

Internet of Things (IoT) Newsletter

Summer 2020 M&A NEWSLETTER

KPMG Corporate Finance LLC

**Summer 2020: IoT M&A in a
COVID-19 Environment**

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Summer 2020: IoT M&A in a COVID-19 Environment

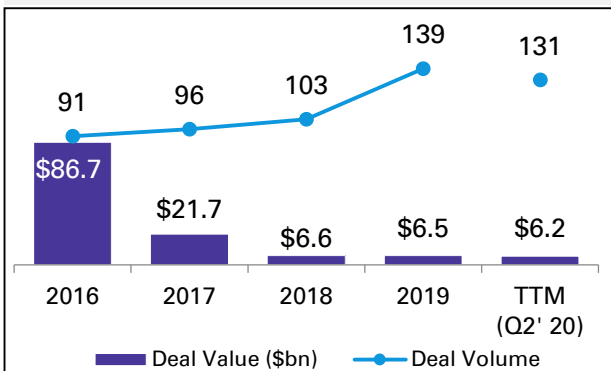
IoT Deal Value and Volume⁽¹⁾

After a massive, COVID-19-related slowdown earlier this year, we are seeing signs that the broader M&A markets, and the IoT M&A market in particular, are gaining renewed momentum. As we indicated in our Spring 2020 Newsletter, large deals (i.e., those with transaction values above \$1 billion) were nearly universally put on hold or scuttled - we did not see a single large IoT transaction close in Q2 2020 in the face of the absence of debt capital support for such larger transactions. That said, **Q2 saw a meaningful increase in IoT M&A** with value below \$500 million, which we believe to be consistent with conversations we are having with strategic and PE buyers in the space. While momentum in IoT M&A is nowhere near the levels we saw through 2019, we believe acquirers of quality stories (not distress) are back and targets are willing to engage.

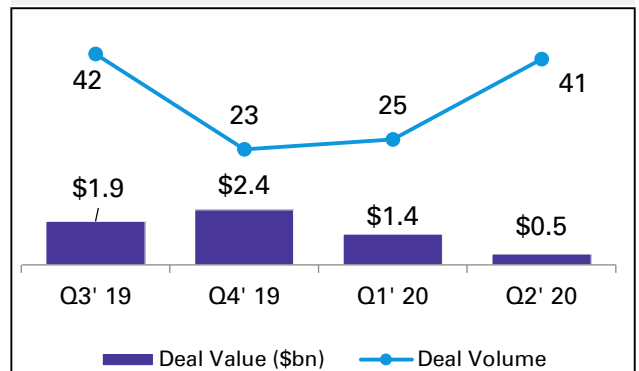
We are seeing **three prevailing trends** in this new COVID-19 environment. First, **smaller transactions are becoming the new norm**, as companies look to place smaller bets regarding capital deployment and face more limited access to credit. Second, acquisition activity around IoT solutions applicable to **healthcare end-markets** has increased and is expected to continue as companies increasingly see the importance of such solutions. Third, **smart building technologies** will be critical as businesses reopen and IoT use cases such as remote temperature checks, occupancy detectors, and air filtration sensors, among others, help buildings reopen safely.

Q2 2020 saw a rebound in the volume of IoT transactions as companies began to adjust to the new environment

Last Four Years - IoT M&A Activity



Last Four Quarters - IoT M&A Activity



Total global deal volume in Q2'20
41



The IoT sector saw **41** deal announcements in Q2'20, significantly higher than **25** deals announced in Q1'20

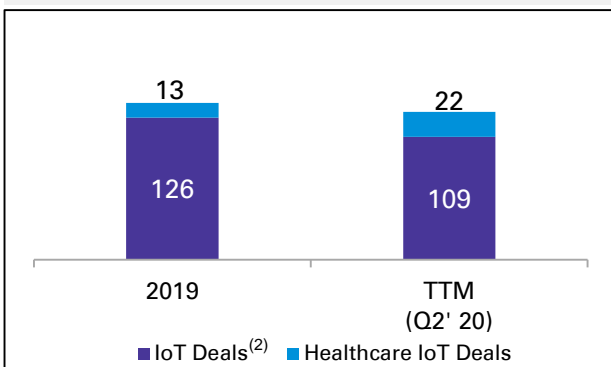
\$0.5bn
Aggregate deal value in Q2'20



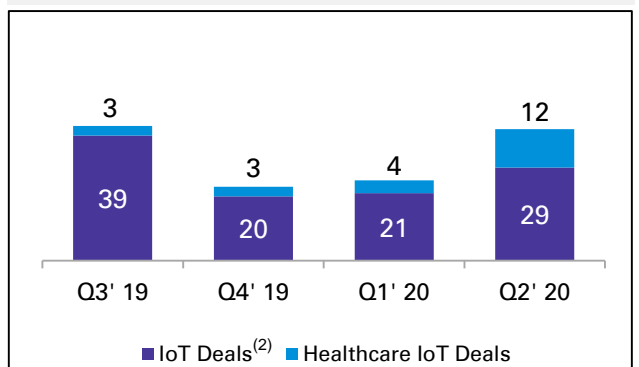
The aggregate deal value in Q2'20 was **\$0.5bn**, largely comprising of small-size deals with undisclosed values

We are seeing a dramatic increase in the number of acquisitions of healthcare IoT targets as COVID-19 has highlighted the importance of IoT in improving safety, automation, and contactless work

IoT M&A Activity (By Sector) - Deal Volume



IoT M&A Activity (By Sector) - Deal Volume



Notes:

- (1) M&A analysis is based on the deals announced during the respective periods. Deal value represents aggregate value for disclosed transactions
- (2) Includes all IoT M&A deals except Healthcare IoT M&A deals during the respective periods

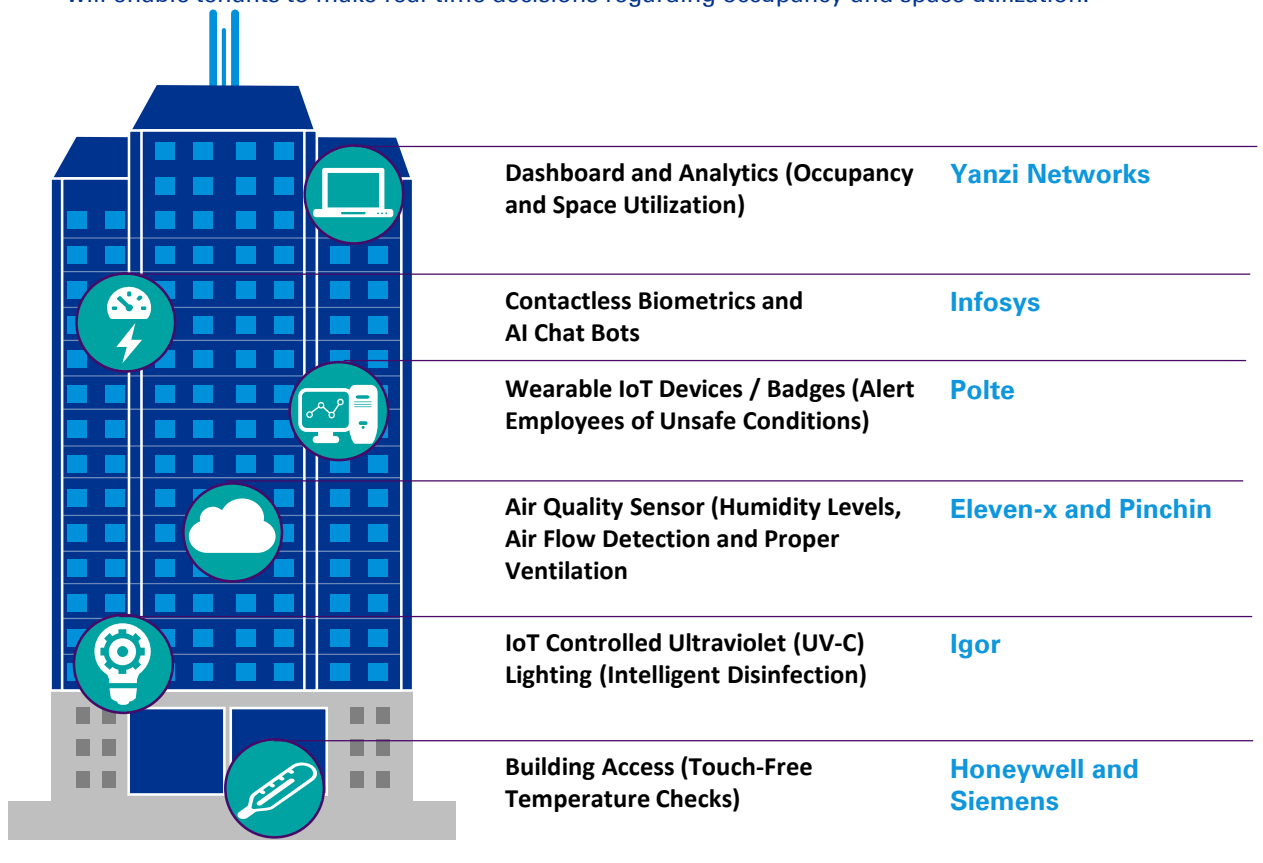


Smart Building Technologies

Smart Building IoT Use Cases

As businesses consider bringing back workers to the office, numerous challenges arise regarding how to do so safely and efficiently. There are numerous factors to consider when looking to balance getting personnel in and out of the office in a timely manner and maintaining safe environments that reduce the potential of spreading germs. Below are innovative use cases that companies have developed in an effort to make their workplaces smarter and safer for their employees:

- **Building Access:** Honeywell and Siemens, among others, have developed non-invasive temperature monitoring technologies used to screen personnel prior to entering a building.
- **Contactless Biometrics and AI Chat Bots:** Infosys launched a 'Return to Workplace' solution which, among other applications, enables enterprises to use contactless biometrics to limit employees' need to touch surfaces and Chat Bots powered by AI to answer employees' routine questions regarding COVID-19.
- **IoT Controlled Ultraviolet (UV-C) Lighting:** Igor developed an intelligent disinfectant that combines UV-C lighting with IoT to enable the automated disinfecting of surfaces throughout a building.
- **Wearable IoT Devices / Badges:** Polte launched a social distancing solution, including a mobile IoT device worn with an employee's badge, that leverages existing infrastructure to improve contact tracing and enables employees to immediately notify employers of unsafe situations.
- **Air Quality Sensor:** Eleven-x and Pinchin have partnered to develop a solution to monitor ventilation rates and relative humidity, and communicate the conditions to tenants to limit airborne transmission.
- **Dashboard and Analytics:** Yanzi Networks has developed a dashboard and analytics solution that provides users with a detailed understanding of the data generated from smart building IoT devices and will enable tenants to make real-time decisions regarding occupancy and space utilization.



IoT Q2 2020 Transactions in Focus

Delta Electronics announced its acquisition of Trihedral Engineering, a Canada-based IIoT Software Company

Announced Date: May 30, 2020 **Deal Value:** \$33mm **EV/Revenue:** N/A **EV/EBITDA:** N/A

Delta Electronics announced its acquisition of Trihedral Engineering, which provides IIoT process monitoring software for manufacturing and engineering sectors. The acquisition is likely to bolster Delta's industrial automation and smart manufacturing portfolio.

Flotek Industries to acquire JP3 Measurement, a provider of fossil fuel data analytics and process control systems

Announced Date: May 18, 2020 **Deal Value:** \$34mm **EV/Revenue:** N/A **EV/EBITDA:** N/A

Flotek Industries announced its acquisition of JP3 Measurement, which provides fossil fuel data analytics and process control systems for the energy sector globally. The acquisition is likely to accelerate growth and diversify Flotek's business across all the segments of hydrocarbon value chain.

Equitix Investment Management announced its acquisition of Crail Meters Limited, a provider of smart industrial and commercial utility meters

Announced Date: May 5, 2020 **Deal Value:** \$363mm **EV/Revenue:** N/A **EV/EBITDA:** N/A

Equitix Investment Management announced the acquisition of Crail Meters Limited, which provides smart industrial and commercial utility meters, from Smart Metering Systems. Crail Meters' assets comprises of ~187,000 industrial and commercial meters.

Q2 2020: Most Active IoT Acquirer

Acquirer

Acquisition Highlights

Huma

formerly, Medopad, a UK-based Remote patient monitoring company

Acquired two IoT targets in Q2 2020:

- April 2020: Acquired Tarilian Laser Technologies, a provider of blood pressure monitoring wearable devices for businesses and consumers using light modulation sensors to detect motion
- April 2020: Acquired BioBeats, a provider of AI-based employee mental health monitoring SaaS to businesses

Transaction Spotlight

PointCentral

acquired

Doorport

Smart Building
May 2020

Overview:

- PointCentral is a home automation solutions provider that develops enterprise-scale solutions such as centralized control of access and HVAC (Heating, ventilation, and air conditioning) for property managers.
- Headquartered in Portland, OR, U.S. and operates as a subsidiary of Alarm.com.

Deal Outcome:

- PointCentral acquired Doorport, a property access management intercom mobile application.
- Application enables users to create and send temporary and permanent keys from their mobile devices to grant access to front door and common areas.
- The acquisition is likely to expand PointCentral's smart residential property management portfolio and is in line with its plans to offer complete IoT solution in this space.

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



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Recent IoT Transactions (1/2)

Announced	Target	Acquirer	Target HQ	Deal Value (\$mm)	EV / Revenue
06/30/2020	PathSensors	Smiths Detection	US	-	-
06/30/2020	Firstbeat Analytics	Garmin	Finland	-	-
06/29/2020	Scanadu	Healthy.io	US	\$9.0	-
06/25/2020	Transense Technologies	Bridgestone	UK	-	-
06/24/2020	Sugarmate	Tandem Diabetes Care	US	-	-
06/22/2020	CyberX	Microsoft	US	-	-
06/17/2020	Pixobot	Intervet	US	-	-
06/17/2020	Telemedicine Web Services	Tapestry Health	US	-	-
06/17/2020	Orbis MES	Dairy LLC	Ireland	-	-
06/10/2020	HealthIO	Milliman Inc.	US	-	-
06/10/2020	APDM Wearable Technologies	eResearch Technology	US	-	-
06/01/2020	SmarTap	Masco Corporation	Israel	\$24.0	-
05/30/2020	Trihedral Engineering	Delta Electronics	Canada	\$32.7	-
05/25/2020	Hiotlabs	Polygon Group	Sweden	-	-
05/21/2020	Connexas Group	MSI Holding	UK	-	-
05/19/2020	Kaiku Health	Elektro AB	Finland	-	-
05/18/2020	ActiGraph	ArchiMed SAS	US	-	-
05/18/2020	REF TEK	Xeos Technologies	US	-	-
05/18/2020	JP3 Measurement	Flotek Industries	US	\$34.4	-
05/11/2020	VisTracks	Omnitracs	US	-	-
05/11/2020	IoT Labs Mx SAPI	iQSTEL	Mexico	-	-
05/11/2020	iinside	Crowd Vision	US	-	-
05/05/2020	Crail Meters	Equitix Investment Management	UK	\$362.4	-

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



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Recent IoT Transactions (2/2)

Announced	Target	Acquirer	Target HQ	Deal Value (\$mm)	EV / Revenue
05/05/2020	IntelliSite Corporation	DFW Capital Partners	US	-	-
05/04/2020	Current Lighting Solutions	Ubicquia	US	-	-
05/04/2020	Think Silicon	Applied Materials	Greece	-	-
05/04/2020	Doorport Inc.	PointCentral	US	-	-
04/29/2020	ChemiSense Inc.	Origins Technology	US	-	-
04/27/2020	Motiv Inc.	Proxy Inc.	US	-	-
04/16/2020	Gaido Health	Biofourmis	US	-	-
04/16/2020	Tarilian Laser Technologies	Huma	UK	-	-
04/16/2020	BioBeats Inc.	Huma	UK	-	-
04/13/2020	Sano Intelligence	Informed Data Systems	US	-	-
04/10/2020	Fusionex International	Hitachi	Malaysia	-	-
04/09/2020	Breadware	StoneAge Inc.	US	-	-
04/08/2020	Performance Livestock Analytics	Zoetis Services	US	-	-
04/07/2020	Freckle IoT	PlaceIQ	Canada	-	-
04/06/2020	Fluidmesh Networks	Cisco Systems	US	-	-
04/03/2020	Ideal Life	Raziel Health	Canada	-	-
04/01/2020	Novioscan Holding	Essity AB	Holland	\$7.0	-
04/01/2020	Thingstream	u-blox AG	UK	\$10.5	-
03/27/2020	Keaz Limited	WunderCar Mobility Solutions	Australia	-	-
03/26/2020	Sentient Energy	Koch Industries	US	-	-
03/24/2020	TrackX Holdings	FourKites	US	\$2.8	-
03/20/2020	TRACeSafe	Blockchain Holdings	US	\$1.6	-
03/17/2020	Mobiliz Information & Communication	GPS Bulgaria	Turkey	-	-

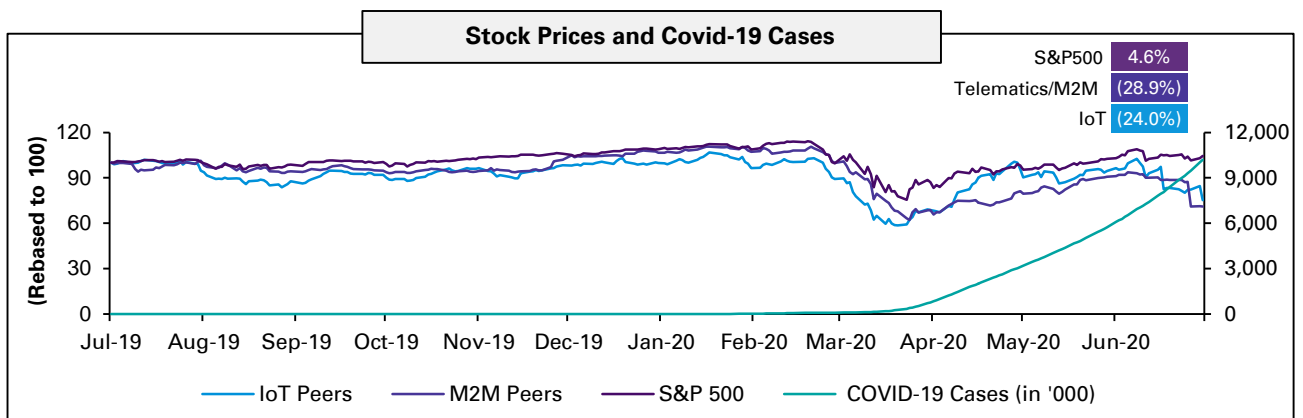
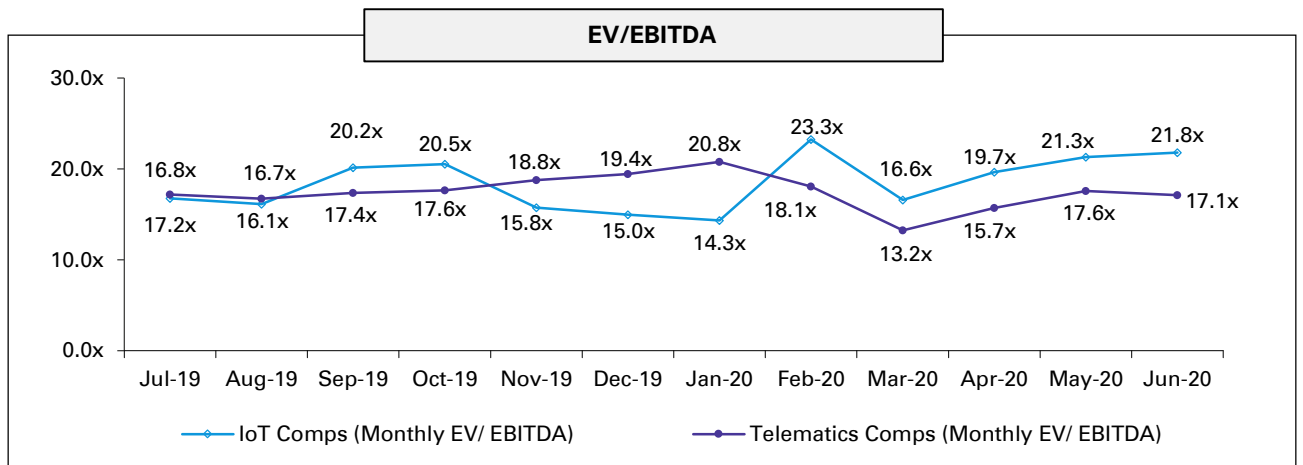
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Trading Companies

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	
IoT									
PTC	\$77.79	83.3%	8,999.9	9,993.8	1,346.2	234.8	7.4x	42.6x	
Advantech	10.04	92.3%	7,031.9	6,700.7	1,756.6	323.9	3.8x	20.7x	
Inseego	11.60	76.6%	1,120.6	1,186.9	227.8	(9.4)	5.2x	NM	
Digi International	11.65	61.3%	337.3	405.6	261.9	27.1	1.5x	15.0x	
Sierra Wireless	8.96	75.4%	325.6	305.7	697.3	(7.3)	0.4x	NM	
ORBCOMM	3.85	45.6%	299.5	512.6	272.2	53.5	1.9x	9.6x	
CalAmp	8.01	65.0%	275.3	406.5	357.3	11.3	1.1x	36.0x	
Telit Communications	1.36	61.6%	181.1	146.1	392.5	21.2	0.4x	6.9x	
Mean								2.7x	21.8x
Median								1.7x	17.8x
Telematics									
FleetCor Technologies	\$251.53	76.3%	21,078.8	25,264.4	2,688.1	1,435.6	9.4x	17.6x	
Trimble	43.19	92.5%	10,787.2	12,651.7	3,255.0	640.4	3.9x	19.8x	
u-blox	68.42	64.0%	474.6	488.8	397.6	48.1	1.2x	10.2x	
Quartix	3.99	71.6%	191.2	183.3	33.9	8.8	5.4x	20.9x	
Trakm8	0.20	61.5%	9.9	19.7	24.3	0.3	0.8x	NM	
Mean								4.1x	17.1x
Median								3.9x	18.7x



Source: Capital IQ and WHO website

Notes:

- (1) Market Data including Market Capitalization amounts are based on closing share prices as of June 30, 2020.
- (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.










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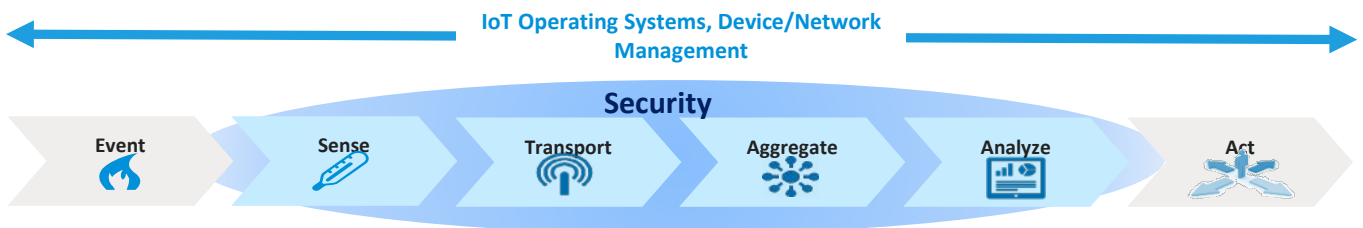
IoT Sector Team

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 experience and the firm's global reach, the IoT Sector Team at KPMG Corporate Finance LLC has become a preferred advisor to global industry leaders, financial sponsors, and emerging innovators alike.

Select Recent Transactions

 Cognizant <i>has acquired</i> Zenith Technologies Industrial IoT	 Ubisense <i>SmartSpace division has been sold to</i> Investcorp Industrial IoT	 TRS Technologies <i>has been acquired by</i> TAYCA Corporation IoT Sensor Technologies	 Kiosk Information Systems <i>has been acquired by</i> Posiflex IoT and Embedded Computing	 3M <i>Smart Traffic/Tolling Technologies business has been sold to:</i> Neology IoT – Smart City	 Control-Tec <i>has been acquired by</i> Delphi Connected Car / IoT	 Finelite <i>has been acquired by</i> Legrand Smart Building
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IoT Value Continuum



Core IoT Markets



Connected Vehicle



Industry 4.0



Smart Building



Energy



Healthcare

IoT Investment Banking Team



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“Honeywell unveils temperature monitoring solutions for buildings, factories” May 18, 2020. JUAN PEDRO TOMÁS

“Siemens unveils body temperature solution for buildings” May 12, 2020. JUAN PEDRO TOMÁS

“Yanzi Networks launches new analytics offering for smart buildings” May 7, 2020. JUAN PEDRO TOMÁS

“Igor launches intelligent disinfection solution for buildings” June 4, 2020. JUAN PEDRO TOMÁS

“eleven-x, Pinchin develop indoor environment monitoring solution” June 18, 2020. JUAN PEDRO TOMÁS

“Polte launches social distancing and contact tracing solution” June 11”, 2020. JUAN PEDRO TOMÁS

“Infosys launches ‘Return to Workplace’ solutions for businesses” June 12, 2020. Hemani Sheth

