

Crisis has a way of accelerating and exaggerating issues within an economic sector and manufacturing is no exception. The global pandemic hit manufacturing very hard. Work force Covid outbreaks, forced shutdowns, supply chain disruptions and certain subsector meltdowns all contributed to manufacturing M&A transaction volume plummeting 63% from Q1 to Q2 in 2020. However, the second half of the year saw the beginnings of a resurgence in deals within the manufacturing sector. Continuing that resurgence in 2021 and beyond will depend on how the sector comes to grips with issues brought to light during the pandemic.

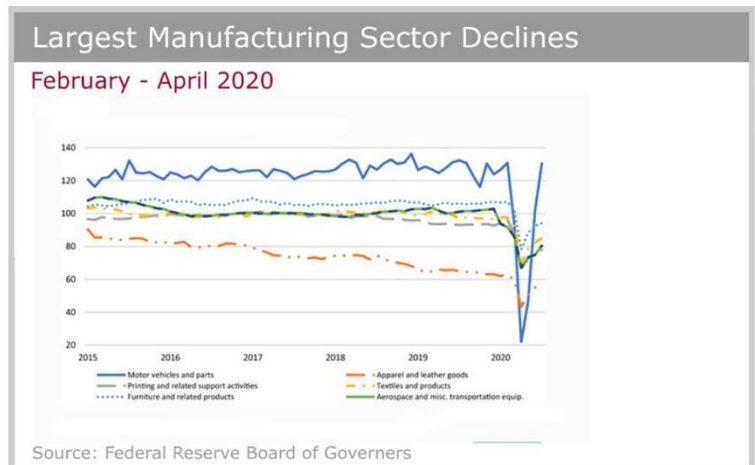


Figure 1

Like most sectors, some subsector goods producing industries fared well during the crisis such as home improvement, exercise equipment, paper products, cleaning products and sanitizers, building automation, HVAC, and air filtration. Other subsectors like heavy equipment and aircraft production saw steep declines. Manufacturing companies rely heavily on on-site skilled labor, not a remote labor force as can be enjoyed by certain service industries. Factory retooling using automation and robotics may offer a partial solution, but will create a need for a labor pool of highly skilled technical workers currently in short supply.

Manufacturing								
Total Enterprise Value/EBITDA								
	2003							
TEV	-2015	2016	2017	2018	2019	2020	Total	N =
10-25	5.5	5.7	6.1	6.3	5.7	5.9	5.6	635
25-50	6.0	6.0	6.1	6.1	6.3	6.7	6.1	475
50-100	6.6	6.9	7.8	8.3	6.9	7.7	6.9	327
100-250	7.2	7.0	8.4	8.1	8.9	7.4	7.5	139
Total	6.0	6.1	6.8	6.9	6.6	6.7	6.2	
N =	1022	108	115	93	125	113		1576

Please note that N for 2003-15 encompasses thirteen years of activity.

Source: GF Data

Figure 2

Manufacturers source raw materials from around the globe, but during the pandemic major supply chain disruptions occurred. The challenge for companies will be to move to regionalize or localize their supply chain to minimize sourcing risk while also keeping prices competitive.

As vaccinations roll out and more markets reopen, demand for products will become harder to predict. Developing an inventory strategy based on data will be paramount. Flexibility, agility and the ability to scale up or pull back based on market demand will

be the key to manufacturing's prosperity in a post-pandemic world.