



Internet of Things (IoT) Newsletter

Spring 2020 M&A NEWSLETTER

KPMG Corporate Finance LLC

**Internet of Things (“IoT”) Mergers & Acquisitions:
Spring 2020 – Impact of COVID-19**



Spring 2020: Impact of COVID-19 on IoT M&A

IoT Deal Value and Volume⁽¹⁾

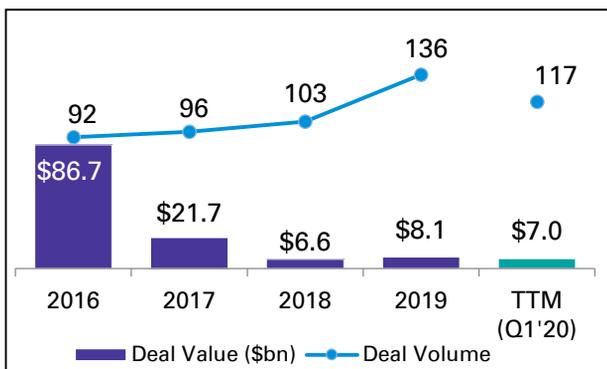
The economic impact of COVID-19 is expected to be considerable. Its effects on M&A markets are well underway and proving to be equally dramatic, as can be seen on the charts below. In addition to helping current IoT clients navigate this environment, we are having regular discussions with the M&A teams at larger operating companies and leading private equity firms who are focused on IoT. As a result, we are gathering insights around deal activity in general and specific information that is painting a picture of the current IoT M&A markets, how those markets are trending, and what deal professionals anticipate in the coming months and quarters.

There are two themes that summarize what we are seeing and hearing, and what the future may hold for M&A in IoT.

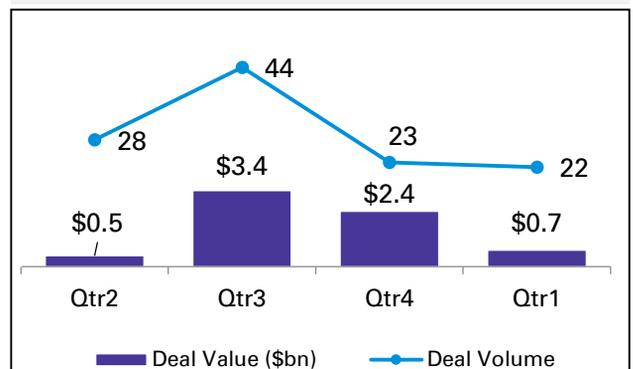
First, the significant challenges facing the broader M&A market are impacting, and will continue to impact, IoT M&A as well. Credit in support of transactions has become more difficult to access, resulting in larger deals (approx. \$500 million and up), which typically rely on leverage as a critical part of deal structure, being paused or shut down altogether. Our sense is that some smaller transactions (sub-\$200 million) will continue to happen, though at a much slower pace and likely within new valuation parameters. (That is to say the lofty IoT M&A multiples witnessed for several years through 2019 are under pressure.)

Second, based on our discussions with larger companies in the space, we believe there are certain IoT end markets that will continue to see some level of strategic activity during the broad market slowdown. We believe government and critical industry companies (e.g., healthcare service providers, transport / trucking / package delivery companies, and broadband services providers, to name a few) will look to leverage IoT applications targeting areas such as patient care, healthcare provider asset tracking, med tech manufacturing, site smart access, hygiene, contact tracing, and fleet management. As a result, we expect larger IoT solutions providers to selectively target technologies and solutions to bolster their IoT related offerings. Further, private equity firms have over a trillion dollars in dry powder that they remain eager to put to work. Market volatility often allows them to approach valuation with more leverage than they may have wielded a year ago. In short, we believe the next several quarters could prove to be quite interesting for acquirers in the IoT space.

Last Four Years - IoT M&A Activity



Last Four Quarters - IoT M&A Activity



Total global deal volume in Q1'20



22

The IoT sector saw **22** deal announcements in Q1'20, which is slightly lower to that in Q4'19

\$0.7bn

Aggregate deal value in Q1'20



The aggregate deal value in Q1'20 was **\$0.7bn**, largely comprising of small-size deals with undisclosed values

Notes:

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



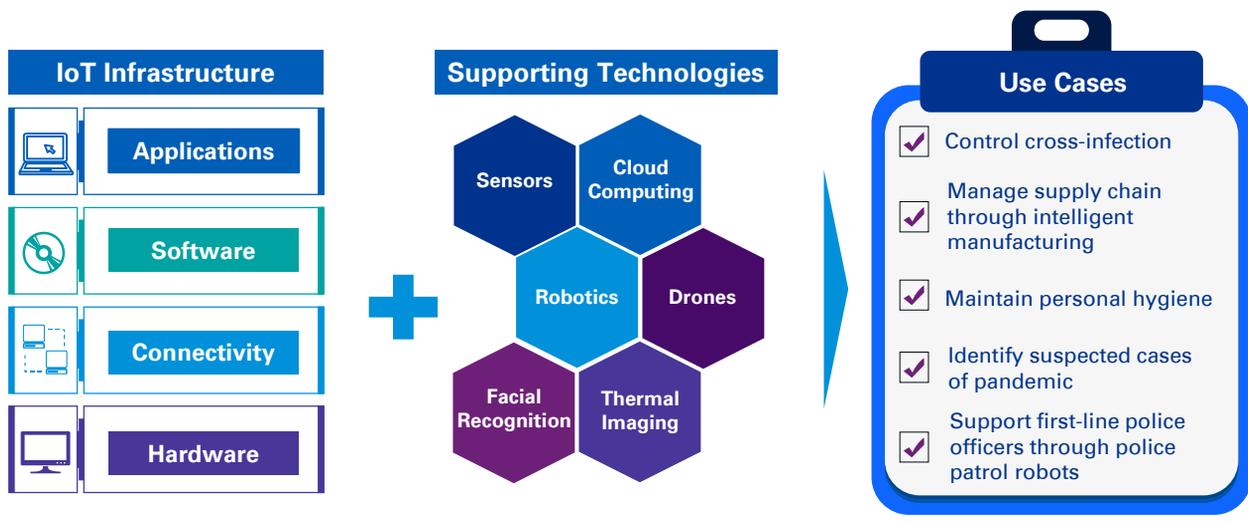
Impact of COVID-19 on the IoT Industry

Impact of COVID-19 on IoT

COVID-19 has shined a light on several issues that could be mitigated or resolved through IoT technologies that enable the collection of real-time data and the creation of actionable insights. One of the main issues is the lack of data showing where to deploy resources and whether current protocols are effective.

Below, we have summarized relevant use cases highlighting how IoT is being leveraged to combat COVID-19. While these IoT use cases are being utilized to resolve immediate issues, these technologies will have a long-term impact (post-COVID-19) to limit the spread of existing and future diseases.

- **Smart sink to maintain hygiene:** Soapy Care, an Israel-based start-up, has developed a smart sink that uses IoT sensors to dispense the exact amount of soap or sanitizer, and control quantity and temperature of water required to properly wash hands. The sink offers different settings for homes, restaurants, day care and senior centers, and other environments.
- **IoT to drive intelligent manufacturing:** Haier Smart Home managed to fulfill 99.8% of its orders through February 2020, the peak of the pandemic in China. The company was an early adopter of intelligent manufacturing, including automated boxing, bagging, visual product inspections, and augmented reality (AR) testing. These steps enabled the company to maintain production with limited staff and provide important supplies to its customers in the midst of COVID-19.
- **Use of automated technologies to control cross-infection:** Multiple companies are using automated technologies such as disinfecting robots, smart helmets, thermal camera-equipped drones, and advanced facial recognition software for contactless delivery, spraying disinfectants, and performing basic diagnostic functions to limit the risk of cross-infection. These technologies will be applicable to other industries for improving security and delivery, and creating more sanitary environments.
- **Thermal imaging CCTV and facial recognition:** A security services provider has developed a CCTV camera integrated with thermal imaging and facial recognition systems to identify and detect body temperatures of a large number of people and send alerts to relevant personnel, if required. Such tools could be used in high-risk populations, such as nursing homes, during flu seasons or to check patients without having to come into close contact.
- **Automated patrolling:** A smart city IoT products and services provider has added capabilities such as cameras and infrared thermometers to its police patrol robots, which helps first responders conduct disease prevention inspections. Patrol robots integrate IoT, AI, cloud computing, and big data to conduct environmental sensing, dynamic decision-making, and autonomous motion control. This application could be used to avoid putting first responders in dangerous situations.



"Soapy Care Company Website, April 2020"

"Haier Smart Home Reopens Domestic Factories and Resumes Production at Full speed, February 2020, PRN Newswire"

"Coronavirus COVID-19: Digital Transformation Technology & People Combating Pandemic, March 2020, Dihuni"

"Uses IoT in fight against spread of coronavirus (COVID-19), February 2020, GuardforcePost"

"5G edge patrol robots deployed in China to detect Covid-19 cases, March 2020, eeNews"



IoT Spring 2020 Transactions in Focus

Blockchain Holdings to Acquire COVID-19 Quarantine Management Product, TRACESafe

Announced Date: Mar. 13, 2020 **Deal Value:** N/A **EV/Revenue:** N/A **EV/EBITDA:** N/A

Blockchain Holdings entered into a binding agreement to acquire 100% of the rights and interests in a self-quarantine monitoring technology suite known collectively as "TRACESafe" from WiSilica, Inc. TRACESafe is a global health monitoring product that may be deployed by governments and corporations as they fight the global COVID-19 pandemic.

Addtech AB announced the acquisition of Elkome Group, a provider of industrial IoT systems and integration services

Announced Date: Mar. 5, 2020 **Deal Value:** N/A **EV/Revenue:** N/A **EV/EBITDA:** N/A

Addtech announced the acquisition of Elkome Group, which provides industrial IoT systems and integration services for industrial production, smart cities, and infrastructure applications globally. The acquisition of Elkome Group will enhance Addtech's industrial IoT platform.

Dialog Semiconductor announced the acquisition of Adesto Technologies, a provider of industrial internet of things (IIoT) semiconductors

Announced Date: Feb. 20, 2020 **Deal Value:** \$380mm **EV/Revenue:** 3.8x **EV/EBITDA:** N/A

Dialog Semiconductor announced the acquisition of Adesto Technologies, an IIoT semiconductors provider serving computer and electronics manufacturers. The acquisition will expand Dialog's Industrial IoT portfolio following its recent acquisition of Creative Chips.

Q1 2020: Most Active IoT Acquirer

Acquirer

Acquisition Highlights

Hexagon

Acquired two IoT targets in Q1 2020:

- January 2020: Acquired Geopraevent, a provider of natural hazard monitoring and alarm systems that include sensors, radar, cameras, probes, and software
- January 2020: Acquired Blast Movement Technologies, a provider of blast movement monitoring and analysis systems for open-pit mining companies globally

Transaction Spotlight

Everbridge

acquired

Connexient

Healthcare IoT
March 2020

Overview:

- Everbridge is a software company providing enterprise software applications that automate and accelerate organizations' operational response to critical events
- Headquartered in Burlington, MA, U.S., Everbridge is a public company

Deal Outcome

- Everbridge acquired Connexient, a Healthcare IoT company, for \$20 million
- Connexient supplies MediNav, an interactive outdoor and indoor campus wayfinding navigation solution for patients and visitors
- The acquisition deepens Everbridge's healthcare solutions offering by giving it advanced insight into niche applications such as indoor mapping in specific building types

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



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Recent IoT Transactions

Announced	Target	Acquirer	Target HQ	Deal Value (\$mm)	EV / Revenue
03/27/2020	Keaz Limited	WunderCar Mobility Solutions	Australia	-	-
03/26/2020	Sentient Energy	Koch Industries	UK	-	-
03/24/2020	TrackX Holdings	FourKites	US	\$2.8	-
03/20/2020	TRACESafe	Blockchain Holdings	UK	\$1.6	-
03/17/2020	Mobiliz Information & Communication	GPS Bulgaria	Israel	-	-
03/12/2020	Redpine Signals	Silicon Laboratories	US	\$308.0	-
03/11/2020	Structural Health Systems Inc.	Hilti	Italy	-	-
03/11/2020	Centri Technology	AgilePQ	US	-	-
03/11/2020	Verdant Environmental Technologies	Emerson Electric	Spain	-	-
03/09/2020	Connexient	Everbridge	Israel	\$20.5	-
03/05/2020	Elkome Group	Addtech	US	-	-
03/03/2020	Parakeet Technologies	Brivo Systems	US	-	-
02/20/2020	Marorka	Gaztransport & Technigaz	US	-	-
02/20/2020	Adesto Technologies	Dialog Semiconductor	US	\$379.8	3.8x
02/19/2020	ASEM	Rockwell Automation	US	-	-
02/12/2020	Asio Limited	Sonos	Canada	-	-
01/17/2020	Danelec Marine	Verdane Capital	US	-	-
01/17/2020	IDentilam	CCL Industries	US	-	-
01/13/2020	CropMetrics	CropX	Germany	-	-
01/08/2020	Geopraevent	Hexagon AB	Israel	-	-
01/08/2020	Blast Movement Technologies	Hexagon AB	US	-	-
01/03/2020	Sichuan Wuge Network	TMSR Holding	Norway	-	-
12/16/2019	MARCO Limited	ATS Automation Tooling Systems	UK	\$33.3	-

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



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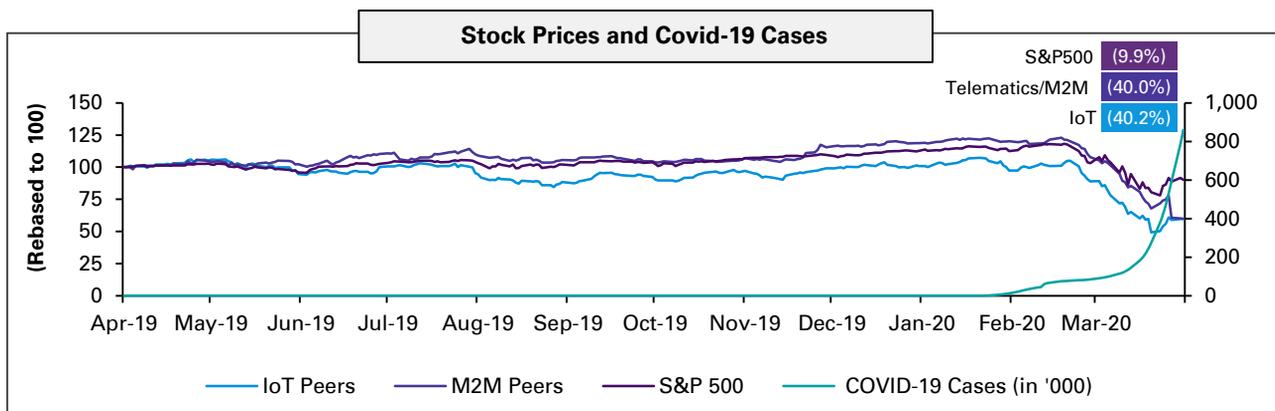
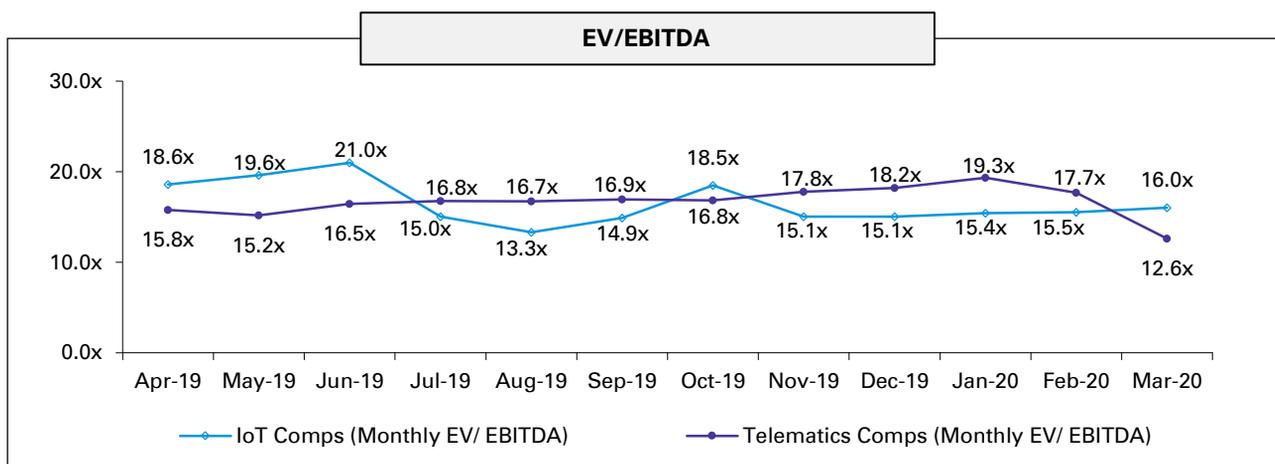
Trading Companies

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	\$61.21	59.7%	7,069.4	8,152.7	1,277.1	166.1	6.4x	49.1x
Advantech	8.25	78.0%	5,778.4	5,486.4	1,810.0	334.4	3.0x	16.4x
Inseego	6.23	63.9%	598.8	737.5	219.5	(5.2)	3.4x	NM
Digi International	9.54	50.2%	275.6	353.4	254.2	21.8	1.4x	16.2x
Sierra Wireless	5.61	40.8%	203.5	161.4	713.5	5.2	0.2x	31.2x
ORBCOMM	2.44	28.9%	191.2	405.4	272.0	51.9	1.5x	7.8x
CalAmp	4.50	30.6%	153.7	291.5	363.3	32.3	0.8x	9.0x
Telit Communications	1.13	47.2%	150.2	115.1	392.5	26.3	0.3x	4.4x
Mean		49.9%					2.1x	19.2x
Median		48.7%					1.4x	16.2x

Telematics

FleetCor Technologies	\$186.54	56.6%	15,935.9	19,799.8	2,648.8	1,521.7	7.5x	13.0x
Trimble	31.83	68.2%	7,962.8	9,761.2	3,264.3	631.5	3.0x	15.5x
u-blox	61.70	58.7%	428.0	441.9	397.6	48.1	1.1x	9.2x
Quartix	2.85	50.9%	136.7	128.8	33.9	8.8	3.8x	14.7x
Trakm8	0.16	50.0%	8.1	18.6	23.6	(0.1)	0.8x	NM
Mean		56.9%					3.2x	13.1x
Median		56.6%					3.0x	13.9x



Source: Capital IQ

Notes:

- (1) Market Data including Market Capitalization amounts are based on closing share prices as of March 31, 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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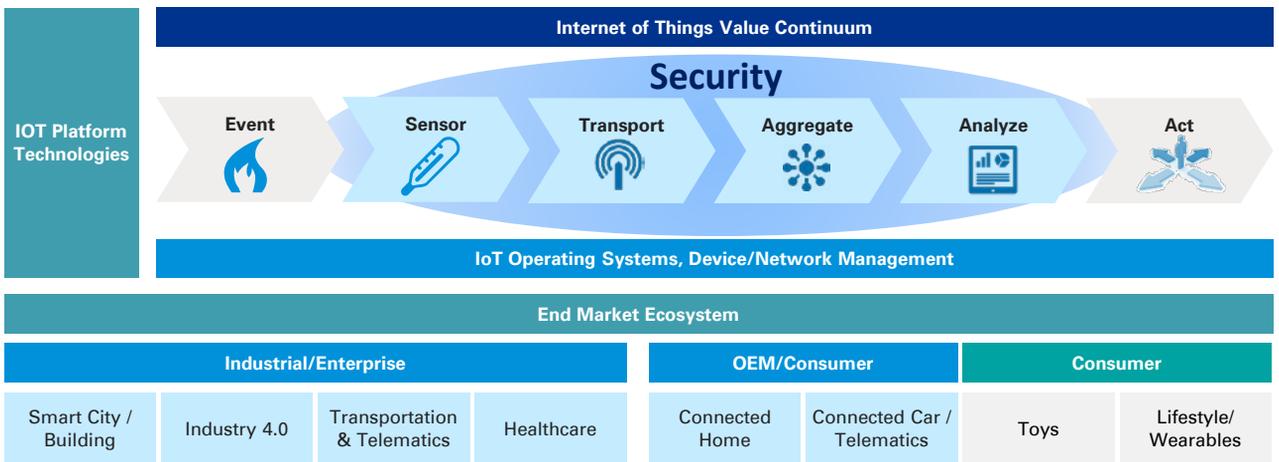
IoT Sector Team

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
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Our Focus



Internet of Things Team

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KPMG Corporate Finance LLC

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