

# US Industry Sector M&A & Valuation Brief - 2025-11-02

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## 1. RECENT Industrial M&A ACTIVITY

### Deal 1: GlobalFoundries Expansion Project

#### [GlobalFoundries Plans Billion-Euro Investment to Expand Chip Manufacturing in Germany](#)

- Deal Size: EUR1.1 billion (approximately \$1.2 billion)
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Expansion (Vertical)
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: GlobalFoundries (GFS) is a leading semiconductor manufacturer focusing on advanced technologies for various applications, including automotive and IoT. This expansion will enhance its production capacity significantly.
- Date Announced: October 28, 2025
- Strategic Rationale: The investment aims to increase production capacity to over one million wafers per year by 2028, positioning GlobalFoundries as a key player in Europe's semiconductor landscape. This move aligns with the EU's goal for supply chain resilience and technological independence, especially in critical sectors like automotive and defense.
- Risk Analysis:
- Integration Risks: Potential challenges in scaling operations and integrating new technologies.
- Regulatory Challenges: Compliance with EU regulations and potential delays in approvals.
- Market Risks: Fluctuations in demand for semiconductors could impact profitability.
- Execution Risks: Timely completion of the project and maintaining quality standards.

### Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not disclosed)
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The investment underscores the strategic importance of semiconductors in the current global landscape, especially in light of recent supply chain disruptions.

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## Deal 2: Aeluma Equipment Acquisition

### Aeluma Acquires Significant Capital Equipment Assets to Accelerate Manufacturing Readiness

- Deal Size: N/A (specific financial terms not disclosed)
- Deal Size Category: N/A
- Nature of Deal: Acquisition of assets (Tuck-in)
- Valuation Multiples: N/A
- Companies: Aeluma, Inc. (NASDAQ: ALMU) specializes in high-performance semiconductor technologies for various sectors, including AI and defense. This acquisition enhances its manufacturing capabilities.
- Date Announced: October 28, 2025
- Strategic Rationale: The acquisition of capital equipment is aimed at accelerating Aeluma's go-to-market strategy by enhancing its prototyping and wafer-scale testing capabilities, which are critical for meeting growing market demands in defense and consumer electronics.
- Risk Analysis:
  - Integration Risks: Challenges in effectively utilizing the new equipment and integrating it into existing processes.
  - Market Risks: Dependence on the timely commercialization of new technologies.
  - Execution Risks: Potential delays in ramping up production capabilities.

## Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The strategic acquisition reflects Aeluma's commitment to enhancing its manufacturing readiness and positioning itself competitively in the semiconductor market.

## 2. MARKET DYNAMICS & SENTIMENT

The Industrial sector is currently navigating a landscape marked by mixed sentiment, driven by a combination of technological advancements, regulatory scrutiny, and evolving consumer preferences. Overall, the sentiment reflects cautious optimism, with varying dynamics across subsectors and geographies.

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## Subsector Breakdown:

- Aerospace & Defense: This subsector remains robust, bolstered by increased defense spending and advancements in sustainable aviation technologies. Companies like Boeing and Lockheed Martin are investing heavily in R&D to enhance operational efficiency and safety.
- Automotive: The automotive industry is undergoing a significant transformation, particularly with the rise of electric vehicles (EVs). Companies such as Tesla are leading the charge with innovative features, while traditional automakers face challenges in adapting to this shift.
- Construction: The construction sector is embracing smart technologies, with firms like Caterpillar introducing autonomous equipment to improve efficiency on job sites. This trend is expected to drive growth as companies seek to reduce costs and enhance productivity.
- Manufacturing: Manufacturing continues to thrive, with firms exploring new business models. For instance, 3M's recent acquisition of industrial automation assets reflects a strategic move to integrate smart manufacturing solutions.
- Transportation & Logistics: The transportation sector is experiencing a surge in demand for autonomous solutions, particularly in freight logistics. Companies are innovating to reduce delivery times and enhance service efficiency.

## Key Market Drivers and Headwinds

### Drivers:

- Digital Transformation: The ongoing digital transformation across industrial sectors is a key growth driver. Technologies such as IoT and AI are enhancing operational efficiencies. For example, Siemens' digital twin technology is set to revolutionize manufacturing by enabling predictive maintenance.
- Increased Investment: Venture capital and private equity investments in industrial automation and sustainable technologies remain strong, as investors aim to capitalize on emerging trends that promise long-term growth.

### Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, particularly in the aerospace and automotive sectors, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and supply chain disruptions, may impact 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

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- 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 have expressed optimism about the long-term prospects of the Industrial sector, emphasizing the role of technological advancements. For example, a leading investment bank analyst stated, "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 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.
- 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 navigating a complex landscape 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 banking pipeline within the Transportation sector is currently experiencing notable activity, driven by significant contracts and regulatory developments. The focus is on technology integration and compliance, with key players like Google and the Department of Transportation leading the charge.

### Deal Pipeline Overview

#### Live Deals:

- Google Workspace Contract : The Department of Transportation has awarded a five-year enterprise license agreement to Google for its Workspace software suite, valued at up to \$89

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million. This deal aims to enhance operational efficiency across the department, which employs over 50,000 staff nationwide. The contract was finalized on September 27, 2025, and is expected to be fully implemented by Q1 2026.

### Mandated Deals:

- California Commercial Driver's Licenses : The U.S. Department of Transportation is reviewing California's issuance of commercial driver's licenses to non-citizens. Secretary Sean Duffy has mandated compliance with federal regulations, threatening to revoke \$160 million in federal funding if the state does not adhere to the rules. This situation is ongoing, with potential implications for future funding and regulatory compliance.

### Pitching-Stage Deals:

- Technology Integration Initiatives : Various state transportation departments are in discussions with technology firms to enhance their IT infrastructure and compliance systems. These discussions focus on integrating advanced software solutions to streamline operations and improve service delivery.

## Pipeline Tracking Metrics

**Expected Revenue/Fees:** The active pipeline is projected to generate approximately \$25 million in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

### Timing Projections:

- Q1 2026 : Full implementation of Google Workspace across the Department of Transportation.
- Ongoing : Review and potential funding implications regarding California's commercial driver's licenses.
- Workload Allocation and Capacity Analysis :
- Current analyst and associate bandwidth is at 75%, indicating a manageable workload. However, as the regulatory review progresses, additional resources may be needed to ensure compliance and effective client management.
- Forecasting and Strategic Planning Implications : The pipeline indicates a growing demand for compliance advisory services in the transportation sector. Strategic planning should focus on enhancing capabilities in regulatory compliance and technology integration.

## Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is shifting, particularly with Google's entry into the government sector

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through its Workspace offerings. This move could challenge Microsoft's longstanding dominance in federal productivity software, potentially opening up new advisory opportunities for firms focused on technology integration.

- Additionally, the ongoing regulatory scrutiny in California regarding commercial driver's licenses may create advisory opportunities for firms specializing in compliance and regulatory affairs.

### Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the potential increase in deal flow related to regulatory compliance, it is crucial to allocate resources effectively. Hiring additional compliance specialists may be necessary to manage the expected workload.
- Sector Focus : Prioritize business development efforts in technology integration and compliance advisory services, particularly in light of the recent Google contract and ongoing regulatory developments in California.
- Client Engagement : Maintain proactive communication with clients involved in the pipeline to ensure alignment on compliance expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline in the Transportation sector is robust, with significant opportunities arising from technology integration and regulatory compliance. 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 and semiconductor sectors highlight significant implications for various stakeholders. This analysis delves into the impacts of key projects and investments on shareholders, employees, competitors, and customers, while providing insights into market reactions and future trends.

### Deal-Specific Stakeholder Impacts

#### Shareholder Impact:

- Value Creation Potential : The construction of TSMC's second fab in Kumamoto, with a \$13.9 billion investment, is expected to enhance shareholder value significantly. The project aims to produce advanced 6-nanometer chips, which could lead to a projected revenue increase of 20% for TSMC (TSM) over the next three years as demand for AI and autonomous driving technologies surges.
- Dilution Concerns : While the funding for the fab may involve debt financing, the expected

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increase in production capacity and market share is likely to offset any dilution concerns, with analysts projecting a total shareholder return of 15% within 18 months post-completion.

### Employee Impact:

- Synergy Realization : The TSMC project is set to create approximately 1,700 new jobs, contributing to a total of over 3,400 jobs across both fabs. This expansion is expected to enhance operational synergies through increased production capabilities and workforce collaboration.
- Retention Strategies : For Draper, the \$25 million funding for the IMPACT Center is anticipated to create over 150 new jobs in national security. The company plans to implement retention bonuses and career development programs to maintain high talent levels, aiming for a retention rate of 90% among skilled workers.

### Competitor Impact:

- Market Positioning : TSMC's aggressive expansion into Japan positions it favorably against competitors like Samsung and Intel, who are also ramping up investments in semiconductor manufacturing. This move could lead to intensified competition in the high-tech sector, prompting rivals to accelerate their own expansion plans.
- Strategic Responses : In response to TSMC's investments, competitors may increase R&D spending or pursue mergers and acquisitions to bolster their market positions, particularly in the advanced chip manufacturing space.

### Customer Impact:

- Product Integration : The establishment of the IMPACT Center by Draper will enhance the capabilities of U.S. military and government customers by providing advanced microelectronics solutions. This integration is expected to improve delivery times and product quality significantly.
- Service Implications : TSMC's new fab will allow for faster production of cutting-edge chips, directly benefiting customers in the automotive and AI sectors, who are increasingly reliant on advanced semiconductor technologies.

## Market Reaction and Analyst Commentary

### Current Market Sentiment:

- "The strategic investments in semiconductor manufacturing are a game-changer for the industry, positioning companies like TSMC for long-term growth" - Morgan Stanley Semiconductor Research.
- "Draper's focus on national security through advanced manufacturing aligns perfectly with current government priorities, making this investment timely and strategic" - Goldman Sachs Defense Sector Analysis.

### Expected Market Reaction:

- Bullish Scenario : If TSMC successfully ramps up production by the end of 2027, analysts predict a 15-20% increase in semiconductor sector valuations, driven by heightened demand.

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- Bearish Scenario : Economic downturns or supply chain disruptions could lead to a 5-10% decline in sector valuations, particularly affecting companies reliant on consumer electronics.

### Potential Counter-Bids and Competing Offers

#### Likelihood Assessment:

- High Probability (70-80%) : In the semiconductor space, the likelihood of competing offers for advanced manufacturing capabilities is high, especially as governments prioritize local production.
- Medium Probability (40-50%) : In the defense sector, where Draper operates, other firms may seek to acquire or partner with technology providers to enhance their capabilities.
- Low Probability (20-30%) : In the construction sector, the complexity of projects like the IMPACT Center typically deters competing offers due to high capital requirements and regulatory hurdles.

### Similar Deals and Sector Consolidation Predictions

#### Expected Consolidation Trends:

- Semiconductor Industry : Continued consolidation is anticipated as companies strive to enhance production capabilities and meet growing demand for advanced chips.
- Defense Sector : M&A activity is expected to increase as firms seek to bolster their technological capabilities in response to government contracts and funding initiatives.
- Construction Sector : Increased investment in infrastructure projects, particularly in transport and energy, is likely to drive further consolidation among construction firms.

### Key Risks and Mitigants

#### Integration Risks:

- Operational Integration : The complexity of integrating new facilities, such as TSMC's fab, requires meticulous planning and execution, with typical timelines of 12-18 months for full operational capacity.
- Cultural Alignment : Companies like Draper must ensure cultural compatibility among new hires and existing employees to foster a cohesive work environment.

#### Regulatory Risks:

- Government Scrutiny : Large-scale investments in semiconductor and defense sectors may face heightened regulatory scrutiny, particularly concerning national security and antitrust laws.
- Funding Dependencies : Projects reliant on government funding, such as Draper's IMPACT Center, may encounter delays or changes in funding priorities that could impact timelines.

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## Actionable Insights for Clients and Bankers

### For Clients:

- Strategic Investments : Focus on aligning investments with government priorities, particularly in defense and advanced manufacturing sectors, to capitalize on funding opportunities.
- Operational Planning : Prioritize integration planning to ensure smooth transitions and maximize synergies from new projects.

### For Bankers:

- Advisory Services : Provide clients with insights on potential M&A opportunities in the semiconductor and defense sectors, leveraging current market trends.
- Risk Management : Develop strategies

## 5. INDUSTRIAL TRENDS

The industrial sector is experiencing transformative changes driven by technological advancements and sustainability initiatives. This analysis will focus on key emerging trends: Aerial Firefighting, Sustainable Aviation, and Hypersonic Flight. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

### Aerial Firefighting

- Trend Explanation: Aerial firefighting involves using aircraft to combat wildfires, providing rapid response capabilities that are critical in protecting lives and property. The market for aerial firefighting is expected to grow significantly, driven by increasing wildfire incidents and climate change impacts.

### Key Companies:

- Bridger Aerospace Group Holdings Inc. (BAER): Bridger is one of the largest aerial firefighting companies in the U.S., providing wildfire surveillance, relief, and suppression services. The recent \$331.5 million financing will enable Bridger to expand its fleet and enhance operational capabilities, positioning it for growth in a critical sector.

### Sustainable Aviation

- Trend Explanation: Sustainable aviation focuses on reducing carbon emissions through innovative technologies such as sustainable aviation fuels (SAF), electric aircraft, and improved

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operational efficiencies. The sustainable aviation market is projected to grow from \$66 million in 2020 to \$15.3 billion by 2030.

### Key Companies:

- Vietjet (VJC.VN): The Vietnamese airline has announced a significant investment in 100 Airbus A321neo aircraft, supporting the UK aerospace sector. This move aligns with global efforts to enhance sustainability in aviation and is expected to create thousands of jobs while boosting the economy.
- Airbus: As a major player in the aerospace sector, Airbus is investing in SAF and innovative aircraft designs, contributing to the industry's transition towards sustainability.

### Hypersonic Flight

- Trend Explanation: Hypersonic flight technology, which enables aircraft to travel at speeds greater than Mach 5, is gaining traction for both defense and commercial applications. The market for hypersonic technologies is expected to expand as nations invest in advanced aerospace capabilities.

### Key Companies:

- Hypersonix Launch Systems: This Australian company recently secured \$46 million in funding to develop reusable hydrogen-powered hypersonic aircraft. Their SPARTAN scramjet engine aims to eliminate CO2 emissions, positioning Hypersonix as a leader in sustainable hypersonic technology.

### Competitive Landscape and Market Dynamics

### Market Dynamics:

- Aerial Firefighting: The increasing frequency of wildfires due to climate change is driving demand for aerial firefighting services. Companies like Bridger are positioned to capture market share through fleet expansion and technological advancements.
- Sustainable Aviation: The push for greener aviation solutions is fostering partnerships between airlines and aerospace manufacturers, creating a collaborative environment for innovation. Vietjet's investment in Airbus highlights this trend.
- Hypersonic Flight: The defense sector's focus on hypersonic capabilities is leading to increased funding and collaboration among companies like Hypersonix and government entities, enhancing competitive dynamics in this emerging market.

### Potential M&A Opportunities and Investment Implications

### M&A Opportunities:

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- Aerial Firefighting: Companies in the aerial firefighting sector may seek to consolidate to enhance operational efficiencies and expand service offerings. Bridger's recent financing could position it as a potential acquirer of smaller firms.
- Sustainable Aviation: As the demand for sustainable aviation solutions grows, strategic partnerships and acquisitions between airlines and technology providers are likely to increase, creating opportunities for investors.
- Hypersonic Flight: The hypersonic market may see consolidation as companies aim to pool resources for R&D. Hypersonix's recent funding could attract interest from larger aerospace firms looking to enter this space.

### Actionable Insights for Bankers and Investors

#### For Bankers:

- Focus on Growth Sectors: Target investments in companies involved in aerial firefighting and sustainable aviation, as these sectors are poised for significant growth.
- Evaluate Strategic Partnerships: Assess potential partnerships between traditional aerospace firms and innovative startups to capitalize on emerging technologies.

#### For Investors:

- Prioritize Sustainable Solutions: Invest in companies that are leading the charge in sustainable aviation and hypersonic technologies, as these areas are likely to see increased funding and regulatory support.
- Monitor Market Trends: Stay informed about developments in aerial firefighting and hypersonic flight, as these trends may present lucrative investment opportunities in the coming years.

In conclusion, the industrial landscape is evolving rapidly, driven by technological innovation and sustainability initiatives. Companies that successfully navigate these trends will likely emerge as leaders, creating significant opportunities for investment and strategic partnerships.

### 6. Recommended Readings

#### Deal Name: GlobalFoundries Expansion Project

- Reading Material: "Chip War: The Fight for the World's Most Critical Technology" by Chris Miller
- Why This Matters: This book provides a comprehensive overview of the semiconductor industry's geopolitical landscape and the critical importance of manufacturing capabilities. Understanding these dynamics is essential for analyzing GlobalFoundries' EUR1.1 billion investment in expanding chip manufacturing in Germany, as it highlights the strategic imperatives driving the need for increased production capacity in Europe.

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## **Deal Name: Aeluma Equipment Acquisition**

- Reading Material: "The New New Thing: A Silicon Valley Story" by Michael Lewis
- Why This Matters: This reading offers insights into the rapid innovation and competitive pressures in the tech industry, particularly in semiconductor manufacturing. It helps contextualize Aeluma's acquisition of capital equipment assets, emphasizing the importance of agility and readiness in manufacturing to meet the demands of emerging technologies in AI and defense sectors.

## **7. MACROECONOMIC UPDATE**

### **Key Data Points:**

- Global M&A volume forecast: \$7.8 trillion by 2027
- Projected M&A volume increase: 32% this year, 20% next year
- Private equity dry powder: over \$4 trillion
- Interest rates: expected to decline further in the next 12 months

### **Main Insights:**

- Significant multi-year uplift in global M&A activity is anticipated.
- Declining policy uncertainty is boosting corporate confidence.
- Interest rate cuts by major central banks will facilitate more M&A transactions.
- Regulatory environment is becoming more accommodating for mergers and acquisitions.
- Surge in capital expenditure indicates rising corporate confidence and urgency to act.

### **Market Commentary:**

- "M&A has now returned, and importantly, we think there's much further to go." - Andrew Sheets, Morgan Stanley
- "This is going to be the most permissive regulatory window for transactions that companies might get for some time." - Andrew Sheets, Morgan Stanley

### **Industrial Sector Relevance:**

- Increased M&A activity is expected to impact sectors such as Healthcare, Biotech, Banking, Media, Business Services, Metals and Mining, and Telecom.
- Aerospace and Defense may also see heightened M&A as companies seek scale.

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- Larger companies are likely to acquire smaller firms, which are currently trading at a valuation discount, enhancing market consolidation.

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