



**FORTLANE PARTNERS**  
STRATEGY · M&A · TRANSFORMATION

# Value Creation for Industrials in Europe

Study Results 2023 | Deep Dive: Machinery & Components Industrials

# Disruptive Forces Manifesting within the Industrials Sector

The European industrials sector is facing a myriad of disruptive forces (for example, supply chain disruptions, digitalization, and sustainability) that are increasingly putting pressure on the total shareholder return (TSR)

TECHNOLOGY  
SUSTAINABILITY INVESTMENTS  
DIGITALIZATION ENERGY PRICES  
MARKET VOLATILITY INNOVATION  
MARGIN EXPANSION LEVERAGE RATIO  
INFRASTRUCTURE OPERATING PERFORMANCE  
SUPPLY CHAIN DISRUPTIONS LIQUIDITY



Industrial companies need to manage the multidimensional challenges and provide sustainable total shareholder return to their investors.

# Executive Summary

Industrial companies have experienced tail winds in recent years and the subindustry of industrial machinery & components performed particularly well as some companies were able to consistently outperform their peers.

## CURRENT CHALLENGES FOR INDUSTRIALS

### 01 DIGITAL TRANSFORMATION

Industrial companies are facing increasing pressure to adopt digital technologies. The associated increased connectivity comes with the additional challenge of protecting themselves against cyberattacks.

### 02 GEOPOLITICAL INSTABILITY

Risks are coming from geopolitical disruptions like the Russian invasion of Ukraine, and corresponding frictions between the EU/USA and Russia require industrials to monitor risks and manage their impact.

### 03 CLIMATE CHANGE & SUSTAINABILITY

Industrial companies are under increasing pressure from regulatory bodies, financing partners, and consumers to reduce their environmental impact and become more sustainable.

### 04 SUPPLY CHAIN DISRUPTIONS

The COVID-19 pandemic has highlighted the vulnerability of global supply chains, and industrial companies are now looking for ways to create more resilient supply chain networks.

## TOTAL SHAREHOLDER RETURN (TSR) INSIGHTS

### 01 FAST POST-COVID RECOVERY

The COVID-19 pandemic negatively impacted the average TSR of industrials in 2020 due to consumption slump and insecurities, but it recovered quickly in 2021.

### 02 MACHINERY & COMPONENTS OUTPERFORMING

The subindustry group industrial machinery & components was able to consistently outperform the overall TSR of European industrial companies.

### 03 OPERATIONAL PERFORMANCE AS KEY TSR DRIVER

The analysis confirms operating performance (i.e., revenue growth and EBITDA growth) together with changes in multiple as main TSR drivers for the industrial machinery & components subindustry.

### 04 SUCCESS FACTORS

Key factors for above market TSRs are the ability to adapt to changing market conditions, investments into new technologies, and early integration of sustainable practices.

## METHODOLOGY

- Data analysis is based on extracts from Capital IQ including financial ratios for 412 European industrial companies.
- Division of the 412 companies into 9 subindustries.
- Determination of total shareholder return (TSR) CAGRs and KPIs.
- Regression analysis to determine the correlation between performance indicators and TSR.
- Benchmarking of individual companies within subindustries and examination of success factors.

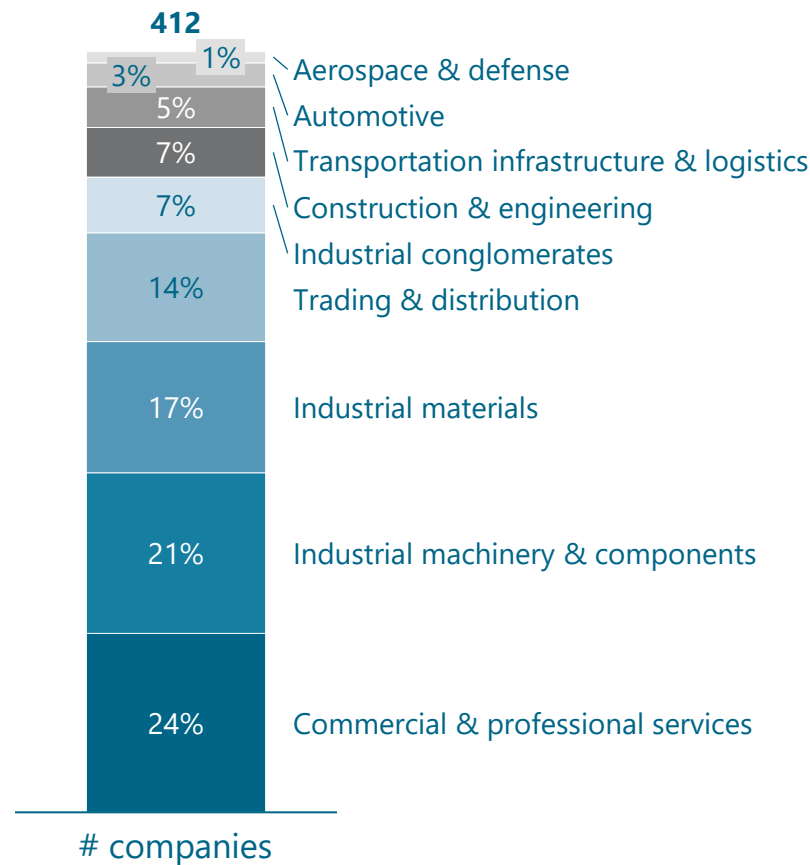
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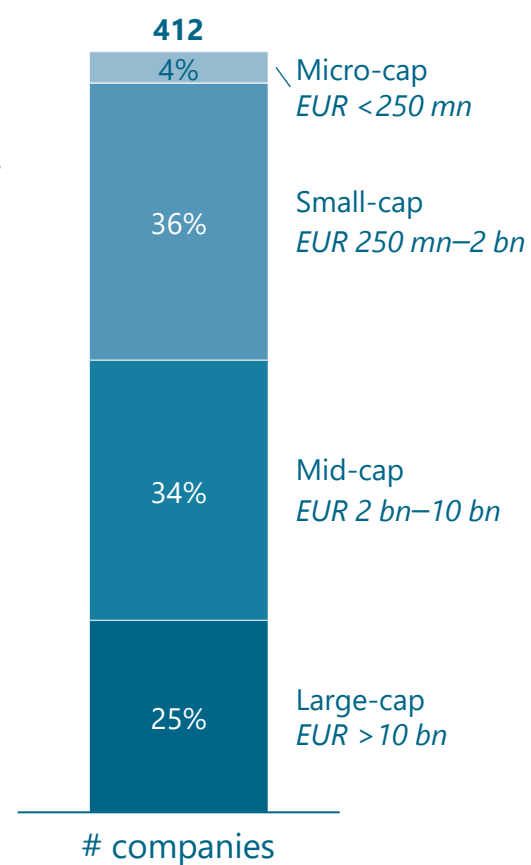
# Data Foundation | Scope of Analysis

We analyzed 412 European industrial companies with a revenue of EUR >500 mn within 9 subindustries and of a variety of size and geography.

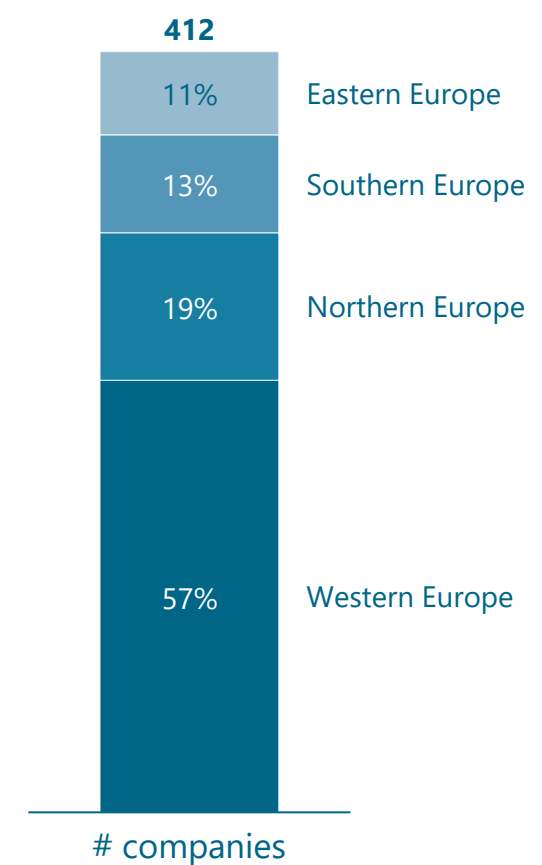
COMPANIES SPLIT BY SUBINDUSTRY [%]



COMPANIES SPLIT BY MARKET CAP [%]



COMPANIES SPLIT BY REGION [%]



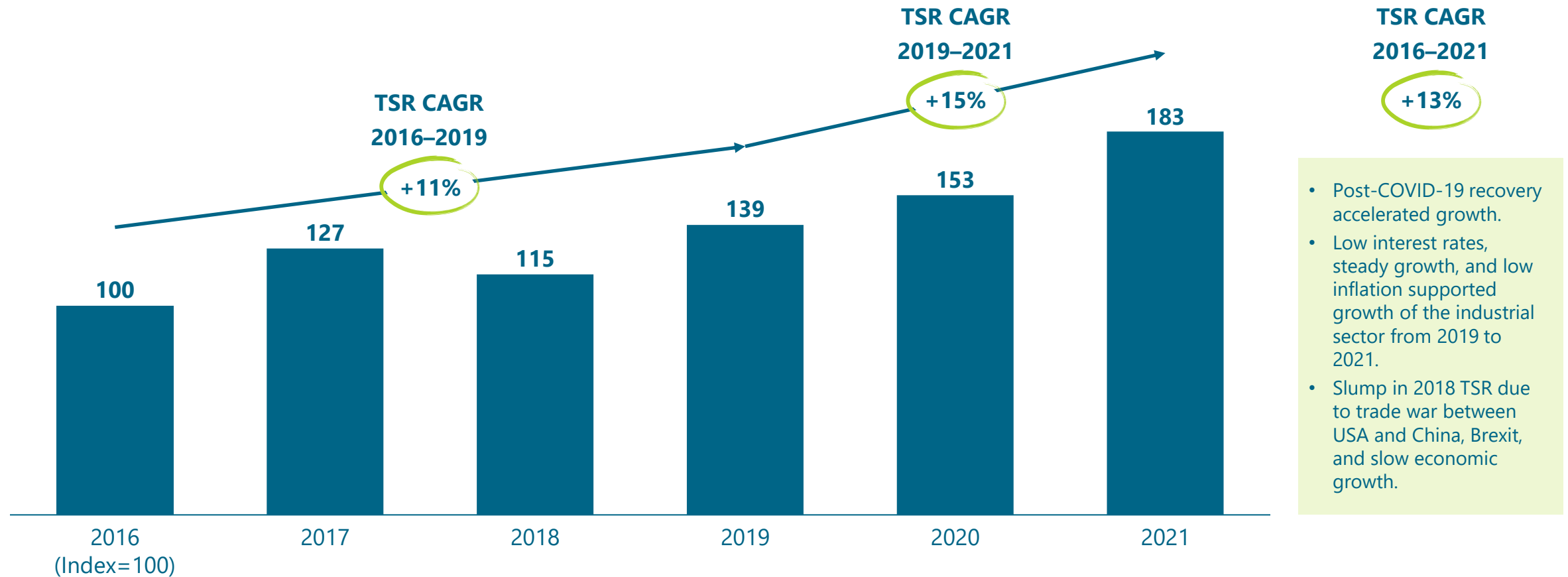
# KEY RESULTS



# Total Shareholder Return Industrials | Big-Picture View

The 412 European industrial players showed a 13% CAGR in total shareholder return from 2016 to 2021—the growth accelerated from 11% to 15% (2016–2019 vs. 2019–2021).

TOTAL SHAREHOLDER RETURN (TSR) DEVELOPMENT OF EUROPEAN INDUSTRIALS<sup>[1]</sup> (INDEX 2016 = 100)

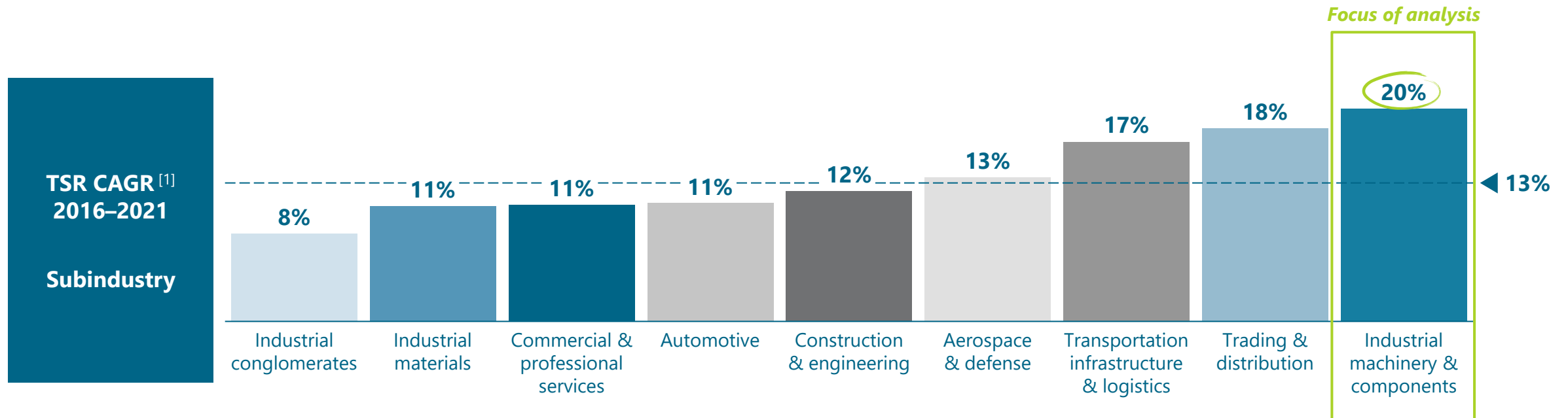


[1] Total shareholder return, market capitalization, and dividend payouts of the 412 companies analyzed.  
Source: Capital IQ, Fortlane Partners analysis

# TSR Performance 2016–2021 | Subindustry View

The industrial machinery & components subindustry outperformed the remaining industrials sectors with a TSR CAGR of 20% between 2016 and 2021.

TOTAL SHAREHOLDER RETURN (TSR) CAGR OF INDUSTRIALS PER SUBINDUSTRY

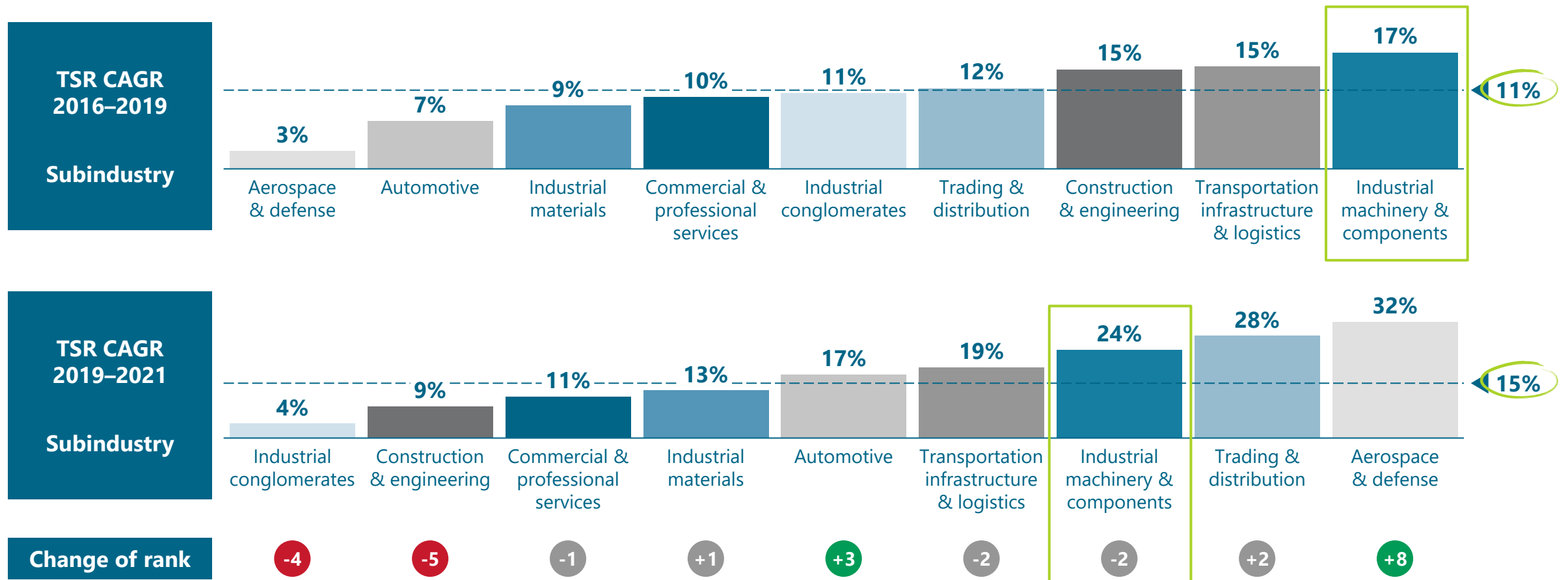


 Focus of analysis  
[1] Compound annual growth rate  
Source: Capital IQ, Fortlane Partners analysis

# TSR Performance 2016–2019 and 2019–2021 | Subindustry View

Industrial machinery & components outperformed the industry average in both time periods, making it the top performer in 2016–2019 with an CAGR of 17% versus a CAGR of 11% for industrial players.

TOTAL SHAREHOLDER RETURN (TSR) CAGR OF INDUSTRIALS PER SUBINDUSTRY



Focus of analysis

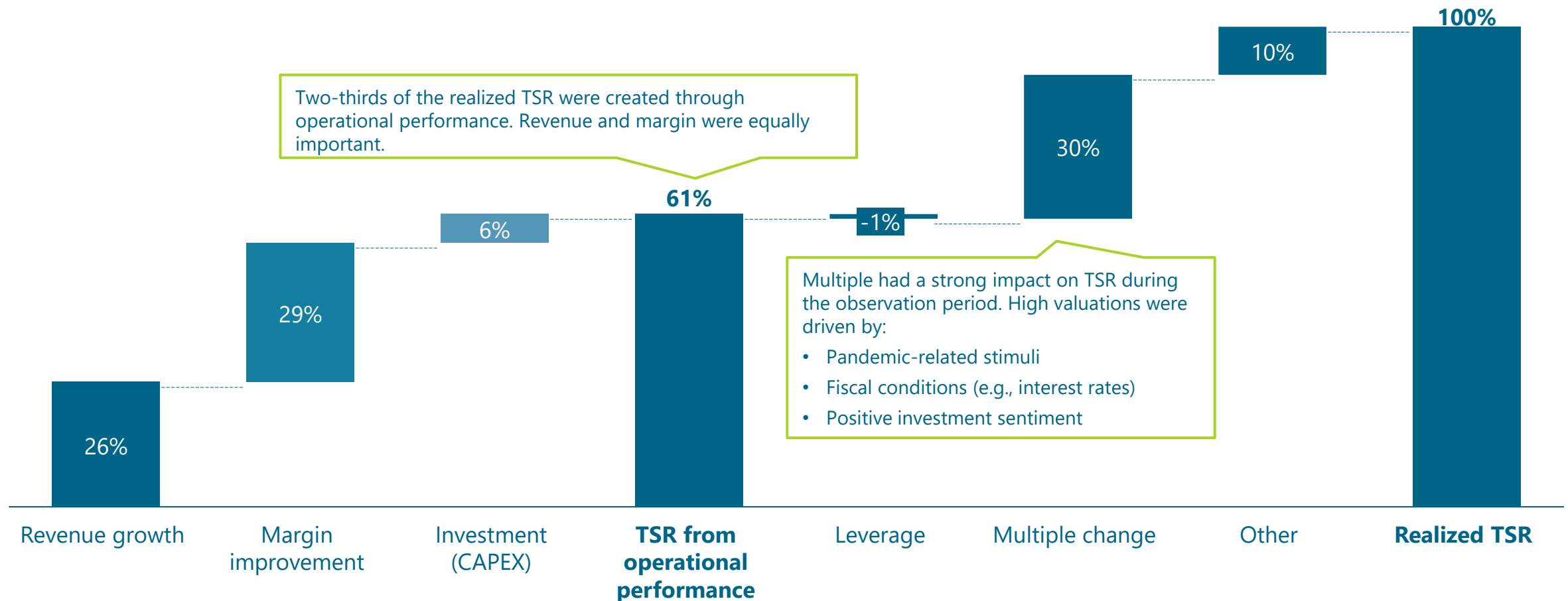
Source: Capital IQ, Fortlane Partners analysis



# TSR Decomposition | Industrial Machinery & Components

Decomposing the total shareholder return (TSR) for industrial machinery & components into value drivers reveals that operating performance and change in subindustry multiple are key drivers.

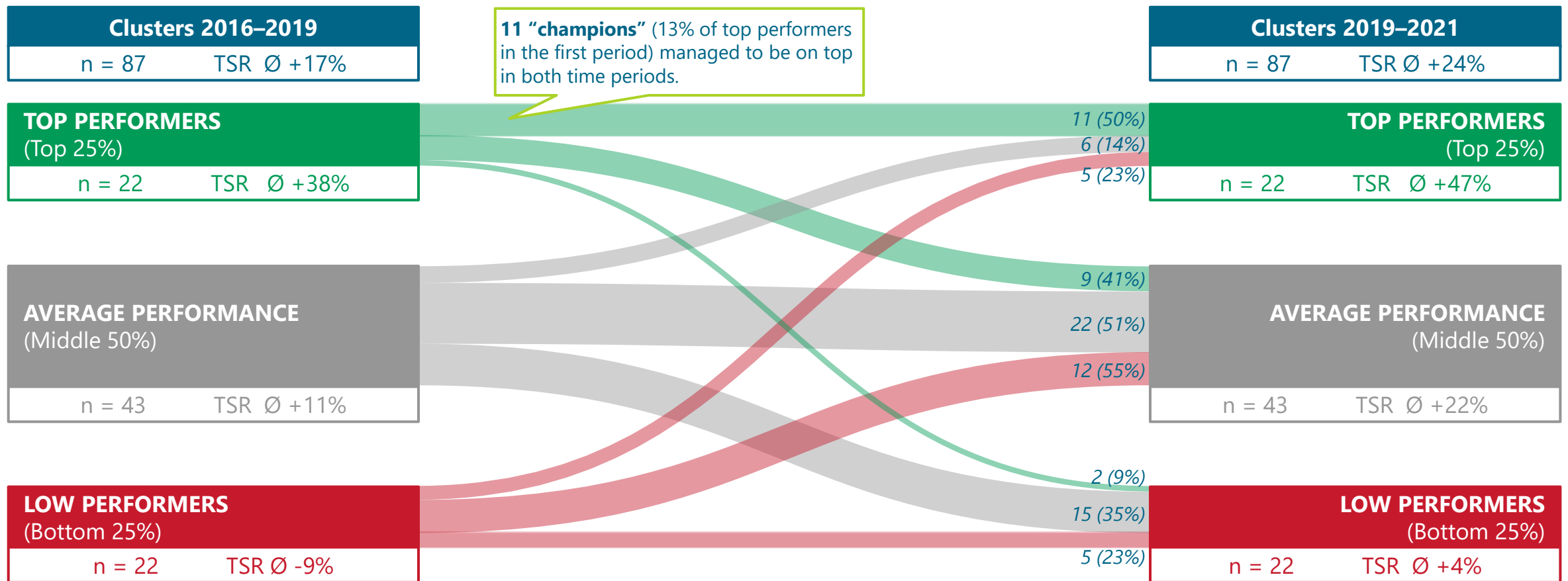
APPROXIMATED TOTAL SHAREHOLDER RETURN (TSR) DECOMPOSITION—INDUSTRIAL MACHINERY & COMPONENTS, 2016–2021



# Company Performances | Industrial Machinery & Components

The overall subindustry performed well, but total shareholder return (TSR) performances were unstable on a company level—11 companies (13% of the analysed companies) were able to achieve top performance in both periods.

## PERFORMANCE CLUSTER MOVEMENTS WITHIN INDUSTRIAL MACHINERY & COMPONENTS

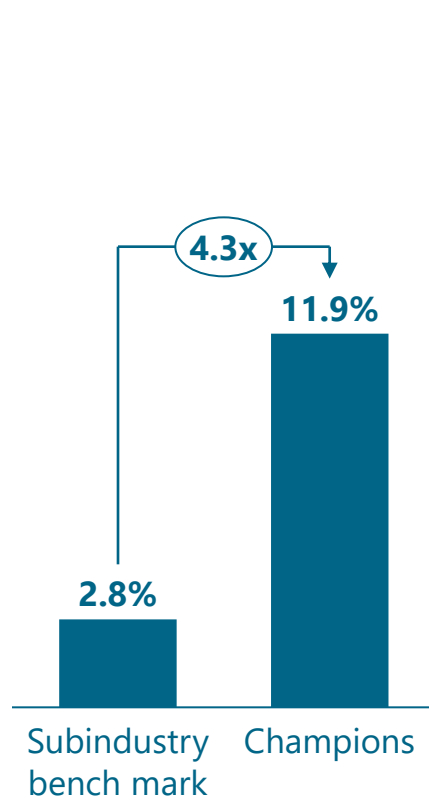


Note: TSR CAGRs: Averages are weighted by market cap.  
Source: Capital IQ, Fortlane Partners analysis

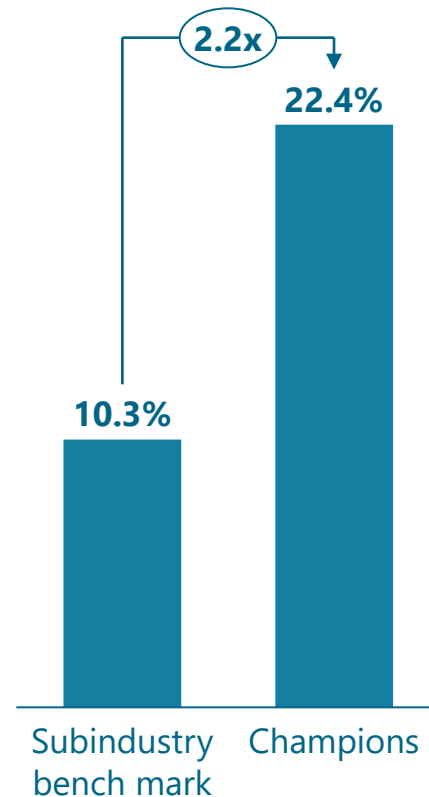
# How “Champions” stayed on Top

Benchmarking the TSR drivers of the identified champions against the industrial machinery & components subindustry shows strong correlation – our analysis reveals the ability to adapt and to proactively embrace change as key factors.

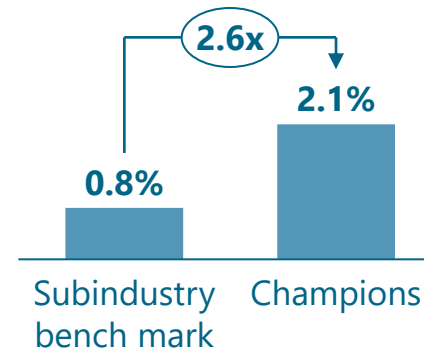
## REVENUE GROWTH [CAGR]



## MARGIN IMPROVEMENT [CAGR]



## INVESTMENT (CAPEX) [OF EV]



## SUCCESS FACTORS



### Ability to adapt

Being resilient and able to transform to suit changing market conditions, such as shifting consumer demand and supply chain disruptions (e.g., during COVID-19).



### New technologies

Embracing new technologies to drive operational efficiency enables better decision-making and enhances customer experiences.



### Sustainability

Proactively integrating sustainable practices into operations and product to establish sustainable capabilities drives multiple increase.

# Our Full-Potential Approach

Our experienced team supports clients in creating a full-potential approach based on four key dimensions to improve their total shareholder return (TSR)

## 01 ***Bold ambition & shared purpose***

- Define a shared purpose based on an ambitious, yet realistic, set of goals for a transformation that ensures commitment on all levels.
- Create a clear picture of a bold ambition and align stakeholders to it.

## 03 ***Leadership & people***

- Address leadership behavior to build a culture of continuous improvement and collaboration.
- Create a supportive environment that enables individuals to reach their full potential.

## 02 ***Portfolio of initiatives***

- Develop a comprehensive portfolio of initiatives to achieve a shared purpose that covers all critical areas of the organization.
- Create a detailed road map for each initiative including measures, timelines, resources, and interdependencies.

## 04 ***Performance delivery***

- Ensure timely delivery of results through rigorous progress monitoring and effective project management.
- Learn from challenges and continuously adapt approaches in order to achieve the bold ambition.

Full-potential  
approach

### ***Benefits***



Superior performance



Constant capability building



Sustainable results & value creation



Aligned leadership teams

For deeper insights into our  
**strategy & transformation approach**  
feel free to reach out to our Industrials experts.

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# About Fortlane Partners



## **ADVISORY FOR STRATEGY, M&A AND TRANSFORMATION**

Fortlane Partners is a leading European advisory firm specializing in strategy, M&A, and transformation.

With an integrated advisory approach, Fortlane Partners combines management consulting and corporate finance expertise to help businesses successfully shape their future.

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