. Our Objective EC Index has far surpassed the Russell 2000 over the last five years (see Chart III, p3 and Table I, p4) showing that EC companies are generally an attractive vertical in which to invest.
- The “third” estimate of Real GDP growth in Q4 2023 was 3.4%, down from 4.9% in Q3 but still strong, bringing talk of any contraction into question. The Conference Board, a global coveted economic research organization, predicts annualized GDP growth in Q2 and Q3 of 2024 at a more tepid rate of less than 1% and a stabilized rate of 2% in 2025. No near-term recession envisioned by the Board.
- The most favorable news comes from ISM’s Purchasing Managers Index for March 2024 which indicates that U.S. manufacturing is now expanding for the first time in 16 months. This is indeed good news!

Objective Investment Banking & Valuation is a leading investment banking and valuation firm, advising middle-market companies through the following services:

### M&A Advisory:

- Sell-Side
- Buy-Side

### Valuation Advisory:

- Tax Compliance
- Transaction Opinions
- Financial Reporting
- Strategic Advisory

### Industry Practice Groups:

- Manufacturing & Distribution
- Business Services
- Consumer
- Healthcare Tech & Services
- Life Sciences Services & Tech
- Technology

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# Market Overview

## Deal Volume

Reported LTM 2024 M&A volume (through February) in the Engineered Components (“EC”) vertical was down from the comparable year-earlier period by approximately 3.5% (see Chart I). While down, the EC vertical continues to be materially more active on a relative basis than the broader M&A market, which was off by almost 22% during the same period. How can this be? As reported in our last EC update, onshoring and nearshoring provide a partial answer. Supply chain challenges and geopolitical friction via tariffs with China have contributed to a resurgence in manufacturing in North America. As an example, we have a North American client who has a large Japan-based customer who recently shifted \$4M in components historically produced in Asia to our client’s Mexican factories. This shift represents a 40% increase in annual business with that customer. This is not a lone example; it instead typifies a growing trend. Another answer is demand. U.S. demand for complex manufactured componentry (backed by patents, know-how, automation, etc.) has been more stable throughout recent periods. As such, our clients in end-markets such as aerospace, defense, electronics, energy, infrastructure, med-devices, and specialty chemicals have enjoyed greater buyer interest in our sale processes.

## Valuations

Valuation multiples for EC companies in Q1 2024 were on par with Q4 2023 (see Chart II) at approximately 8.5x.

These recent averages are a bit surprising given that the 5-year average is closer 7.5x. As mentioned in earlier EC updates, there is a “higher ground” concept wherein generally higher performing companies go to market in less active M&A markets (with low performers staying home) thereby pushing the average multiple up. We think this is the case with the recent historical data. It is expected that multiples will go down as volume returns, albeit still high multiples for quality assets.

Public market moving averages in the EC vertical continue to move up in somewhat volatile fashion, (see in Chart III). Our Objective EC Index, which is a composite of twenty publicly traded EC companies in North America (see Table I), continues to outperform the broader market. Our EC Index was up 74.1% in the past five years, surpassing the performance of the Russell 2000 which was up 36.5% during the same time range.

Chart I | M&A Volume

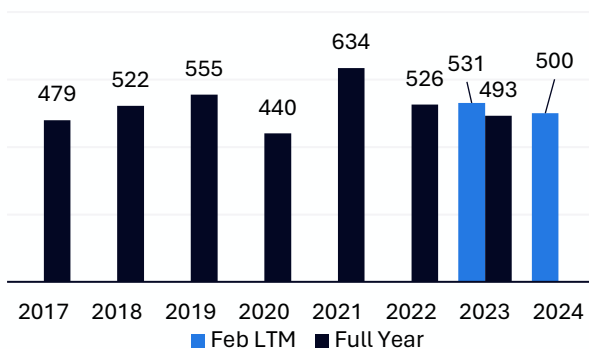
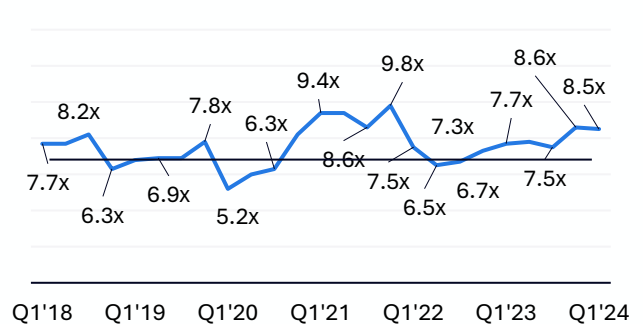


Chart II | TEV / EBITDA



# Market Overview

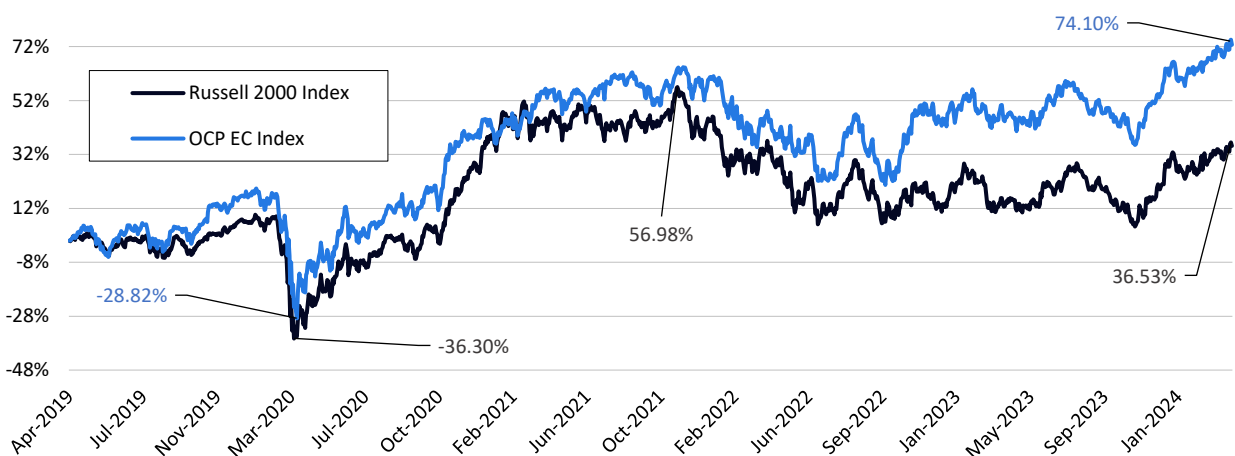
## Economic Indicators

Real gross domestic product (GDP) increased at an annual rate of 3.4 percent in Q4 2023, according to the “third” estimate. In Q3 2023, real GDP increased 4.9 percent. The increase in Q4 primarily reflected enduring increases in consumer spending, state and local government spending, exports, nonresidential fixed investment, federal government spending, and residential fixed investment that were partly offset by an increase in imports and a decrease in private inventory investment.

The Conference Board indicates that the US economy entered 2024 on “strong footing”. Various indicators (business activity, employment, sentiment, and inflation) have generally been moving favorably. Headwinds including rising consumer debt and elevated interest rates will weigh on growth this year. The Board does expect consumer spending growth to cool and for overall GDP growth to slow to under 1 percent in Q2 and Q3. Thereafter, inflation and interest rates should normalize and annualized GDP growth should head towards 2 percent in 2025.

According to ISM’s Purchasing Manager Index (“PMI”), economic activity in the manufacturing sector expanded in March 2024 after 16 consecutive months of contraction. Positive details within the Survey include expansions in New Orders, New Export Orders, and Output. This is certainly good news!

Chart III | Objective EC Index vs Russell 2000





# Market Overview

## Publicly-Traded Comps

Table I | Publicly-Traded Engineered Components Companies

(\$ Millions)	Enterprise Value	LTM Rev	LTM EBITDA	1-Yr Rev Growth %	LTM Gross Margin %	LTM EBITDA Margin %	Rev Multiple	EBITDA Multiple
<b>AMETEK, Inc.</b>	\$44,872	\$6,597	\$2,045	7.3%	36.1%	31.0%	6.8x	21.2x
<b>Amphenol Corporation</b>	\$71,474	\$12,555	\$3,000	(0.5%)	32.5%	23.9%	5.7x	22.9x
<b>Analog Devices, Inc.</b>	\$103,229	\$11,569	\$5,681	(8.0%)	62.5%	49.1%	8.9x	18.0x
<b>Barnes Group Inc.</b>	\$3,093	\$1,451	\$282	15.0%	31.4%	19.4%	2.1x	10.3x
<b>Crane Company</b>	\$7,695	\$2,086	\$344	2.5%	38.6%	16.5%	3.7x	21.0x
<b>CTS Corporation</b>	\$1,353	\$550	\$111	(6.2%)	34.7%	20.1%	2.5x	11.5x
<b>Curtiss-Wright Corporation</b>	\$10,636	\$2,845	\$630	11.3%	37.5%	22.1%	3.7x	15.8x
<b>Diodes Incorporated</b>	\$3,082	\$1,662	\$388	(16.9%)	39.6%	23.3%	1.9x	7.6x
<b>Dover Corporation</b>	\$27,406	\$8,438	\$1,736	(0.8%)	36.8%	20.6%	3.2x	15.0x
<b>Ducommun Incorporated</b>	\$980	\$757	\$78	6.2%	21.6%	10.3%	1.3x	11.1x
<b>Honeywell International Inc.</b>	\$145,773	\$36,662	\$8,730	3.4%	37.3%	23.8%	4.0x	16.0x
<b>ITT Inc.</b>	\$10,810	\$3,283	\$638	9.9%	33.5%	19.4%	3.3x	16.2x
<b>Keysight Technologies, Inc.</b>	\$27,369	\$5,342	\$1,503	(3.8%)	64.8%	28.1%	5.1x	17.3x
<b>Methode Electronics, Inc.</b>	\$667	\$1,138	\$83	(2.5%)	18.3%	7.2%	0.6x	7.2x
<b>Parker-Hannifin Corporation</b>	\$82,162	\$19,826	\$4,956	15.4%	36.2%	25.0%	4.1x	15.9x
<b>Qorvo, Inc.</b>	\$11,979	\$3,461	\$499	(15.6%)	37.1%	14.4%	3.5x	22.5x
<b>Skyworks Solutions, Inc.</b>	\$17,338	\$4,645	\$1,423	(12.4%)	42.5%	30.6%	3.7x	11.7x
<b>Standex International Corporation</b>	\$2,087	\$736	\$143	(0.9%)	39.3%	19.4%	2.8x	13.5x
<b>Teledyne Technologies Incorporated</b>	\$22,888	\$5,636	\$1,363	3.2%	43.3%	24.2%	4.1x	16.3x
<b>TTM Technologies, Inc.</b>	\$2,118	\$2,233	\$272	(10.5%)	18.5%	12.2%	0.9x	7.5x
<b>Summary Statistics</b>	<b>Enterprise Value</b>	<b>LTM Rev</b>	<b>LTM EBITDA</b>	<b>1-Yr Rev Growth %</b>	<b>LTM Gross Margin %</b>	<b>LTM EBITDA Margin %</b>	<b>Rev Multiple</b>	<b>EBITDA Multiple</b>
<b>High</b>	\$145,773	\$36,662	\$8,730	15.4%	64.8%	49.1%	8.9x	22.9x
<b>Low</b>	\$667	\$550	\$78	(16.9%)	18.3%	7.2%	0.6x	7.2x
<b>Mean</b>	\$29,851	\$6,574	\$1,695	(0.2%)	37.1%	22.0%	3.6x	14.9x
<b>Median</b>	\$11,395	\$3,372	\$634	(0.7%)	37.0%	21.4%	3.6x	15.8x

## About Us

**Objective, Investment Banking & Valuation** is a leading investment banking and valuation firm serving middle-market companies across six industry practice groups in an effort to maximize our clients' M&A and valuation advisory results.

Our team uses a highly engineered, structured process combined with our industry expertise designed to consistently achieve maximum results.

## Industries of Focus

- Manufacturing & Distribution
- Business Services
- Consumer
- Healthcare Tech & Services
- Life Sciences Services & Tech
- Technology

## 500+ M&A Transactions Completed\*

 Has been acquired by  Sell-side Advisor to Supreme Optimization	 Has been acquired by  a portfolio company of AEA Investors and Battery Ventures Sell-Side Advisor to Fluid Components International, LLC	 Has been acquired by  Sell-Side Advisor to Kindred Bravely	 Has sold its clinical research site operations to  Sell-Side Advisor to Rocky Mountain Movement Disorders Center
 Has been acquired by  Sell-Side Advisor to AEM, Inc.	 Has been acquired by  a portfolio company of PARTHENON CAPITAL Sell-Side Advisor to Bell Canyon Consulting	 Has been acquired by  a portfolio company of RFE Sell-Side Advisor to Toft Group	 Has been acquired by  Sell-Side Advisor to Beacon Mobile, LLC

Award & Recognition	Forum	Year	Type
Best M&A Investment Banking Firm - California	Acquisition International	2023	Winner
Private Equity Deal of the Year (Between \$75MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
M&A Deal of the Year (Between \$75MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
Industrials Deal of the Year (Between \$50MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2022	Finalist
Information Technology Deal of the year (Between \$50MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist
Healthcare/Life Sciences Deal of the Year (Between \$50MM - \$100MM)	M&A Advisor 22nd Annual M&A Awards	2023	Finalist

\*Includes transactions completed by team members at previous firms

# About Objective

## Manufacturing & Distribution Overview

# OBJECTIVE

Investment Banking & Valuation

At **Objective's Manufacturing & Distribution Practice**, we recognize the unique demands of this industry and provide tailored solutions that optimize manufacturing operations, streamline supply chains, and capitalize on global market opportunities. Our expertise empowers manufacturing and distribution companies to achieve excellence in a rapidly evolving landscape.

The manufacturing and distribution industries complexities necessitate a comprehensive approach when preparing for an M&A transaction. We specialize in guiding these companies through this process, leveraging our expertise to help them achieve their objectives and secure favorable outcomes in their M&A endeavors.

## Dedicated Industry Knowledge & Expertise

 <p>Has been acquired by</p>  <p>Sell-Side Advisor to AEM, Inc.</p>	 <p>Has been acquired by</p>  <p>a portfolio company of AEA Investors and Battery Ventures</p> <p>Sell-Side Advisor to Fluid Components International, LLC</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to Avista Technologies*</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to Holdrite*</p>
 <p>Has acquired</p>  <p>Buy-Side Advisor to Amada America, Inc.*</p>	<p>Purcell Technologies</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor to Purcell Technologies*</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to MWS Wire Industries*</p>	 <p>Has been acquired by</p>  <p>Sell-Side Advisor to Reynolds Industry Incorporated*</p>



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