



Internet of Things (IoT) Newsletter

Q3 2019 M&A NEWSLETTER

KPMG Corporate Finance LLC



Internet of Things ("IoT") Overview

IoT deal value and volume⁽¹⁾

Overall IoT transaction activity has continued its strong trend through Q3 of 2019. M&A volume is up 31% over the same period in 2018 as large strategic players eagerly acquire IoT technology to address customer demand for dynamic data acquisition and analytical IoT solutions. We continue to believe that we are in the early stages of IoT and expect continued strength in deal volumes.

Total global deal volume in Q3'19
44

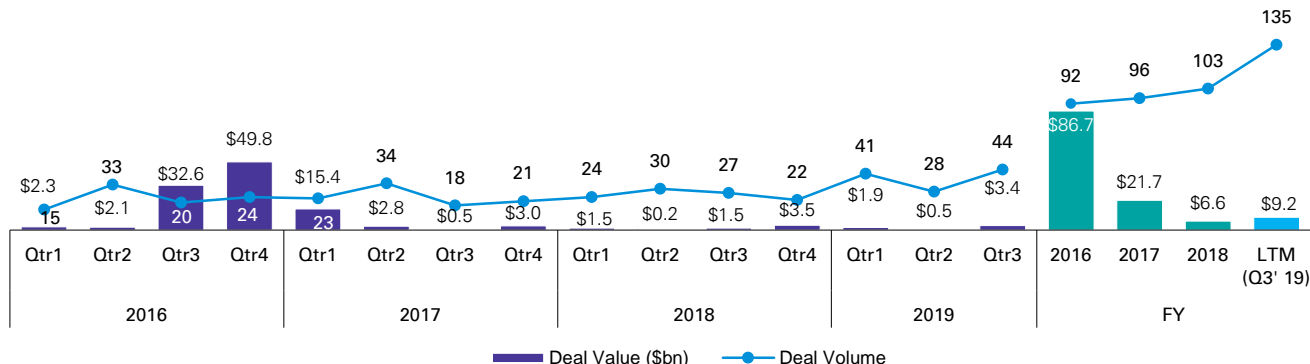


The IoT sector saw **44** deal announcements in Q3'19, significantly higher than **27** deals announced in Q3'18

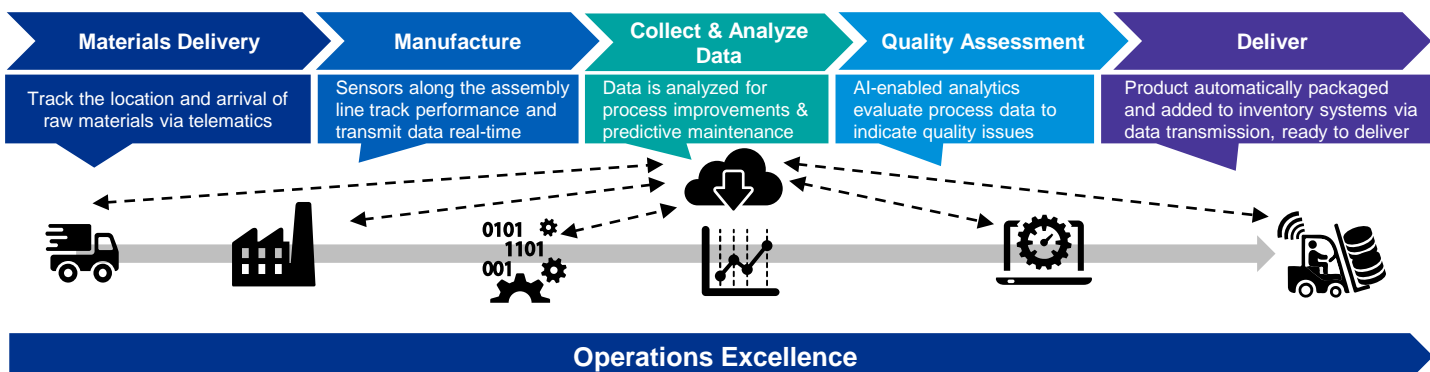
\$3.4bn
Aggregate deal value in Q3'19



The aggregate deal value in Q3'19 was **\$3.4bn**, largely comprising of small-size deals with undisclosed values



Market Spotlight: Industrial IoT

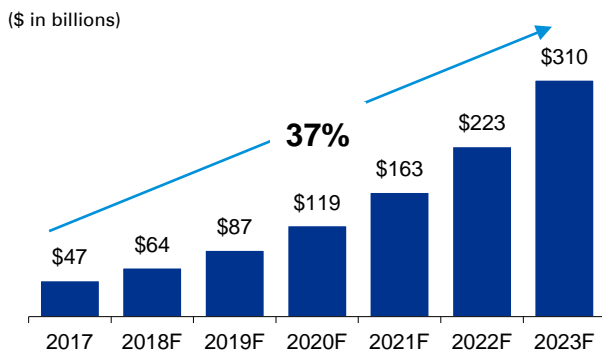


In this edition of our IoT Newsletter, we take a deep dive into **Industry 4.0**.

Industry 4.0, or the fourth industrial revolution, represents the end-to-end digitization of all physical assets and processes, integrated into digital ecosystems. Industrial IoT is a critical, enabling component of Industry 4.0. All manufacturing equipment, systems and processes are embedded with sensors, allowing real-time generation, analysis, and communication of data between physical and digital worlds to enable greater process efficiency, quality management, and operations planning.

The market for Industry 4.0 is forecasted to grow rapidly from \$47bn in 2017 to over \$310bn by 2023, growing at a CAGR of 37% during the period.

Global Industry 4.0 Market Size



Sources: 451Research, Capital IQ, IoT Analytics and KPMG research

Notes:
(1) M&A analysis is based on the deals announced during the respective periods. Deal value represents aggregate value for disclosed transactions for the time period



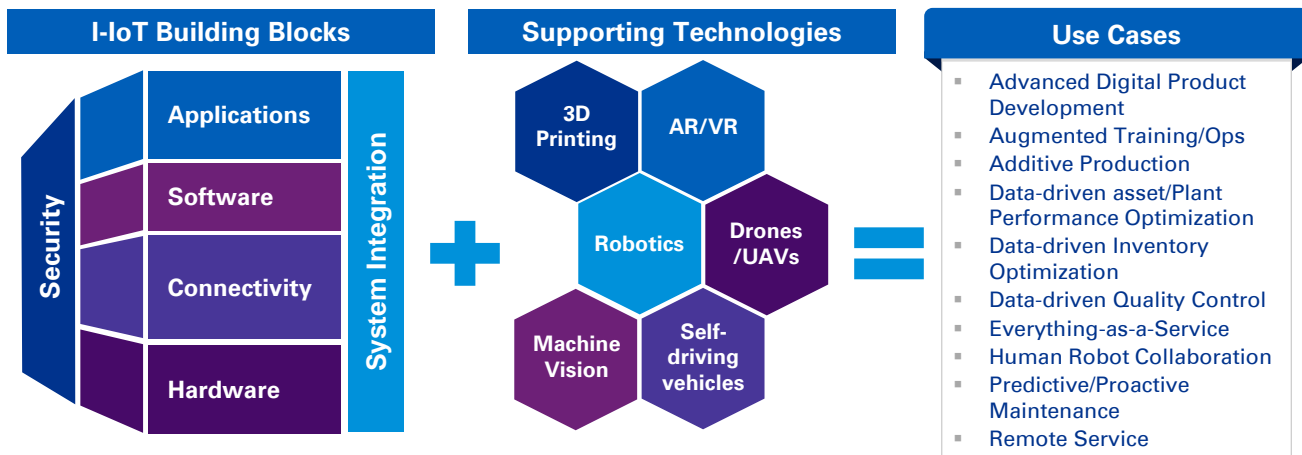
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Market Opportunity: Industry 4.0 & Digital Twin

Industry 4.0: Addressable Market

Industry 4.0 represents an enormous market opportunity, with leaders in every industrial segment investing in new technologies and applications to digitize essential operational processes.

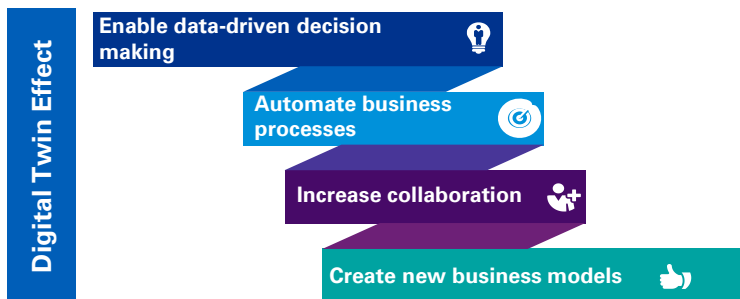
Contributing factors include the increasing adoption of IoT in digital transformation of manufacturing and related industries, the rise of industrial robotics and the proportionally higher spend in Industrial Internet of Things.



The Digital Twin: Powerful use cases for Industry 4.0

Of particular interest in Industry 4.0 applications is the concept of a **Digital Twin** – a near real-time digital representation of a physical asset or process that can be used to optimize performance and drive process efficiencies.

Digital Twins have multiple applications, from real time health monitoring of a single deployed asset, such as a jet engine, to evaluating wear and tear of industrial machinery, to allowing forensic analysis of manufacturing line performance in order to improve process outcomes.



Use cases		
Organizational productivity	Industrial assets and systems	Predictive models
Smart connected products	Real-time optimization and decisions	Streamlined connected ops & processes
Continuous data-driven optimization	Virtual prototyping	Remove silos and inefficiencies
Reduce downtime and maintenance costs	Customer-driven design	Product innovation

By 2021, 50% of large industrial companies will use Digital Twins, resulting in those organizations gaining a 10% improvement in effectiveness

Digital Twins drive business impact of I-IoT by offering a powerful way to monitor and control assets/processes

Sources: IDC, IoT Analytics, KPMG Research



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IoT Q3 Transactions in Focus

Mosaic Acquisition Corp. announced the acquisition of Vivint, a provider of home security, energy management and smart home technology automation systems

Announced Date: Sep. 16, 2019 **Deal Value:** \$2,316mm **EV/Revenue:** 5.0x **EV/EBITDA:** 15.2x

Mosaic Acquisition, an affiliate of Fortress Investment Group (a subsidiary of SoftBank) announced the acquisition of Vivint, a provider of home security, energy management and smart home technology automation systems and managed services for residential customers in the US and Canada

Shopify announced the acquisition of 6 River Systems, a provider of warehouse automation systems for businesses in Europe and North America

Announced Date: Sep. 9, 2019 **Deal Value:** \$450mm **EV/Revenue:** N/A **EV/EBITDA:** N/A

Shopify announced the acquisition of 6 River Systems, a warehouse automation systems provider in Europe and North America. The acquisition will add cloud-based software and collaborative mobile robots to Shopify's fulfillment network and also add professionals with decades of experience in fulfillment software and robotics to its workforce

Verisk Analytics announced the acquisition of Genscape, a provider of real-time data and intelligence for commodity and energy markets

Announced Date: Aug. 26, 2019 **Deal Value:** \$364mm **EV/Revenue:** N/A **EV/EBITDA:** N/A

Verisk Analytics announced the acquisition of Genscape which provides sensor-based in-field power data monitoring and aggregated market intelligence data for the energy sector. Genscape will merge with Wood Mackenzie (a subsidiary of Verisk) and will enhance its existing sector intelligence in energy data and analytics

KPMG CF Transaction Spotlight



Acted as exclusive financial advisor to



in its acquisition of



Industrial IoT
July 2019

Overview:

- Cognizant Technology Solutions Corporation ("Cognizant") is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Its unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses
- Headquartered in the U.S., Cognizant is a Fortune 200 company

Engagement:

- KPMG Corporate Finance LLC was engaged by Cognizant due to the firm's depth in IoT as well as its global reach.
- KPMG's role was to assist in identifying opportunities to acquire Industrial IoT technology leaders who are delivering solutions that would advance Cognizant's position in the I-IoT space
- KPMG conducted a global search to identify a partner for Cognizant that met its exacting acquisition criteria and worked diligently to drive a successful closing

Outcome:

- Cognizant agreed to acquire Zenith Technologies Ltd.
- Zenith extends Cognizant's capabilities for designing, implementing and managing end-to-end operational and information technology systems for connected biopharmaceutical and medical device manufacturers
- The acquisition expands Cognizant's IoT portfolio enabling the company to become a single-source provider of end-to-end smart factory capabilities, a key driver in Industry 4.0

Sources: 451Research, Capital IQ, Mergermarket and KPMG research



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Q3'19 IoT Transactions (1/2)

Announced	Target	Acquirer	Target HQ	Deal Value (\$mm)	EV / Revenue	EV / EBITDA
09/26/2019	MSI Holding AB	Castic Capital S.a r.l.	Sweden	-	-	-
09/24/2019	ESSERT Digital	Ubimax GmbH	Germany	-	-	-
09/23/2019	Hangar Technologies	AirMap	US	-	-	-
09/23/2019	CTRL-labs Corporation	Facebook	US	-	-	-
09/19/2019	New Continuum Data Centers	SBA Communications Corporation	US	-	-	-
09/17/2019	Witekio	Avnet	France	-	-	-
09/16/2019	Vivint [Blackstone]	Mosaic Acquisition Corp.	US	\$2,316.0	5.0x	15.2x
09/09/2019	Sankalp Semiconductor	HCL Technologies	India	-	-	-
09/09/2019	6 River Systems	Shopify	US	\$450.0	-	-
09/04/2019	Zingbox	Palo Alto Networks	US	\$75.0	15.0x	-
09/04/2019	Arcadia Data Inc. (assets)	Cloudera	US	-	-	-
09/02/2019	Invicta Telecare	Doro AB	UK	\$6.1	-	-
09/02/2019	Action Item Software	VeriFone Systems	Israel	-	-	-
09/02/2019	The Cropio Group	Syngenta AG	Cyprus	-	-	-
08/29/2019	Smartnodes s.a	Lacroix SA	Belgium	-	-	-
08/27/2019	THREAD	JLL Partners/Water Street Healthcare Partners	US	-	-	-
08/26/2019	Genscape	Verisk Analytics	US	\$364.0	-	-
08/23/2019	littleBits Electronics	Sphero	US	-	-	-
08/23/2019	Jardine OneSolution Holdings	HKBN	China	\$50.0	-	4.6x
08/19/2019	Phoenix Digital Corporation	Softing AG	US	-	-	-
08/16/2019	NXP Semiconductors	Shenzhen Goodix Technology	Holland	-	-	-
08/14/2019	Olympus Controls	Applied Industrial Technologies	US	-	-	-
08/12/2019	Belatrix Software	Globant SA	Argentina	-	-	-

Sources: 451Research, Capital IQ, Mergermarket and KPMG research



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Q3'19 IoT Transactions (2/2)

Announced	Target	Acquirer	Target HQ	Deal Value (\$mm)	EV / Revenue	EV / EBITDA
08/12/2019	Alchemy IoT	Fiix	US	-	-	-
08/09/2019	CarlQ Technologies Pvt	Varroc Engineering	India	\$2.7	2.0x	-
08/08/2019	Intersystems (Asia Pacific) Pty. Limited	Daifuku Co.	Australia	-	-	-
08/08/2019	Kopin Corporation	RealWear	US	\$3.5	-	-
08/06/2019	Firmwave	Taoglas Group Holdings	Ireland	-	-	-
08/06/2019	BSSN Software GmbH	Merck KGaA	Germany	-	-	-
08/06/2019	Ecotagious	Uplight	Canada	-	-	-
08/01/2019	Global Technical Group	Abris Capital Partners	Romania	-	-	-
07/31/2019	Cognizant Technology Solutions	Zenith Technologies Limited	Ireland	-	-	-
07/31/2019	Rigado	u-blox AG	US	-	-	-
07/31/2019	Armada Logistics	Turvo	US	-	-	-
07/24/2019	Sensor Beheer	Indutrade AB	Holland	-	-	-
07/24/2019	ADEA Medical AB	BioTelemetry	Sweden	-	-	-
07/24/2019	Field Intelligence	Network Innovations	US	-	-	-
07/23/2019	Mapper.ai	Velodyne Lidar	US	-	-	-
07/22/2019	Fujitsu	Kontron S&T AG	Japan	-	-	-
07/22/2019	Hillcrest Laboratories	CEVA	US	-	-	-
07/12/2019	Sabisu	Aspen Technology	UK	-	-	-
07/12/2019	Mnubo	Aspen Technology	Canada	\$77.8	-	-
07/09/2019	Noveda Technologies	ID Global Corp	US	-	-	-
07/08/2019	Maestro & FALCOM Holdings Limited	Lantronix	HK	\$4.9	-	-
07/08/2019	Zedi	Emerson Electric	Canada	-	-	-

Sources: 451Research, Capital IQ, Mergermarket and KPMG research



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Trading Companies

IoT and M2M								
Company	Share price ⁽¹⁾ (\$)	% of 52 Week High	Market Cap ⁽¹⁾ (\$mm)	Enterprise Value ⁽²⁾ (\$mm)	LTM Revenue (\$mm)	LTM EBITDA ⁽³⁾ (\$mm)	EV/ LTM Revenue	EV/ LTM EBITDA
M2M / IoT								
PTC	\$68.18	63.5%	7,852.9	8,250.9	1,233.1	128.2	6.7x	NM
Advantech	8.79	98.6%	6,142.9	5,818.4	1,644.6	284.4	3.5x	20.5x
CalAmp ⁽⁴⁾	11.52	47.8%	393.1	527.6	366.8	34.2	1.4x	15.4x
Sierra Wireless	10.69	54.1%	386.6	332.1	770.0	24.7	0.4x	13.5x
Digi International	13.62	92.6%	383.2	296.9	255.8	26.2	1.2x	11.3x
Inseego	4.80	80.0%	381.8	508.3	211.1	5.8	2.4x	NM
ORBCOMM	4.76	43.5%	379.6	589.0	270.5	41.6	2.2x	14.1x
Telit Communications	2.03	85.6%	267.9	237.2	416.5	10.9	0.6x	21.8x
Mean		70.7%					2.3x	16.1x
Median		71.7%					1.8x	14.8x
Telematics								
FleetCor Technologies	\$286.78	94.1%	24,825.9	28,352.4	2,531.9	1,417.1	11.2x	20.0x
Trimble	38.81	83.9%	9,772.0	11,425.7	3,237.1	634.2	3.5x	18.0x
Mix Telematics	0.56	76.4%	307.9	289.4	137.4	37.8	2.1x	7.7x
Quartix	4.12	98.0%	197.5	191.8	32.2	9.8	6.0x	19.7x
Inseego	4.80	80.0%	381.8	508.3	211.1	5.8	2.4x	NM
Mean		86.5%					5.0x	16.3x
Median		83.9%					3.5x	18.7x

Source: Capital IQ

Notes:

- (1) Market Data including Market Capitalization amounts are based on closing share prices as of September 30, 2019.
- (2) Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents.
- (3) EBITDA equals Earnings before Interest, Taxes, Depreciation, and Amortization.
- (4) CalAmp pro forma for Synovia Solutions acquisition on April 12, 2019. Assumed Synovia margins are equal to CalAmp's margins.

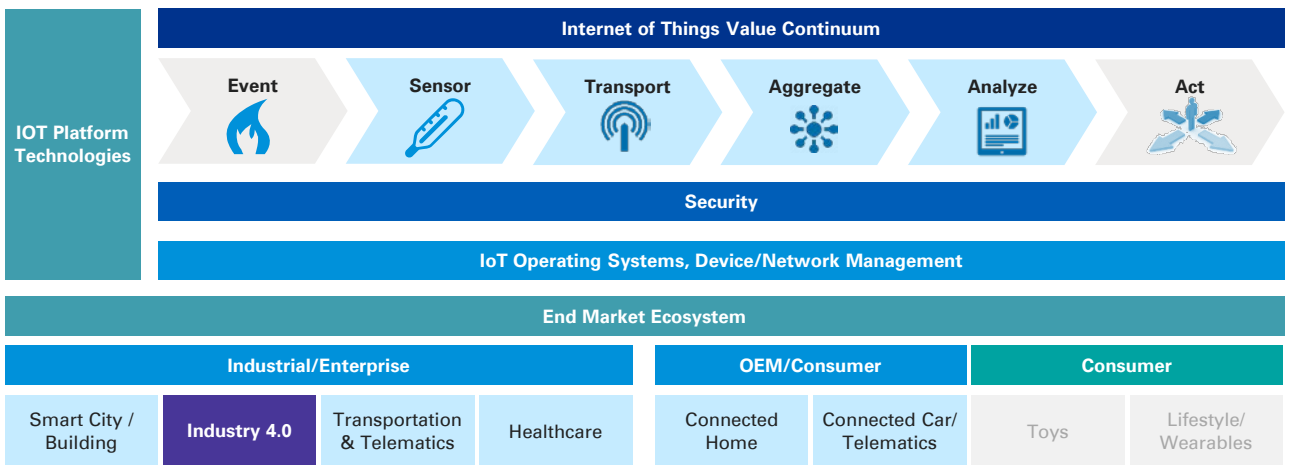
IoT Sector Team

The IoT Sector team at KPMG Corporate Finance LLC has become one of the most prolific M&A advisors in IoT, having worked as a trusted advisor with clients in closing more than 15 buy and sell side transactions. By leveraging deep IoT domain expertise and the firm's global reach, the IoT Sector Team at KPMG Corporate Finance LLC has become a preferred partner to global leaders, financial sponsors and emerging innovators alike.

Select Recent Transactions

 Cognizant <i>has acquired</i>  ZENITH TECHNOLOGIES <small>POWERING PATIENT HEALTH</small> Industrial IoT	  Ubisense <i>SmartSpace division</i> <i>has been sold to</i> INVESTCORP Industrial IoT	  <i>has been acquired by</i>  TAYCA CORPORATION IoT Sensor Technologies	  <i>has been acquired by</i>  IoT and Embedded Computing	  <i>Smart Traffic/Tolling Technologies business</i> <i>has been sold to:</i>  IoT - Smart City	 CONTROLTEC <small>UNLOCKING THE POWER OF DATA</small> <i>has been acquired by</i> DELPHI Connected Car / IoT
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Our Focus



Internet of Things Team

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KPMG Corporate Finance LLC

KPMG Corporate Finance LLC (KPMGCF) provides a broad range of investment banking and advisory services to its domestic and international clients. Our professionals have the experience and depth of knowledge in global M&A and project finance to advise clients on mergers and acquisitions, sales and divestitures, buyouts, financings, debt restructurings, equity recapitalizations, capital advisory, real estate, portfolio solutions, and other advisory initiatives. For more information on KPMGCF, please visit www.kpmgcorporatefinance.com

Global Coverage. Industry Knowledge. Middle-Market Focus.

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