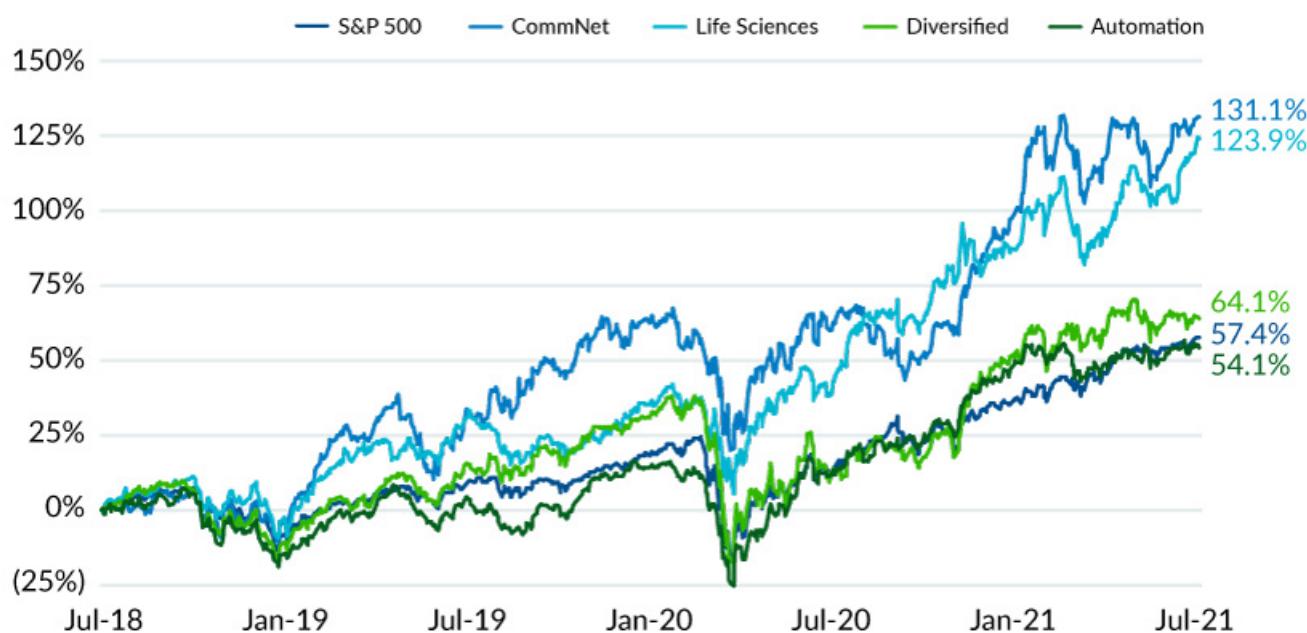


2021 Mid-Year Outlook: Test & Measurement and Industrial Automation

Primary influencers on the sector

Equity returns and valuations across the test & measurement and industrial automation (TM&IA) sector have continued to extend through 1H2021. As global economies are reopening and growth accelerates, demand for TM&IA solutions have rebounded from the 3Q2020 trough. A key area we are going to watch during 2Q earnings session is the impact of supply chain disruptions on converting growing order books and backlogs to revenue, and margin impact given rising input costs. The mission critical nature of the TM&IA solutions should allow many of the market leaders to pass price increases through to customers and maintain strong margin profiles.

CHART 1: EQUITY PERFORMANCE (2018 – CURRENT)¹



Source: CapIQ, as of 7.1.21. Past performance is not indicative of future results. Please see below for important information.

Mesirow 2Q20 | Business Investment Banking | Industry Outlook

Test & Measurement and Industrial Automation

Key Update

Primary influences on the sector

Growth returns and resilience across the test & measurement and industrial automation sectors have been strong throughout 2020. As global economies are reopening and growth accelerates, demand for T&M solutions have rebounded from the 2020 Q2 through Q3. The T&M industry has been well-positioned to benefit from the impact of supply chain disruptions on continuing growing order books and backlog to record levels. The market is giving strong initial indications that the cyclical nature of the T&M industry continues. Many of the market leaders are passing price increases through to customers and remain strong margin profiles.

Chart 1: Equity Performance 2018 - CURRENT

Year	2018	2019	2020
Q1	~100	~120	~150
Q2	~100	~110	~130
Q3	~100	~120	~140
Q4	~100	~130	~160

Source: S&P Capital IQ. All figures in USD. Excludes dividends. Data as of June 2020. Past performance is no guarantee of future results.

Meet the Team

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1. Diversified T&M Index: AMETEK, Inc. (NYSE:AME), ESCO Technologies Inc. (NYSE:ESE), FARO Technologies, Inc. (NASDAQ:FARO), Fortive Corp. (NYSE:FTV), Hexagon AB Class B (STO:HEXA-B), Itron, Inc. (NASDAQ:ITRI), Landis+Gyr Group AG (SIX:LAND), MKS Instruments, Inc. (NASDAQ:MKS), National Instruments Corporation (NASDAQ:NATI), Oxford Instruments plc (LSE:OXIG), Sensata Technologies Holding PLC (NYSE:ST), Spectris plc (LSE:SXS), TE Connectivity Ltd. (NYSE:TEL), Teledyne Technologies Inc. (NYSE:TDY), Teradyne, Inc. (NASDAQ:TER), Xylem Inc. (NYSE:XYL).

Life Sciences T&M Index: Agilent Technologies, Inc. (NYSE:A), Becton, Dickinson and Company (NYSE:BDX), Bio-Rad Laboratories, Inc. (NYSE:BIO), Bio-Techne Corporation (NASDAQ:TECH), Bruker Corporation (NASDAQ:BRKR), Danaher Corporation (NYSE:DHR), Mesa Laboratories, Inc. (NASDAQ:MLAB), Mettler-Toledo International Inc. (NYSE:MTD), PerkinElmer, Inc. (NYSE:PKI), Sartorius AG (FWB:SRT), Thermo Fisher Scientific Inc. (NYSE:TMO), Waters Corporation (NYSE:WAT).

Communications / Network T&M Index: Advantest Corp. (TSE:6857), Anritsu Corporation (TSE:6754), EXFO Inc. (NASDAQ:EXFO), Keysight Technologies Inc. (NYSE:KEYS), NetScout Systems, Inc. (NASDAQ:NTCT), Spirent Communications plc (LSE:SPT), Viavi Solutions Inc. (NASDAQ:VIAV).

Industrial Automation Index: ABB Ltd. (SIX:ABBN), ATS Automation Tooling Systems Inc. (TSX:ATA), Cognex Corporation (NASDAQ:CGNX), Emerson Electric Co. (NYSE:EMR), FANUC (TSE:6954), Honeywell International Inc. (NYSE:HON), Keyence Corporation (TSE:6861), KION GROUP AG (FWB:KGX), Lincoln Electric Holdings, Inc. (NASDAQ:LECO), OMRON Corporation (TSE:6645), Rockwell Automation, Inc. (NYSE:ROK), Schneider Electric SE (Euronext:SU), Siemens AG (FWB:SIE), Yaskawa Electric Corporation (TSE:6506), Yokogawa Electric Corp. (TSE:6841).