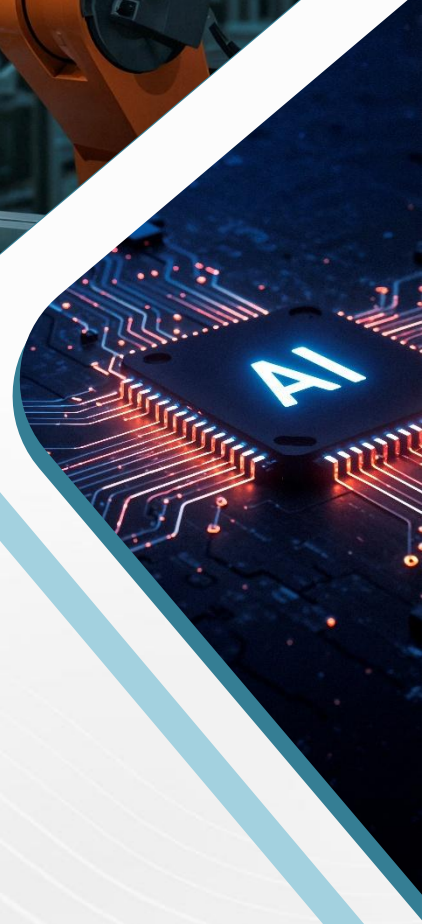




Adapt or Erode:

How Industrial Tech Companies Must Reinvent to Win the New Era

Gaurav Batra, CEO, Ayna
Nidhi Arora, Vice President, Ayna
Kislay Bhambu, Analyst, Ayna
Saksham Gupta, Analyst, Ayna





Over the last three years, Industrial Technology delivered a 20% total shareholder return CAGR – strong enough to rank fifth among all major US sectors. But behind that headline lies a 6,130-basis-point chasm: top-quartile industrials compounded at 47.8%, while bottom-quartile companies returned –13.5%¹. In semiconductors, gap is even starker – 10,650 basis points separating winners from losers. Both spreads are widening, not narrowing. The sector is not declining; it is diverging, and the divergence is accelerating.

Five structural ruptures explain why. US-China trade share has fallen nine percentage points in seven years² – the fastest reversal since the 1930s. Industrial base metal prices are up 20% since 2021, and wages are compounding at 5% versus 1.9% pre-2020³. The cost of capital has shifted 250–300 basis points, with \$480 billion in industrial debt repricing between 2026 and 2028⁴. Analyst coverage for sub-one-billion-dollar companies is shrinking while mega-cap AI mania absorbs investor attention. And despite a twenty-fold surge in AI mentions on earnings calls⁵, only 35% of industrial companies have deployed AI where it touches margin⁶. These ruptures are not cyclical. They are compounding, and none is reversible on any planning horizon that matters.

Together, they are sorting Industrial Tech into two camps: companies building structural advantages across revenue quality, margin resilience, and market valuation – and companies still explaining why last quarter was an anomaly. This article presents the evidence, defines the framework, and prescribes an eight-part playbook for the companies that intend to be on the right side of the divide.



¹ S&P CapIQ Pro; Ayna team analysis.

² US Census Bureau (1985–2025); IMF DOTS/UN Comtrade; Ayna team analysis.

³ LME commodity price data, January 2021 to March 2025; BLS CES—Manufacturing AHE, BLS ECI Q4 2025; Ayna team analysis.

⁴ Damodaran WACC estimates model; Ayna team analysis.

⁵ Company earnings transcripts, Q3 2022 to Q4 2025; S&P CapIQ Pro; Ayna team analysis.

⁶ S&P CapIQ Pro; Ayna team analysis. N=460, Revenue \$100M–\$5B.

The New Era – Five Ruptures That Will Compound



Five forces have converged over the past five years to reshape the operating environment for every industrial company. None is a surprise individually; executives have discussed trade tensions, inflation, interest rates, AI, and digitization in every board meeting for years. What is new is the simultaneity, the permanence, and the compounding effect. A tariff shock arriving when wages are rising two to three times faster than they did pre-2020, capital costs are 250 – 300 basis points higher, and the market's attention has migrated toward AI mega-caps creates a fundamentally different operating equation than any single force would create alone. Each rupture reinforces the others: geopolitical fragmentation raises input costs, higher input costs demand pricing discipline, pricing discipline requires operational AI, operational AI demands capital investment, and capital investment costs 250 – 300 basis points more than it did five years ago. The companies that treat these as five separate problems will fight five separate fires. The companies that see how the ruptures compound will build integrated responses — and those are the companies that will win.

01 Geopolitics Is Redrawing Trade and Supply-Chain Maps

The US-China share of global trade has fallen nine percentage points in the last seven years – the fastest reversal since the 1930s⁷. The gap between within-bloc and cross-bloc trade has widened to roughly 45 percentage points against the 2017 baseline, with cross-bloc trade declining 16 percentage points in the three years after February 2022 alone. These are not temporary dislocations; they reflect a structural realignment of global commerce into competing blocs, each penalizing cross-bloc dependency.

The corporate response is visible in two metrics. First, inventory days for US industrials rose from 80 to 97 – a 20%+ increase since 2019 – and they have not reverted, even as inventory carrying costs doubled⁸. This is a deliberate shift to just-in-case inventory, and buffer-stock suppliers are capturing durable recurring revenue as a result.

⁷ US Census Bureau (1985–2025); IMF DOTS/UN Comtrade; Ayna team analysis.

⁸ S&P CapIQ Pro; Ayna team analysis. Inventory days, US industrials, revenue >\$100M.

Second, Mexico overtook China as the number one US import source in 2023, US manufacturing construction spending peaked at \$240 billion in 2024, and more than two million jobs have been announced through reshoring and FDI since 2010⁹. Companies with established manufacturing footprints in Mexico, with USMCA-compliant supply chains, and with domestic capacity investments made before the tariff regimes hardened now hold structural advantages. Those still relying on pre-2020 sourcing architectures are exposed – with no buffer and no alternative.



02 The Cost Structure Has Reset



For 15 years before 2020, industrial wages grew at 1.9% per year and commodity prices were range bound. That era is over. Manufacturing wages are now compounding at 5.0%, construction at 4.3%, and transportation and warehousing at 6.5% – two to three times faster than the pre-2020 baseline (Exhibit 1). Aluminum prices have risen 53% since January 2021, copper 26%, and hot-rolled coil steel 23% (Exhibit 1).

These are structural repricing driven by constrained supply, energy-transition demand, and the geopolitical reality that China controls processing and refining of rare earth, graphite, polysilicon, silicon carbide, gallium, germanium, cobalt, lithium, and copper smelting (Exhibit 1). Any company whose margin model depends on a return to pre-2020 input costs is planning for a world that no longer exists.

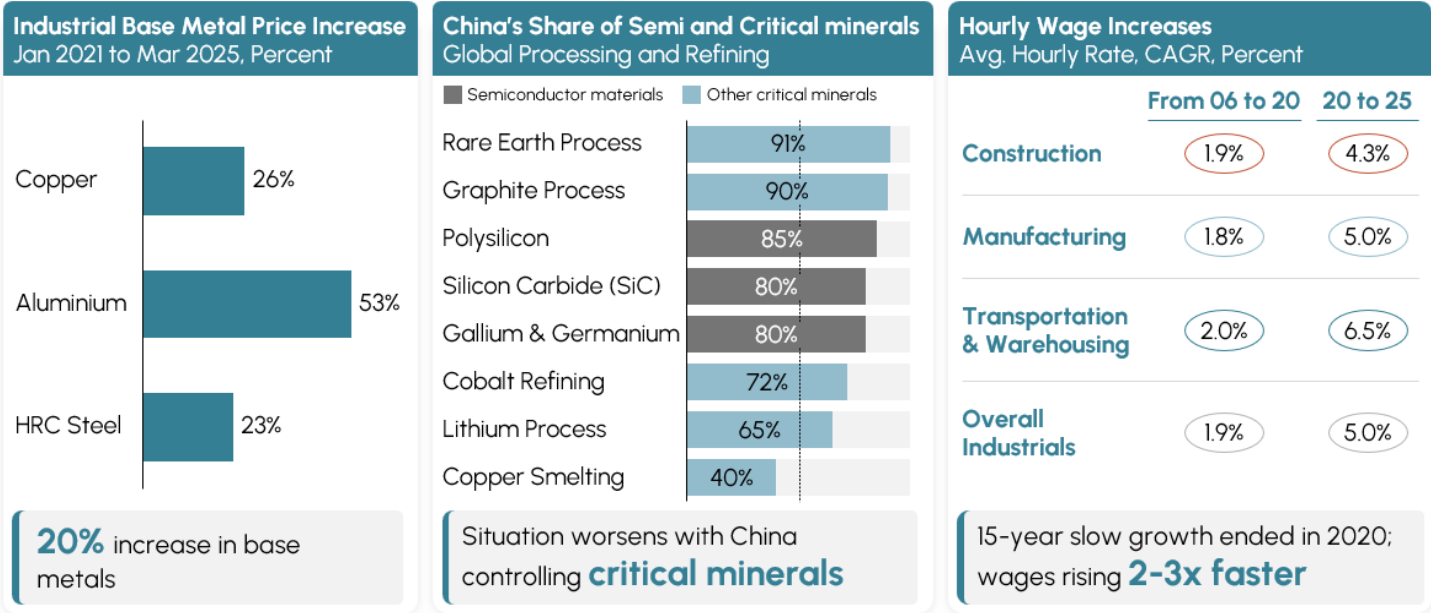
The implication for margin management is direct: cost-plus pricing, which was tolerable when inputs were stable, becomes a margin trap when inputs are rising structurally. Companies that treated the 2021 – 2023 cost spikes as temporary – passing them through as surcharges to be rolled back – are now facing the reality that the surcharges were the new baseline. The companies that repriced and anchored their pricing conversations to customer value rather than supplier cost are the ones whose margins held through the cycle.

⁹ US Census Bureau/FRED (TLMFGCONS); Reshoring Initiative 2024 Annual Report

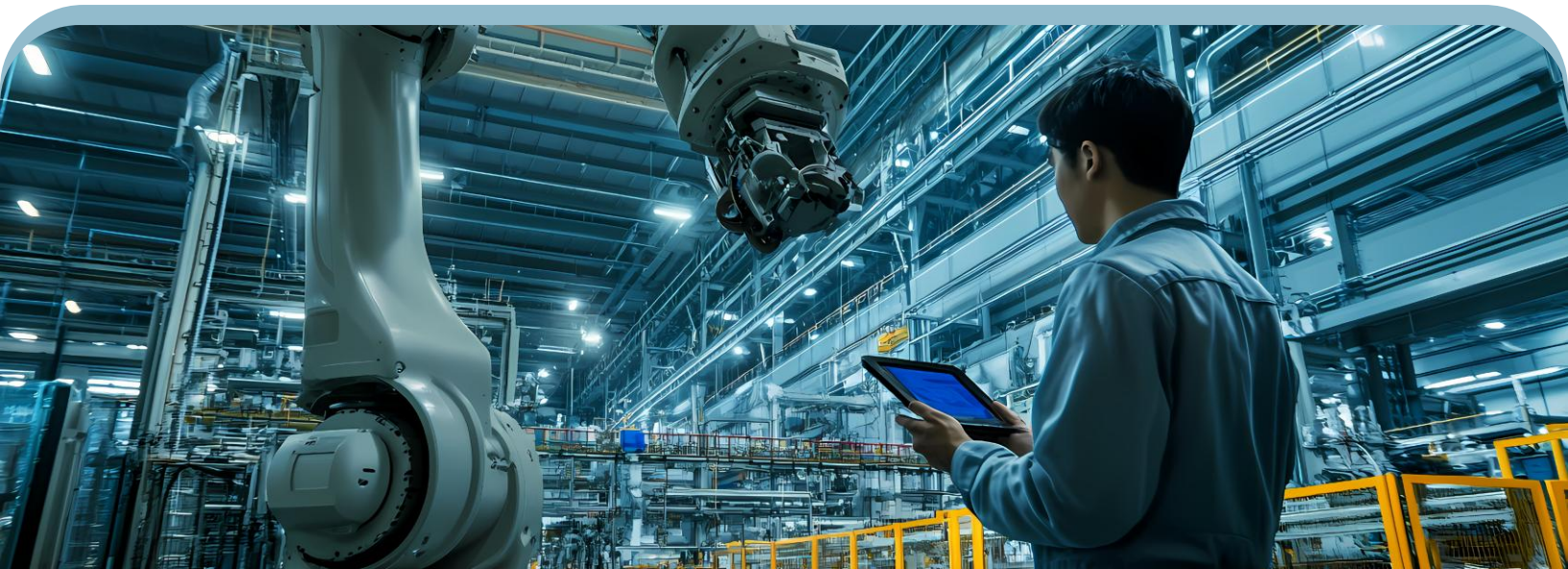


Exhibit 1:

Reset of cost structure with rising input costs – 20%+ increase in base metals and 2-3x faster rise in wage since COVID



Source: LME commodity price data; S&P Global PMI Mar 2026; IEA Critical Minerals Outlook 2025; NAM Q2 2025; ISM; AGC PPI Analysis Jan 2026; BLS CES — Manufacturing AHE (CES3000000003), Construction AHE (CES2000000003), Transportation & Warehousing AHE (CES4300000003), Total Private AHE (CES0500000003); BLS Productivity & Costs by Industry 2024 (rel. Apr 2025); BLS ECI Q4 2025; NAM 2025 Workforce Report; FRED; Ayna team analysis



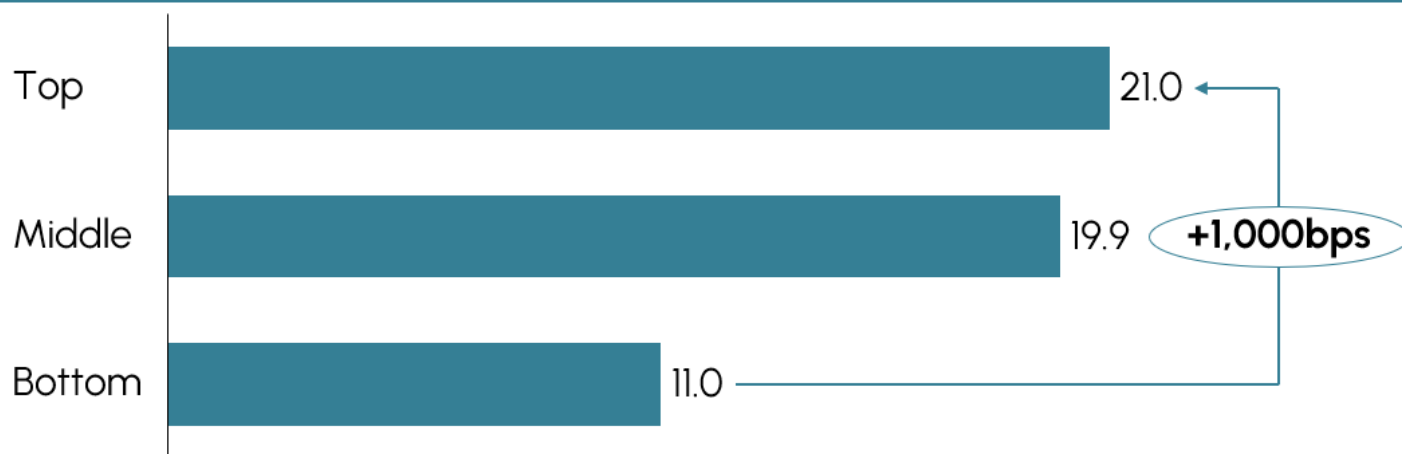


Industrial-weighted average cost of capital has moved 250 to 300 basis points¹⁰. Roughly \$480 billion in industrial debt is maturing between 2026 and 2028 at sub-4% rates, now repricing at the full premium. M&A multiples have compressed from 12x EV/EBITDA to 9x – a 25% compression in two years¹¹. The data are striking: total shareholder returns by interest-coverage quartile reveal a 1,000-basis-point gap between top and bottom quartiles over the 2022 – 2025 period (Exhibit 2). Top-quartile balance sheets are not just surviving the higher rate environment – they are using it as a weapon, acquiring distressed assets from overleveraged competitors, locking in supply contracts that weaker companies cannot fund, and investing in capacity while others retrench. Balance sheet strength is no longer a nice-to-have; it is a competitive moat that widens every quarter that rates remain elevated.

Exhibit 2:

Strong balance sheets are outperforming by 1,000 basis points

US Industrials¹: TSR by quartiles of interest coverage ratio (EBIT/Interest Expense), CAGR Percent, 2022-2025



1. N=556 | Includes public companies with revenue >100Mn and with complete financial information available from 2019 to 2025
Source: S&P CapIQ Pro; Ayna team analysis

¹⁰ Damodaran WACC estimates model; S&P Global Ratings, February 2026; Ayna team analysis.

¹¹ R.L. Hulett & Company, Industrials M&A Update (2025);

Average analyst coverage is shrinking for sub-one-billion-dollar industrial companies, and those companies now trade at a significant EV/Sales discount relative to large-cap peers. The numbers are stark (Exhibit 3): sub-one-billion-dollar industrials



averaged just 3.2 analysts in 2025, down from 3.7 in 2019, while companies above \$20 billion averaged 20.9, up from 18.2. The valuation gap has widened in tandem: sub-one-billion-dollar companies trade at 0.8x EV/Sales, down from 0.9x in 2019, while companies above \$20 billion trade at 3.9x, up from 2.2x. A mid-cap industrial company with strong fundamentals can be invisible to the market simply because no one is covering it. This is not a passive risk to be accepted. The market will not come to you in the New Era.

Exhibit 3:

Analyst coverage is shrinking for smaller companies and valuations are following



1. Includes public companies with revenue >100Mn and with complete financial information available from 2019 to 2025

Source: S&P Cap IQ Pro; Ayna Team Analysis



AI mentions in industrial earnings calls have surged roughly 20-fold since the launch of ChatGPT¹². But only 35% of industrial companies have deployed AI where it matters. Fully 14.4% remain unsure whether to adopt AI at all¹³. Companies that mention AI on earnings calls without operational deployment are performing for investors, not building advantage.

Alongside the AI story, the industrial buying process is being consumerized. More than one-third of US public industrials now operate a dedicated digital sales channel, up from roughly 20% in 2013; approximately 30% have dedicated digital roles¹⁴; over 35% have a CTO or CDO reporting directly to the CEO¹⁵. The leaders are far ahead: MSC Industrial drives 64% of revenue through digital platforms with five-minute cart checkout. Fastenal generates 44.9% of sales through automated vending. Motion Industries has reached 45% digital sales – up 800 basis points year over year – and is spinning off its digital unit to accelerate. Watsco's OnCallAir platform has reached \$1.9 billion in GMV serving 336,000 households¹⁵.



AI grabs the headline, but digitization – automated reordering, instant quoting, self-serve portals – is the infrastructure that embeds the supplier into the customer's workflow. Both are necessary. Neither alone is sufficient.

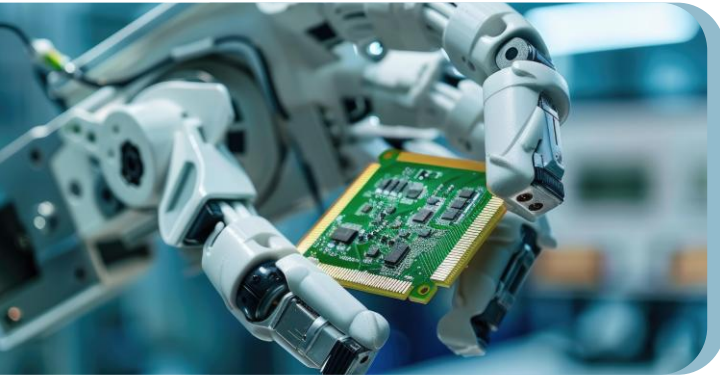
¹² Company earnings transcripts, Q3 2022 to Q4 2025; Ayna team analysis.

¹³ <https://www.digit-software.com/blog/study-ai-adoption-in-us-manufacturing>.

¹⁴ DSG 2018 State of e-Commerce Report; Strategy& Chief Digital Officer Study; company investor presentations

¹⁵ Company investor presentations and earnings calls

Where Industrial Tech Stands Today



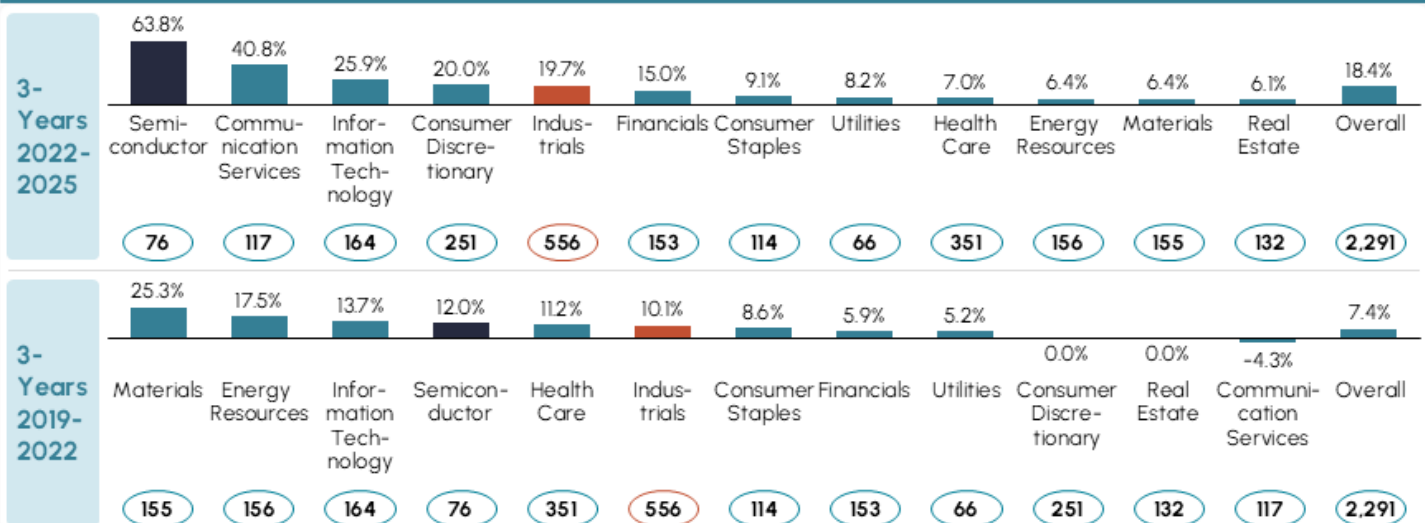
Against these five ruptures, the headline performance of the industrial sector appears robust. Industrials delivered a 20% total shareholder return CAGR over the last three years, moving up one spot to fifth among all major US sectors (Exhibit 4). Semiconductors led at a staggering 64%. But the headline conceals a far more important story.

Exhibit 4:

Industrials delivered 20% TSR CAGR in the last 3 years — moving up one spot to 5th; semiconductors led all sectors at 64%, nearly 3x the industrial rate

xx Number of Publicly listed companies¹ on major US exchanges

US Public Companies – Total Shareholder Returns by Sector, CAGR, Percent



1. Includes companies with revenue >100Mn and with complete financial information available from 2019 to 2025

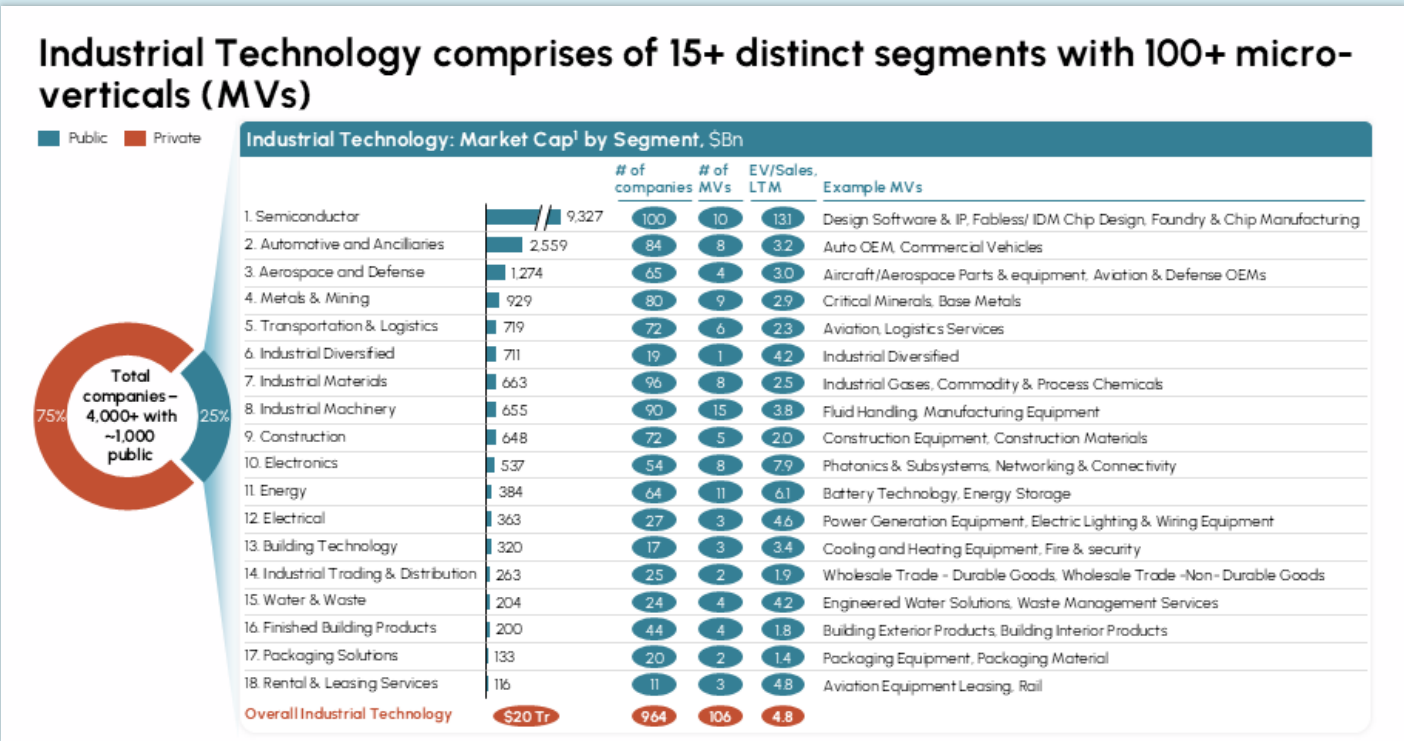
Source: S&P Cap IQ Pro; Ayna Team Analysis



Defining the Industrial Technology landscape

Industrial Technology is not one industry. It comprises 15 plus distinct segments with more than 100 micro-verticals – a 20 trillion-dollar total market capitalization spanning roughly four thousand companies, of which approximately 1000 are public. Segments range from Semiconductor at 13.1x EV/Sales to Packaging Solutions at 1.4x. An electrical equipment maker riding the data-center switchgear boom faces a fundamentally different calculus than a building products company navigating import tariffs on Canadian lumber. Any analysis that treats this ecosystem as monolithic will miss the fault lines that matter most.

Exhibit:



1. Market Cap as of 31st March 2026.
Source: S&P Cap IQ Pro; Ayna Team Analysis

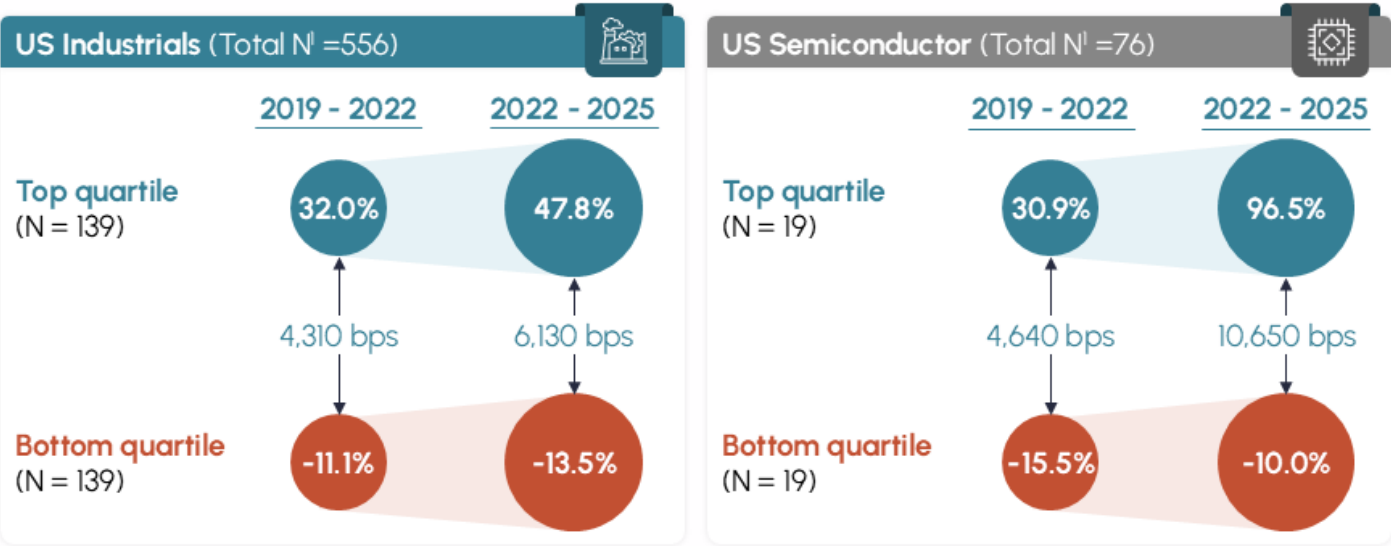
Behind the 20% is a 6,130-basis-point spread. Top-quartile industrial companies compounded TSR at 47.8%, while the bottom quartile returned -13.5%. In semiconductors, the gap is 10,650 basis points: top quartile at 96.5% versus -10.0% for the bottom (Exhibit 5). Both gaps are widening – the Industrial spread was 4,310 basis points in the prior 3-year window, and the semiconductor spread was 4,640. The ruptures are accelerating divergence, and that divergence is explained by three compounding advantages.



Exhibit 5:

Behind the 20% industrial TSR is a 6,130bps split — top quartile at +47.8% vs. -13.5% for the bottom; in semi, the divide is even starker at 10,650bps with both gaps widening

TSR (CAGR, %) by TSR quartiles



1. Includes companies with revenue >100Mn and with complete financial information available from 2019 to 2025
Source: S&P Cap IQ Pro; Ayna Team Analysis



The Three Compounding Advantages: QOR, RMS, and EVP



Quality of Revenue (QOR)

Definition: Measures whether a company's revenue is positioned in structurally growing end-markets, captured through direct channels, priced on customer value, and reinforced by a recurring revenue mix.

Key metrics: Top-quartile industrials grew revenue at 8.7% CAGR (2022–2025), a 1,350-basis-point gap above the bottom quartile at -4.7%. Among companies with 75%+ tailwind exposure, the top quartile still grew at 11.5% vs. 3.7% for peers – proving execution separates winners.



Resilience of Margin Structure (RMS)

Definition: Captures how “variabilized” a company's cost structure is – the first derivative of margin resilience relative to sales.

Key metrics: RMS¹⁶ for the top quartile was 14% vs. -27% for the bottom, with a 43% correlation to TSR. Top-quartile companies expanded EBITDA 1.4x faster than the sector despite the ruptures



Earned Valuation Premium (EVP)

Definition: Reflects the ability to command a premium multiple through narrative discipline, blue-chip ownership, and earnings communication.

Key metrics: Top-quartile industrials trade at 5x EV/Sales – top five across all US sectors. Companies that own their miss and define the fix see 3x better stock reactions than those who blame macro.

These three advantages form a compounding system. QOR drives the top line, RMS protects the margin, and EVP ensures the market recognizes and rewards both. Companies that build all three pull away; companies that lack even one remain stuck.

¹⁶ RMS is calculated as $\Delta \text{EBITDA} \% - \Delta \text{Revenue} \%$. A positive RMS indicates margin expansion outpacing revenue growth.

Quality of Revenue: Where You Play and How You Win It

The revenue growth gap is 1,350 basis points: top quartile at 8.7% CAGR versus -4.7% for the bottom.

Seventy percent of top-quartile companies grew at more than 5% (Exhibit 6); roughly 70% of bottom-quartile companies saw revenue decline.

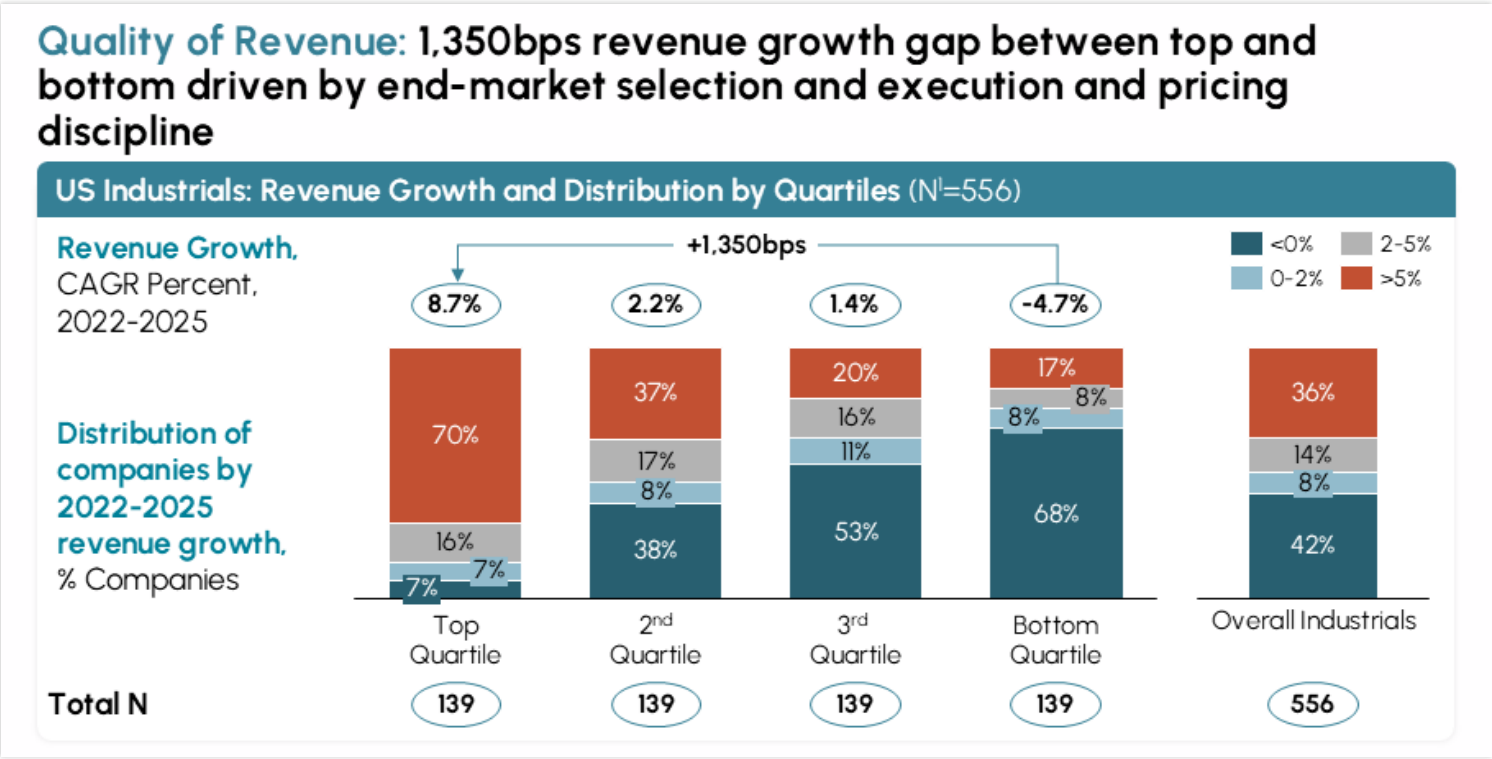
The first driver is end-market positioning: top-quartile companies had approximately 86% of revenue in tailwind end-markets versus just 12% for the bottom quartile¹⁷. Four end-markets drove the outperformance. AI and data center demand – hyperscaler power, cooling, and switchgear requirements – pushed data center construction spending up more than 40% year over year. Aerospace and defense benefited from defense budget expansion post-Ukraine and the aviation recovery, with OEM rate increases at Boeing and Airbus creating pull-through demand across the supply chain. Grid and energy transition, fueled by grid modernization for data centers and EVs, LNG export capacity, and IRA-driven energy infrastructure, created a multi-year demand cycle. And rental and leasing services thrived as reshoring capex and infrastructure buildout drove utilization to record highs, while the WACC reset made renting beat buying for many capital-intensive operations¹⁸.

¹⁷ S&P CapIQ Pro; public 10-K segment disclosures; Ayna team analysis.

¹⁸ Company earnings transcripts and investor presentations, 2022–2025; Ayna team analysis.



Exhibit 6:



1. Includes companies with revenue >100Mn and with complete financial information available from 2019 to 2025. No semiconductor companies included here
 Source: S&P Cap IQ Pro; Ayna Team Analysis

In semiconductors, the pattern is sharper. Top-quartile companies had roughly 60% compute exposure and grew at a 24% CAGR – a 3,150-basis-point gap above the bottom quartile at -7.5%¹⁹. Companies designing chips for data centers and AI accelerators captured hyperscaler capex directly; controls and connectivity had no equivalent demand driver. Inventory corrections and weak industrial demand drove contraction in bottom-quartile semiconductor players, with no AI tailwind to offset the cyclical downturn. The semiconductor experience is the industrial experience in higher resolution: the same structural forces, the same winner-take-most dynamics, the same irreversibility.

¹⁹ S&P CapIQ Pro; Ayna team analysis.

Tailwind exposure, however, is only the entry ticket – and this is one of the most consequential findings in the data. Among the 249 companies with 75% or more of their revenue in tailwind end-markets, top-quartile companies grew at 11.5% while peers in the same bucket grew at just 3.7%. Fourteen bottom-quartile companies with 75%-plus tailwind exposure actually declined at -1.7% (Exhibit 7). Having the right end-market exposure and still losing is the definition of an execution failure. Two specific execution failures explain it.



1. Wrong channel

The company is routed through an OEM, distributor, or government-contract buffer rather than direct access to the customer capturing the tailwind. Instead of accessing end-demand growth directly, the company captures a share of the intermediary's margin, which is subject to the intermediary's pricing power and inventory decisions. When the tailwind accelerates, the intermediary captures the upside; when it decelerates, the intermediary sheds the supplier first.



2. Wrong product

Right market, wrong position – a commodity offering in a market that rewards differentiation, legacy drag in a market demanding next-generation capability, or portfolio sprawl that prevents concentrating investment where the tailwind is strongest. Both failures share a common root: the company invested in market exposure but did not invest in market position.

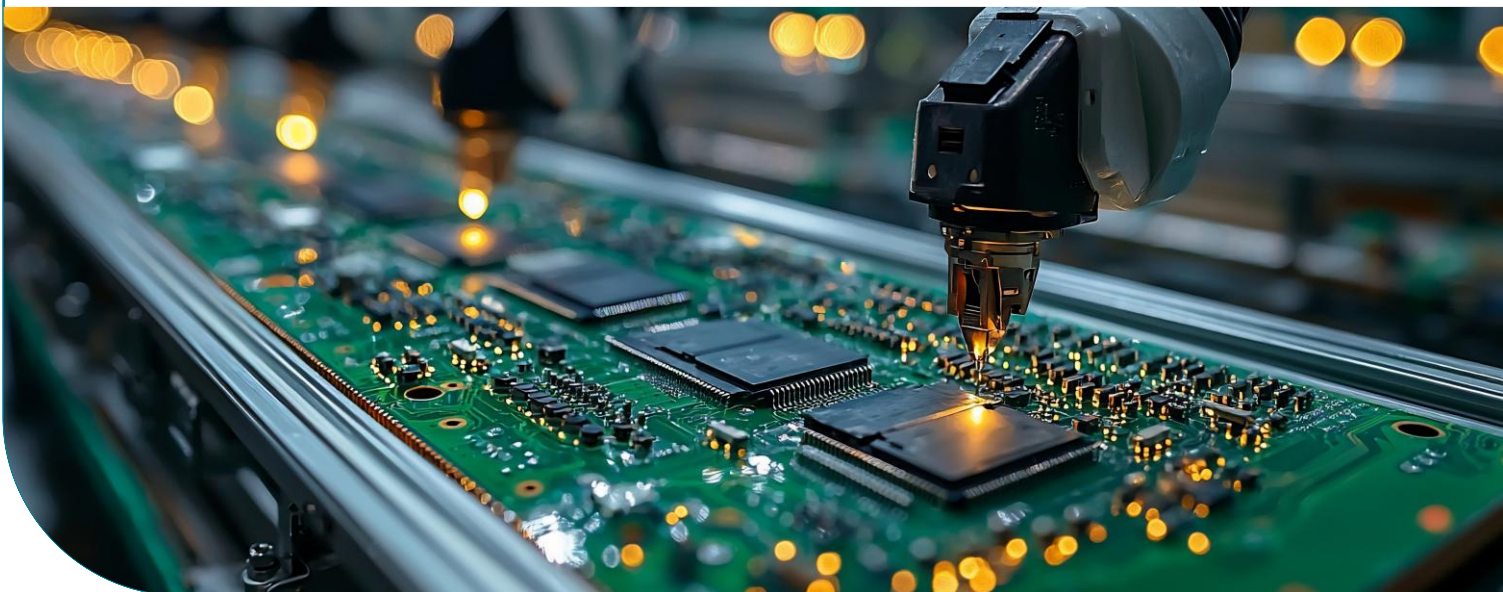
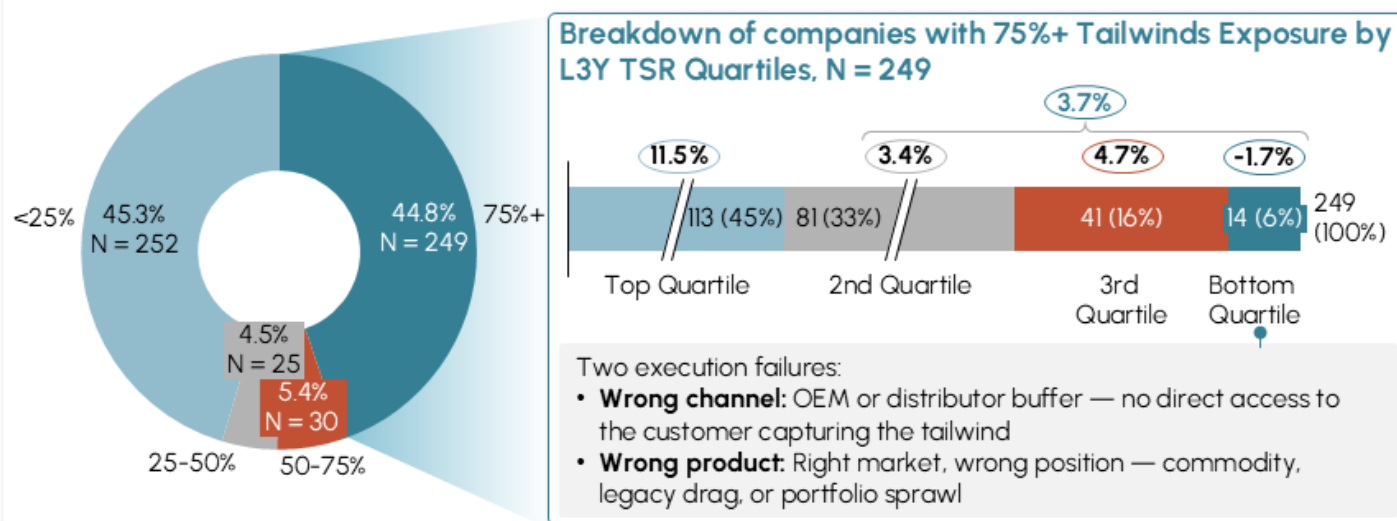




Exhibit 7:

Right end-market, won right: However, tailwind exposure is only entry ticket — top quartile in the same 75%+ bucket grew at 11.5% vs. 3.7% for peers

Distribution of Industrial Companies by % Revenue Exposure to Tailwinds, N = 556



1. Includes companies with revenue >100Mn and with complete financial information available from 2019 to 2025. No semiconductor companies included here.

Source: S&P Cap IQ Pro; Ayna Team Analysis

Resilience of Margin Structure: Cost Structures Built for Ruptures

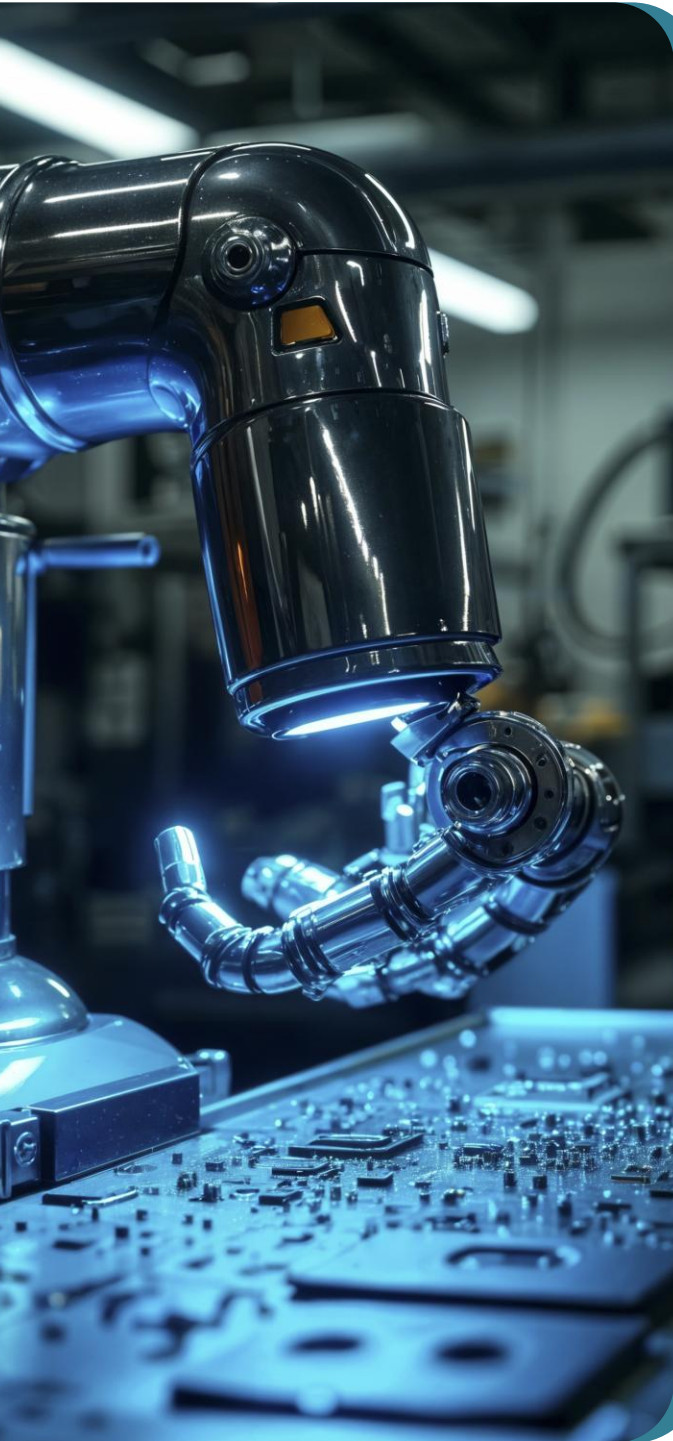
RMS measures the first derivative of margin resilience relative to sales. Its correlation with TSR is 43%²⁰. Top-quartile companies posted an RMS of 14% versus -27% for the bottom, expanding EBITDA 1.4x faster despite the same ruptures. Two levers explain the gap.

The first is supply-chain decisiveness. Roughly 65% of top-quartile companies acted decisively between 2021 and 2025 – diversifying suppliers, qualifying alternative sources, shifting production closer to end-markets, and building domestic capacity. By contrast, roughly 40% of bottom-quartile companies remained in wait-and-watch mode²¹.

²⁰ S&P CapIQ Pro; Ayna team analysis. RMS vs. TSR correlation, N=556, 2022–2025.

²¹ Company earnings transcripts and investor presentations, 2021–2025; Ayna team analysis.

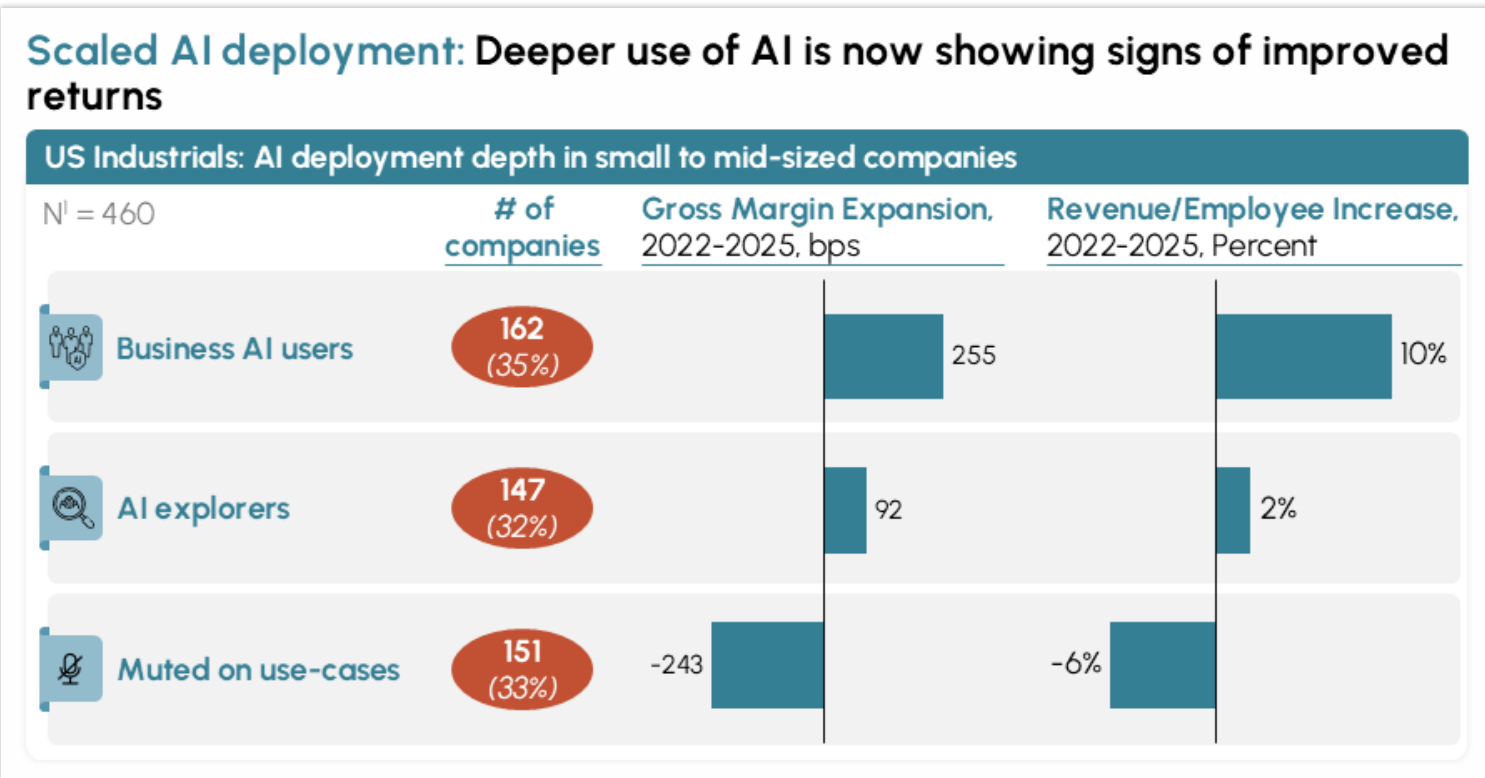
The timing advantage is now structural. First movers who acted before 2022 locked in suppliers on long-term, fixed-price contracts before tariff regimes hardened and before domestic capacity tightened. Those contracts are cost shields that latecomers cannot replicate at the same economics.



The second lever is scaled AI deployment. Among small-to-mid-sized industrial companies (N=460), the 35% qualifying as Business AI users (three-plus operational AI nodes across sales and marketing, manufacturing, and supply chain) achieved 255 bps gross margin expansion between 2022 and 2025, compared with 92 bps for AI explorers (1-2 operational nodes but still exploring or limited to support functions) and -243 bps for companies muted on use cases (AI mentioned as an agenda, but no specific nodes discussed) (Exhibit 8). Revenue per employee diverges on the same axis: positive for Business AI users, negative for the muted cohort. The roughly 500 bps gross-margin trajectory gap between the two extremes over three years is too large to attribute to sector mix or size effects. It is an operational advantage, and it is being captured by companies that treat AI as a tool for the factory floor, the quoting engine, and the logistics routing algorithm – not as a talking point for the earnings call. The distinction is operational: Business AI users have deployed AI nodes where cost is incurred and revenue is generated; the rest have deployed AI where PowerPoint slides are created.



Exhibit 8:



1. Includes companies with revenue between 100Mn and 5B and with complete financial information available from 2022 to 2025. No semiconductor companies included here.
Source: US Census Bureau Data; <https://www.digit-software.com/blog/study-ai-adoption-in-us-manufacturing>; S&P CapIQ Pro; Ayna Team Analysis

Earned Valuation Premium: Making the Market See What You Have Built

Top-quartile industrials command a 5x EV/Sales multiple – a top-five ranking across all US sectors²². Three levers earn the premium. The first is narrative. Roughly 80% of the highest valued industrial firms tell a compelling growth-and-returns story on earnings calls, in investor presentations and in direct engagement – and the market re-rates them for it. The contrast between effective and ineffective narrative discipline is vivid.

²² S&P CapIQ Pro; Ayna team analysis. EV/Sales by sector, LTM 2025.

Second, Owning the numbers. Consider two real earnings calls from the past year. An industrial distributor in Q1 2026 acknowledged that its consolidation was complex, that customers had been uncovered for a period of time, and that headcount was down 158 quarter over quarter – but framed the story around the volume recovery now beginning and the structural improvements in place.

The stock moved up 1%. An industrial coatings manufacturer in Q4 2025 listed lower sales volumes, currency headwinds, continued weakness in global industrial production, and mixed geographical demand trends – without framing a path forward or defining a fix. The stock dropped 6%. Companies that own the miss see 3x better stock reactions than those who blame macro. It is about ownership: one team named the problem and pointed to the fix already underway; the other listed headwinds and stopped.

Third, blue-chip ownership: 25%-plus ownership from top 20 global institutions – names like BlackRock, Vanguard, Fidelity, Capital Group, T. Rowe Price – signals quality, attracts analyst coverage, and creates a flywheel of visibility and further institutional inflows. For mid-cap industrials struggling with shrinking analyst coverage, the investor-engagement strategy is not optional; it is the mechanism that breaks the visibility doom loop. EVP is where all of the operational work on QOR and RMS converts into market value. Without it, operational excellence remains a private achievement.

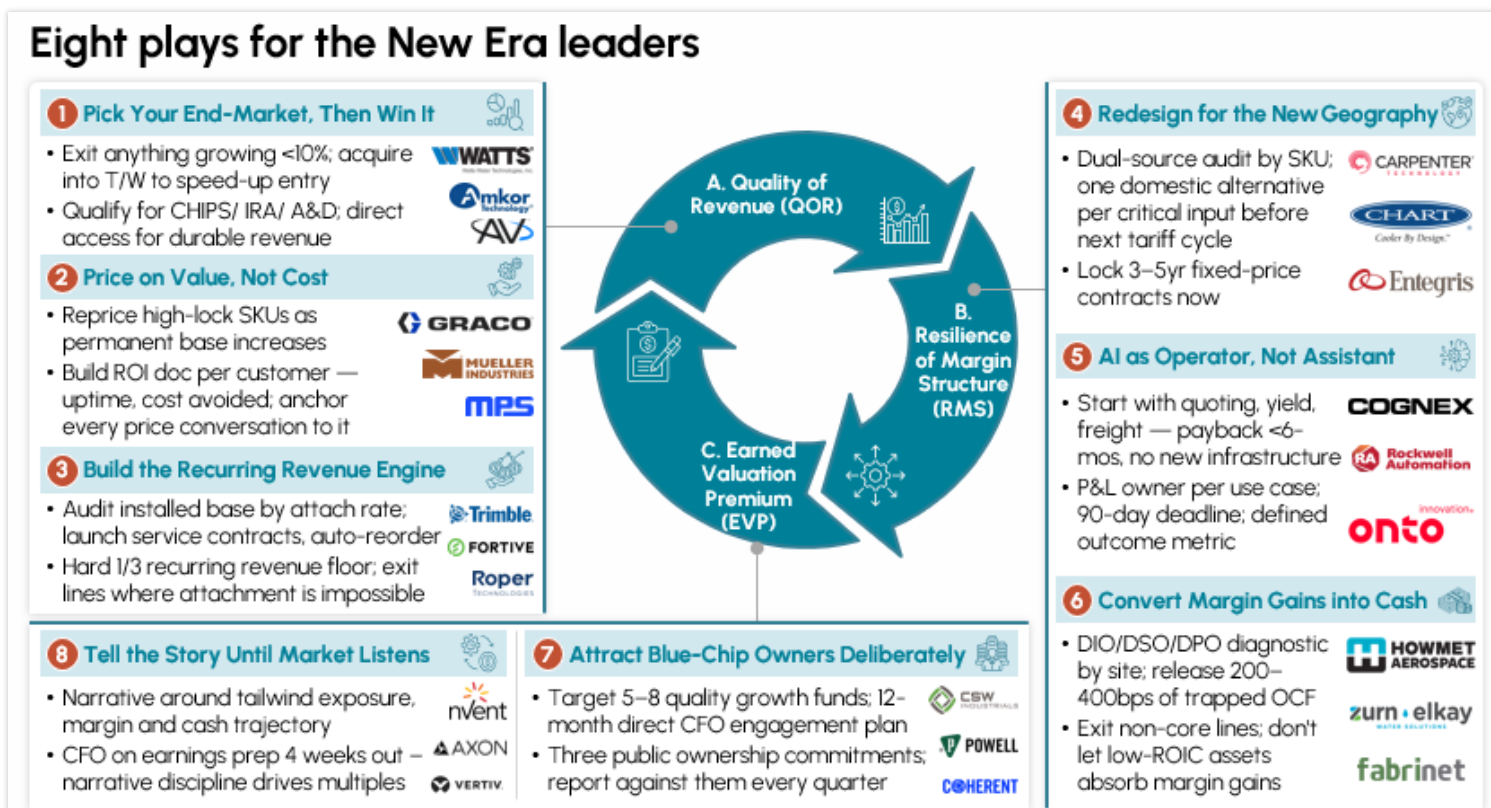


The New Era Playbook



The three compounding advantages define what separates winners from losers. The eight plays that follow define how to build them. Plays 1 – 3 build Quality of Revenue, Plays 4 – 6 build Resilience of Margin Structure, and Plays 7 – 8 build the Earned Valuation Premium (Exhibit 9). These plays are a connected system, not a menu. Pricing discipline (Play 2) is easier when revenue is in tailwind markets (Play 1); margin-to-cash conversion (Play 6) funds the supply-chain redesign (Play 4); and narrative discipline (Play 8) is only credible when the operational plays are delivering.

Exhibit 9:



Source: Company Investor Presentations





PLAY 1: Pick Your End-Market, Then Win It

End-market selection is the single largest determinant of revenue growth in Industrial Tech. Top-quartile companies had 86% of revenue in tailwind end-markets; bottom-quartile companies had 12%. The play: exit anything growing below 10% growth, and acquire into tailwinds to accelerate entry. Qualify for CHIPS, IRA, and aerospace and defense programs where direct access to the demand curve provides durable, policy-backed revenue. The 14 bottom-quartile companies with 75%-plus tailwind exposure that still declined prove the second half of the play: being in the right room is not enough. Direct access to the customer capturing the tailwind, not an intermediary's buffer, is what converts end-market exposure into revenue growth.

Every portfolio review should start with this question – not “which segments are we in?” but “which segments are growing at the rate that makes everything else easier?”



PLAY 2: Price on Value, Not Cost

The cost reset – Aluminum up 53%, wages compounding at 5% – has made cost-plus pricing a slow death spiral. Every surcharge trains the customer to expect a rollback. The play: reprice high-lock SKUs as permanent base increases, and build an ROI document for every major customer – uptime delivered, cost avoided, yield improved. Anchor every price conversation to value, not cost. When the product is embedded in the customer's workflow and the switching cost is high, the pricing conversation shifts from cost plus to value anchored. The deeper the supplier is embedded in the customer's process, the less the conversation is about price.





PLAY 3: Build the Recurring Revenue Engine

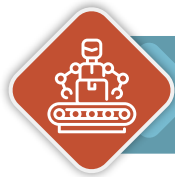
In a world of volatile demand cycles and rising capital costs, recurring revenue is the most valuable revenue. It smooths earnings, improves forecast visibility, reduces customer acquisition costs, and commands a premium multiple from investors who reward predictability. The play starts with an audit of the installed base by attach rate: how many products in the field have a service contract, auto-reorder agreement, or aftermarket parts commitment? For most industrial companies, the answer is far below entitlement. The target is a hard one-third recurring revenue floor; any product line where attachment is structurally impossible should be examined for exit, because it will always drag on revenue quality. Fastenal's automated vending model – 44.9% of sales – is the industrial archetype: consumption captured automatically, reorder triggered digitally, revenue locked in without a sales call or a purchase order. The principle is constant: embed yourself in the customer's operations deeply enough that revenue recurs by default, not by request.



PLAY 4: Redesign for the New Geography

Consider two companies entering the 2025 tariff cycle. The first spent two years qualifying domestic and near-shore alternatives for every critical input, signed three-to-five-year fixed-price contracts while capacity was ample and pricing was competitive, and built compliance into its supply chain before IRA and CHIPS provisions hardened. The second watched, waited, and announced a "supply-chain review" on its Q3 2024 earnings call. Today, the first company operates with dual-qualified suppliers, predictable input costs, and structural cost advantages locked in for years. The second is bidding into a tight market for the same domestic capacity, paying scarcity premiums, and facing qualification timelines that stretch past the next tariff cycle. The data confirm the pattern: roughly 65% of top-quartile companies acted decisively on supply-chain geography between 2021 and 2025, while 40% of bottom-quartile companies remained in wait-and-watch mode²³. The play is a dual-source audit by SKU – one domestic alternative per critical input, contracts locked now, not after the next shock arrives. The window is narrowing, and every company in Industrial Tech should have the answer to one question by year-end: for every critical input, do we have a qualified local alternative?

²³ Company earnings transcripts and investor presentations 2021–2025; Ayna team analysis



PLAY 5: AI as Operator, Not Assistant

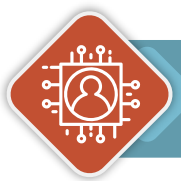
The supply-chain redesign of Play 4 protects margin from external shocks. Play 5 expands margin from the inside. Among small-to-mid-sized industrial companies, Business AI users – the 35% with three or more operational AI nodes across sales, manufacturing, and supply chain – achieved 255 bps of gross margin expansion over the last three years, while companies muted on AI use cases saw margins contract by 243 bps. That roughly 500 bps trajectory gap is the difference between a company whose quoting engine uses historical win/loss data and margin outcomes to price every job accurately, and a company whose quoting still runs on spreadsheets and gut feel. It is the difference between a factory where sensor data feeds a yield-optimization algorithm that reduces scrap in real time, and a factory where scrap rates are reviewed in a monthly PowerPoint. The play starts with use cases that pay back in less than six months and require no new infrastructure: quoting optimization, yield improvement, freight routing. Let the data operate the process. Each use case must have a named P&L owner, not a technology sponsor, accountable for a defined outcome metric within 90 days. AI projects without business ownership and a deadline remain in the CIO's office, where they produce demos but not margin.



PLAY 6: Convert Margin Gains into Cash

Plays 4 and 5 expand and protect margin. Play 6 ensures those gains reach the balance sheet, because margin expansion trapped in working capital is a hollow achievement – and at all time high WACC, every trapped dollar of working capital costs more than it ever has. Most industrial companies carry 200 to 400 basis points of operating cash flow locked in excess inventory, slow receivables, and suboptimal payables terms. The data are clear: Small and Mid-Sized US Industrials companies that expanded operating cash flow margins by 400 or more basis points between 2022 and 2025 delivered TSR of 21 to 22%, nearly double the 11% posted by peers who did not²⁴. The play is a DIO/DSO/DPO diagnostic by site – not at the corporate level, but at the plant and division level, where a facility carrying 90 extra days of inventory because it lacks demand visibility is a different problem than a division with loose receivables discipline because sales prioritizes volume over collection. Simultaneously, exit non-core lines with low return on invested capital. The companies that master margin-to-cash discipline will have the capital to fund Plays 1 through 5; the companies that do not will be forced to choose between growth and margin in a world that demands both.

²⁴ S&P CapIQ Pro; Ayna team analysis. N=460, Includes Industrial companies with revenue between 100Mn and 5B and with complete financial information available from 2019 to 2025.



PLAY 7: Attract Blue-Chip Owners Deliberately

A sub-one-billion-dollar industrial company today has fewer analysts covering it, fewer institutional investors aware of it, and a wider EV/Sales discount relative to large-cap peers than at any point in the last decade. That valuation gap may have nothing to do with operations and everything to do with visibility. Companies with 25%-plus ownership from top-twenty global institutions – BlackRock, Vanguard, Fidelity, Capital Group, T. Rowe Price – trade at a structural premium in part because that ownership attracts further analyst coverage, which attracts further institutional interest, which widens the premium. Breaking into the flywheel requires a deliberate 12-month CFO engagement plan: identify five to eight quality growth funds not yet on the register; schedule direct meetings, not generic conference one-on-ones; deliver detailed financial models and plant tours that make the company's structural advantages tangible; and make three public ownership commitments – and report against them every quarter. The investor register is either a strategic asset managed with the same discipline as the customer portfolio, or it is an inherited accident that leaves the valuation premium on the table.



PLAY 8: Tell the Story Until the Market Listens

Play 7 builds the audience. Play 8 gives them a reason to stay. The mechanism is specific and operational, not aspirational: the CFO on earnings preparation four weeks before the call, not two, stress-testing the narrative against every plausible analyst question until the story is airtight. The narrative itself is built around three elements – tailwind exposure, margin and cash trajectory, and a forward-looking, growth-and-returns account that gives institutional investors a concrete reason to own the stock today and a trajectory worth following. These are not talking points; they are the architecture of a re-rating. The data shows that roughly 80% of the highest-valued industrial firms tell this kind of growth-and-returns story consistently, and the market rewards them for it. The companies that do not – those that show up to earnings without a defined fix for last quarter's miss, without a trajectory story, without a commitment to report against – leave the valuation premium on the table regardless of how strong their operations are. In an environment where analyst coverage is shrinking and investor attention is scarce, narrative discipline is the last mile between operational excellence and market value. QOR and RMS, built through Plays 1 through 6, are the proof. Play 8 is how the market learns to believe it.

Getting Started – The Questions That Cannot Wait



The eight plays are interconnected, and so are the gaps. A company with strong end-market positioning but no supply-chain resilience will watch its revenue advantage erode with the next tariff cycle. A company with operational AI deployment but no narrative discipline will capture the margin but never the multiple. The right starting point depends on where the gaps are deepest, and the cost of leaving any gap unaddressed is specific, measurable, and compounding. What follows is a stress test, not a checklist.

Quality of Revenue



The QOR questions cut to the heart of revenue positioning. What percentage of revenue sits in end-markets growing faster than 5%? Among companies with below 50% tailwind exposure, revenue declined at -4.7% CAGR over the last three years – and no amount of operational excellence reverses a structural end-market mismatch. For pricing, the diagnostic is simple: did margins hold when input costs spiked last cycle? If not, cost-plus pricing is the culprit, and the permanent cost reset will keep compressing margins with every future spike. On recurring revenue, the question is installed-base entitlement – for every product in the field, what percentage has a service contract, auto-reorder agreement, or aftermarket commitment attached to it? If the answer is below one-third, durable revenue is being left on the table. Portfolio discipline and sales mindset round out the diagnostic: if the organization is unwilling to prune commodity SKUs and exit low-growth lines, portfolio sprawl will dilute capital allocation and blur the growth narrative; if the sales force is still trained on volume and cost-plus, no amount of strategic intent converts into value-based pricing at the transaction level.



Resilience of Margin Structure

The RMS diagnostic reveals whether the cost structure is built for today's world or the last decades. Is the manufacturing footprint designed for 2025 or 2015? Does the company have a qualified local alternative for every critical input? If the answer is 2015 and no, the company is exposed not only to the next tariff cycle but to the compounding cost disadvantage that first movers locked in years ago through long-term domestic contracts. On AI, the question is not whether the company mentions artificial intelligence on earnings calls; it is where AI is touching margin today and whether there is a named P&L owner per use case. If AI lives only in the narrative, the company sits on the wrong side of a roughly 500-basis-point gross margin trajectory gap. On cash conversion, the question is granular: how many basis points are trapped in DIO, DSO, and DPO, and can the leadership team answer that question by site? If not, 200 to 400 basis points of operating cash flow are waiting to be released – and at all time high WACC, that trapped cash costs more every quarter.



Earned Valuation Premium

The EVP diagnostic tests whether the market can see what the company has built. Does the leadership team know the five to eight quality growth funds not yet on the shareholder register, and is there a 12-month plan to win them? If the register is inherited rather than built, the valuation discount will persist regardless of operating performance. Is the earnings narrative a tailwind-and-trajectory story or a catalog of headwinds? The three-time stock-reaction gap between companies that own their numbers and companies that blame macro is not a soft-skill observation; it is a measurable value-creation lever that accrues quarter after quarter.



The How: Cross-Cutting Imperatives

Answering these questions is the starting point; converting the answers into action requires five cross-cutting imperatives that cut across all three advantages. Zero-base the operating model and revisit every buy-versus-make decision with current cost, tariff, and WACC assumptions, not historical ones – decisions that made sense at a 4% WACC may be value-destructive at 7%. Resolve AI ownership by placing business leaders, not technology sponsors, in charge of every AI use case with a defined P&L outcome. Align incentives and KPIs by including working capital metrics alongside revenue and margin targets in executive compensation because margin gains that stay trapped in inventory or receivables create no shareholder value. Build a proactive investor strategy designed to construct the shareholder stack deliberately, not inherit it passively. And treat every commitment made to the market as a promise, not a scenario – the difference between the two is accountability, and the market can tell.

The window to build these advantages is open now, and it is narrowing with every quarter. First movers on supply-chain redesign have already locked in three-to-five-year contracts at favorable economics. Companies deploying AI operationally are already capturing the 255 basis points gross margin expansion that separates Business AI users from the rest. Blue-chip investors have already begun sorting industrial companies into “own” and “ignore” categories, and the valuation premium is flowing to the companies that earned it with narrative discipline and consistent delivery against public commitments. The next tariff cycle, the next supply shock, the next rate repricing will find two kinds of companies: those that built structural advantages during the ruptures, and those still explaining why last quarter was an anomaly. The eight plays are not a list to aspire to – they are the standard against which every CEO and CFO in Industrial Technology will be measured, starting now.

Disclaimers



Past performance is not indicative of future results. There can be no assurance that any activities will achieve results comparable to what is discussed herein or avoid losses.

Neither these written materials, nor any accompanying oral presentation, or the two combined, should in any way be interpreted as investment advice. Ayna.AI does not provide investment advice. Any person in receipt of these materials should consult appropriate legal, tax and investment professionals before acting on any of the commentary presented herein, as this presentation is not a substitute for personalized investment advice.

These materials are intended to be read as a whole. Excerpts cannot be removed without sacrificing the meaning of any portion. Many statements herein represent abbreviated commentary. These statements are in no way intended to be a full outline of a company's operations or outlook. The information in this document does not purport to be comprehensive and has not been independently verified. No reliance may be placed for any purposes whatsoever on the information contained in this document or related materials or in the completeness of such information.

Certain portions of this presentation may include information regarding the performance of various industries or companies or the economy in general. Such information is taken from various sources, and while believed to be reliable, is not necessarily independently verified, and accordingly, such information should not be relied upon in making any investment decisions. While this document has been prepared in good faith, it does not constitute a representation, warranty or undertaking, express or implied, with respect to the information or opinions contained in it and no responsibility or liability is accepted as to the accuracy, completeness or reasonableness of such information or opinions or any other written or oral information made available to any party or its advisers. Without prejudice to the foregoing, we do not accept any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of this document and/or related materials or their contents or otherwise arising in connection therewith. The information set out herein and in any related materials is subject to updating, completion, revision, verification and amendment, and such information may change materially. We are under no obligation to provide the recipient with access to any additional information or to update this document or any related materials or to correct any inaccuracies in it which may become apparent.

Some portions of this presentation include the use of various charts or graphs. These are intended as visual aids only and are not to be construed as a means to make investment decisions of any kind.

The information presented represents the opinions of Ayna.AI and all statements of opinion and/or belief contained in this document and all views expressed represent our own assessment and interpretation of information available as at the date of this document. While these opinions are based on our experience and research, there can be no guarantee that any expectation discussed in these materials will be realized.



THANK YOU