

AUTOMATED MATERIAL HANDLING MARKET (AMH)

A FOCUS ON CONVEYOR SYSTEMS

NOVEMBER 2020

The Global Automated Material Handling Market — *the market for automated equipment used in warehouses for managing the storage and transportation of goods and products, reducing or eliminating the need for human interference* — is poised to **grow by \$9.1 billion (a CAGR of 6%) during the forecast period 2020-2024**. Key factors driving industry growth include:

- i. Rising demand for automation and modernization in manufacturing processes;
- ii. The steady demand for transparency in supply chain and flexibility in warehouse operations; and in particular,
- iii. The expansion of the e-commerce industry, which has experienced rapid growth from the onset of COVID-19 stay-at-home and social distancing directives.

Global AMH Market Value
(2019)

>\$50 billion

CAGR incl. COVID Impact
(2020—2024)

6%

Global AMH Market Value
(2024)

~\$60 billion

Areas ripe for investments and consolidation:

High-Demand Categories in Material Handling

Conveyor systems

Rapid movement of goods from inventory/picking to shipping/loading

Autonomous mobile robots

Automate forklift-requiring tasks

Automated storage and retrieval systems (AS/RS)

Warehouse automation technology designed to buffer, store and retrieve product and inventory on demand

Infrastructure

Support conveyor equipment, provide racking/storage, portable loading/

System integrators

Manage warehouse and distribution automation project including design, engineering, implementation, training and system acceptance

Software

Manage people, inventory, time and equipment and coordinate with conveyor systems, barcoded items, RFID, pick management, etc.

Robotics

Often used in AS/RS and for picking tasks

Safety

Protect the physical infrastructure and human capital

Source: Mordor Intelligence, Technavio, CM&CO Industry Research

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The AMH market is highly fragmented with many middle-market participants excelling in specific product categories and end-market applications. As warehouse distribution and automation processes continue to advance, both corporations and private equity firms alike can benefit from resulting M&A opportunities. Strategists will likely seek out opportunities to broaden product capabilities, form more comprehensive solutions, and increase expertise in high-growth, end-market applications. Private investors will be attracted to AMH companies that hold defensible market positions and are able to benefit from favorable e-commerce tailwinds.

Select recent acquisitions in AMH and Conveyor Systems:

<u>Date</u>	<u>Target</u>	<u>Description</u>	<u>Acquirer</u>	<u>Rationale</u>
11/2020		Develop, implement and support creative and complex material handling and conveyor solutions		Expands capabilities/products in key growth markets
10/2020		Manufacturer of beverage can conveyors, air conveyors and vacuum conveyors		Expands production capabilities for conveyance line
8/2020		Manufacturer of conveyor systems and related material handling equipment		Vertically-integrates supply chain to shorten delivery times
5/2020		Designer and manufacturer of complex steel infrastructure for industrial and commercial material handling		Support automation technologies in industrial facilities
2/2020		Distributor of conveyor belting and industrial conveyor products and accessories		“Direct to Consumer” distribution network
1/2020		Provider of material handling systems integration, hardware design, software and robotic solutions		Partners for 15 years; Extends customer base

Source: Mordor Intelligence, Technavio, Marketers Media, Pitchbook

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INVESTMENT BANKING SERVICES

A FOCUS ON CONVEYOR SYSTEMS

Large demand for conveyor systems across warehousing and manufacturing industries

Conveyor Systems as a Sub-segment of the AMH Market

Conveyor systems serve various end-use industries, including automotive, chemical, rubber and plastic, aviation, semiconductor and electronics, e-commerce, food and beverages, metal, and heavy machinery, as well as others requiring bulk and unit load material handling.

Trending automation and technological advancements in these industries are pivotal factors contributing to the growth of the material handling equipment market and the increasing demand for conveyor systems. Manufacturers who can offer exceptionally reliable and efficient conveyor systems in a short time can gain a clear competitive edge in the conveyor system segment. Further, investment in research and development may also create opportunities for conveyor system manufacturers serving end-markets that do not necessarily benefit from factory automation—i.e. chemical, pharmaceutical, automotive, and transportation. These industries seek to invest in technologically-advanced material handling equipment that can yield operational cost savings, reduce throughput time and improve accuracy.

Companies offering high-demand characteristics will likely exceed average valuations

PE-backed Average EBITDA Multiples (2012-present)

Material Handling Equipment

\$ in millions *TEV= Total Enterprise Value*

TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N
\$10 - \$25	\$14.3	\$19.3	8.0%	17.1%	0.9x	5.4x	8
\$25 - \$100	\$45.3	\$59.6	32.0%	16.9%	1.1x	6.1x	4
Total	\$24.6	\$32.7	16.0%	17.0%	1.0x	5.6x	12

Conveyor and Conveying Equipment Manufacturing

\$ in millions *TEV= Total Enterprise Value*

TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N
\$10 - \$100	\$31.4	\$27.5	24.9%	22.2%	1.5x	6.5x	3
Total	\$31.4	\$27.5	24.9%	22.2%	1.5x	6.5x	3

Source: Gf Data, CM&Co industry research

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CM&Co has significant experience in the Material Handling space

Select Recent Transactions

Webster Industries, Inc., is currently seeking strategic add-on opportunities. CM&Co is acting as exclusive advisor to this components and integrated systems manufacturer as it maps industry-related opportunities to prioritize targets, manage introductions, facility and develop inter-company relationships, and execute attractive acquisition transactions.

CM&Co has extensive and current advisory experience in the material handling space. As exclusive financial advisor to Mayfran International, Inc., CM&Co assisted in buy-side analysis and negotiation of a bolt-on new technology for this material handling business. Additionally, executives at CM&Co have prior multi-year equity ownership experience as direct investors in this industry.

With additional transaction experience valuing material handling businesses, and as a sell-side and buy-side M&A advisor, CM&Co is active in this market—enabling our team to provide time-sensitive market information to our clients while efficiently acting on new leads and strategic opportunities.



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CARLETON MCKENNA & CO:

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FIRM OVERVIEW:

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We work with middle market closely-held businesses, multi-generational family businesses, portfolio companies of financial sponsor firms and divisions or subsidiaries of public companies focusing in Manufacturing & Specialty Chemicals, Consumer Products, SaaS, Healthcare and B2B Services.

Our Team is made up of finance and accounting experts, operators, C-Suite and Board professionals, lawyers, consultants, and marketing professionals. These diverse experiences and skills drive extraordinary results for our clients.

