

## J&A Capital Markets Report

# Manufacturing Transactions by USA-Based Investors

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The manufacturing industry has received \$1.47 trillion in investment between Q1 2020 and Q3 2023 from USA-based investors, 71% of which was invested into domestic manufacturing companies. This surge in domestic investments is likely a result of the more recent heightened demand for domestic production driven by geopolitical concerns, trade conflicts, and concerns around the global supply chain. The US manufacturing sector continues to focus on innovation as a competitive advantage and has made significant investments in technology to drive growth.

### AUTHORS

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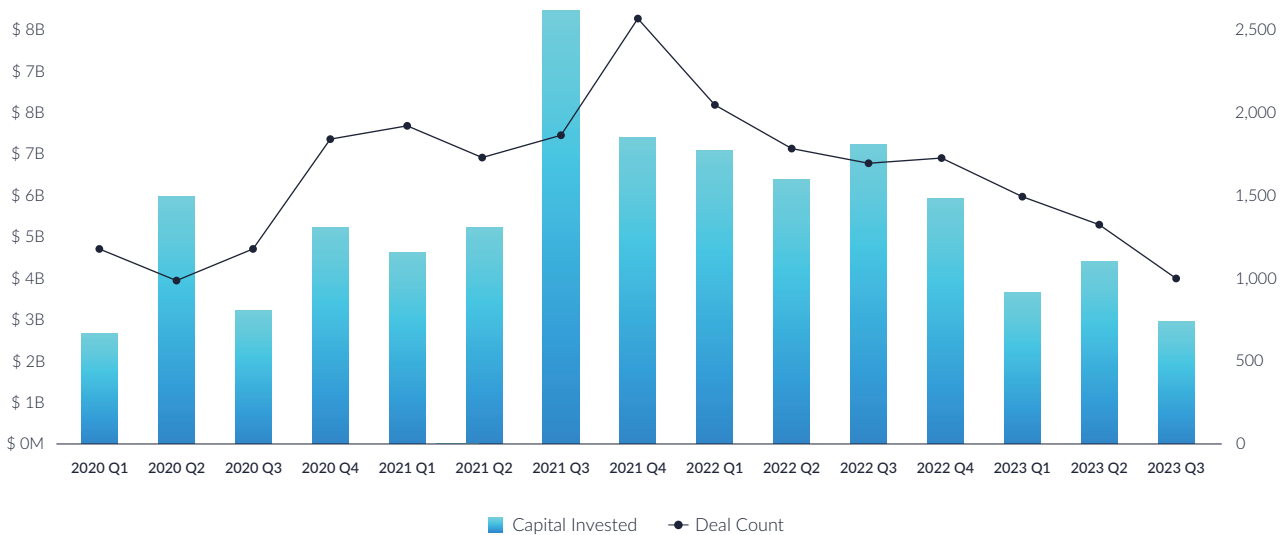
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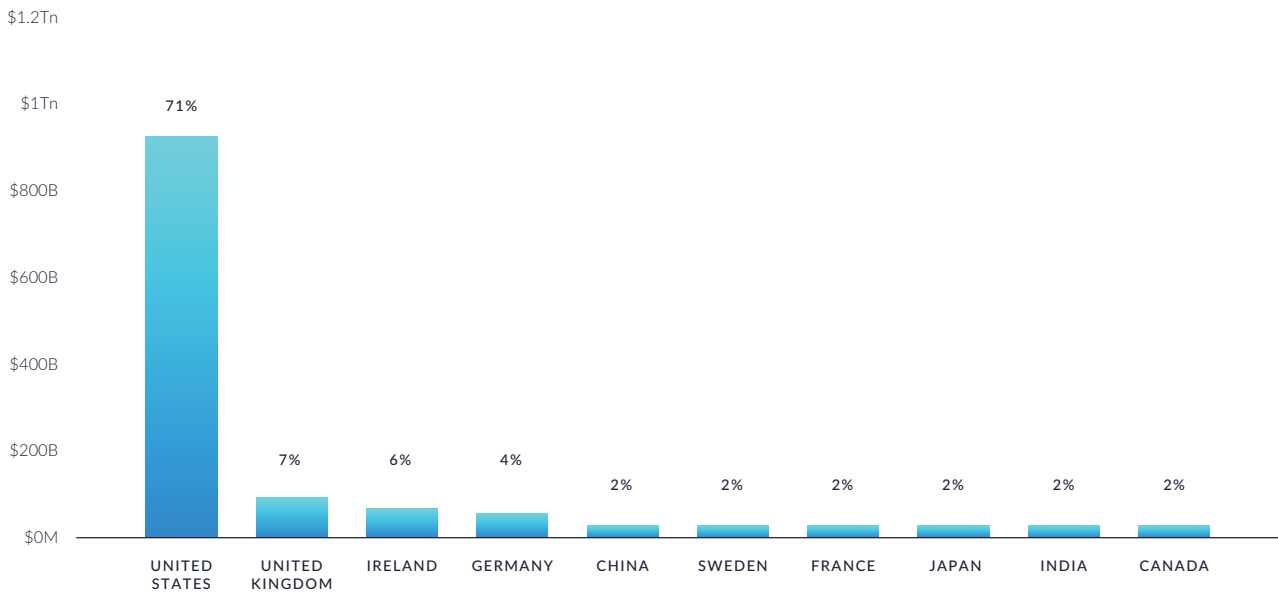
# Announced Manufacturing Investments by USA Investors (2020 Q1 – 2023 Q3)



- The manufacturing industry has received over \$1.47 trillion from USA-based investors, with nearly 22,000 transactions, each quarter accumulating an average of \$98 billion since Q1 2020.
- The third quarter of 2021 saw the highest capital deployed over the period and the following quarters continued to demonstrate a strong market, despite the supply chain disruption and labor shortages that continue to be a drag on the industry leading to production delays and increased costs.
- Investing in the US can help companies build a more resilient supply chain and become less dependent on overseas production and its inherent vulnerabilities like global disruptions such as natural disasters, political instability, and the recent pandemic.



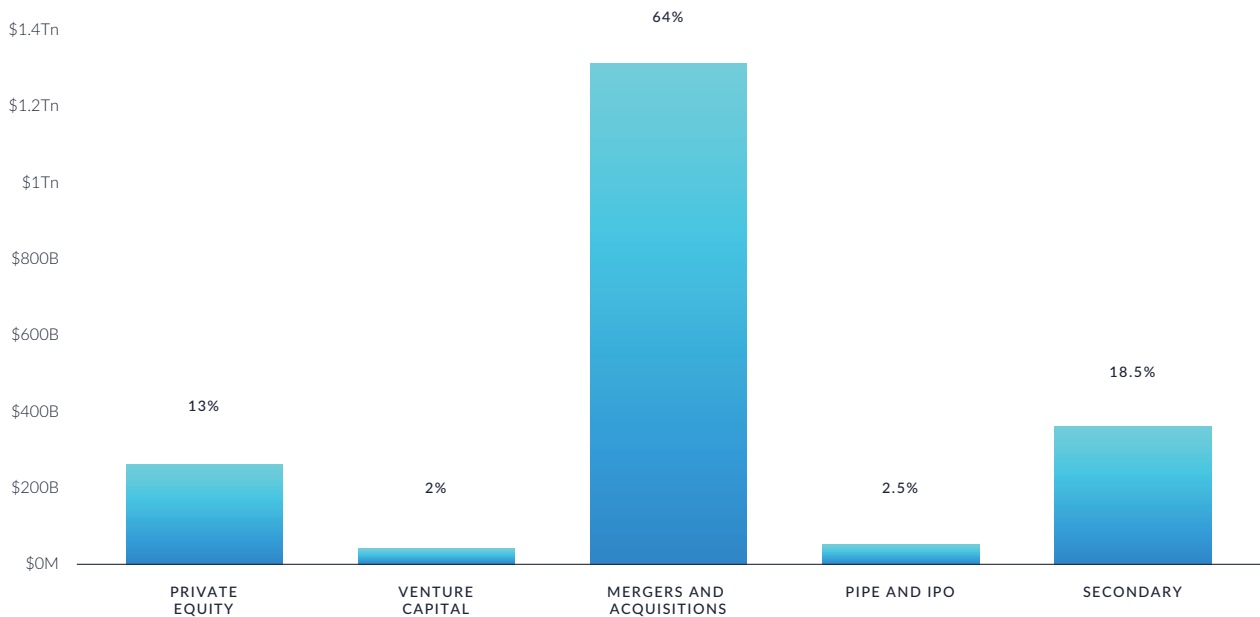
## Breakdown in Announced Manufacturing Deals by USA-Based Investors by Countries



- The US is the leading recipient of funds in the manufacturing sector, having received nearly \$1 trillion from USA-based investors over the period covered by this report. This accounts for 71% of the total investments made by USA-based investors in the manufacturing sector.
- Through initiatives like reshoring, workforce development, and strategic trade policies, the goal is to reduce dependency on foreign suppliers and maintain a competitive edge in global manufacturing markets. Trade wars often result in the imposition of tariffs on imported goods. By investing domestically, USA-based investors can avoid these tariffs, which can help in cost management and maintaining competitiveness.
- Supply chain disruptions are also one concern investors are taking into consideration. They have become more frequent and severe due to various factors. The COVID-19 pandemic exposed vulnerabilities in supply chains, with lockdowns, travel restrictions, and factory closures leading to disruptions in the availability of raw materials, components, and labor.

Geopolitical tensions can lead to increased market volatility, affecting the stock prices and valuation of manufacturing companies. Investors may experience higher levels of uncertainty and risk in the stock market, making it important to assess how geopolitical events may impact their overall portfolio. Investing domestically is the safer bet.

## Breakdown in Announced Manufacturing Deals by USA-Based Investors by Deal Type

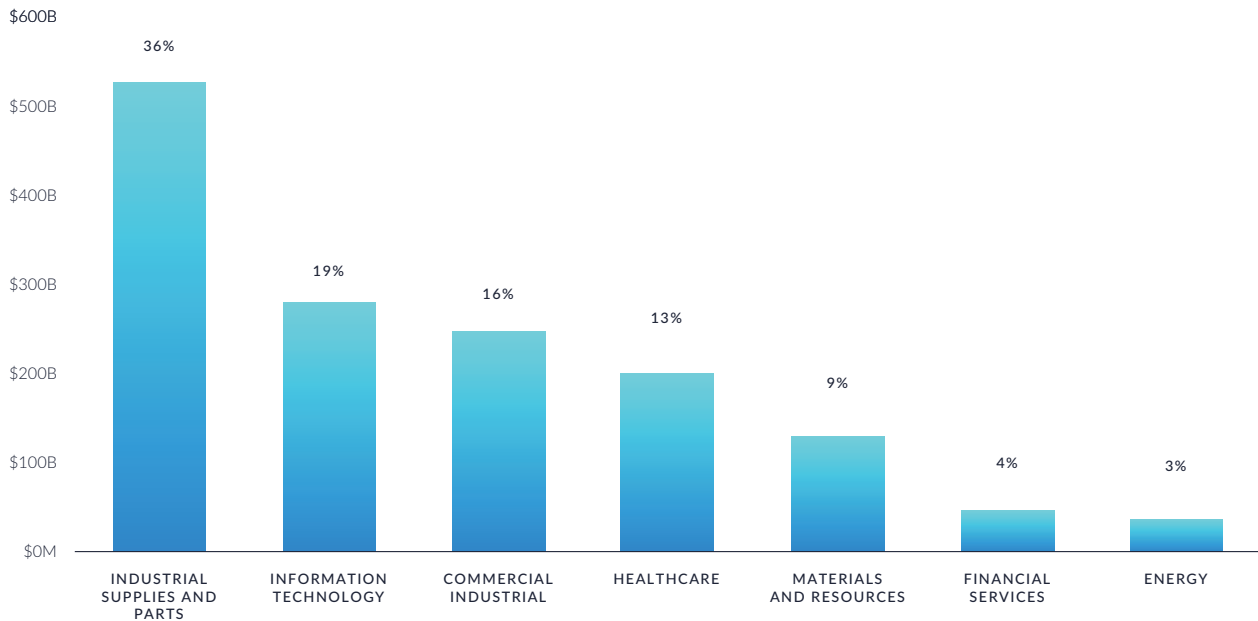


- Investors deployed \$1.3 trillion through mergers and acquisitions within the sector composing 64% of the deal flow. USA-based manufacturers that rely on imported raw materials or components may face increased costs due to tariffs. By acquiring component companies and smaller manufacturing companies they secure supply of critical raw materials, labor, and technology to reduce exposure to global supply chain disruptions.
- During the period covered by this report, private equity firms accounted for 13% of investments, amounting to \$262 billion. Private equity investors evaluate companies on their ability to grow and produce returns.

Currently, based on their internal evaluations, it appears that they have found the most value within the US.

- Venture capital contributes 2% of the total investment pool with \$40 billion total. Venture capital investors seek out pioneering companies and cutting-edge technologies at their early stages with the anticipation that their investments will be at the forefront of both technological and market disruption. With the manufacturing sector experiencing significant technological advancements, these firms see opportunities to invest in start-up companies, which are at the forefront of these innovations.

## Investment Trends in the Manufacturing Industry by USA-Based Industries



- Industrial supplies are influenced by the growing emphasis on automation, supply chain resilience, and sustainability. These companies received 36% of the entire investment pool for the last three years, totaling \$530 billion. Investors are focusing on companies that offer innovative solutions in industrial automation, 3D printing, and advanced materials.
- Information technology has the second largest incoming investment with 19% totaling \$280 billion. It remains a high-growth sector due to digital transformation across industries. Investments are directed toward software development, cybersecurity, cloud computing, artificial intelligence (AI), and internet of things (IoT). The shift to remote work has also led to increased investment in collaboration tools, cybersecurity solutions, and infrastructure to support remote operations. One notable deal was the acquisition of Xilinx, a semiconductor manufacturing company for \$50 billion.
- The third largest recipient sector was commercial industrial companies, which collectively received \$246 billion in investment. Commercial industrial investments have been impacted by changes in consumer behavior and the shift towards e-commerce. Investments are focusing on modernizing warehousing and distribution facilities, automation technologies, last-mile delivery solutions, and sustainable infrastructure to improve operational efficiency and reduce environmental impact. One such deal was Mileway, a last-mile logistics company that was acquired for \$23 billion in 2022.



Companies in the manufacturing industry play a pivotal role in meeting the diverse needs of businesses across various sectors, enabling them to streamline their operations, enhance efficiency, and maintain a competitive edge. Investment in manufacturing services offers investors a chance to diversify their portfolios and gain exposure to this ever-growing industry.

The manufacturing industry investment landscape by USA-based investors is intricately intertwined with the complexities of trade wars. These complexities prompt strategic collaborations and partnerships. The outlook remains exceedingly promising, defined by a landscape teeming with opportunities for both expansion and innovation. With technological advancements continually reshaping the industry's landscape, companies are positioned to tap into new fields for growth and productivity.