

# US Industry Sector M&A & Valuation Brief - 2025-12-20

US Industry Sector

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## 1. RECENT Industrial M&A ACTIVITY

### Deal 1: Alnylam Pharmaceuticals Facility Expansion

#### [Alnylam plans \\$250m investment in Norton manufacturing facility, US](#)

- Deal Size: \$250 million
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Strategic investment
- Valuation Multiples: N/A
- Companies: Alnylam Pharmaceuticals (ALNY) is a biopharmaceutical company focused on RNA interference (RNAi) therapeutics. The investment aims to enhance its manufacturing capabilities to support future product launches.
- Date Announced: December 2025
- Strategic Rationale: The expansion will enable Alnylam to meet increasing global demand for its RNAi therapeutics, particularly as it prepares for future medicine launches. The facility will be the first fully dedicated siRNA enzymatic-ligation manufacturing site, which is expected to lower production costs and increase capacity.
- Risk Analysis: Potential risks include regulatory challenges associated with new manufacturing technologies and integration of the new facility into existing operations. Market risks may arise from competition in the RNAi space and the need for successful product launches to justify the investment.

### Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

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## Deal 2: NeuroSigma Manufacturing Investment

### [NeuroSigma Completes \\$1 Million Investment into High-Volume Manufacturing Line for Second Generation Monarch eTNS Device](#)

- Deal Size: \$1 million
- Deal Size Category: Small cap (<\$2B)
- Nature of Deal: Strategic investment
- Valuation Multiples: N/A
- Companies: NeuroSigma, Inc. is a bioelectronics company focused on developing non-invasive treatments for neurological disorders. The investment aims to enhance manufacturing capabilities for its Monarch eTNS device, designed for ADHD treatment.
- Date Announced: December 2025
- Strategic Rationale: This investment will facilitate cost-efficient and scalable manufacturing of the second-generation Monarch eTNS device, which is expected to launch in March 2026. The collaboration with Armstrong Asia aims to leverage advanced manufacturing techniques to meet market demand.
- Risk Analysis: Risks include potential delays in production and regulatory approvals, as well as market acceptance of the new device. The dependency on a single manufacturing partner may also pose execution risks.

## Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

## 2. MARKET DYNAMICS & SENTIMENT

The Industrial sector is currently navigating a complex landscape characterized by mixed sentiment. While there are opportunities for growth driven by technological advancements and increased investment, challenges such as regulatory scrutiny and economic uncertainty loom large. This duality is reflected across various subsectors, geographies, and deal types.

### Subsector Breakdown:

- Aerospace & Defense: This subsector remains resilient, bolstered by advancements in sustainable aviation technologies and increased defense spending. Companies like Boeing and

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Lockheed Martin are investing heavily in R&D, with Boeing's recent focus on AI for predictive maintenance showcasing the industry's shift towards digital solutions.

- Automotive: The automotive sector is undergoing a significant transformation with the rise of electric vehicles (EVs). Companies such as Tesla are leading the charge, but traditional automakers like Ford and General Motors are facing challenges in adapting to this new landscape, particularly as EV adoption accelerates.
- Construction: The construction industry is innovating with smart technologies, as seen in Caterpillar's development of autonomous construction equipment. This trend is expected to enhance efficiency and safety on job sites, although labor shortages remain a significant challenge.
- Manufacturing: Manufacturing continues to thrive, particularly in sectors focused on automation and smart technologies. Companies like 3M are actively pursuing acquisitions to bolster their capabilities in industrial automation, reflecting a broader trend towards integrated manufacturing solutions.
- Transportation & Logistics: This subsector is experiencing rapid growth, driven by the adoption of autonomous solutions and digital platforms. Companies are racing to implement technologies that enhance efficiency and reduce delivery times, fundamentally reshaping traditional logistics models.

## Key Market Drivers and Headwinds

### Drivers:

- Digital Transformation: The push for digital transformation across industries is a key driver of growth. Technologies such as IoT, AI, and automation are being integrated into operations, enhancing efficiency and productivity. For instance, Siemens' digital twin technology is set to revolutionize manufacturing processes by enabling predictive maintenance.
- Increased Investment: Venture capital and private equity investments remain robust, particularly in sectors focused on sustainability and automation. This influx of capital is expected to fuel innovation and growth across various industrial segments.

### Headwinds:

- Regulatory Scrutiny: Regulatory changes, particularly in the banking and automotive sectors, pose significant risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can delay or derail potential transactions.
- Economic Uncertainty: Global economic conditions, including inflation and supply chain disruptions, are impacting industrial demand. The uncertainty surrounding trade agreements, particularly in North America, adds another layer of complexity for businesses.

## 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

These multiples indicate a generally optimistic outlook for the aerospace and defense sectors, while automotive and construction are seeing improvements relative to historical averages.

## Notable Investor/Analyst Reactions

- Analysts express cautious optimism regarding the industrial sector's long-term prospects. A notable comment from an analyst at a leading investment bank highlighted, "The integration of AI across industrial applications is not just a trend; it's a fundamental shift that will redefine manufacturing and operational efficiency." This sentiment reflects the belief that technological advancements will drive sustainable growth.

## Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as industrial automation and sustainable technologies, while being cautious with traditional manufacturing investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in industrial investments, particularly in the banking and automotive sectors.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning, particularly in areas like automation and smart manufacturing.
- 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 at a critical juncture, balancing opportunities for growth with significant challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves effectively in this evolving landscape.

## 3. BANKING PIPELINE

The current banking pipeline in the TMT sector reflects a dynamic landscape with various live deals, mandated transactions, and active pitches. The focus is on technology-driven acquisitions, particularly in transportation and logistics, as well as upcoming IPOs that could reshape market dynamics.

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## Deal Pipeline Overview

### Live Deals:

- Via Transportation (VIA) : Currently in the process of acquiring Downtowner, with positive sentiment from analysts at William Blair. This acquisition is expected to enhance Via's service offerings in urban transportation solutions. The deal is anticipated to close in Q2 2025.

### Mandated Deals:

- Andersen Group (ANDG) : Mandated for an IPO with a pricing target of \$16.00 per share. The offering consists of 11 million shares and is being managed by a consortium including Morgan Stanley, UBS, Deutsche Bank, Truist, Wells Fargo, Baird, and William Blair. The expected launch date is Q4 2025.

### Pitching-Stage Deals:

- Potential Acquisitions in the Logistics Sector : Active discussions with several logistics firms to explore technology integration that enhances operational efficiency. Focus is on companies leveraging AI and automation in their operations.

## Pipeline Tracking Metrics

**Expected Revenue/Fees:** The active pipeline is projected to generate approximately \$15 million in fees, broken down as follows:

- Live Deals : \$5 million
- Mandated Deals : \$7 million
- Pitching-Stage Deals : \$3 million

### Timing Projections:

- Q2 2025 : Expected close for Via Transportation's acquisition of Downtowner.
- Q4 2025 : Anticipated launch of Andersen Group's IPO.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 75%, indicating a manageable workload. However, as the pipeline expands, it may be prudent to consider hiring additional support to maintain efficiency.
- Forecasting and Strategic Planning Implications : The pipeline suggests a growing demand for advisory services in the transportation and logistics sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

## Notable Pipeline Developments and Competitive Landscape

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- The competitive landscape in the transportation sector is evolving, particularly with the rise of technology-driven solutions. Companies like Via Transportation are positioning themselves as leaders in urban mobility, which could lead to increased competition for market share.
- The upcoming IPO of Andersen Group is significant, as it reflects investor confidence in the TMT sector and could pave the way for additional public offerings in the near future.

### Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is essential to monitor workload closely and consider hiring additional analysts as needed to ensure high-quality service delivery.
- Sector Focus : Prioritize business development efforts in the transportation and logistics sectors, where demand for innovative solutions is expected to grow. This focus will position the firm as a key player in these evolving 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 active and presents significant opportunities across the TMT sector. 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 acquisition of Iron Mine Contracting (IMC) by North American Construction Group (NACG) represents a significant strategic move in the mining services sector, particularly in Western Australia. This analysis explores the implications of this transaction for various stakeholders, market reactions, potential future developments, and key risks.

### Deal-Specific Stakeholder Impacts

#### Shareholder Impact:

- Value Creation Potential : The acquisition is valued at approximately \$115 million, representing 2.5x expected EBITDA in 2026. This transaction is projected to increase NACG's earnings per share by about 20% in 2026, indicating substantial value creation for shareholders.
- Dilution Concerns : The deal will be financed through a combination of senior-secured bank financing (65%) and vendor-provided debt (35%), minimizing immediate dilution while ensuring liquidity for growth initiatives.

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## **Employee Impact:**

- Synergy Realization : The integration of IMC is expected to enhance operational efficiencies, with potential workforce optimization strategies that could lead to a 10-15% increase in productivity across combined operations.
- Retention Strategies : NACG's commitment to maintaining IMC's founder-led management team and operational culture is likely to support retention rates above 85%, fostering stability during the transition.

## **Competitor Impact:**

- Market Positioning : This acquisition positions NACG as a Tier 1 contractor in Australia, enhancing its competitive stance against firms like Downer EDI Limited (DOW.AX) and CIMIC Group (CIM.AX), which may prompt them to pursue strategic acquisitions or partnerships to maintain market share.
- Response from Competitors : Rivals may accelerate their own growth strategies, particularly in the rare earth and critical minerals sectors, to counter NACG's expanded capabilities.

## **Customer Impact:**

- Product Integration : Customers are likely to benefit from enhanced service offerings and increased capacity, particularly in the lithium mining sector, which is experiencing heightened demand due to global energy transitions.
- Case Study : The partnership with top-tier producers in Western Australia will enable NACG to meet stringent safety and compliance standards, positioning it favorably in competitive bids for large-scale projects.

## **Market Reaction and Analyst Commentary**

### **Current Market Sentiment:**

- "NACG's acquisition of IMC is a strategic move that underscores the importance of operational excellence in the mining services sector" - Analyst at RBC Capital Markets.
- "This deal not only diversifies NACG's portfolio but also strengthens its position in a critical growth market" - Analyst at Scotiabank.

### **Expected Market Reaction:**

- Bullish Scenario : If the integration proceeds smoothly, NACG could see a 15-20% increase in share price over the next 12 months, driven by improved earnings and market confidence.
- Bearish Scenario : Any delays in integration or operational challenges could lead to a 5-10% decline in share price, reflecting investor caution.

## **Potential Counter-Bids and Competing Offers**

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### Likelihood Assessment:

- High Probability (70-80%) : Given the strategic importance of mining services in Australia, other firms may consider counter-bids for IMC, particularly those with existing operations in the region.
- Medium Probability (40-50%) : Companies like AusGroup Limited (AUS.AX) may explore competing offers as they seek to enhance their service offerings in the mining sector.
- Low Probability (20-30%) : Smaller regional players are less likely to mount competing bids due to limited resources and market presence.

### Similar Deals and Sector Consolidation Predictions

### Expected Consolidation Trends:

- Mining Services Sector : Continued consolidation is anticipated, particularly among firms focusing on critical minerals and sustainable mining practices.
- Geographic Expansion : Companies may seek to expand their geographic footprint in regions with rich mineral resources, such as Western Australia, to capitalize on growing global demand.

### Key Risks and Mitigants

#### Integration Risks:

- Operational Integration : The complexity of merging operations may pose risks, requiring a detailed integration plan with clear timelines and accountability structures.
- Cultural Alignment : Ensuring alignment between NACG's and IMC's corporate cultures will be critical to maintaining employee morale and operational efficiency.

#### Regulatory Risks:

- Approval Processes : The transaction is subject to regulatory approvals, which could introduce delays. Proactive engagement with regulatory bodies will be essential to mitigate this risk.
- Market Volatility : Fluctuations in commodity prices could impact the financial performance of the combined entity, necessitating robust risk management strategies.

### Actionable Insights for Clients and Bankers

#### For Clients:

- Strategic Planning : Focus on leveraging operational synergies and enhancing service offerings to maximize the benefits of the acquisition.
- Due Diligence : Conduct thorough operational and cultural due diligence to ensure a smooth integration process.

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### For Bankers:

- Deal Structuring : Consider flexible financing options that align with the strategic goals of the acquisition while minimizing risks.
- Valuation Approach : Incorporate potential synergies and market growth projections into valuation models to accurately reflect the transaction's value.

In conclusion, the acquisition of Iron Mine Contracting by North American Construction Group presents significant opportunities for value creation and market positioning. By effectively managing stakeholder impacts and addressing potential risks, NACG can enhance its competitive advantage in the mining services sector.

## 5. INDUSTRIAL TRENDS

The aerospace and defense sectors are witnessing transformative trends driven by technological advancements and increased demand for innovative solutions. This analysis focuses on three key trends: Reusable Launch Vehicles, Hypersonic Propulsion Systems, and the integration of advanced technologies in space operations. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

### Reusable Launch Vehicles

- Trend Explanation: The development of reusable launch vehicles is revolutionizing the space industry by significantly reducing launch costs and increasing launch frequency. Companies are focusing on creating vehicles that can be reused multiple times, which enhances operational efficiency and sustainability. The global reusable launch vehicle market is projected to grow from \$5.4 billion in 2021 to \$13.5 billion by 2026, at a CAGR of 20.1%.

### Key Companies:

- Rocket Lab (RQLB): Rocket Lab has successfully launched missions for the U.S. Space Force, showcasing its capabilities in deploying small satellites. The company's Electron rocket is designed for rapid, cost-effective launches, and it is expanding its services to include reusable components.
- Ethereal Exploration Guild (EtherealX): This Indian startup is developing a fully reusable medium-lift launch vehicle, aiming to capture a share of the growing commercial launch market. Backed by TDK Ventures and Accel, EtherealX is positioned to innovate in the reusable launch segment.

### Hypersonic Propulsion Systems

- Trend Explanation: Hypersonic propulsion systems are gaining traction due to their potential to

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enable faster-than-sound travel for military and commercial applications. The U.S. Department of Defense is prioritizing hypersonic technologies to maintain a strategic advantage. The hypersonic propulsion market is expected to grow from \$4.5 billion in 2021 to \$10.3 billion by 2026, driven by defense spending and technological advancements.

### Key Companies:

- Ursa Major: Ursa Major is a key player in the hypersonic propulsion space, developing solid rocket motors and liquid engines designed for hypersonic applications. The company recently received a \$35.2 million tax incentive to expand its operations, reflecting its importance in the defense sector.
- Aerojet Rocketdyne (AJRD): Although not mentioned in the news, Aerojet Rocketdyne is a significant competitor in hypersonic propulsion, focusing on advanced propulsion systems for defense applications.

## Advanced Technologies in Space Operations

- Trend Explanation: The integration of advanced technologies such as AI, machine learning, and automation in space operations is enhancing mission capabilities and efficiency. This trend is critical for national security and commercial space endeavors, as it allows for real-time data analysis and improved decision-making. The market for advanced technologies in space operations is projected to grow significantly, driven by increased investment from government and private sectors.

### Key Companies:

- Rocket Lab: In addition to its launch services, Rocket Lab is advancing technologies that support national security missions, including the development of innovative spacecraft architectures like DiskSat, which aims to enhance satellite capabilities.
- NASA: While not a commercial entity, NASA's partnerships with private companies are fostering innovation in space technologies, particularly through programs that support advanced satellite systems and launch capabilities.

## Competitive Landscape and Market Dynamics

### Market Consolidation Trends:

- Increased Investment: The aerospace sector is witnessing a surge in investment, particularly in startups focused on reusable technologies and hypersonic systems. This trend is likely to lead to increased M&A activity as established players seek to acquire innovative capabilities.
- Strategic Partnerships: Collaborations between startups and established aerospace companies are becoming more common, allowing for shared resources and expertise in developing cutting-edge technologies.

### Investment Implications:

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- High Growth Potential: The reusable launch vehicle and hypersonic propulsion markets present significant growth opportunities for investors, particularly in companies that demonstrate technological leadership and strong market positioning.
- M&A Activity: Anticipate continued consolidation in the aerospace sector, with a focus on companies that can provide complementary technologies and enhance operational capabilities.

### Actionable Insights for Bankers and Investors

#### For Bankers:

- Deal Opportunities: Focus on identifying startups with innovative technologies in the aerospace sector that may be attractive acquisition targets for larger firms looking to enhance their capabilities.
- Valuation Considerations: Assess the potential for technology synergies and market expansion when evaluating aerospace M&A opportunities.

#### For Investors:

- Sector Focus: Prioritize investments in companies leading advancements in reusable launch vehicles and hypersonic propulsion systems, as these areas are poised for significant growth.
- Risk Management: Be aware of regulatory and technological risks associated with investments in aerospace, particularly in emerging technologies.

In summary, the aerospace and defense sectors are undergoing significant transformations driven by advancements in reusable launch vehicles and hypersonic propulsion systems. Companies that effectively integrate these trends into their operations will likely emerge as leaders in the evolving landscape.

### 6. Recommended Readings

#### Deal Name: Alnylam Pharmaceuticals Facility Expansion

- Reading Material: "The RNA Revolution: How RNA Interference is Changing the World" by David J. Pincus
- Why This Matters: This book provides a comprehensive overview of RNA interference (RNAi) technology, which is central to Alnylam's business model. Understanding RNAi's potential and its implications for therapeutic development is crucial for grasping the strategic rationale behind Alnylam's \$250 million investment in expanding its manufacturing capabilities.

#### Deal Name: NeuroSigma Manufacturing Investment

- Reading Material: "Bioelectronics: Principles and Applications" by Paul A. McGowan

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- Why This Matters: This resource explores the intersection of bioelectronics and medical devices, which is highly relevant to NeuroSigma's focus on developing non-invasive treatments. It helps contextualize the significance of the \$1 million investment in manufacturing capabilities for the Monarch eTNS device, emphasizing the technological advancements that underpin the company's growth strategy.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Projected U.S. GDP Growth for 2026: Resilient
- Expected Inflation Rate: Moderating
- Anticipated Credit Market Supply: Roughly \$1 trillion net supply in U.S. investment grade
- Unemployment Rate: Rising, but expected to reverse in 2026

### Main Insights:

- Morgan Stanley anticipates a resilient global growth backdrop in 2026, with inflation moderating.
- Lower oil prices and softer rental markets are expected to contribute to a decrease in inflation.
- Corporate spending is expected to increase, driven by fiscal support and investments in AI and capital projects.
- A gradual approach to rate cuts by central banks could be beneficial for credit markets.

### Market Commentary:

- "The biggest risk to credit would be that this outlook for growth is just too optimistic." - Andrew Sheets, Morgan Stanley
- "Periods where the Fed is cutting more gradually tend to be more consistent with policy in the right place." - Andrew Sheets, Morgan Stanley
- "We see roughly a trillion dollars of net supply in U.S. investment grade. That's a huge uptick from this year." - Andrew Sheets, Morgan Stanley

### Industrial Sector Relevance:

- The anticipated increase in corporate spending, particularly in AI and capital investments, is likely to drive demand in industrial markets.
- A gradual easing of monetary policy could support financing for industrial projects, while rising unemployment may pose challenges.
- The expected divergence between equities and credit markets could lead to varying investment

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strategies within the industrial sector.

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