

Internet of Things (IoT) Newsletter

Fall 2020 M&A NEWSLETTER

KPMG Corporate Finance LLC

Fall 2020

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

Rebound in IoT M&A

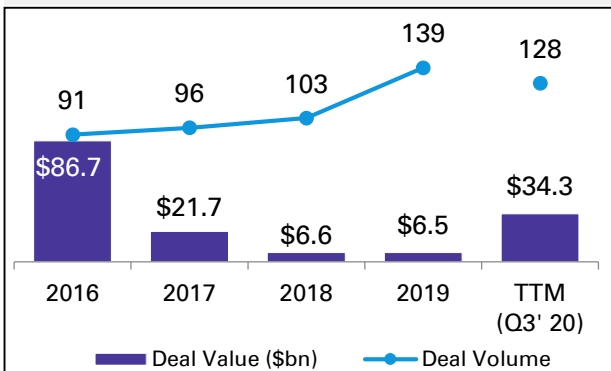
As we described in our previous newsletter, M&A activity, including that related to IoT, suffered during the first few months of the year as a result of COVID-19. Despite the current growing number of daily COVID-19 infections setting new record highs throughout the world, M&A volumes have bounced back aggressively, especially in IoT, and we expect that activity to accelerate heading into the next year.

COVID-19 has caused fundamental changes to our behaviors and environments. IoT solutions have played a critical role in changing the way manufacturers produce and deliver goods; companies manage and monitor their personnel; clinicians provide healthcare; and teachers educate their students. For example, IoT is solving the challenge of developing a supply chain capable of distributing the emerging COVID-19 vaccines at the extremely low temperatures required for them to remain effective by enabling fulsome 'cold chain' solutions that create knowledge about the temperature, sun exposure, vibration, and sudden impact of each critical shipment.

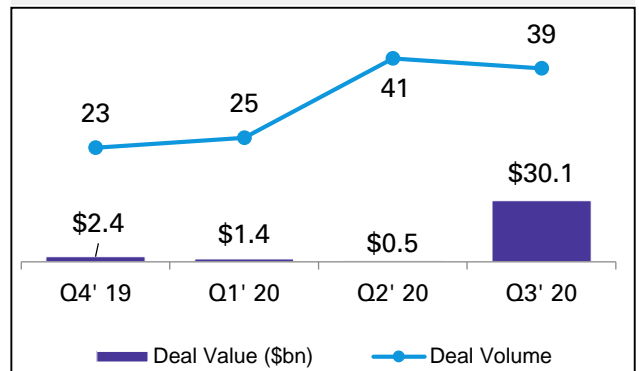
While there has been an increase in M&A activity driven by potential U.S. tax policy changes, we are seeing a growing appetite by strategic players to acquire IoT capabilities to advance their existing operations and by financial players that look to build IoT market leaders as the highly fragmented industry grows.

Q3 2020 saw a continuation of strong IoT M&A volumes as companies continue to view IoT solutions as a way to operate in the new environment*

Last Four Years - IoT M&A Activity⁽¹⁾



Last Four Quarters - IoT M&A Activity⁽¹⁾



Total global IoT deal volume in Q3'20
39



The IoT sector saw **39** deal announcements in Q3'20

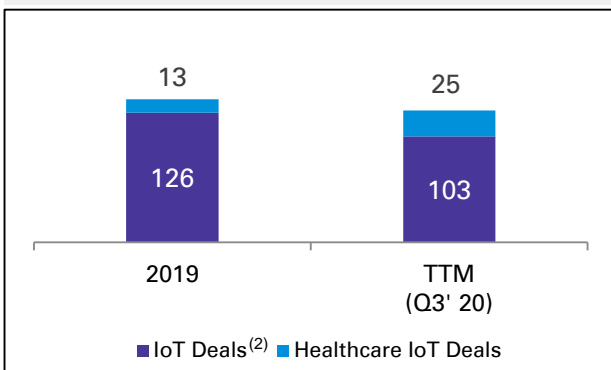
\$30.1bn
Aggregate deal value in Q3'20



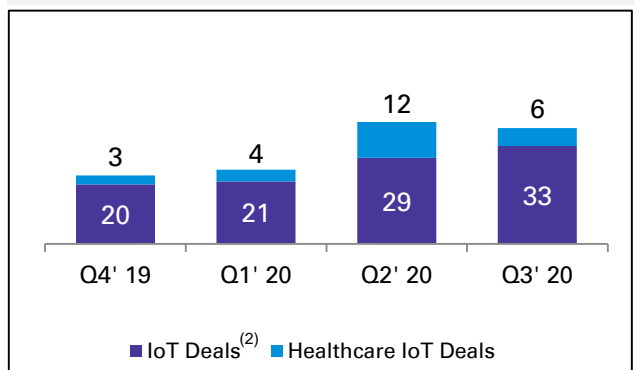
The aggregate deal value in Q3'20 was **\$30.1bn**, significantly higher than **\$0.5bn** aggregate deal value announced in Q2'20

Healthcare IoT solutions continue to be of strong interest to acquirers

IoT M&A Activity (By Sector) - Deal Volume⁽¹⁾



IoT M&A Activity (By Sector) - Deal Volume⁽¹⁾



Source:
* M&A data is per Research451 Database

IoT Solutions are Critical in our Changing World

We continue to see a rapid increase in the number of use cases and overall deployment of IoT solutions.

IoT in Distributing COVID-19 Vaccines

With recent announcements from both Pfizer and Moderna around vaccine candidates that are 90% and 94.5% effective, respectively, many questions arise about the ability to securely and effectively distribute and store the vaccines. IoT will play a critical role in successfully moving COVID-19 vaccines around the U.S. and globally. Billions of vaccine doses will be transported and stored throughout the globe, including to remote regions. Several IoT solutions leaders will play key roles in achieving this massive undertaking, including:

- **Digi's SmartSense** provides sensors, analytics, and a dash board that drive real-time oversight of critical shipments and visibility into compliance, site performance, and risks. The solution is already installed in over 28,000 retail pharmacies across the country. The CDC mandates that such a continuous temperature monitoring solution needs to be in place in order to qualify to receive a COVID-19 vaccine.
- **Cloudleaf** leverages Bluetooth, long range IoT sensors, advanced analytics, and AI/ML to drive intelligent visibility into the supply chain by monitoring light exposure, temperature, and humidity. The solution produces a digital twin of the product's transit in real-time. Administrators are able to identify shipment issues in real-time and immediately know if and when a vaccine batch breaches its defined temperature range prior to being administered.
- **Fedex** has launched a lightweight sensor to provide precision tracking for COVID-19 vaccine distribution. The location visibility is provided by SenseAware ID and will provide real-time updates on where a vaccine is on the supply chain to improve safety, security and timeliness of these critical deliveries.

Industrial IoT Use Cases

COVID-19 has accelerated the transition to Industry 4.0 and expanded use of IoT solutions. Recent examples include:

- **Hitachi and Microsoft:** Having faced manufacturing challenges as a result of COVID-19, Hitachi is partnering with Microsoft in a multi-year strategic alliance to accelerate the digital transformation of its manufacturing and logistics. The alliance will leverage Hitachi's existing IoT infrastructure and Microsoft's cloud platform to increase manufacturing productivity, optimize logistics with data analytics, and enable predictive maintenance and remote assist.
- **Verizon and IBM:** These two powerhouses are combining their expertise in 5G connectivity, edge and cloud computing, and data analytics to produce new Industry 4.0 solutions, including helping customers to detect, locate, diagnose, and respond to system anomalies, monitor asset health, and predict failures in near real-time. These solutions will allow manufacturers to leverage remote control robotics, near real-time cognitive video analysis, and plant automation.
- **Renault and Google:** Renault has been collecting data since 2016 on 2,500 machines across 22 manufacturing sites globally, representing 76% of its total vehicle production. By leveraging Google's cloud platform and analytics engine, Renault will accelerate the digitization of its production facilities and supply chain, and drive a data-driven culture for its workforce.

IoT Fall 2020 Trends and Transactions in Focus

Smart Building IoT Use Cases

Solutions involving intelligent lighting and HVAC, building access, security and operational controls are increasing coming together in the form of integrated Smart Building solutions. Global technology companies have introduced Smart Building solutions aimed to help companies navigate the many aspects of the return-to-workplace challenge. Recent examples include:

- **IBM launches Watson Works:** Watson Works will help employers manage facilities and optimize space allocation, make evidence-based decisions about returning to work based off local infection rates and regulation, communicate with all stakeholders real-time, and maximize the effectiveness of contact tracing via a secured, privacy-preserving system.
- **Honeywell** has released additional solutions to its Healthy Building Safety & Security offering. The solutions leverage deep learning AI to use an existing building's cameras to identify if occupants are in compliance with social distancing guidelines and mask wearing. Data collected will be integrated into Honeywell's building key metrics platform to help operators ensure a healthy building environment.
- **Johnson Controls'** OpenBlue Healthy Buildings solution enables customers to maximize occupancy in a safe manner by combining smart equipment, digital sensors, security systems, analytics, and dashboards along with a software mobile app to manage spaces.
- **Software AG and BSA** have partnered to deliver an IoT building management solution globally. The solution has already been deployed in Australia and provides insight and control of building assets to allow for better support and smart maintenance to reduce the need for heavy investment in IT infrastructure at sites.

Fall 2020 Transactions in Focus

AVEVA Group to acquire OSIsoft, a provider of real-time industrial data software and services

Announced Date: August 25, 2020 **Deal Value:** \$5bn **EV/Revenue:** 10.2x **EV/EBITDA:** 31.2x

AVEVA Group announced that it has entered into an agreement to acquire OSIsoft, a real-time industrial data software and services provider. The acquisition is likely to strengthen AVEVA's position in engineering and industrial software space, and will also expand its IIoT portfolio

Ericsson to acquired Cradlepoint, a market leader in Wireless Edge WAN 4G and 5G enterprise solutions

Announced Date: September 17, 2020 **Deal Value:** \$1.1bn **EV/Revenue:** 8.6x **EV/EBITDA:** NA

Ericsson announced that it has entered into an agreement to acquire Cradlepoint, a market leader in Wireless Edge WAN 4G and 5G enterprise solutions designed to connect sites, vehicles, mobile workforces, and IoT devices in a simple and secure way using cellular technology. The acquisition is central to Ericsson's strategy of capturing market share in the rapidly expanding 5G enterprise space. The transaction closed on November 2, 2020.

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



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Recent IoT Transactions (1/2)

Announced	Target	Acquirer	Target HQ	Deal Value (\$mm)	EV / Revenue
11/17/2020	Camo Analytics	Aspen Technology	Norway	-	-
10/22/2020	Bright Wolf	Cognizant	US	-	-
10/5/2020	Nanotron Technologies	Inpixon	Germany	\$8.7	-
09/21/2020	Luda.Farm	Seafire	Sweden	\$2.7	-
09/18/2020	Cradlepoint	Ericsson	US	\$1,100.0	8.6x
09/17/2020	Sigfox Germany	HELIOT	Germany	-	-
09/17/2020	HELIOT Group	Cube Infrastructure Managers	Austria	-	-
09/16/2020	SALT Solutions	Accenture	Germany	-	-
09/16/2020	Worldsensing	Affluence Corporation	Spain	-	-
09/11/2020	151 Research	AGCO Corporation	Canada	-	-
09/11/2020	Syn-Apps	Intrado Corporation	US	-	-
09/09/2020	SmartDrive Systems	Omnitracs	US	-	-
09/01/2020	XanTec Steuerungs- und EDV-Technik	Dover Corporation	Germany	-	-
09/01/2020	Embriq AS	Magnesium Capital	Norway	\$45.4	-
08/31/2020	STRATIS IoT	RealPage	US	-	-
08/25/2020	Proteus Digital Health (assets)	Otsuka America Pharmaceutical	US	-	-
08/25/2020	OSIsoft	AVEVA Group	US	\$5,000.0	10.2x
08/24/2020	Luminar Technologies	Gores Metropoulos	US	\$3,388.0	-
08/20/2020	Ten Degrees (assets)	Inpixon	US	-	-
08/10/2020	Perpetuum	Hitachi Rail	UK	-	-
08/05/2020	Livongo Health	Teladoc	US	\$18,500.0	88.3x
08/04/2020	Jetbrain Robotics	Solaris Disinfection	India	-	-
08/04/2020	Sim Services	Arkessa	Holland	-	-

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
08/04/2020	Vivametrica	SPROUT Wellness Solutions	Canada	-	-
08/03/2020	CSL DualCom Group	ECI Partners	UK	-	-
07/31/2020	GeoFace UAB	Dotnuva Baltic UAB	Lithuania	-	-
07/22/2020	Navkonzept	AddSecure	Germany	-	-
07/16/2020	Billy Care	ECH	Australia	-	-
07/16/2020	azeti	Aurubis AG	Germany	-	-
07/16/2020	Riot Micro (cellular IoT connectivity assets)	STMicroelectronics	Canada	-	-
07/15/2020	Ubimax	Teamviewer	Germany	-	-
07/13/2020	Cohesive Solutions	Bentley Systems	USA	-	-
07/09/2020	eSoftThings	Lacroix	France	-	-
07/09/2020	Electric Imp	Twilio	USA	-	-
07/07/2020	NetIrrigate	Lindsay Corporation	USA	-	-
07/07/2020	Orions Digital Systems	Microsoft	USA	-	-
07/07/2020	Vayavision Sensing	LeddarTech	Israel	-	-
07/07/2020	Broadcom(wireless IoT connectivity assets)	Synaptics Incorporated	USA	\$250.0	3.8x
07/03/2020	FocusCura	ASSA ABLOY	Holland	-	-
07/02/2020	Velodyne Lidar	Graf Industrial	USA	\$1,766.0	-
07/02/2020	Lone Worker Solutions	TotalMobile	UK	-	-
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	-	-

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

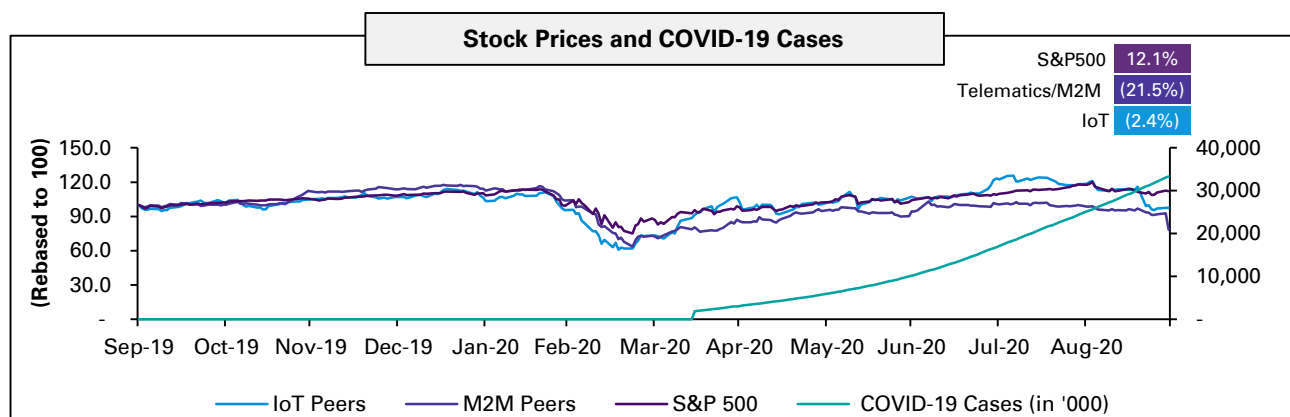
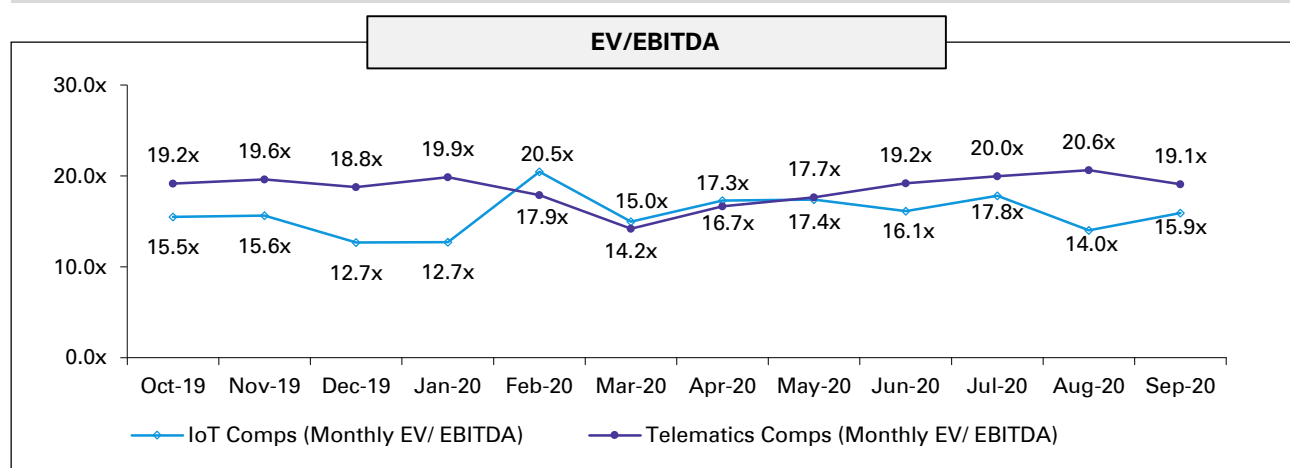


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Trading Companies

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	
IoT									
PTC	\$82.72	84.7%	9,605.3	10,510.8	1,402.4	290.4	7.5x	36.2x	
Advantech	10.05	91.1%	7,752.1	7,373.8	1,806.1	348.8	4.1x	21.1x	
Inseego	10.32	67.7%	1,015.1	1,156.0	252.6	(8.1)	4.6x	NM	
Digi International	15.63	82.3%	453.8	494.5	271.1	31.1	1.8x	15.9x	
Sierra Wireless	11.15	77.4%	405.5	384.5	650.0	(19.5)	0.6x	NM	
ORBCOMM	3.40	70.2%	265.0	470.6	261.8	51.4	1.8x	9.1x	
CalAmp	7.19	59.2%	251.8	380.5	347.6	6.6	1.1x	NM	
Telit Communications	1.76	76.0%	234.0	184.1	368.7	23.6	0.5x	7.8x	
Mean								2.7x	18.0x
Median								1.8x	15.9x

Fleet IoT/Telematics									
FleetCor Technologies	\$238.10	72.2%	20,012.8	23,694.6	2,566.2	1,342.4	9.2x	17.7x	
Trimble	48.70	89.3%	12,185.5	13,935.1	3,133.8	626.8	4.4x	22.2x	
u-blox	55.76	50.5%	386.8	366.6	389.1	39.5	0.9x	9.3x	
Quartix	4.25	73.1%	204.1	192.2	32.4	9.4	5.9x	20.5x	
Trakm8	0.20	62.0%	10.0	20.3	24.3	0.3	0.8x	NM	
Mean		69.4%						4.3x	17.4x
Median		72.2%						4.4x	19.1x



Source: Stock Prices from Capital IQ and Global COVID-19 Cases from WHO Coronavirus Disease (COVID-19) Dashboard








(1) Market Data including Market Capitalization amounts are based on closing share prices as of September 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.



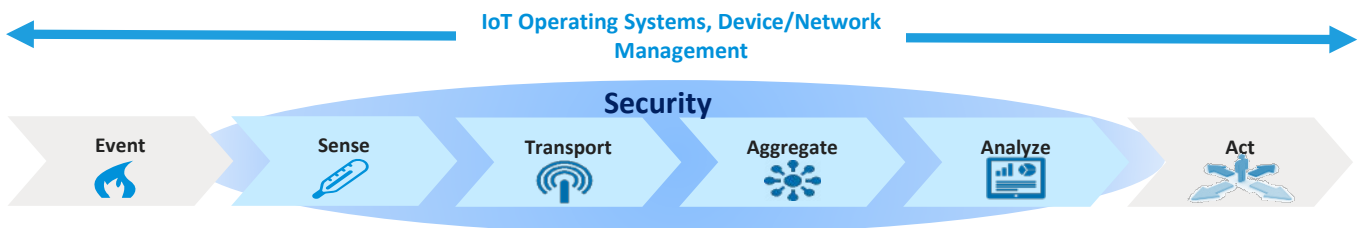
IoT Sector Team³

The IoT Sector team at KPMG Corporate Finance has become one of the most prolific M&A advisors in IoT, having worked as a trusted advisor with clients in closing more than 16 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

 Fair Connect <i>in partnership with</i> IFPEN <i>has acquired</i> Drive Quant IoT Telematics	 Cognizant <i>has acquired</i> Zenith Technologies Industrial IoT	 Ubisense <i>SmartSpace division has been sold to</i> Investcorp Industrial IoT	 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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KPMG Corporate Finance LLC

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Endnotes

- (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
- (3) Represents the global Corporate Finance practices of KPMG International's network of independent member firms