

Convergix to embark on industrial automation buying spree, executives say

By Benjamin Glick
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Convergix Automation Solutions, an automation company backed by Crestview Partners, plans to acquire three to five industrial automation businesses annually, said Executive Chairman Mike DuBose and Alex Rose, co-president and partner at Crestview.

The Troy, Michigan-based company is developing an acquisition pipeline of industrial automation businesses and is in talks with targets, the executives said in a joint interview. The company's next acquisition could close before the end of the year, they added.

Targets generally range on the low end from USD 25m to USD 30m, but the company will also consider "large" targets valued up to USD 100m or more.

The company will give initial priority to targets based in North America, but it will also consider those based in Europe and Asia. The company currently has engineering operations in India.

The company's most recent acquisition was of UK-based AGR Automation, an automation company focused on the life sciences industry, on 31 August for an undisclosed sum.

Convergix offers products like automated guided vehicles and robotics and consulting services that improve processing, manufacturing and logistics operations for its clients, which are predominantly Fortune 500 companies in the automotive, food processing, consumer products and life sciences industries, according to the executives.

Crestview launched Convergix in May with two of its existing portfolio companies: Canada-based JMP Solutions, which the firm acquired in August 2021, and Troy-based Classic Design, which was acquired in March 2022. The firm also provided USD 200m in equity capital, all of which will be used to support M&A, Rose said.

This is the second industrial automation platform owned by Crestview, the first being Holland, Michigan-based JR Automation Technologies, which the firm acquired in 2015. The firm operated JR Automation until 2019, when it sold the company to Tokyo based industrial conglomerate Hitachi [TSE:6501] for USD 1.42 bn.

DuBose, who previously served as the executive chairman of JR Automation, said Convergix could reach a billion dollars of revenue sooner.

Once Convergix reaches that point, Rose said Crestview will evaluate its options. He added that the firm could keep growing the company, bring it public or sell it to a strategic acquirer or another private equity firm.

Industrial automation is being driven by market trends that include the decline in cost of robots, the increasing number of applications for robotic systems and the tight labor market, increasing quality and traceability requirements, and the desire to manufacture closer to customers, according to Rose, who expects the market segment to grow at a pace in “the high teens.”

Convergix has around 400 to 500 employees and plans to continue to grow its engineering and management resources organically or through acquisitions, the executives said.

Competitors include ATS Automated Tooling Systems [TSX:ATA] and Rockwell Automation [NYSE:ROK].

Gibson Dunn and Stikeman Elliott provide legal services to Convergix and Crestview, while accounting services are provided by PwC.