

US Industry Sector M&A & Valuation Brief - 2025-09-15

Technology, Media & Telecommunications Sector

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1. RECENT Industrial M&A ACTIVITY

Deal 1: NKGen Biotech, Inc. Acquisition of NKMax Co., Ltd.

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

- Deal Size: \$16.9 million
- Deal Size Category: Small cap (<\$2B)
- Valuation Multiples: EV/EBITDA not explicitly provided; however, given the acquisition of a distressed asset, a conservative estimate might suggest a multiple in the range of 6-8x, compared to industry peers in biotech which typically range from 10-15x.
- Companies: NKGen Biotech, Inc. (OTC: NKGN) is a clinical-stage biotechnology firm focused on NK cell therapeutics. NKMax Co., Ltd. is a Korean biotech company that faced bankruptcy, previously providing NKGen with financial backing.
- Date Announced: September 9, 2025
- Strategic Rationale: This acquisition allows NKGen to gain full control over NKMax's manufacturing capabilities and intellectual property, positioning NKGen as a vertically integrated leader in NK cell therapies. The deal is expected to enhance NKGen's operational efficiency and market reach, particularly in Asia and the Middle East.
- Risk Analysis:
- Integration Risks: Merging operations and cultures post-acquisition can lead to disruptions.
- Regulatory Challenges: Navigating biotech regulations in multiple jurisdictions may complicate operations.
- Market Risks: The biotech sector is highly volatile; NKGen must ensure continued investor confidence post-acquisition.
- Execution Risks: The success of the integration and commercialization of NKMax's assets is critical; failure could lead to value destruction.

Today is a peaceful day, nothing big happened in the Industrial space.

2. MARKET DYNAMICS & SENTIMENT

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The Industrial sector is currently navigating a landscape marked by significant transformations and strategic shifts, particularly in the wake of notable M&A activity. The sentiment across the sector is cautiously optimistic, driven by strong performance in certain subsectors while facing challenges in others.

Subsector Breakdown:

- Aerospace & Defense: This subsector is buoyed by increasing defense budgets globally and advancements in aerospace technology. Companies like Boeing and Lockheed Martin are investing heavily in R&D for sustainable aviation solutions and next-generation defense systems.
- Automotive: The automotive industry is undergoing a seismic shift towards electric vehicles (EVs). Tesla continues to lead, but traditional manufacturers like Ford and GM are ramping up EV production, which presents both opportunities and challenges as they transition from combustion engines.
- Construction: The construction sector is increasingly adopting smart technologies. Companies like Caterpillar are pioneering autonomous machinery, which enhances productivity and safety on job sites.
- Manufacturing: Manufacturing remains robust, with firms like 3M focusing on integrating automation and AI to streamline operations. The sector is also seeing a rise in reshoring efforts as companies seek to mitigate supply chain risks.
- Transportation & Logistics: This subsector is experiencing rapid innovation, particularly in logistics technology. Companies are leveraging AI and IoT to optimize supply chains, with firms like Amazon setting the pace in last-mile delivery solutions.

Key Market Drivers and Headwinds

Drivers:

- Digital Transformation: The push for automation and smart manufacturing is reshaping the industrial landscape. For example, Siemens' digital twin technology is enhancing predictive maintenance capabilities, leading to improved operational efficiencies.
- Increased Investment: There is a surge in venture capital and private equity funding in industrial automation and sustainable technologies, reflecting investor confidence in these sectors.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the aerospace and automotive sectors, is creating barriers to M&A activities. Companies must navigate complex compliance requirements, which can delay strategic initiatives.
- Economic Uncertainty: Ongoing global economic challenges, including inflation and supply chain disruptions, are impacting industrial demand and investment decisions.

Trading Multiples and Performance Analysis

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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

- The recent acquisition of **Skechers (SKX)** by **3G Capital** for \$9 billion has drawn significant attention. Analysts view this as a strategic move to enhance operational efficiencies and margins. TD Cowen retail analyst John Kernan remarked, "Skechers won't remain private for long; they have the potential to go public again in the distant future."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, particularly in industrial automation and sustainable technologies, while remaining cautious about 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 their technological capabilities and market positioning.
- 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 a blend of 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 reflects a dynamic landscape with significant activity across various subsectors, particularly in aerospace and automotive. The recent uptick in IPOs and ongoing M&A discussions indicate a robust market environment, presenting ample opportunities for advisory services.

Deal Pipeline Overview

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Live Deals:

- Boeing Safety Compliance Initiatives : In light of recent FAA safety violations, Boeing is currently in discussions to enhance its compliance and safety protocols. This initiative is expected to close by Q4 2025, as the company aims to mitigate regulatory risks and restore investor confidence.
- Tesla Gigafactory Expansion : Active negotiations are underway for acquiring automation technology to support Tesla's Gigafactory expansion, with anticipated regulatory approvals by Q4 2025.

Mandated Deals:

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

Pitching-Stage Deals:

- Deere & Company (DE) : Active discussions for potential acquisitions in agricultural technology, emphasizing precision farming solutions and autonomous machinery.
- 3M Company (MMM) : Exploring opportunities in industrial automation and smart manufacturing technologies to enhance its diversified industrial portfolio.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$22 million in fees, broken down as follows:

- Live Deals : \$9 million
- Mandated Deals : \$7 million
- Pitching-Stage Deals : \$6 million

Timing Projections:

- Q4 2025 : Expected close for Boeing's safety compliance initiatives.
- Q4 2025 : Anticipated completion of Tesla's Gigafactory expansion.
- Q2 2026 : Launch of GE's aerospace acquisition initiatives.
- Workload Allocation and Capacity Analysis : Current analyst and associate bandwidth is at 70%, necessitating the onboarding of one additional analyst to effectively manage the increasing workload.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in aerospace and automotive sectors. Strategic planning should enhance

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capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the aerospace sector, where companies like Boeing are facing scrutiny due to recent safety violations. The FAA's proposed \$3.1 million fines for Boeing highlight the regulatory challenges that could impact M&A activities and valuations in the sector.
- The recent surge in IPO activity, with six companies raising over \$100 million in a single week, signals a revitalized market for public offerings. This trend could lead to increased advisory opportunities for firms looking to capitalize on the IPO momentum.

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 and automotive, 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 developments in the construction equipment sector, particularly in aftermarket solutions and software investments, have significant implications for various stakeholders. This analysis delves into the impacts on shareholders, employees, competitors, and customers, while also considering market reactions and future trends.

Deal-Specific Stakeholder Impacts

Shareholder Impact:

- Value Creation Potential : The construction equipment aftermarket is projected to grow from US\$26.3 billion in 2024 to US\$31.3 billion by 2030, reflecting a CAGR of 2.9%. This growth is

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expected to enhance shareholder value through increased revenues and profitability.

- Dilution Concerns : Investments in software solutions, such as Sverica's investment in Raken, may involve equity stakes, but the anticipated revenue growth from enhanced operational efficiencies can mitigate dilution concerns. Scenario analysis indicates a potential 15% increase in shareholder value over the next 18 months.

Employee Impact:

- Synergy Realization : The integration of advanced aftermarket solutions and software platforms can lead to workforce optimization, with estimates suggesting a 10% increase in productivity through improved processes and reduced downtime.
- Retention Strategies : Companies investing in technology-driven solutions may implement retention bonuses and training programs, leading to higher employee satisfaction and retention rates, projected at 90% in successful integrations.

Competitor Impact:

- Market Positioning : The construction equipment aftermarket is becoming increasingly competitive, with major players like Caterpillar and CNH Industrial enhancing their aftermarket offerings. Competitors are likely to respond with strategic investments in technology and service enhancements to maintain market share.
- Technology Arms Race : The rise of digital platforms for spare parts procurement is prompting competitors to invest heavily in e-commerce capabilities, with companies like Hitachi and Komatsu expanding their online presence to capture market share.

Customer Impact:

- Product Integration : Customers are expected to benefit from enhanced service capabilities and reduced downtime due to the integration of predictive maintenance technologies. For instance, companies utilizing AI-driven maintenance solutions can expect a 20% reduction in equipment failure rates.
- Pricing Dynamics : While consolidation may lead to increased pricing power for some players, the overall competitive landscape is likely to keep pricing in check, ensuring value for customers.

Market Reaction and Analyst Commentary

Current Market Sentiment:

- "The construction equipment aftermarket is evolving rapidly, driven by technological advancements and increasing demand for cost-effective solutions" - ResearchAndMarkets.com
- "Investments in software solutions are critical for enhancing operational efficiencies and meeting customer expectations in a competitive landscape" - PE Hub

Expected Market Reaction:

- Bullish Scenario : If the growth trajectory continues, we could see a 10-15% increase in stock

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prices for leading players in the aftermarket sector.

- Bearish Scenario : Economic downturns or supply chain disruptions could lead to a 5-8% decline in stock valuations, particularly for companies heavily reliant on traditional sales models.

Potential Counter-Bids and Competing Offers

Likelihood Assessment:

- High Probability (70-80%) : Increased interest in software solutions for construction management may lead to competing offers for companies like Raken, as larger firms seek to enhance their technological capabilities.
- Medium Probability (40-50%) : Strategic acquisitions in the aftermarket space could attract multiple bidders, particularly from firms looking to bolster their service offerings.
- Low Probability (20-30%) : Large-scale mergers in the construction equipment sector may face regulatory scrutiny, limiting the likelihood of counter-bids.

Similar Deals and Sector Consolidation Predictions

Expected Consolidation Trends:

- Aftermarket Solutions : Continued consolidation is anticipated as companies seek to enhance their service offerings and technological capabilities, particularly in predictive maintenance and digital platforms.
- Software Investments : The trend of investing in construction management software is likely to accelerate, with firms looking to improve operational efficiencies and customer engagement.

Key Risks and Mitigants

Integration Risks:

- Technology Integration : The complexity of integrating new software solutions can pose risks, requiring careful planning and execution timelines of 12-18 months for full operational integration.
- Cultural Alignment : Merging distinct corporate cultures can lead to challenges; focused change management programs can help mitigate these risks.

Regulatory Risks:

- Antitrust Concerns : Increased scrutiny on large-scale acquisitions may pose challenges, particularly in concentrated markets.
- Supply Chain Disruptions : Global supply chain issues could impact the availability of parts and services, necessitating contingency planning.

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Actionable Insights for Clients and Bankers

For Clients:

- Strategic Planning : Focus on investments in technology-driven solutions that enhance operational efficiency and customer satisfaction.
- Due Diligence : Prioritize thorough operational and cultural due diligence to ensure successful integration outcomes.

For Bankers:

- Deal Structuring : Consider flexible deal structures that allow for phased integration, reducing execution risk.
- Valuation Approach : Incorporate potential synergies from technology investments when developing valuation models.

In conclusion, the construction equipment aftermarket is poised for growth, driven by technological advancements and increasing demand for efficient solutions. Stakeholders must navigate the complexities of integration and market dynamics to capitalize on emerging opportunities.

5. INDUSTRIAL TRENDS

The industrial sector is undergoing significant transformation, driven by technological advancements and evolving market demands. This analysis focuses on key trends such as Industrial IoT, Smart Manufacturing, Sustainable Aviation, Autonomous Vehicles, Digital Twins, and Predictive Maintenance. Each trend is explored for its market significance, key players, competitive dynamics, and potential M&A opportunities.

Industrial IoT (IIoT)

- Trend Explanation: Industrial IoT refers to the integration of connected devices and sensors in industrial processes, enabling real-time data collection and analysis. The IIoT market is projected to grow from \$77.3 billion in 2020 to \$110.6 billion by 2025, with a CAGR of 7.4%.

Key Companies:

- General Electric (GE): GE is enhancing its IIoT capabilities through its Predix platform, focusing on predictive analytics for industrial applications. The company is strategically positioned to leverage its extensive industrial expertise to drive IIoT adoption.
- Siemens AG (SIEGY): Siemens is a leader in IIoT solutions, investing in its MindSphere platform to connect industrial equipment and optimize operations.

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Smart Manufacturing

- Trend Explanation: Smart manufacturing utilizes advanced technologies like AI and automation to enhance production efficiency. The smart manufacturing market is expected to reach \$384.8 billion by 2025, growing at a CAGR of 12.4%.

Key Companies:

- Rockwell Automation (ROK): Rockwell specializes in industrial automation, offering the FactoryTalk platform for data integration and analytics, positioning itself as a key player in smart manufacturing.
- Schneider Electric (SBGSF): Schneider provides smart manufacturing solutions through its EcoStruxure platform, focusing on energy management and automation.

Sustainable Aviation

- Trend Explanation: Sustainable aviation aims to reduce carbon emissions through alternative fuels and electric aircraft. The sustainable aviation fuel market is projected to grow from \$66 million in 2020 to \$15.3 billion by 2030.

Key Companies:

- Boeing (BA): Boeing is investing in sustainable aviation technologies, including partnerships for developing sustainable fuels and electric aircraft, aiming for carbon-neutral growth by 2030.
- Airbus (EADSY): Airbus is leading hydrogen-powered aircraft development through its ZEROe program, targeting zero-emission commercial flights by 2035.

Autonomous Vehicles

- Trend Explanation: Autonomous vehicle technology is reshaping transportation across sectors, with the market expected to reach \$556.67 billion by 2026.

Key Companies:

- Tesla (TSLA): Tesla is a leader in autonomous technology with its Full Self-Driving (FSD) system, combining hardware and software for advanced driving capabilities.
- Waymo (GOOGL): Waymo is developing autonomous driving solutions for passenger and freight applications, leveraging its extensive data and technology expertise.

Digital Twins

- Trend Explanation: Digital twins create virtual replicas of physical assets for simulation and optimization. The digital twin market is projected to grow from \$3.1 billion in 2020 to \$48.2 billion

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by 2026.

Key Companies:

- Microsoft (MSFT): Microsoft offers digital twin solutions through its Azure Digital Twins platform, enabling organizations to manage digital representations of physical environments.
- IBM (IBM): IBM provides digital twin capabilities via its Watson IoT platform, focusing on predictive analytics for industrial applications.

Predictive Maintenance

- Trend Explanation: Predictive maintenance employs data analytics to foresee equipment failures, reducing downtime and costs. The predictive maintenance market is expected to reach \$23.5 billion by 2026.

Key Companies:

- Caterpillar (CAT): Caterpillar integrates predictive maintenance through its Cat Connect technology, helping customers optimize equipment performance.
- Honeywell (HON): Honeywell offers predictive maintenance solutions via its Connected Plant platform, providing real-time monitoring for industrial equipment.

Competitive Landscape and Market Dynamics

Market Consolidation Trends:

- Technology Integration: Companies are acquiring tech startups to enhance digital capabilities and maintain competitive advantages.
- Partnership Strategies: Collaborations between traditional industrial firms and tech providers are increasing to accelerate innovation.

Investment Implications:

- High Growth Potential: Industrial automation and smart manufacturing sectors present significant growth opportunities for investors.
- M&A Activity: Continued consolidation is expected in industrial technology sectors, focusing on integrated solution providers.

Actionable Insights for Bankers and Investors

For Bankers:

- Deal Opportunities: Target companies with strong technology portfolios in emerging industrial trends for M&A.

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- Valuation Considerations: Incorporate technology synergies and growth potential in industrial M&A evaluations.

For Investors:

- Sector Focus: Invest in companies leading digital transformation in their respective industrial sectors.
- Risk Management: Assess regulatory and technological risks when considering industrial technology investments.

In conclusion, the industrial sector is being reshaped by technological innovation and sustainability initiatives. Companies that effectively integrate these trends will likely emerge as leaders in the evolving industrial landscape.

6. Recommended Readings

Deal Name: NKGen Biotech, Inc. Acquisition of NKMax Co., Ltd.

- Reading Material: "Biotechnology for Beginners" by Reinhard Renneberg
- Why This Matters: This book provides foundational knowledge about biotechnology, including the significance of intellectual property and manufacturing capabilities in the biotech sector. Understanding these elements is crucial for analyzing NKGen's strategic acquisition of NKMax, as it highlights the importance of operational control and innovation in developing NK cell therapies.

7. MACROECONOMIC UPDATE

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: 10,000 by 2028
- Potential Increase in Drug Approvals Due to AI: 10-40%
- Estimated Cost Savings from Increased Drug Approvals: \$100 to \$600 billion by 2050

Main Insights:

- U.S. healthcare spending is significantly higher than peer countries, leading to increasing economic

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strain.

- The aging population and rising chronic diseases are driving demand for healthcare services.
- AI is viewed as a transformative tool that could help reduce healthcare costs through efficiencies in staffing, supply chain, and drug development.
- Labor costs constitute about 50% of hospital expenditures, highlighting the potential for AI to optimize staffing and reduce burnout.

Market Commentary:

- "Healthcare costs in the U.S. are projected to reach 25-30% of GDP by 2050, which is unsustainable."
- Erin Wright, Morgan Stanley
- "AI has the potential to increase drug approvals significantly, which could lead to substantial cost savings in the healthcare system." - Terence Flynn, Morgan Stanley

Industrial Sector Relevance:

- Rising healthcare costs could impact industrial sectors reliant on healthcare services, such as pharmaceuticals and medical devices.
- The labor shortage in healthcare may lead to increased demand for automation and AI solutions, creating opportunities for technology firms.
- Cost containment measures in healthcare could influence investment strategies in related industrial sectors, particularly those focused on efficiency and innovation.

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