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STRATEGY · M&A · TRANSFORMATION

Value Creation for Industrials in Europe

How leading industrial companies outperform their peers

Executive Summary

Some top industrial performers consistently outperformed their peers while others struggled to maintain their performance during the economic downturn.

EXECUTIVE SUMMARY

01 BIG PICTURE VIEW
The analyzed companies showed an +8% CAGR in total shareholder return from 2016 to 2022. The year of 2022 presented challenges, reflected in a negative total shareholder return (TSR) of -13% p.a.

02 POST-COVID & UKRAINE WAR
The pandemic and the Ukraine war both negatively impacted the average TSR of industrials. During both periods, some companies continued to outperform their peers.

03 SUB-INDUSTRY FOCUS
The analysis showed clear differences with respect to sub-industry performance. The trading & distribution sector distinguished itself with the strongest performance: TSR CAGR 2016–2022 at 14%

04 TOP PERFORMERS
Only 16 companies (5% of the analysed companies) were able to achieve top performance in the industrial industry in both periods 2019–2021 and 2021–2022.

05 OPERATIONAL PERFORMANCE AS KEY TSR DRIVER
The analysis confirms operating performance (i.e., revenue growth and EBITDA growth) as main TSR drivers in both economic upturns and downturns. Overall market effects (measured by the changes in multiples) complement as main TSR driver in upturns.

06 SUCCESS FACTORS
Key success factors for above-market TSRs are the ability to adapt to changing market conditions, investments in new technologies and early integration of sustainable practices.

ABOUT THE STUDY

- Data analysis is based on extracts from public company information, including financial ratios for 333 European industrial companies.
- Division of the 333 companies into 9 sub-industries.
- Determination of total shareholder return (TSR) CAGRs and KPIs.
- Regression analysis to determine the correlation between performance indicators and TSR of top performing companies (Top 25%).

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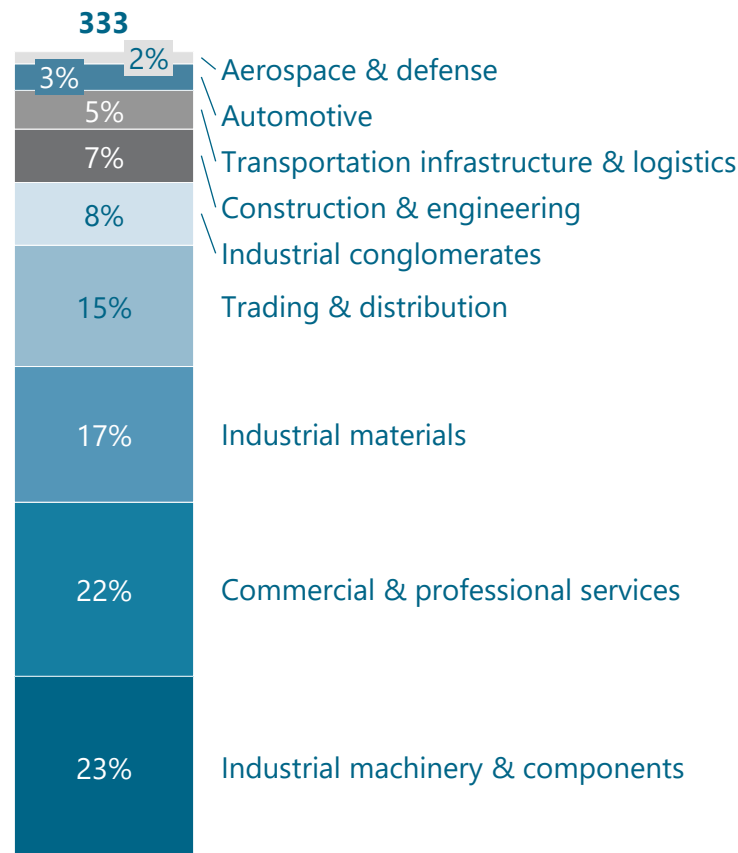
Methodology



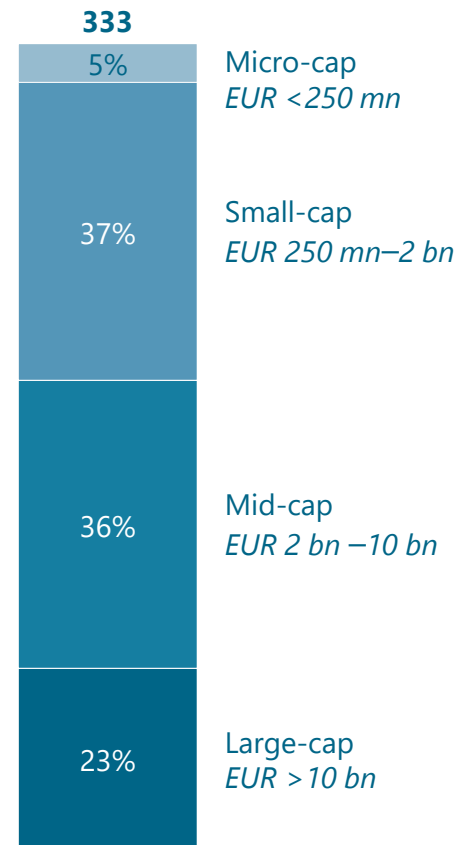
Scope of Analysis: Industrial Companies

We analyzed 333 European companies with revenue of EUR >500 mn in 9 sub-industries. The companies varied in size and location.

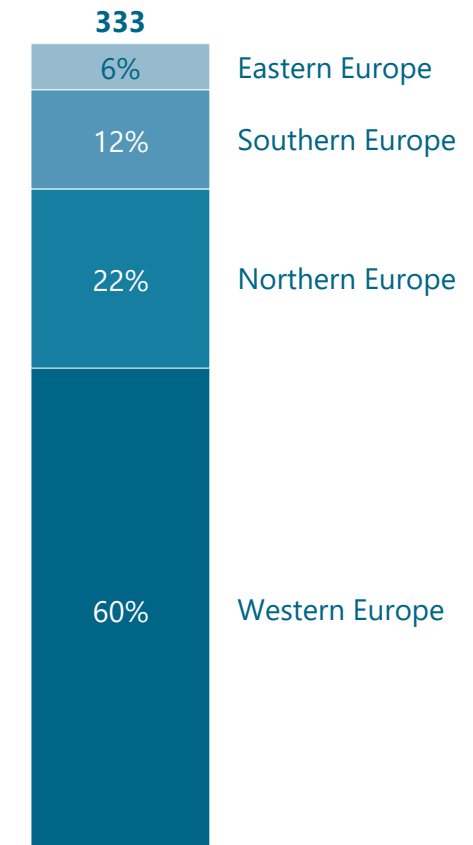
COMPANIES SPLIT BY SUB-INDUSTRY [%]



COMPANIES SPLIT BY MARKET CAP [%]



COMPANIES SPLIT BY REGION [%]



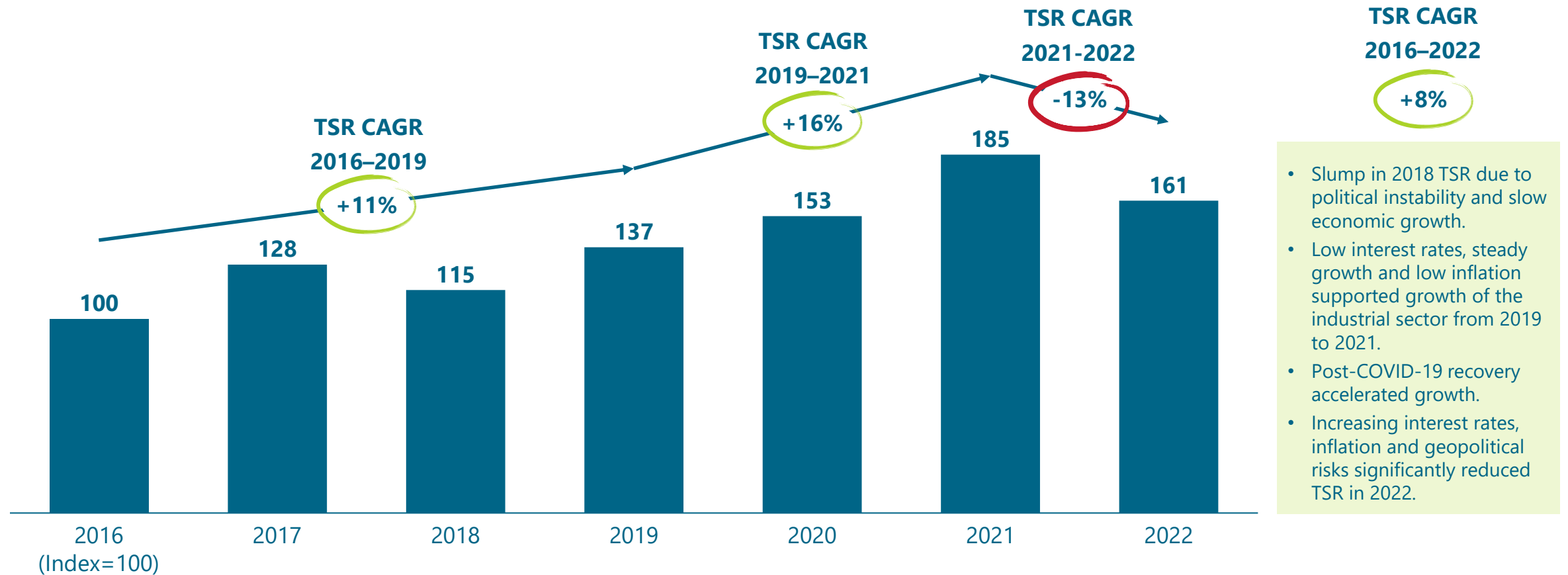
Key Results



Total Shareholder Return (TSR): Big-Picture View

The companies showed an 8% CAGR in total shareholder return from 2016 to 2022 – despite a robust market environment for industrials in preceding years, 2022 presented challenges, reflected in negative TSR of -13% p.a.

TOTAL SHAREHOLDER RETURN (TSR) TRENDS OF EUROPEAN INDUSTRIALS^[1]

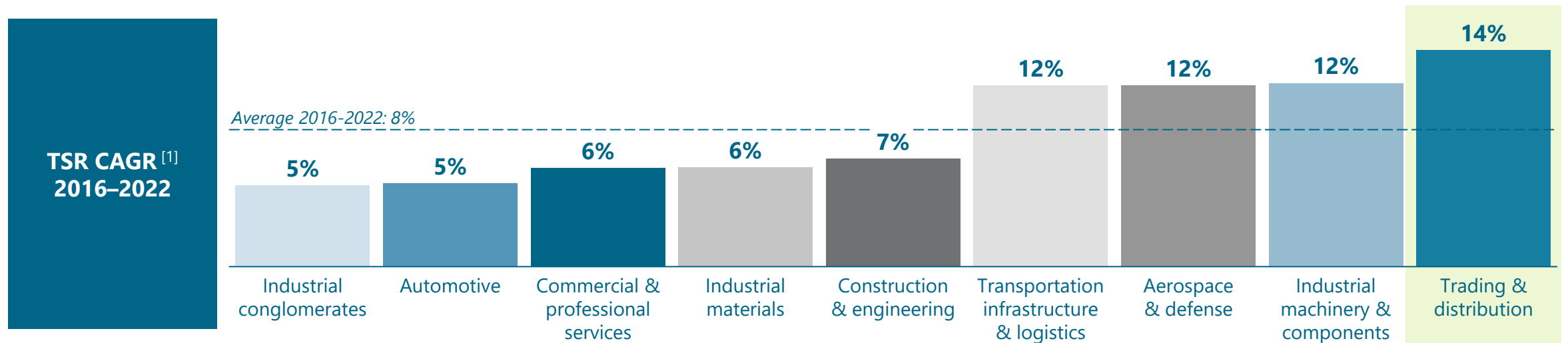


[1] Total shareholder return, market capitalization and dividend payouts of the 333 companies analyzed.
Source: Public company information, Fortlane Partners analysis

TSR Performance 1/2: Sub-Industry View

Breaking down the TSR industrials into their respective sub-industries, differences within the respective performance become obvious – trading & distribution sector with the strongest TSR at 14% p.a.

TOTAL SHAREHOLDER RETURN (TSR) CAGR OF INDUSTRIALS PER SUB-INDUSTRY, 2016–2022

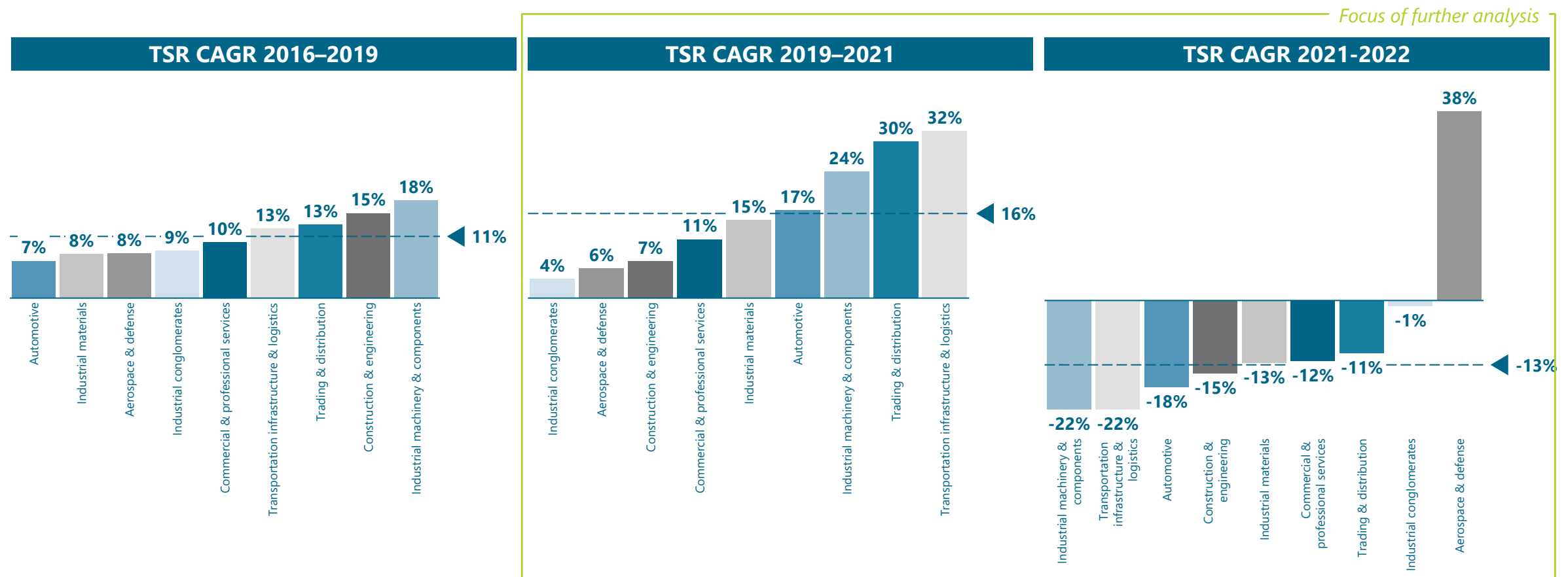


[1] Compound annual growth rate
Source: Public company information, Fortlane Partners analysis

TSR Performance 2/2: Sub-Industry View

All sub-industries considered within the sample remained at a positive TSR level during the upward market phase from 2016 to 2021, while only aerospace and defense managed to stay positive during the downward market phase in 2022.

TOTAL SHAREHOLDER RETURN (TSR) CAGR OF INDUSTRIALS PER SUB-INDUSTRY, SELECTED PERIODS

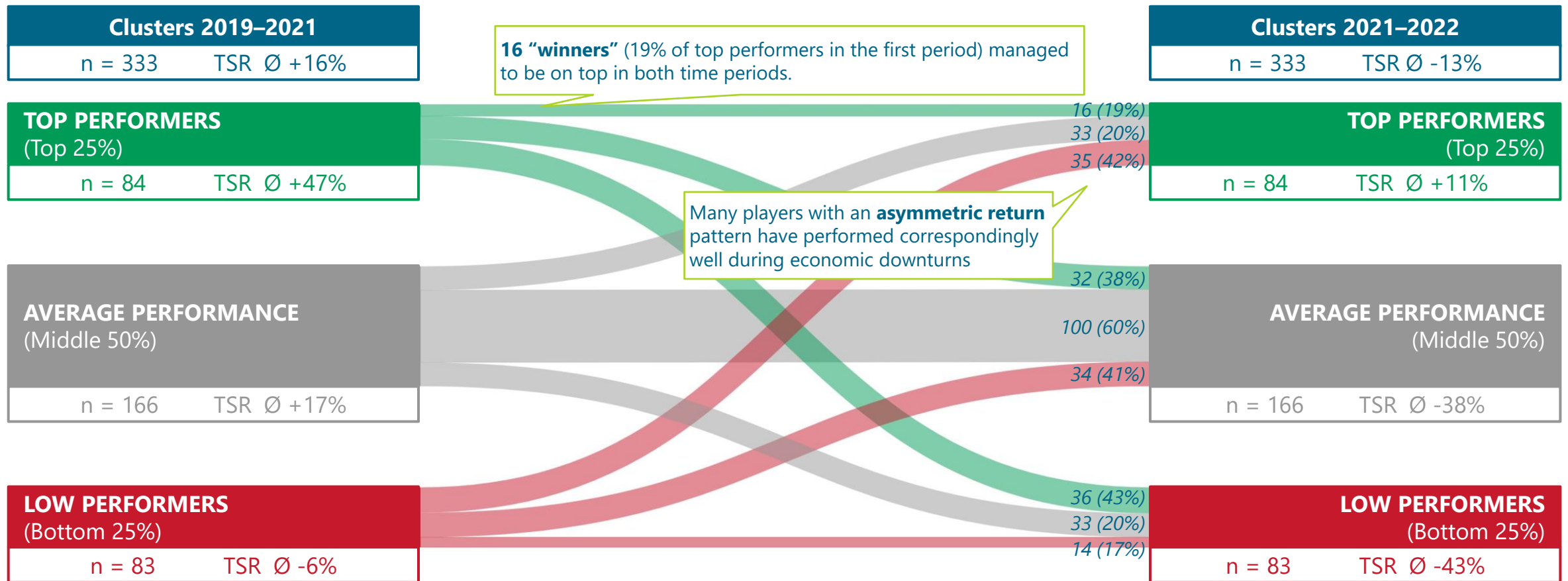


 Focus of further analysis

Company Performance: Cluster Movements

Overall industry performance was poor in 2022, and TSR performance was unstable on a company level – only 16 companies in the industrial sector (5% of the analyzed companies) were able to achieve top performance in both periods.

PERFORMANCE CLUSTER MOVEMENTS

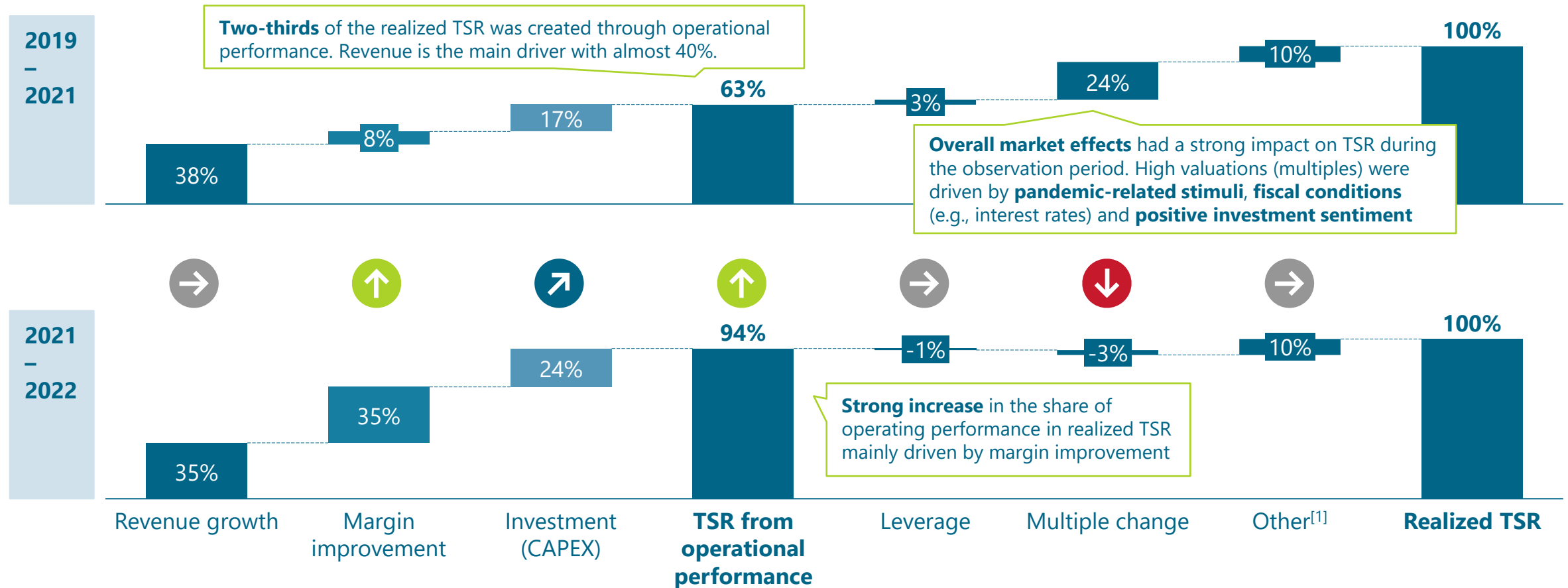


Note: TSR CAGRs
Source: Public company information, Fortlane Partners analysis

TSR Decomposition: Top Industry Performers (“Winners”)

Decomposing the TSR of top performers (top quartile) reveals that, while market conditions strongly drove TSR in previous years, operational performance becomes even more important during unfavorable market conditions.

APPROXIMATED TOTAL SHAREHOLDER RETURN (TSR) DECOMPOSITION — TOP PERFORMERS (TOP 25%)



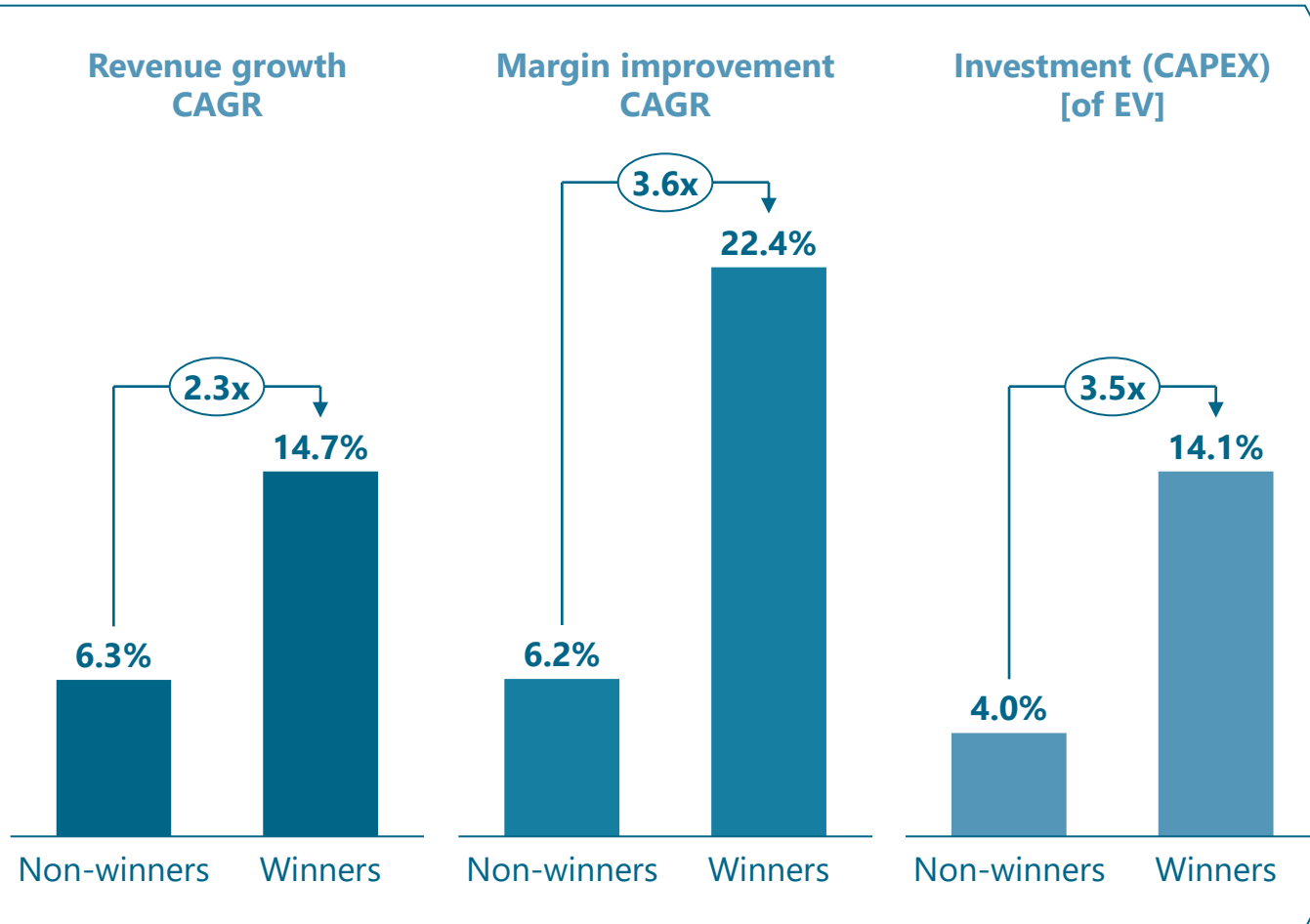
[1] Assumption
Source: Public company information, Fortlane Partners analysis

Conclusion



How “Winners” Stayed on Top

Benchmarking operating performance metrics of the winners and non-winners reveals the importance of operational performance – winners share common success factors.



SUCCESS FACTORS



Operational excellence

Efficiency, adaptability and resilience even in times of changing market conditions, such as shifting consumer demand and supply chain disruptions (e.g., during the Ukraine war).



Innovation/technology

Explore, develop and integrate cutting-edge advancements to enhance customer experiences and transformative tools to drive better decision-making

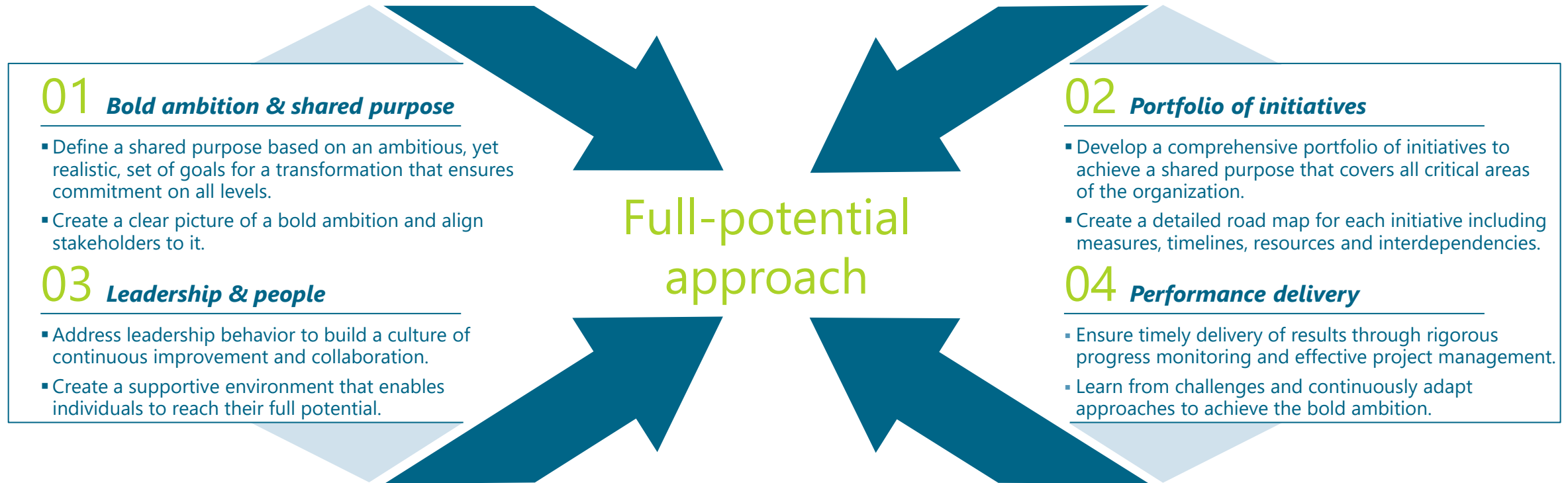


Sustainability

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

How We Create Value for Our Clients

Our experienced team helps clients improve their total shareholder return (TSR) by implementing a full-potential approach based on four key dimensions.



Benefits



Superior performance



Constant capability building



Sustainable results & value creation



Aligned leadership teams

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.

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

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