

BAIRD

AUTOMATION SECTOR UPDATE

Winter 2024

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INFORMATION
Model: A-1548C
Weight: 800 g
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LEADING AUTOMATION FRANCHISE

Significant transaction activity across the Automation sector

**BAIRD'S GLOBAL TEST,
MEASUREMENT AND
AUTOMATION (TMA)
DEAL VELOCITY**

\$40B+

Completed M&A
Transaction Value

120+

Completed M&A Transactions

35+

Deals Completed with
International Parties

\$20B+

Equity Capital Raised

35+

Equity Capital Market Transactions

<p>AVIDITY SCIENCE A Portfolio Company of SHOREVIEW Sale to ATS</p>	<p>ARAG A Portfolio Company of capvis Sale to Nordson</p>	<p>STORAGE SOLUTIONS Simple. smart. strategic. A Portfolio Company of MERIT CAPITAL PARTNERS / MFG Sale to JUNGHEINRICH</p>	<p>BETTCHEP Industries, Inc. A Portfolio Company of MPE PARTNERS Sale to KKR</p>	<p>HITACHI Acquisition of FLEXWARE innovation</p>
<p>AEA Acquisition of Ascential Technologic From 光大控股 EVERBRIGHT LIMITED</p>	<p>symbotic Merger with SVFC</p>	<p>FORTNA THL Partners Sale to MHS With Minority Investment From ADIA</p>	<p>USNR A Portfolio Company of ENDEAVOUR Sale to One Equity Partners</p>	<p>SARCOS Merger with ROTOR</p>
<p>SONNY'S The CarWash Factory A Portfolio Company of Sentinel Sale to GENSTAR</p>	<p>B I O D O T A Portfolio Company of ARTEMIS Sale to ATS</p>	<p>DORNER A Portfolio Company of IEQT Sale to CAVO COLUMBUS MOONN</p>	<p>Steele Industries Inc. THE RIGHT OF EXCHANGE A Portfolio Company of MERIT CAPITAL PARTNERS Sale to WELLSPRING CAPITAL MANAGEMENT LLC</p>	<p>BMT A Portfolio Company of RESOLVE Sale to HEXAGON</p>
<p>Temptime Improving Global Health A Portfolio Company of WATER STREET Sale to ZEBRA</p>	<p>Parata A Portfolio Company of FRAZIER HEALTHCARE PARTNERS Sale to BD</p>	<p>TELULAR A Portfolio Company of AVISTA CAPITAL PARTNERS Sale to AMETEK</p>	<p>MAXCESS A Portfolio Company of BERTRAM CAPITAL Sale to BERWIND</p>	<p>VANRIET A Portfolio Company of AVEDON Sale to MHS A Portfolio Company of THL Thomas H. Lee Partners</p>
<p>KEY Technology Sale to DURAVANT A Portfolio Company of WARBURG PINCUS</p>	<p>OptConnect A Subsidiary of GRANT VICTOR A Portfolio Company of ENDEAVOUR Sale to C</p>	<p>OMRON Acquisition of MICROSCAN from spectris</p>	<p>Permira Sale of Intelligated to Honeywell</p>	<p>ATOP A Portfolio Company of Charme Capital Partners Sale to IMA</p>

BAIRD'S GLOBAL AUTOMATION TEAM

Over 20 years of dedicated sector coverage with extensive M&A experience

SENIOR GLOBAL AUTOMATION TEAM



Alex Lourn
Director



Joel Cohen
Chairman of Global Industrial Group and Managing Director



David Steinkeler
Managing Director



Thomas Fetzer
Managing Director



Philipp Widmann
Director



Mantas Wachendorfer
Vice President



Tyler Nelson
Vice President



Chase Sanders
Managing Director, Industrial Software



Ryan Mausehund
Managing Director, Life Sciences



Satoshi Matsumoto
Managing Director

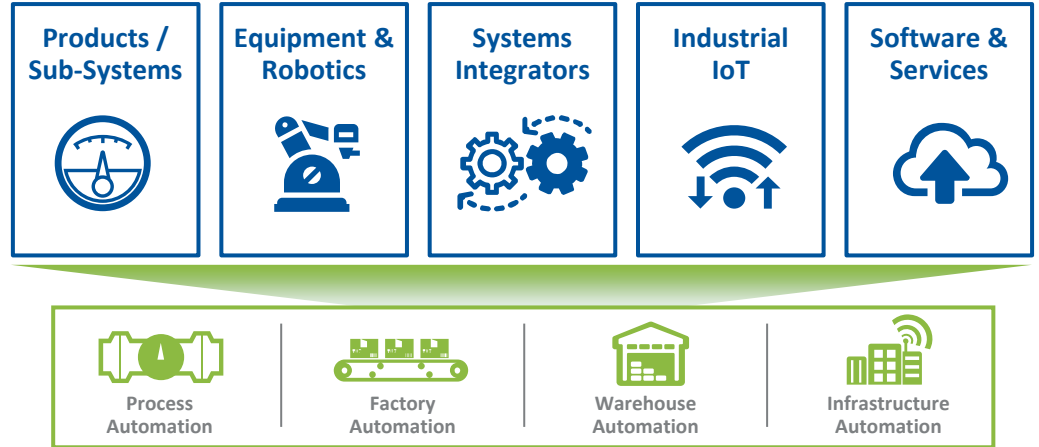


Kevin Zhou
Director



Justin Holsen
Managing Director, Equity Capital Markets

SECTOR COVERAGE OVERVIEW



SELECT AUTOMATION RESEARCH COVERAGE

BAIRD **40+**
Automation Companies
Under Research Coverage





MARKET OVERVIEW AND UPDATE

EXECUTIVE SUMMARY

Automation companies are well-positioned for continued growth, with significant upside potential from long-term tailwinds

AUTOMATION UPDATE

Automation Backdrop: Strong Growth and Demand Drivers

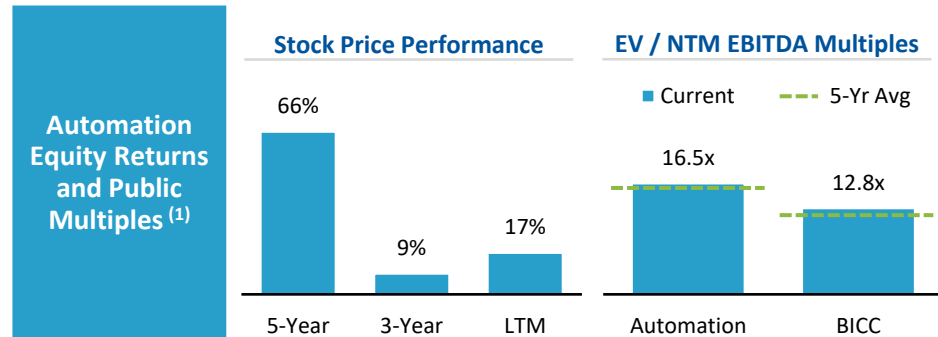
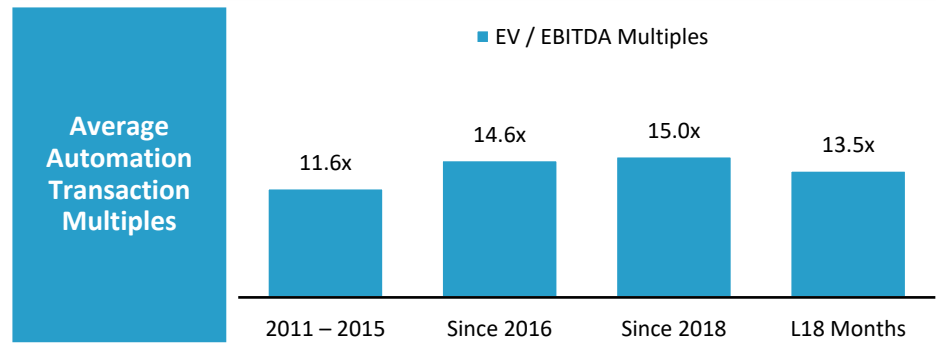
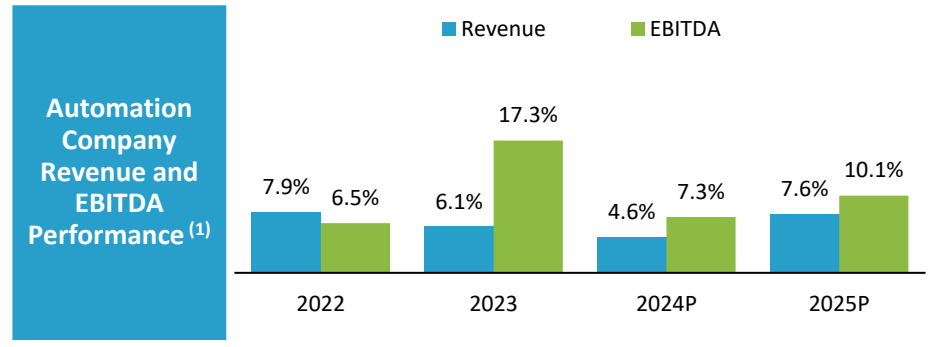
- Many Automation companies are seeing strong orders demand however, performance continues to be uneven across end markets with strength in process/hybrid automation and discrete applications starting to show signs of improvement
- MSD revenue growth is expected in 2024 for Automation companies with preliminary guidance coming in higher for 2025; EBITDA growth is expected to outpace revenue due to a focus on operational investments and initiatives through macro headwinds
- Many attractive areas for investment exist as the need for Automation is becoming increasingly prevalent and the Automation ecosystem continues to expand

M&A Market Update: Optimistic 2024 Outlook

- M&A environment remained active in 2023 however, overall industrial deal volume and value declined by 15% and 8%, respectively from 2022
- Automation deal volume remained in-line with 2022 activity with average 18-month EV / EBITDA valuation multiple of 13.5x or 150bps below the 6-year historical average
- In 2024 we expect the M&A market to rebound from a lengthy stretch of lower activity based on favorable dynamics and historical patterns

Public Equities Performance: Attractive Fundamentals

- Share price performance across automation companies remains strong returning 66% over 5-years and 17% over the LTM period
- Automation trading multiples have returned to longer-term averages since all-time highs in 2021 and remain above the broader industrial index


























































Source: S&P Capital IQ as of February 16, 2024 and Baird Investment Banking.

(1) BICC includes ~500 companies Baird views as indicative of the publicly traded industrial company universe; see P13 for Automation index constituents.

AUTOMATION SECTOR OVERVIEW

Automation market includes three primary types of automation, each large and serving a wide array of end markets

AUTOMATION SECTOR FRAMEWORK

Process Automation	Discrete Automation		Building / Infrastructure Automation
	Factory	Warehouse	
\$80B+ / 5%+ CAGR	\$100B+ / 7%+ CAGR	\$20B+ / 5-10%+ CAGR	\$40B+ / 10%+ CAGR
Key End Markets	Key End Markets	Key End Markets	Key End Markets
 Chemicals  Energy  Life Sciences  Metals & Mining  Food & Beverage  Power and Water	 Auto / Transport  Electronics  Healthcare / Medical  Machinery  Aerospace  Packaging	 Retail / eCommerce  Industrial  Third-Party Logistics  Grocery  Parcel	 Commercial Buildings  Environmental  Transport / Safety  Engineering & Construction  Utilities  Smart Cities
Select Participants	Select Participants	Select Participants	Select Participants
 ATS  FLOWSERVE  rotork  ReVISYS  Valmet  YOKOGAWA	 CONVERGIX  COGNEX  FANUC  JR AUTOMATION  TERADYNE  ZEBRA	 AutoStore  FORTNA  kardex  KION GROUP  MovU  Symbotic	 DIGI  Halma  HEXAGON  Itron  samsara  Trimble
 ABB  EMERSON  HITACHI  Honeywell  MITSUBISHI ELECTRIC  Rockwell Automation  Schneider Electric  SIEMENS			
<p>← Major Integrated Automation OEMs →</p>			

DEMAND DRIVERS SUPPORTING MARKET GROWTH

Durable and long-term investment themes support increasing adoption of automation with a growing universe of emerging participants

KEY INVESTMENT DRIVERS

- 1 **Rising Cost and Limited Availability of Labor**
- 2 **Advancements in Technology and Shift to Digitalization**
- 3 **Environmental, Health and Workplace Safety**
- 4 **Demand to Improve Efficiency, Quality and Reduce Costs**
- 5 **Aging Infrastructure with Asset Maintenance Requirements**
- 6 **Near and Re-Shoring of Manufacturing**

EMERGING CATEGORIES OF PARTICIPANTS

Systems Integrators	Traditional Players
IT Solutions	Engineering Services

SELECT RECENT SPONSOR INVESTMENTS

New Platforms / Investments	Platform Add-ons







POTENTIAL INVESTMENT OPPORTUNITIES

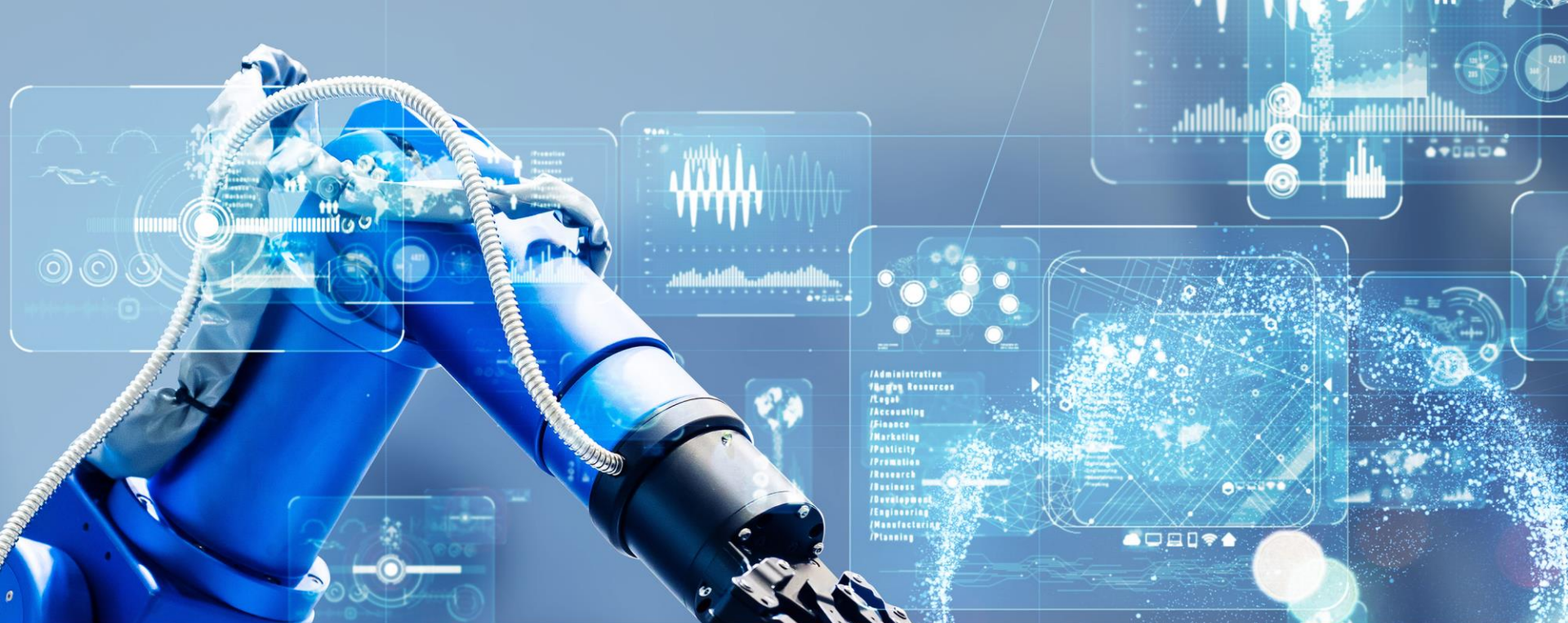
Technology advancements and increasing operating environment complexity creates a variety of attractive investment opportunity areas

SELECT AREAS OF OPPORTUNITY

1	Hardware Suppliers with Proprietary Technologies	<i>OEM technology suppliers including components, sub-systems and equipment</i>	▶	<i>Example solutions: sensors, vision systems and automated equipment</i>
2	Robotics and Machine Builders	<i>Advanced robotics design and build with integration and software capabilities</i>	▶	<i>Example solutions: manufacturing, test and inspection, assembly and fill and finish</i>
3	Systems Integrators with Software and IT Capabilities	<i>Hardware and controls integrators with comprehensive technology stack capabilities</i>	▶	<i>Example solutions: hardware integration, OT/IT, MES and cybersecurity</i>
4	Scaled IoT Platforms	<i>Embedded hardware/software platforms collecting and analyzing data</i>	▶	<i>Example solutions: remote monitoring and control, asset authentication and telematics</i>
5	Specialized Service Providers	<i>Services providing technical solutions from design through maintenance and support</i>	▶	<i>Example solutions: consulting, aftermarket services and value-added resellers</i>

FEATURED GROWTH END MARKETS AND SUPPORTING TAILWINDS

 Life Sciences / Medical Devices	 Food & Beverage / CPG	 Electronics / Semiconductor	 Automotive (EV)	 Environmental / Smart City	 Warehouse
<ul style="list-style-type: none"> Improved production controls, R&D, increasing regulatory and safety requirements Productivity, cost reductions and quality 	<ul style="list-style-type: none"> Inflation, labor shortages and regulatory requirements Productivity, cost reductions and quality 	<ul style="list-style-type: none"> CHIPs Act incentives for re-shoring production in North America Strong growth with price competitive industry dynamics promotes automation 	<ul style="list-style-type: none"> EV growth expected to lead greater investment and re-tooling for production Re-shored production using automation to support cost efficiencies 	<ul style="list-style-type: none"> Upgrading aging infrastructure to connected environments and assets Sustainability requirements pushing for more stringent control and reporting 	<ul style="list-style-type: none"> Labor shortages and eCommerce Recovery in larger project volumes following decline in greenfield facility builds



M&A MARKET UPDATE

- /Administration
- /Human Resources
- /Legal
- /Accounting
- /Finance
- /Marketing
- /Publicity
- /Promotion
- /Research
- /Business
- /Development
- /Engineering
- /Manufacturing
- /Planning

BAIRD'S OUTLOOK FOR THE 2024 M&A MARKET

We expect the M&A market to rebound from a lengthy stretch of lower activity based on favorable dynamics and historical patterns



Pent-up Demand and Supply after Extended M&A Downturn

PE Firms Under Pressure to Monetize Portfolio Companies

Demand to Strengthen Among Cash-Rich Buyers

Encouraging Signs Early in 2024

PE exit activity at 10-year low

Focused on hefty backlogs with distribution / NAV ratio at 14-year low

\$2 trillion in PE dry powder plus trillions globally in corporate cash

Past stock market gains like 2023's rally a positive leading indicator for M&A

Financial sponsors behind on capital deployment

Future fundraising largely a function of raising DPI substantially

Credit markets increasingly constructive, led by direct lenders

Momentum for Baird's pitch activity, backlog adds and process launches

Significant M&A rebound after prior 2-year declines

Exits to benefit from recent stability in valuations and financing markets

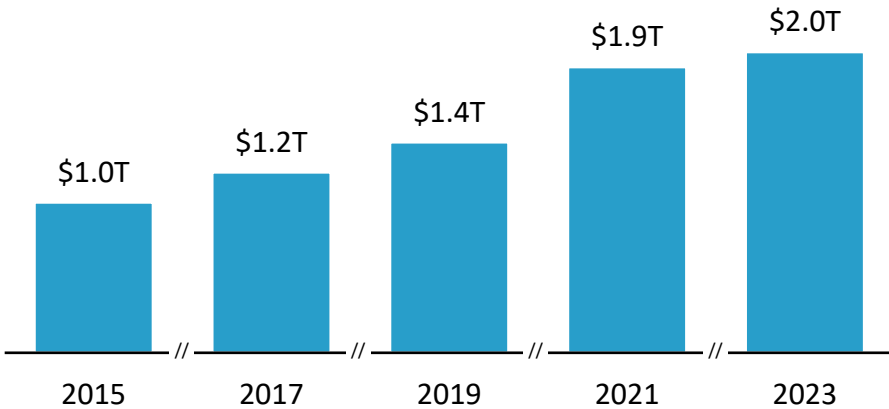
Fed rate cuts could mitigate macro headwinds

Strength in P2P deals and continuation vehicles poised to carry forward

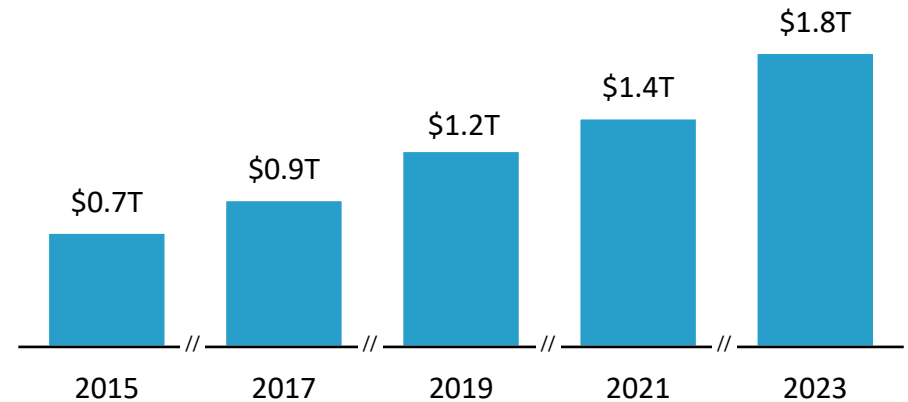
FAVORABLE M&A MARKET DRIVERS

Positive dynamics include strong corporate cash positions, record PE dry powder, expanding private credit capacity and numerous PE holdings of prime target vintage

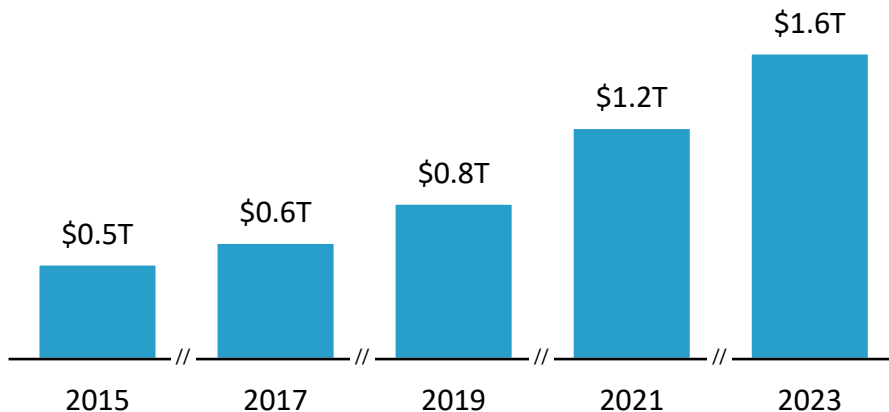
CASH BALANCES FOR U.S. PUBLIC COMPANIES ⁽¹⁾



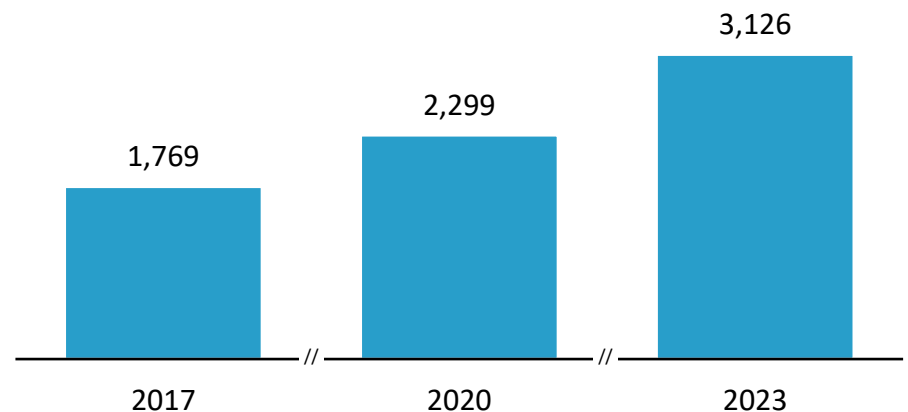
GLOBAL PE DRY POWDER



GLOBAL PRIVATE CREDIT AUM



PE HOLDINGS ACQUIRED 4-6 YEARS EARLIER



Source: Capital IQ, Prequin and PitchBook.

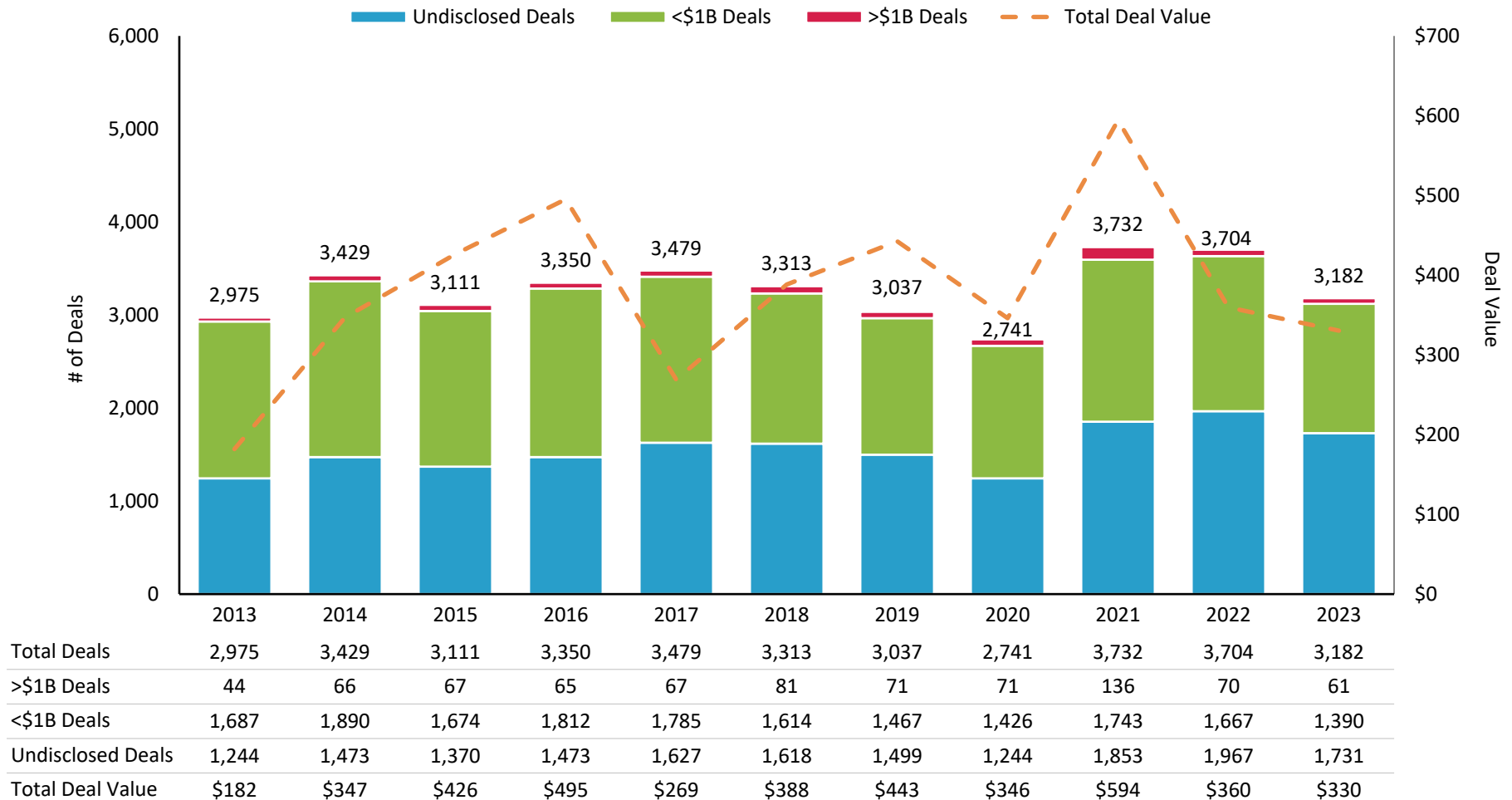
(1) Data excludes finance companies.

GLOBAL M&A MARKET OVERVIEW

2023 deal value declined by 8% and volume by 15% from 2022 following healthy M&A activity levels in 2021/22

TOTAL GLOBAL INDUSTRIAL M&A

(\$ in billions)



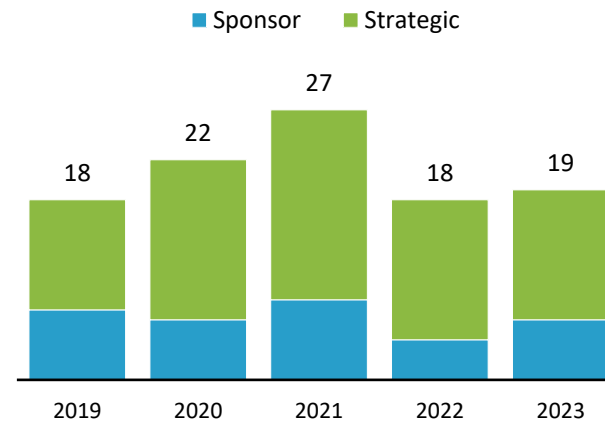
AUTOMATION M&A TRENDS

Deal activity in 2023 was in-line with prior year while average valuation multiples remain strong, albeit slightly below historical long-term sector averages

COMMENTARY

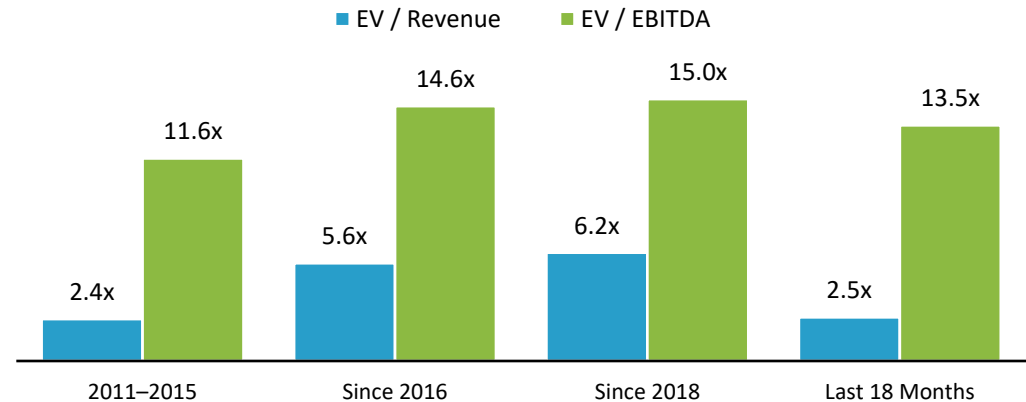
- Despite macro challenges, Automation sector activity has continued to experience healthy M&A levels following record deal activity in 2021
- 2023 automation deal activity was consistent with 2022 and continues to be dominated by strategic buyers, including sponsor-backed strategics, amid higher interest rates and economic uncertainty
- Notably, 2023 exhibited an increase in EU-based and cross-border deal activity relative to prior year
- Current deal backlogs and overall market sentiment support increased M&A activity in 2024
- Transaction multiples have increased over time, with greater competition for premium assets (as well as the deal mix shifting toward the highest-quality targets following 2021)
- Certain pockets of M&A activity have also emerged as highly attractive, largely centered on non-cyclical and/or mission critical end markets such as food & beverage and life sciences
- Average multiples over the last 18 months have contracted as a result of the overall macroeconomic and M&A deal environment

SELECT AUTOMATION DEAL COUNT (1)



AVERAGE AUTOMATION MULTIPLES (1)

Includes transactions with disclosed metrics or metrics known to Baird



Source: Capital IQ and Baird Investment Banking.
 (1) Baird's proprietary database of Automation transactions.

SELECT AUTOMATION M&A TRANSACTIONS

Announced	EV (\$M)	Target	Acquiror	Target Description
Oct 2023	\$680	 DESTACO	 STABILUS	Develops and manufactures work holding equipment and automation tooling solutions
Sep 2023	\$195	 AVIDITY SCIENCE	 ATS™	Designs, manufactures and supports purification solutions
Sep 2023	\$615	 CLEARPATH ROBOTICS™	 RA Rockwell Automation	Designs and manufactures robotic vehicles for industrial purpose
Aug 2023	\$274	 MORITEX	 COGNEX	Manufactures and sells applied optical equipment and functional materials worldwide
Jul 2023	N/A	 SCIO AUTOMATION (Quadriga Capital)	 AEA	Industrial automation integration and services, for intralogistics, discrete and process automation
Jun 2023	\$446	 BIBUS AUTOMATION (EQT Partners)	 DÜRR GROUP.	Provides custom automation design and integration solutions and engineering services
May 2023	\$730	 schenckprocess (Process Food and Performance Materials)	 HILLENBRAND	Design, manufacturing and service of feeding, filtration, baking and material handling systems
Mar 2023	\$314	 BG BERKSHIRE GREY	 SoftBank	Robotics company, providing AI-enabled robotic solutions that automate supply chain operations
Feb 2023	N/A	 TAOGLAS	 Q	Manufactures and distributes antennas, advanced IoT components, filters, cables and connectors
Jan 2023	\$375	 STORAGE SOLUTIONS simple. smart. strategic. (Merit Capital and MFG Partners)	 JUNGHEINRICH	Automated material handling systems integration platform focused on warehouse end markets
Oct 2022	\$427	 FORI AUTOMATION A LINCOLN ELECTRIC COMPANY	 LINCOLN ELECTRIC	Manufacturer of complex, multi-armed automated welding and material handling systems
Aug 2022	N/A	 Laird (Connectivity Business; Advent)	 Audax Group	Develops wireless technologies, including modules and antennas, sensor and gateway platforms
Aug 2022	N/A	 Ascential Technologies (CEL Global Investment Fund)	 AEA	Provider of machinery that integrates sensor-based feedback for life sciences and industrial applications
Jul 2022	N/A	 ECLIPSE AUTOMATION	 accenture	Provider of customized manufacturing automation and robotics integration solutions for life sciences applications
Jun 2022	\$1,525	 Parata (Frazier Healthcare Partners)	 BD	Provider of software, automated systems and other pharmacy efficiency solutions
May 2022	\$8,593	 EMERSON	 EMERSON	Provides a software-centric platform to engineers and scientists worldwide
May 2022	N/A	 PROGLOVE (Summit Partners)	 NORDIC CAPITAL	Develops gloves and wristbands with sensors and scanners for manufacturing and logistics
Apr 2022	N/A	 FORTNA (THL Partners)	 MHS (THL Partners / ADIA)	Global provider of material handling automation technology and systems integration
Mar 2022	\$1,525	 viastore	 TOYOTA	Software and solutions for controlling and managing AS/RS and material handling equipment

BAIRD M&A TRANSACTION SPOTLIGHT

Avidity, a leading designer and manufacturer of automated water purification solutions for life sciences and medical end markets was acquired by ATS Corporation

Target Company Headquarters	Avidity Science, LLC Waterford, Wisconsin 
Financial Sponsor Headquarters	ShoreView Industries Minneapolis, Minnesota 
Buyer Headquarters	ATS Corporation (TSX:ATS) Cambridge, Canada 
Announced	September 2023

Target Company Description

Avidity Science is a worldwide leader in water purification and delivery, control and monitoring and service solutions for the life science and biomedical research communities. Since 1969, its mission has been to enable science to improve the quality of life. With operations in the United States, Europe and Asia, the Avidity is a trusted partner to the global research community through differentiated technology and support.

Acquiring Company Description

ATS Corporation is a leading automation solutions provider to many of the world's most successful companies. ATS uses its extensive knowledge base and global capabilities in custom automation, repeat automation, automation products and value-added services including pre-automation and after-sales services, to address the manufacturing automation systems and service needs of customers in markets such as life sciences, food & beverage, transportation, consumer products and energy.

Advisory Role

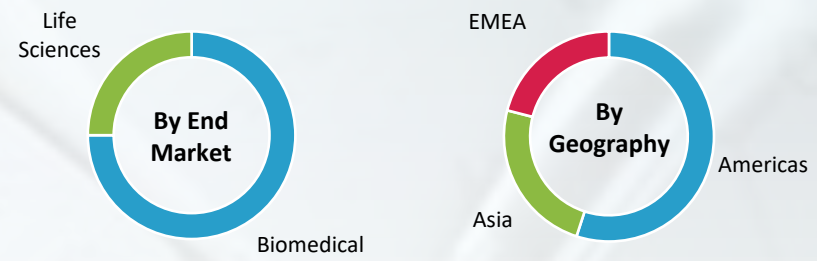
Baird served as the exclusive financial advisor to Avidity Sciences on this transaction.

KEY STATS

~\$200M Purchase Price	~\$18M CY23 EBITDA
~40% Recurring Revenue	~400 Employees



AVIDITY BUSINESS MIX



SELECT SOLUTIONS OVERVIEW

<p>Automated Watering Systems</p>  <p>Automated Purification and Packaging Systems</p>	<p>Consumables and Watering Systems</p>  <p>Valves & Manifolds</p>	<p>Control / Environmental Monitoring</p>  <p>Filters, Cartridges, Disposable Valves and Pouches</p>	<p>Control / Environmental Monitoring</p>  <p>Sensors and Programmable Transponders</p>	<p>Control / Environmental Monitoring</p>  <p>Control & Monitoring Software</p>
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Source: ATS public filings.



PUBLIC EQUITIES PERFORMANCE

AUTOMATION PUBLIC TRADING SUMMARY

Major integrated OEMs have significant scale and offer solutions and end market diversity while specialists are typically focused on specific applications and end markets

Baird Index	Company	HQ	Ticker	Market Cap	EV / NTM EBITDA	Baird Research	Primary Applications	Segments / Description
Major Integrated Automation OEMs	 ABB		SWX:ABBN	\$83,656	14.3x		Diversified	<ul style="list-style-type: none"> Electrification, motion, process automation and robotics
	 EMERSON		NYSE:EMR	60,434	16.5		Diversified	<ul style="list-style-type: none"> Automation technology and software focused on process industries
	 Honeywell		NasdaqGS:HON	130,499	14.1		Diversified	<ul style="list-style-type: none"> Aerospace, building tech, materials and safety and productivity
	 Rockwell Automation		NYSE:ROK	32,244	17.1		Diversified	<ul style="list-style-type: none"> Intelligent devices, software & control and lifecycles services
	 Schneider Electric		ENXTPA:SU	121,444	15.9		Diversified	<ul style="list-style-type: none"> Energy management and industrial automation
	 SIEMENS		XTRA:SIE	143,082	11.5		Diversified	<ul style="list-style-type: none"> Digital industry, smart infrastructure, mobility and healthcare
Specialist Automation Companies	 ATS		TSX:ATS	\$3,879	13.8x		Process	<ul style="list-style-type: none"> Products and integrated systems for life sciences, F&B and transport
	 Badger Meter, Inc.		NYSE:BMI	4,581	26.9		Process	<ul style="list-style-type: none"> Utility water meters and smart systems
	 COGNEX		NasdaqGS:CGNX	6,610	35.7		Discrete	<ul style="list-style-type: none"> Machine vision products for auto, electronics and logistics
	 DAIFUKU		TSE:6383	8,196	16.5		Discrete	<ul style="list-style-type: none"> Material handling equipment and systems
	 FANUC		TSE:6954	25,408	16.5		Discrete	<ul style="list-style-type: none"> Robotics and factory automation products
	 HEXAGON		OM:HEXA B	30,399	14.6		City/Infra.	<ul style="list-style-type: none"> Digital solutions for geospatial and industrial markets
	 ptc		NasdaqGS:PTC	21,757	24.5		Discrete	<ul style="list-style-type: none"> Application software for field and product management
	 symbotic		NasdaqGM:SYM	4,026	24.7		Discrete	<ul style="list-style-type: none"> Robotics technology for warehouse and logistics
	 TERADYNE		NasdaqGS:TER	15,679	22.3		Discrete	<ul style="list-style-type: none"> Testing and robotics solutions for semiconductor and factory
	 Trimble		NasdaqGS:TRMB	14,963	18.7		City/Infra.	<ul style="list-style-type: none"> Digital products and solutions for E&C, transport and utilities
	 ZEBRA		NasdaqGS:ZBRA	14,579	18.6		Discrete	<ul style="list-style-type: none"> AIDC products for warehouse and industrial markets

Note: \$ in millions. Source: Capital IQ as of February 16, 2024.

SELECT BAIRD RESEARCH COMMENTARY

BAIRD



“ *ATS (not covered) said its order backlog and funnels were strong in life science, food/beverage, and energy markets. It also called market conditions in transportation (i.e. EV) ‘dynamic’ in the near-term and said consumer projects could be impacted by the effects of inflation on spending and investment patterns. In more detail, mgmt. said that Auto OEMs are increasingly looking to match production capacity to end demand, and that order cycles had lengthened. The company did not guide for 2024 order outlook, but its Food/Bev and Life Sciences commentary align with ROK’s +LSD% expectations for FY24E sales in these verticals. ROK’s FY24E auto sales are guided +LSD%, with the company sounding a relatively stronger note on durability of orders/deployments”*

– Research Note on 2/9/2024



“ *BMI shares fell -5.6% Friday (S&P 500 -0.1%) on in-line 4Q23 results, which followed multiple quarters of sales/EPS beats, but captured 4Q seasonal effects as expected. Management commentary re: end-market fundamentals remained constructive and consistent with prior; reiterated Y/Y growth rates moderating (CY23E sales +24% was not deemed sustainable) toward +HSD % secular. Our CY24E/25E sales/earnings shift modestly up, but continue reflecting growth settling after three years of strong +DD% sales/EPS (CAGRs +18%/+22%). Attractive growth, consistency and improving margin/returns all appear represented in BMI’s premium valuation.”*

– Research Note on 1/28/2024



“ *CGNX’s key end markets are all experiencing demand challenges. In 4Q, we expect overall results to reflect similar conditions Q/Q, we also anticipate slight improvement in Logistics (though still low on an absolute basis); EV battery sales may help auto Q/Q. From reports in the ecommerce/warehousing industry, we have not seen signs of a significant uptick in greenfield demand that would point to a strong quarter or 1Q24 guide from CGNX in this area, as guesses for recovery have been largely 2H24 and beyond. One potential element of upside, not included in guidance or our estimates, is the prospect of any 4Q customer budget flush, though results from adjacent companies have not suggested this dynamic took place in force in 4Q. .”*

– Research Note on 2/9/2024



“ *EMR reported F1Q24 results. The company said the demand environment was healthy for its process and hybrid automation areas, and that customer capex plans were ‘shaping up constructively.’ Process and hybrid orders grew Y/Y; discrete fell, though is expected to improve (Y/Y) in 2H. The company guided orders +MSD% Y/Y for CY24E. . .”*

– Research Note on 2 /9/2024

SELECT BAIRD RESEARCH COMMENTARY (CONT'D)



“ Share reaction (-17% vs. S&P500 -2%) to F1Q top/bottom line miss harsh but reflective of unexpected operational challenges, largely internal, as well as the significant F2H sales/margin slope now required to land in the (reiterated) guidance range. Positively, automation demand backdrop remains solid/accelerating, and ROK's expanding solution breadth, geographic positioning, offers it multiple growth levers. Improved execution and FY24 EPS confidence likely a pre-requisite for shares to recover toward our revised target, but end demand, plus future pull from stimulus aided projects (~FY25E) create a favorable backdrop.”

– Research Note on 2/1/2024



“ SIE-DE (not covered) reported F1Q24 results as well, and said that Digital industries sales fell -1% Y/Y, with Automation sales -4%. Orders fell -31%, though automation orders grew Q/Q (same as ROK); the company said it expects segment destocking to taper by 2H for Germany and the U.S., but said China may take longer to destock due to ongoing economic weakness. SIE said it hadn't had any uptick in Digital Industries order cancellations”

– Research Note on 2/12/2024



“ While shares indicated lower AH after in line F1QA (after consistent beats), mixed F2QE guide, our intermediate/LT view solidly intact. We've framed FY24 as focused of System execution, after significant ramp in Systems starts the past 12-18 months. SYM is committed to ensuring strong initial customer outcomes, and will prudently elevate spend, slow new starts, temporarily, if needed. Starts and profit scaling expected to re-accelerate by FYE. Encouragingly, F1Q offered favorable proof-points for accelerating technology innovation, System deployments; we view both vital to LT growth”

– Research Note on 2/6/2024



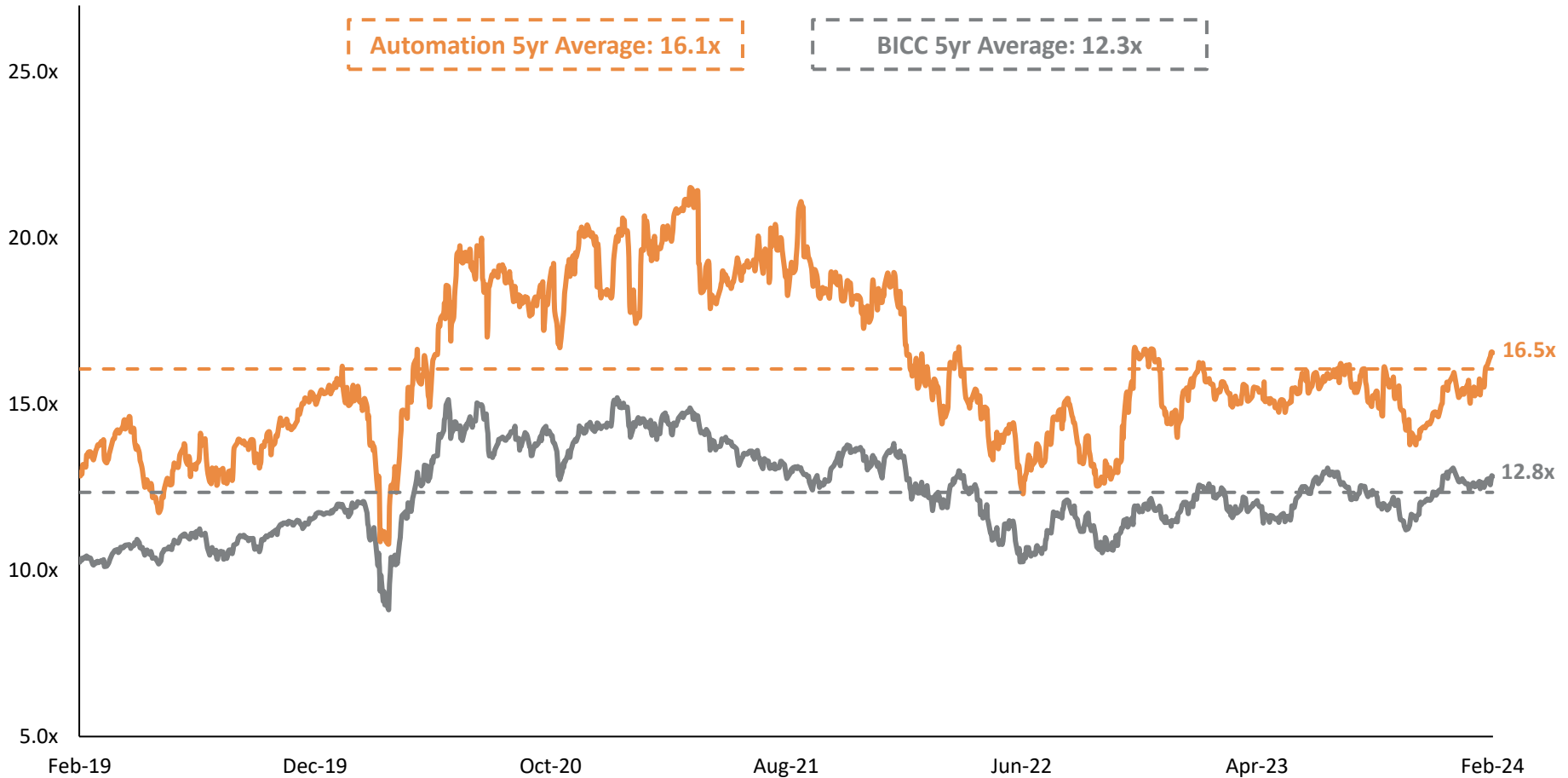
“ Demand conditions, while weak, compounded by channel stocking, are expected to have retained the stability demonstrate in 3Q. Data points such as SCSC and HON results offer evidenced of some incremental softness (e.g., SCSC missed plan, HON sales down Q/Q), however, we believe the bottoming process is forming. We expect de-stocking headwinds to minimize exiting CY23, which underpins the basis for our increased Q/Q sales in 1QE; however we are not projected any material Q/Q recovery until 2H24E. Our revenue forecasts for 1H24 mimic quarterly revenues last experienced in 2018, which we believe is suppressing normal replacement activity.”

– Research Note on 2/9/2024

PUBLIC VALUATION DYNAMICS

Multiples have moderated since all-time highs in 2021 however, remain close to long-term averages

AUTOMATION NTM EBITDA MULTIPLES

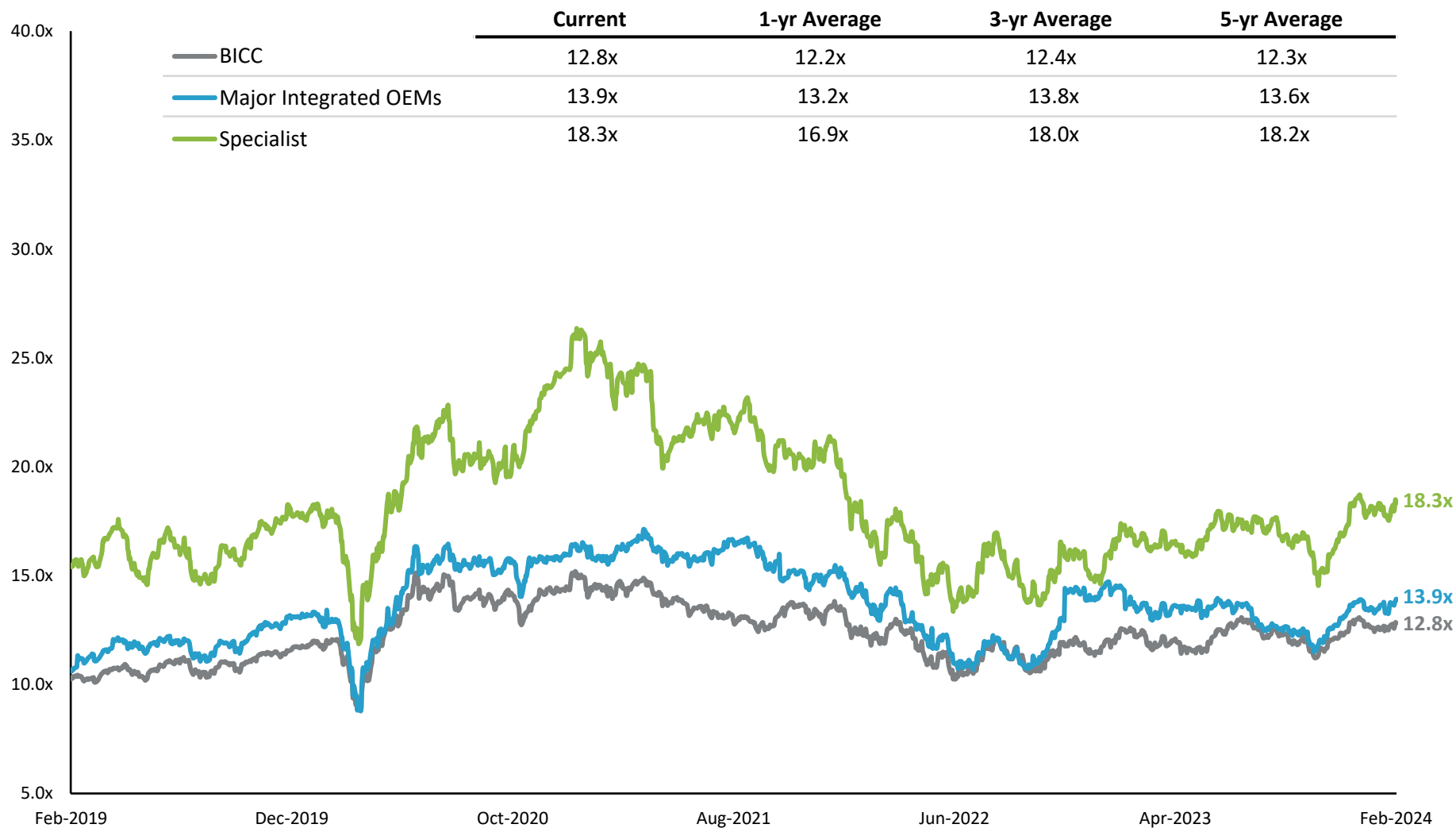


Source: Capital IQ as of February 16, 2024.

Note: BICC includes ~500 companies Baird views as indicative of the publicly traded industrial company universe.

PUBLIC VALUATION DYNAMICS (CONT'D)

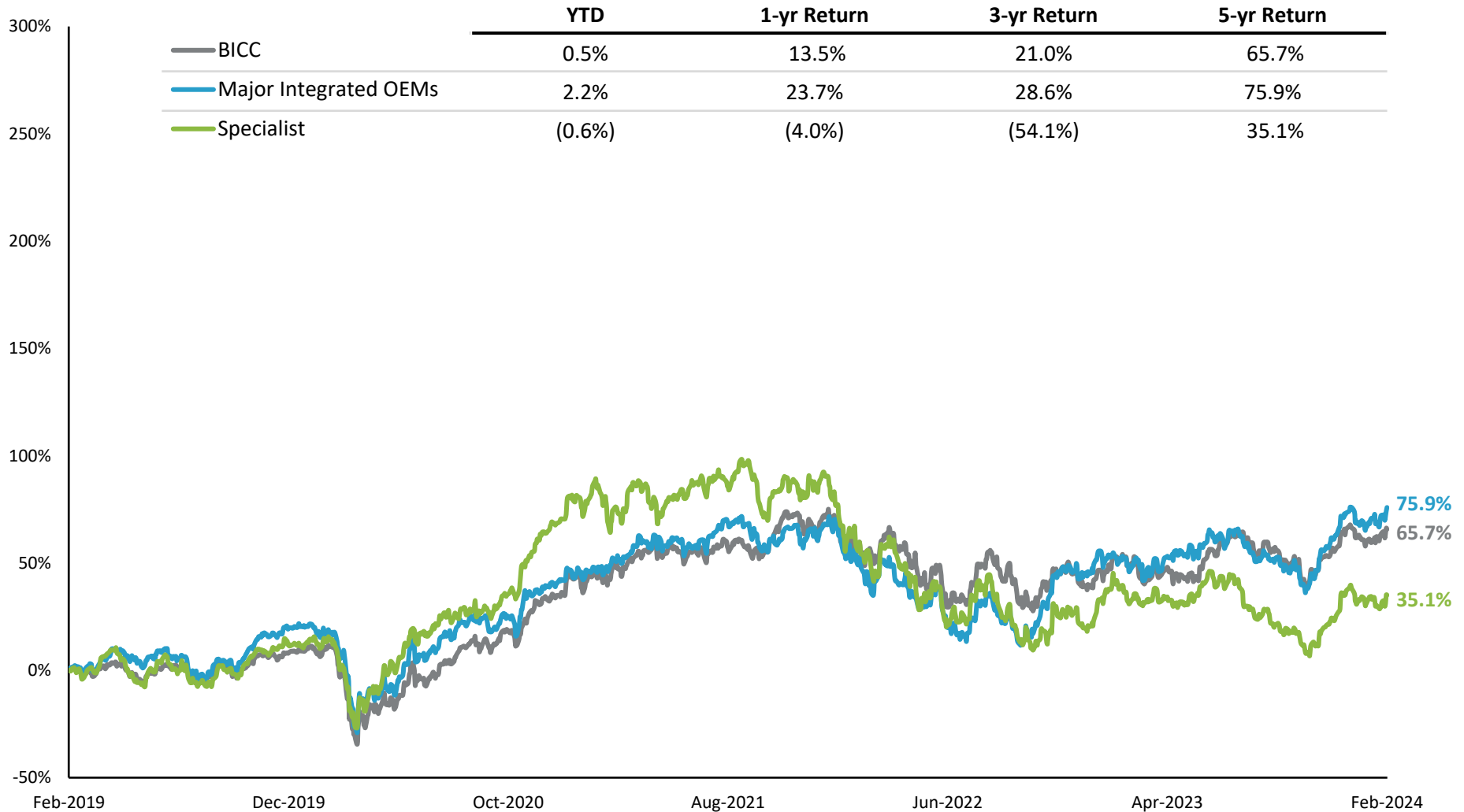
AUTOMATION NTM EBITDA MULTIPLES



Source: Capital IQ as of February 16, 2024.
 Note: BICC includes ~500 companies Baird views as indicative of the publicly traded industrial company universe.

PUBLIC EQUITIES PERFORMANCE

AUTOMATION EQUITY INDEX RETURNS



Source: Capital IQ as of February 16, 2024.
 Note: BICC includes ~500 companies Baird views as indicative of the publicly traded industrial company universe.

PUBLIC COMPANIES – OPERATING STATISTICS

(\$ in millions)

Company Name	LTM Revenue	LTM Margins			Revenue Growth			EBITDA Growth			LTM OCF Conversion
		Gross	EBITDA	EBIT	2022A	2023P	2024P	2022A	2023P	2024P	
Major Integrated OEMs											
ABB	\$32,235	35.0%	17.8%	15.4%	1.3%	9.3%	4.6%	(3.5%)	29.6%	5.1%	86.6%
Emerson Electric	15,909	50.0%	27.1%	20.0%	7.9%	(15.5%)	12.8%	(10.7%)	17.3%	16.4%	91.2%
Honeywell	36,662	37.3%	23.8%	20.6%	3.3%	3.9%	4.9%	(4.9%)	16.4%	5.0%	88.1%
Rockwell Automation	9,129	40.5%	19.7%	16.9%	7.3%	17.3%	2.1%	16.1%	19.3%	9.0%	88.6%
Schneider Electric	38,842	41.8%	18.9%	16.6%	15.9%	7.5%	4.4%	19.5%	14.9%	5.9%	86.5%
Siemens	84,071	38.4%	15.3%	12.0%	15.1%	6.5%	4.6%	14.2%	41.3%	6.3%	81.6%
Major Integrated Median	\$34,449	39.5%	19.3%	16.7%	7.6%	7.0%	4.6%	5.4%	18.3%	6.1%	87.4%
Specialist											
ATS Corporation	\$2,199	28.6%	13.7%	11.1%	22.7%	22.4%	(1.8%)	21.9%	39.0%	(2.5%)	82.8%
Badger Meter	704	39.3%	20.8%	16.8%	11.4%	25.0%	8.5%	6.5%	27.4%	13.0%	91.8%
Cognex	838	71.8%	17.3%	14.7%	(2.5%)	(17.9%)	13.0%	(14.0%)	N/M	20.6%	84.0%
Daifuku	4,028	18.2%	10.9%	9.2%	15.0%	5.9%	8.1%	23.1%	(0.0%)	8.4%	76.0%
Fanuc	5,421	35.0%	24.9%	18.7%	13.0%	(0.5%)	(5.9%)	3.2%	(15.3%)	0.4%	100.0%
Hexagon	5,880	65.2%	31.7%	22.4%	18.6%	6.1%	5.0%	16.7%	13.7%	12.8%	93.7%
PTC	2,181	79.1%	25.8%	22.4%	5.7%	11.8%	10.3%	25.0%	42.8%	19.6%	96.6%
Symbotic	1,339	18.3%	(10.5%)	(11.4%)	128.2%	86.5%	41.8%	58.1%	N/M	N/M	N/M
Teradyne	2,676	57.4%	23.6%	19.4%	(15.3%)	(14.5%)	2.0%	(26.5%)	(32.2%)	(0.4%)	74.7%
Trimble	3,799	64.3%	19.6%	13.0%	1.0%	2.3%	(3.7%)	(3.3%)	34.0%	(4.2%)	94.4%
Zebra Technologies	4,584	46.3%	16.6%	12.8%	1.9%	(20.2%)	2.2%	(4.8%)	(28.2%)	10.7%	88.6%
Specialist Median	\$2,676	46.3%	19.6%	14.7%	11.4%	5.9%	5.0%	6.5%	13.7%	9.6%	90.2%
Consolidated Median	\$4,584	40.5%	19.6%	16.6%	7.9%	6.1%	4.6%	6.5%	17.3%	7.3%	88.3%

PUBLIC COMPANIES – VALUATION STATISTICS

(\$ in millions)

Company Name	Share Price	Market Cap.	Enterprise Value	EV / Revenue		EV / EBITDA		EV / EBIT		Net Debt / LTM EBITDA
				LTM	2024P	LTM	2024P	LTM	2024P	
Major Integrated OEMs										
ABB	\$45.49	\$83,684	\$87,423	2.7x	2.6x	15.2x	14.3x	17.6x	16.7x	0.6x
Emerson Electric	106.15	60,686	75,972	4.8	4.3	17.6	16.5	23.9	21.3	2.2
Honeywell	197.17	128,591	142,617	3.9	3.7	16.3	14.1	18.9	16.0	1.5
Rockwell Automation	279.72	32,054	35,536	3.9	3.8	19.8	17.0	23.1	19.2	1.8
Schneider Electric	218.44	121,956	134,014	3.5	3.3	18.3	15.9	20.8	18.9	1.5
Siemens	183.08	143,686	190,616	2.3	2.1	14.8	11.5	18.9	15.1	3.2
Major Integrated Median	\$190.12	\$102,820	\$110,718	3.7x	3.5x	17.0x	15.1x	19.9x	17.8x	1.7x
Specialist										
ATS Corporation	\$39.23	\$3,881	\$4,692	2.1x	2.2x	15.6x	13.9x	19.3x	15.8x	2.7x
Badger Meter	157.41	4,620	4,434	6.3	5.8	30.4	27.2	37.6	32.9	N/M
Cognex	38.13	6,544	6,291	7.5	6.7	43.5	35.2	51.3	40.9	N/M
Daifuku	22.18	8,220	7,911	2.0	1.8	18.0	16.5	21.3	16.3	N/M
Fanuc	26.91	25,476	22,374	4.1	4.4	16.6	16.5	22.1	26.0	N/M
Hexagon	11.43	30,682	34,516	5.9	5.6	18.5	14.7	26.2	18.8	2.1
PTC	178.19	21,303	23,489	10.8	9.8	41.7	24.0	48.1	25.9	3.9
Symbotic	43.03	3,832	3,188	2.4	1.7	N/M	23.3	N/M	N/M	4.7
Teradyne	102.24	15,630	14,776	5.5	5.4	23.4	22.3	28.4	27.3	N/M
Trimble	60.29	14,998	17,957	4.7	4.9	24.1	18.7	36.3	19.8	4.0
Zebra Technologies	275.46	14,154	16,413	3.6	3.5	21.6	18.1	28.1	20.4	3.0
Specialist Median	\$43.03	\$14,154	\$14,776	4.7x	4.9x	22.5x	18.7x	28.2x	23.2x	3.4x
Consolidated Median	\$102.24	\$21,303	\$22,374	3.9x	3.8x	18.4x	16.5x	23.5x	19.5x	2.4x



Appendix



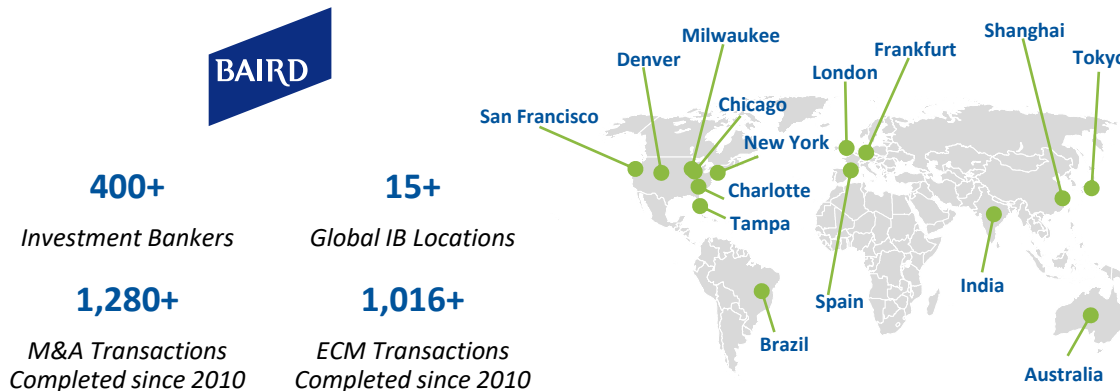
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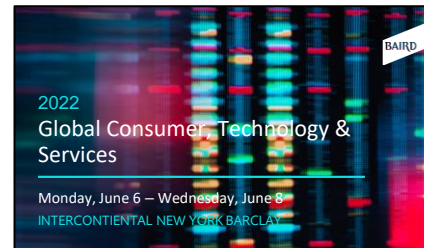
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- 1,900+ attendees



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- 100+ attendees



Baird T&S Conference (1)

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- 1,400+ attendees



Baird Healthcare Conference (1)

- 110+ presenting companies
- 890+ attendees

(1) Statistics are as of the most recent conference completed.

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