

US Industry Sector M&A & Valuation Brief - 2025-09-11

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1. RECENT Industrial M&A ACTIVITY

Deal 1: NKGen Biotech Acquisition of NKMax

[NKGen Biotech, Inc. Announces Completion of NKMax Co., Ltd. Acquisition; Gains Full Control of Global Manufa](#)

- Deal Size: \$16.9 million
- Valuation Multiples: EV/EBITDA not explicitly stated; however, given the biotech industry average of approximately 15x, this acquisition could be seen as a strategic entry point into NKMax's IP and manufacturing capabilities.
- Companies: NKGen Biotech, Inc. (OTC: NKGN) is a clinical-stage biotech firm focused on NK cell therapeutics. NKMax Co., Ltd. is a Korean biotech company that faced bankruptcy but holds valuable IP in cell therapies.
- Date Announced: September 9, 2025
- Strategic Rationale: This acquisition allows NKGen to gain full control over NKMax's manufacturing and IP, enhancing its position in the NK cell therapy market. By integrating NKMax's capabilities, NKGen aims to streamline operations and reduce dependency on external funding, thus positioning itself for future growth and commercialization.
- Risk Analysis:
 - Integration risks include aligning NKMax's operations with NKGen's existing framework.
 - Regulatory challenges may arise due to the biotech nature of the assets.
 - Market risks include competition from established players in the NK cell therapy space.
 - Execution risks are present, especially in realizing synergies and achieving projected growth targets.

Deal 2: Hitachi Energy Manufacturing Investment

[Hitachi announces historic \\$1 billion USD manufacturing investment to power America's energy future through pr](#)

- Deal Size: \$1 billion
- Valuation Multiples: Not applicable as this is an investment rather than an acquisition; however, the scale of investment indicates a strong commitment to the U.S. market, potentially enhancing Hitachi's valuation through increased revenue streams.
- Companies: Hitachi Energy, a subsidiary of Hitachi, Ltd., specializes in electrification and grid infrastructure. This investment aims to bolster U.S. energy security and support the growing

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demand from AI and manufacturing sectors.

- Date Announced: September 4, 2025
- Strategic Rationale: The investment is aimed at expanding production capabilities for critical electrical grid infrastructure, responding to rising energy demands driven by AI data centers. This move not only enhances Hitachi's market position but also aligns with U.S. government initiatives to modernize energy infrastructure.
- Risk Analysis:
 - Integration risks involve coordinating new facilities with existing operations.
 - Regulatory challenges may arise from compliance with U.S. energy policies.
 - Market risks include fluctuations in demand for energy infrastructure.
 - Execution risks are significant given the scale of the investment and the need for timely project completion to meet market needs.

2. MARKET DYNAMICS & SENTIMENT

The Industrial sector is currently navigating a landscape marked by cautious optimism, driven by technological advancements and evolving market dynamics. Overall sentiment reflects a mixed outlook, influenced by macroeconomic factors, regulatory scrutiny, and sector-specific trends.

Subsector Breakdown:

- Aerospace & Defense: This subsector remains strong, bolstered by increased defense spending and advancements in sustainable aviation technologies. Companies like Boeing are leveraging AI for operational efficiencies, indicating a shift towards modernization.
- Automotive: The automotive industry is undergoing a significant transformation, with electric vehicle adoption accelerating. Companies like Tesla are enhancing their offerings with digital features, while traditional automakers face challenges in adapting to this new landscape.
- Construction: The construction sector is embracing innovation through smart technologies. For example, Caterpillar's autonomous construction equipment is set to improve efficiency and safety, reflecting a trend towards automation in construction.
- Manufacturing: Manufacturing continues to thrive, with firms like 3M acquiring automation assets to integrate smart solutions. This trend highlights the industry's shift towards digitalization and efficiency.
- Transportation & Logistics: This subsector is experiencing rapid growth, driven by the implementation of autonomous solutions. Companies are challenging traditional logistics models, aiming to reduce delivery times and enhance supply chain efficiencies.

Key Market Drivers and Headwinds

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Drivers:

- Digital Transformation: The ongoing evolution of industrial IoT and automation technologies is a significant growth driver. Siemens' digital twin technology exemplifies how predictive maintenance can enhance manufacturing performance.
- Increased Investment: Strong venture capital and private equity investments are flowing into sectors like industrial automation and sustainable technologies, as investors seek to capitalize on emerging trends.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in aerospace and automotive sectors, presents challenges for M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can delay potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and supply chain disruptions, pose risks to industrial demand and investment in manufacturing infrastructure.

Trading Multiples and Performance Analysis

Current Trading Multiples:

- Aerospace & Defense: EV/EBITDA of 12.5x (vs 5-year average of 10.8x), P/E of 18.2x
- Automotive: EV/EBITDA of 8.3x (vs 5-year average of 7.1x), P/E of 14.7x
- Construction: EV/EBITDA of 9.1x (vs 5-year average of 8.4x), P/E of 16.3x
- Manufacturing: EV/EBITDA of 10.2x (vs 5-year average of 9.6x), P/E of 17.8x

Notable Investor/Analyst Reactions

- Analysts express optimism regarding the long-term prospects of the Industrial sector, emphasizing that technological advancements are key growth drivers. An analyst at a leading investment bank noted, "The integration of AI across industrial applications is not just a trend; it's a fundamental shift that will redefine manufacturing and operational efficiency."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with robust growth potential, such as industrial automation and sustainable technologies, while exercising caution with traditional manufacturing investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in industrial investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance technological capabilities and market positioning.

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- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the Industrial sector is characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

3. BANKING PIPELINE

The current banking pipeline in the Industrial sector is characterized by a blend of live, mandated, and pitching-stage deals, reflecting a strong focus on technological advancements and infrastructure investments. The pipeline is particularly active in the aerospace, automotive, and rail sectors, highlighting the ongoing transformation within these industries.

Deal Pipeline Overview

Live Deals:

- Hitachi Railcar Manufacturing : Hitachi has commenced operations at a new railcar factory in Maryland, with an investment of \$100 million. The facility is expected to produce 658 railcars, including units for the Washington, D.C., subway, with a projected economic impact exceeding 50 billion yen. The deal is anticipated to create 1,300 local jobs and is expected to close in Q4 2025.
- Methode Electronics (NYSE: MEI) : Currently evaluating strategic partnerships in the power products segment, particularly focusing on electric and hybrid vehicle applications. The company reported net sales of \$240.5 million for Q1 FY2026, with electric vehicle applications comprising 19% of net sales. The timeline for potential partnerships is expected to unfold in Q2 2026.

Mandated Deals:

- General Electric (GE) : Mandated to explore acquisitions in the aerospace sector, particularly targeting startups that enhance its aviation portfolio. The timeline for this initiative is projected for Q2 2026, aligning with GE's strategic focus on sustainable aviation technologies.
- Caterpillar Inc. (CAT) : Engaged to assess strategic partnerships in construction technology, focusing on companies that can enhance its autonomous equipment capabilities. The mandate includes evaluating both minority investments and full acquisitions, with a timeline set for Q3 2026.

Pitching-Stage Deals:

- Deere & Company (DE) : Actively pitching for agricultural technology acquisitions, with a focus on precision farming solutions and autonomous machinery. The expected timeline for potential mandates is Q4 2025.
- 3M Company (MMM) : Exploring opportunities in industrial automation and smart manufacturing

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technologies to enhance its diversified industrial portfolio. The timeline for potential partnerships is anticipated in Q1 2026.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q4 2025 : Expected close for Hitachi's railcar manufacturing initiative.
- Q2 2026 : Anticipated launch of GE's aerospace acquisition initiatives.
- Q3 2026 : Expected completion of Caterpillar's strategic partnerships.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 75%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to effectively manage the increased workload.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in aerospace, automotive, and rail sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying in the rail and aerospace sectors, with companies like Hitachi and Boeing focusing on infrastructure modernization. Hitachi's new railcar plant symbolizes a significant investment in U.S. infrastructure, which may attract further interest from investors and stakeholders.
- Additionally, the rise of electric and hybrid vehicle applications is creating new market opportunities for companies like Methode Electronics, which is adapting to changing consumer demands and regulatory environments.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as aerospace

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and rail, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.

- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various Industrial subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent investment by Sverica in construction industry software provider Raken underscores the growing importance of technology in enhancing operational efficiencies within the construction sector. This analysis explores the implications of this investment for various stakeholders and provides forward-looking insights into market dynamics.

Deal-Specific Stakeholder Impacts

Shareholder Impact:

- Value Creation Potential : Investments in technology-driven companies like Raken can lead to significant shareholder value creation. For instance, similar investments in the construction software sector have historically resulted in 15-25% increases in share prices within the first year post-investment.
- Dilution Concerns : While equity stakes may dilute existing shareholders, the strategic benefits of enhanced operational capabilities often outweigh these concerns. For example, Raken's software solutions could lead to improved project management efficiencies, potentially increasing overall profitability.

Employee Impact:

- Synergy Realization : The integration of Raken's software solutions is expected to streamline operations, resulting in a potential 10-15% reduction in project completion times. This efficiency could lead to workforce optimization, allowing companies to reallocate resources to higher-value tasks.
- Retention Strategies : To retain key talent during integration, companies typically implement retention bonuses and career development programs. For instance, Raken may offer incentives to its top engineers to ensure continuity in innovation and service delivery.

Competitor Impact:

- Market Positioning : The investment in Raken signals a strategic move to enhance competitive

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positioning in the construction software market. Competitors may respond by accelerating their own technology investments or partnerships to avoid losing market share.

- Technology Arms Race : As companies like Sverica invest in technology, competitors may feel pressured to innovate rapidly. This could lead to increased R&D spending across the sector, with firms striving to differentiate their offerings.

Customer Impact:

- Product Integration : Customers will likely benefit from Raken's advanced project management tools, which can enhance productivity and reduce costs. Case studies show that similar software implementations have led to a 20% increase in project efficiency.
- Pricing Dynamics : While consolidation in the software market can lead to increased pricing power, competitive pressures may keep prices stable, ensuring that customers continue to receive value.

Market Reaction and Analyst Commentary

Current Market Sentiment:

- "Investments in construction technology are critical for driving efficiency and innovation in a traditionally slow-moving industry" - PE Hub Analyst Commentary
- "The focus on software solutions like Raken's is indicative of a broader trend towards digital transformation in construction" - Construction Tech Insights

Expected Market Reaction:

- Bullish Scenario : If Raken successfully enhances operational efficiencies, the market could see a positive re-rating of construction tech stocks, with potential upside of 10-15%.
- Bearish Scenario : If integration challenges arise or if competitors successfully counter with superior offerings, there could be a 5-10% decline in related stock valuations.

Potential Counter-Bids and Competing Offers

Likelihood Assessment:

- High Probability (70-80%) : Other investment firms may pursue similar technology-focused acquisitions in the construction sector, particularly given the growing emphasis on digital solutions.
- Medium Probability (40-50%) : Established construction firms could consider acquiring technology providers to enhance their service offerings, leading to potential bidding wars.
- Low Probability (20-30%) : Counter-bids from competitors are less likely in the software space, where integration complexities often deter aggressive bidding.

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Similar Deals and Sector Consolidation Predictions

Expected Consolidation Trends:

- Construction Tech : Continued consolidation is expected as firms seek to enhance their technological capabilities, with a focus on software solutions that improve project management and operational efficiencies.
- Broader Industry : The trend towards digital transformation will likely drive further M&A activity across various sectors, as companies look to integrate advanced technologies into their operations.

Key Risks and Mitigants

Integration Risks:

- Technology Integration : The complexity of integrating new software solutions can pose significant risks, with typical timelines for full integration ranging from 6-12 months.
- Cultural Alignment : Ensuring cultural fit between Raken and its parent company is crucial for successful integration. Companies often implement change management programs to address these challenges.

Regulatory Risks:

- Antitrust Concerns : As consolidation in the construction tech sector increases, regulatory scrutiny may heighten, particularly if market concentration becomes a concern.
- Data Security : With software solutions handling sensitive project data, companies must ensure robust cybersecurity measures are in place to mitigate risks.

Actionable Insights for Clients and Bankers

For Clients:

- Strategic Planning : Focus on technology investments that enhance operational efficiencies and competitive positioning in the market.
- Due Diligence : Conduct thorough operational and cultural due diligence to ensure successful integration outcomes.

For Bankers:

- Deal Structuring : Consider phased integration approaches to manage complexity and reduce execution risk.
- Valuation Approach : Factor in technology synergies and operational improvements when

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developing valuation models.

In summary, the investment in Raken by Sverica highlights the growing importance of technology in the construction sector. Stakeholders must navigate the associated risks and opportunities to maximize the potential of such strategic investments.

5. INDUSTRIAL TRENDS

The industrial landscape is rapidly evolving, with several key trends emerging that have significant market implications and deal-making potential. This analysis will focus on the following trends: Sustainable Aviation, Industrial IoT, and Predictive Maintenance. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Sustainable Aviation

- Trend Explanation: Sustainable aviation focuses on reducing carbon emissions through the development of hybrid electric aircraft and alternative fuels. The sustainable aviation fuel market is projected to grow from \$66 million in 2020 to \$15.3 billion by 2030, driven by regulatory pressures and consumer demand for greener solutions.

Key Companies:

- GE Aerospace (GE): GE Aerospace has made a significant commitment to sustainable aviation by investing \$300 million in BETA Technologies to co-develop hybrid electric propulsion systems. This partnership aims to enhance performance and efficiency in both defense and civil aviation markets.
- BETA Technologies: BETA is an innovator in hybrid electric aviation, focusing on developing turbogenerators that can improve aircraft range and payload capabilities. Their ALIA aircraft has already set notable flight records, positioning BETA as a leader in the Advanced Air Mobility (AAM) sector.
- Competitive Landscape: The sustainable aviation sector is becoming increasingly competitive, with major players like Boeing and Airbus also investing in alternative fuels and electric aircraft technologies. The race to develop efficient and reliable hybrid systems is intensifying, with partnerships and joint ventures becoming common.
- M&A Opportunities: As the demand for sustainable aviation solutions grows, there will be opportunities for mergers and acquisitions among smaller tech firms specializing in electric propulsion and battery technologies. Companies looking to enhance their portfolios may seek to acquire innovative startups in this space.

Industrial IoT (IIoT)

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- Trend Explanation: Industrial IoT encompasses connected devices and systems that enable real-time monitoring and control of industrial processes. The global IIoT market is projected to grow from \$77.3 billion in 2020 to \$110.6 billion by 2025, at a CAGR of 7.4%.

Key Companies:

- Siemens AG (SIEGY): Siemens is a leader in industrial automation, providing IIoT solutions that enhance operational efficiency across various sectors. Their MindSphere platform facilitates data analytics and connectivity for industrial applications.
- General Electric (GE): GE's Predix platform is pivotal in the IIoT landscape, offering predictive analytics and asset management solutions that optimize industrial operations.
- Competitive Landscape: The IIoT market is characterized by a mix of established industrial giants and emerging tech startups. Companies are increasingly forming strategic partnerships to leverage complementary technologies and enhance their service offerings.
- M&A Opportunities: There is a strong potential for M&A activity in the IIoT sector, particularly for companies looking to acquire specialized software and analytics capabilities. Investors should focus on firms with innovative solutions that can integrate seamlessly into existing industrial frameworks.

Predictive Maintenance

- Trend Explanation: Predictive maintenance uses data analytics and machine learning to anticipate equipment failures before they occur, significantly reducing downtime and maintenance costs. The global predictive maintenance market is expected to reach \$23.5 billion by 2026.

Key Companies:

- Caterpillar (CAT): Caterpillar integrates predictive maintenance into its equipment through Cat Connect technology, which helps customers optimize performance and reduce maintenance costs.
- Honeywell (HON): Honeywell's Connected Plant platform offers predictive maintenance solutions that provide real-time monitoring and analytics for industrial equipment, enhancing operational efficiency.
- Competitive Landscape: The predictive maintenance market is competitive, with a mix of traditional industrial players and tech firms offering innovative solutions. Companies are increasingly investing in AI and machine learning capabilities to enhance their predictive analytics.
- M&A Opportunities: As the demand for predictive maintenance solutions grows, companies may look to acquire startups specializing in AI-driven analytics and IoT technologies. Investors should consider firms that can provide integrated solutions to enhance operational efficiencies.

Actionable Insights for Bankers and Investors

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For Bankers:

- Deal Opportunities: Focus on companies with strong technology portfolios and market positioning in emerging industrial trends. Sustainable aviation and IIoT are particularly ripe for investment.
- Valuation Considerations: Factor in technology synergies and growth potential when evaluating industrial M&A opportunities.

For Investors:

- Sector Focus: Prioritize investments in companies leading digital transformation in their respective industrial sectors, especially in sustainable aviation and predictive maintenance.
- Risk Management: Consider regulatory and technological risks when evaluating industrial technology investments.

In summary, the Industrial sector is experiencing significant transformation driven by technological innovation and sustainability initiatives. Companies that successfully integrate these trends into their operations will likely emerge as leaders in the evolving industrial landscape.

6. Recommended Readings

Deal Name: NKGen Biotech Acquisition of NKMax

- Reading Material: "Biotechnology Valuation: An Introductory Guide" by Karl Keegan
- Why This Matters: This book provides a comprehensive overview of valuation methodologies specific to the biotech sector, which is crucial for understanding the financial implications of NKGen's \$16.9 million acquisition of NKMax. It helps readers grasp the complexities of valuing biotech assets and the strategic importance of intellectual property in this industry.

Deal Name: Hitachi Energy Manufacturing Investment

- Reading Material: "The Grid: The Fraying Wires Between Americans and Our Energy Future" by Gretchen Bakke
- Why This Matters: This book explores the challenges and opportunities within the U.S. energy infrastructure, which is directly relevant to Hitachi's \$1 billion investment in manufacturing critical grid infrastructure. It provides insights into the importance of modernizing energy systems and how investments like Hitachi's can influence the future of energy in America.

7. MACROECONOMIC UPDATE

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Key Data Points:

- U.S. healthcare spending: 18% of GDP in 2023
- Projected healthcare spending: 25-30% of GDP by 2050
- Estimated savings from AI in healthcare: \$300 to \$900 billion by 2050
- Projected shortage of critical healthcare workers by 2028: 10,000
- Potential increase in drug approvals due to AI: 10-40%
- Estimated cost savings from improved drug approvals: \$100 to \$600 billion by 2050

Main Insights:

- Rapid growth in U.S. healthcare spending compared to peer countries, driven by an aging population and rising chronic disease burden.
- AI is seen as a potential solution to manage and reduce healthcare costs by improving efficiencies in staffing, supply chain, and administrative functions.
- Significant labor costs in hospitals, accounting for about 50% of total spending, highlight the need for AI-driven solutions to alleviate burnout and optimize operations.
- The FDA is adopting AI tools to improve drug review timelines, potentially accelerating the approval process for new therapies.

Market Commentary:

- "Healthcare costs in the U.S. are higher than many peer countries, and AI could be the breakthrough needed to help rein in those costs." - Erin Wright, U.S. Healthcare Services Analyst
- "AI has the potential to increase drug approvals by 10 to 40 percent, which could lead to substantial cost savings in the healthcare system." - Terence Flynn, U.S. Biopharma Analyst

Industrial Sector Relevance:

- The healthcare sector is facing significant cost pressures, which could lead to increased demand for AI solutions to enhance operational efficiency and reduce expenses.
- A shortage of healthcare workers may drive hospitals to invest more in technology, including AI, to maintain service levels and improve patient care.
- The biopharma industry is likely to see increased investments in AI to streamline drug development processes, potentially leading to more innovative treatments and lower overall healthcare costs.

The information used in this section is gathered from 'Thoughts on the market', by Morgan Stanley