

**Insights**

# 2022 Year-End Sector Report: Industrial Technology

**2022 Year-end update****The tm&ia sector continued to outperform the broader market**

The uncertain macroeconomic backdrop continues to weigh on equity performance as investors evaluate the depth and duration of a recession. Valuations for the Test & Measurement and Industrial Automation (TM&IA) sector continued to outperform the broader market. However, current valuations remaining below the trailing 3-year average.

On average, supply chain challenges have modestly improved. However, end product lead times remain extended as critical components required to complete projects can still delay shipments and conversion to revenue.

Backlogs going into 2023 remain ample, partially because of lengthening delivery times. Nevertheless, order momentum supports revenue and earnings growth in 2023. Revenue across the sector is expected to grow in the mid-to-low single digits. This represents a reduced growth rate compared to the last 5-year CAGR in the double digits. The sector has been able to navigate supply chain challenges and inflationary pressures to maintain, and in most cases, improve gross margins. The critical nature of TM&IA products and solutions has allowed participants to pass most of those costs to the end customer. Looking to 2023, gross margins are expected to remain flat to slightly higher. It must be noted that any benefits expected from lower input pricing may be offset by unfavorable currency impacts as other currencies strengthen against the US dollar.

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