TEQUITY ADVISORS

Supply Chain Tech M&A Update 1H 2023

AUGUST 2023

Confidential

1

Digital Supply Chain

Global Impacts

Covid’s Impact

- Covid created new levels of disruption in global supply chains, highlighting a lack of supply chain visibility into business and operations
- Many organizations didn’t have the tools at their disposal to react quickly in this new environment to forecast demand, predict supply, and meet delivery schedules
- As a result, companies around the world are looking at how they can create more efficient global supply chains and are either actively pursuing or planning a digital transformation strategy and investing to achieve that goal

Key Trends Impacting Supply Chain

- **Digital Transformation:** The supply chain industry is experiencing a significant shift towards digitalization. Companies are adopting advanced technologies such as the Internet of Things (IoT), cloud computing, and big data analytics to streamline operations, gain real-time visibility, and optimize decision-making.
- **Artificial Intelligence (AI) and Machine Learning (ML):** AI and ML are becoming increasingly integral to supply chain processes. They are being used for demand forecasting, predictive analytics, route optimization, and inventory management, among other applications, to enhance efficiency and reduce costs.
- **Blockchain Technology:** Blockchain is gaining traction in the supply chain sector due to its ability to provide secure, transparent, and tamper-proof record-keeping. It is being used to improve traceability, enhance supply chain visibility, and address issues like counterfeit products and supply chain fraud.
- **Autonomous Vehicles and Drones:** Automation was making its way into the supply chain through the use of autonomous vehicles and drones for delivery and warehousing operations. This trend aims to increase speed, accuracy, and cost-effectiveness in logistics processes.

Key Trends Impacting Supply Chain cont'd

- **Robotics and Automation:** Warehouses and distribution centers were increasingly adopting robotic systems to handle repetitive tasks like picking, packing, and sorting. Automation in these areas was helping to optimize warehouse space and reduce human errors.
- **Last-Mile Delivery Solutions:** With the rise of e-commerce, last-mile delivery solutions were gaining importance. Companies were exploring innovative approaches like crowdshipping, autonomous delivery robots, and urban fulfillment centers to enhance the efficiency of last-mile logistics.
- **Sustainability and Green Initiatives:** Supply chain technology was aligning with sustainability goals. Companies were investing in eco-friendly practices, energy-efficient transportation, and optimizing supply chain networks to reduce carbon footprints and enhance environmental stewardship.
- **Data Security and Cybersecurity:** As supply chains became more digitized, the need for robust data security and cybersecurity measures increased. Companies were focusing on protecting sensitive information from cyber threats and data breaches.
- **Supply Chain Visibility and Transparency:** End-to-end supply chain visibility was crucial for businesses to monitor inventory levels, track shipments, and anticipate disruptions. Advanced tracking technologies were being adopted to achieve greater transparency throughout the supply chain.

The Need is Huge

- Over 50% of companies lack end-to-end supply chain visibility[1]
- To remain competitive, companies need to add oversight to their supply chain to better respond to disruption risk
- 72% of suppliers that experienced a supply chain disruption lacked the visibility to come up with a fast and effective solution[2], highlighting a need for better insights.
- Organizations need to use analytics, artificial intelligence and machine learning to avoid disruptions and create autonomous, resilient supply chains.

[1] The Association for Supply Chain Management (ASCM
[2] Resilinc Supply Chain Disruption Report

Digitization Will Drive M&A Activity

- A rapidly increasing importance of technology in optimizing supply chain processes and enhancing efficiency is going to be a pivotal driver of M&A transactions in the next 18 months.
- Digitizing supply chains enables automated Order-to-Cash and Procure-to-Pay processes, improved collaboration with key stakeholders across the digital ecosystem and increased end-to-end supply chain visibility.
- Modern supply chain integration allows organizations to seamlessly integrate the right people, processes and technologies into their digital business ecosystem.
- The increased use of AI and Machine Learning in digitalizing the supply chain will provide faster, deeper, and better predictive analytics and forecasts.
- Additional technologies impacting supply chain digitization includes data analytics, IoT integration, blockchain adoption, and better remote and mobile connectivity.

Supply Chain Digital Transformation Strategy

97.5% of survey respondents are either pursuing a strategy or are actively developing one

Source: 451 Research Voice of the Enterprise Survey 2023

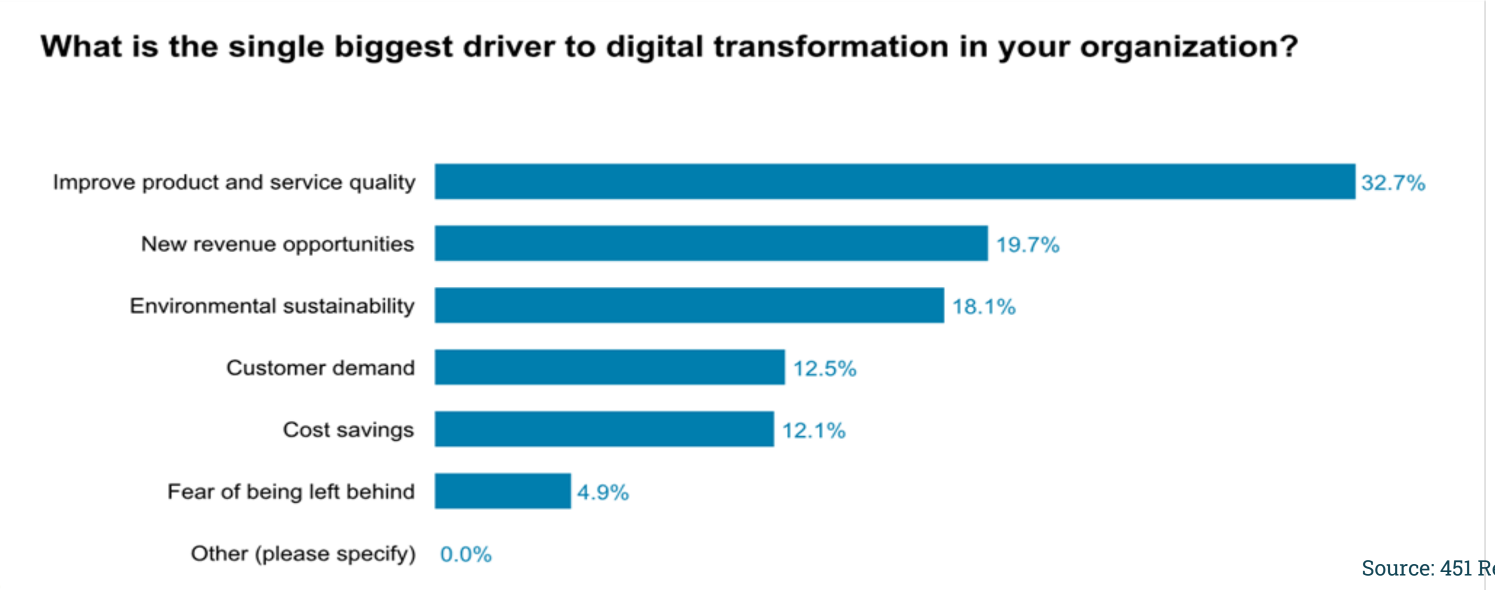
TEQUITY ADVISORS

From Linear to Circular

- Manually connecting the once linear supply chain into a complex interconnected supply ecosystem is slow and often pulls resources away from business growth areas.
- Supply chain optimization through automation creates digitized and integrated networks that allow for increased efficiency and productivity.
- Omnichannel Integration: The boundary between online and offline retail has been blurring, leading to a rise in omnichannel fulfillment strategies. Supply chain technologies are being integrated to provide a seamless shopping experience, whether in-store or online.

SC Digital Transformation Strategy

Supply Chain Digital Transformation Enterprise Survey 2023



Source: 451 Research

Security

- Connecting the supply chain creates issues and gaps around security that also need to be addressed as systems are being planned and implemented.
- Massive amounts of information passing from sensors to the cloud to business systems and back opens organizations to security breaches if not managed properly and has the potential to expose organizations to outside threats.
- Implementing secure access points and credentialing when connecting supply chain ecosystems provides seamless shipment tracking from start to finish, while preventing breaches.

TEQUITY ADVISORS

2

Digital Supply Chain M&A Drivers

Global Impacts

Drivers of M&A in Supply Chain Tech

- **Market Consolidation:** The supply chain technology sector was experiencing rapid growth and expansion, leading to a fragmented market with numerous players offering specialized solutions. M&A activities were driven by the desire to consolidate market share and create larger, more comprehensive platforms to offer end-to-end supply chain solutions.
- **Access to New Markets and Customers:** Acquiring companies often sought to expand their geographic reach and gain access to new markets. Through M&A, companies could enter new regions, establish a local presence, and tap into a broader customer base, accelerating their growth trajectory.
- **Technology Acquisitions:** In the fast-paced world of supply chain technology, companies were continuously innovating to stay competitive. M&A allowed businesses to acquire cutting-edge technologies and intellectual property, enabling them to enhance their offerings and stay ahead of the curve.
- **Competitive Advantage:** M&A activities were driven by the pursuit of gaining a competitive advantage over rivals. By acquiring or merging with complementary companies, businesses could strengthen their capabilities, offer more comprehensive solutions, and establish themselves as industry leaders.

Drivers of M&A in Supply Chain Tech cont'd

- **Synergy and Cost Efficiency:** Mergers and acquisitions often resulted in synergistic benefits, such as cost reductions, economies of scale, and streamlined operations. Integrating supply chain technologies and consolidating resources could lead to increased efficiency and reduced overheads.
- **Diversification of Services:** Companies diversify their service offerings to provide a broader range of solutions to their customers. Through M&A, they can expand their product portfolio and offer a one-stop-shop for various supply chain needs.
- **Talent Acquisition:** Many buyers seek to gain access to skilled talent and experienced teams through M&A. Human capital plays a critical role in driving innovation and successful integration, making talent acquisition a significant driver of M&A activity.
- **Financial Performance and Growth Objectives:** M&A is often used to achieve financial goals and accelerate growth through the acquisition of profitable and high-growth companies.
- **Market Disruptions and Threats:** Disruptive technologies or new market entrants pose threats to existing companies. To stay competitive and fend off potential disruptions, companies use acquisition to strengthen their position and defend their market share.

Impact of M&A on the Digital Supply Chain

- **Market Consolidation:** The increase in M&A in this (or any) sector will lead to market consolidation as larger companies acquire smaller or competing firms, resulting in fewer players and creating more substantial competitors in the market. Smaller firms will need to factor how they will remain competitive against this shift in the market. For many, acquisition will be an attractive and logical option.
- **Increased Market Share:** Successful M&A deals can enable companies to gain a larger share of the market. By combining resources, customers, and technologies, the merged entity becomes a dominant player, commanding a greater portion of the market.
- **Enhanced Capabilities:** M&A allows companies to combine their strengths and expertise, creating a more comprehensive suite of supply chain technology solutions. The merged entity may offer a wider range of products and services, providing customers with more options and better customization, and ultimately creating a greater degree of stickiness.
- **Innovation and R&D:** M&A can lead to increased investment in research and development (R&D) activities. With more resources and a broader talent pool, the merged company may be better positioned to drive innovation and develop cutting-edge technologies for the industry.

Impact of M&A on the Digital Supply Chain cont'd

- **Market Barriers:** As companies grow through M&A, they may create higher entry barriers for new competitors. A larger and more established player may make it challenging for newcomers to gain a foothold in the market, reducing competition.
- **Disruption Potential:** M&A can also lead to the emergence of disruptive players in the supply chain technology sector. A new, powerful entity may have the resources and innovation capabilities to challenge the status quo and disrupt traditional market dynamics.
- **Customer Relationships:** M&A activities can impact customer relationships. The successful integration of two companies can result in a more seamless and robust customer experience, fostering customer loyalty and reducing churn.
- **Talent and Human Capital:** Merged companies can attract top talent due to their increased scale and potential for career growth. The combined entity may become an employer of choice, attracting skilled professionals and strengthening its human capital.
- **Competitive Response:** M&A activities by one company often trigger responses from competitors, leading to a chain reaction of further M&A deals as companies seek to maintain their competitive positions.

3

Digital Supply Chain M&A Projections

Looking Forward

M&A in Supply Chain Tech Looking Ahead

- The need for speed in business transformation, which is accelerating as a result of technological advances and the evolving, uncertain economy, will continue to keep dealmaking front and centre. It is often *much* faster to acquire needed technology than to build it.
- Whether organizations are changing supply chains, adopting new go-to-market approaches or adding capabilities, the market is impatient. **The fastest way to transform a business is through strategic M&A.**
- We are at the beginning of a cycle of M&A in this sector. As the cycle progresses, it will become more difficult for smaller providers to continue to remain competitive against larger, more resource-rich competitors with larger sales and marketing teams and deeper R&D budgets.

As business leaders look to surmount various challenges, M&A will be a key tool to help reposition their businesses, bolster growth and achieve sustained outcomes.

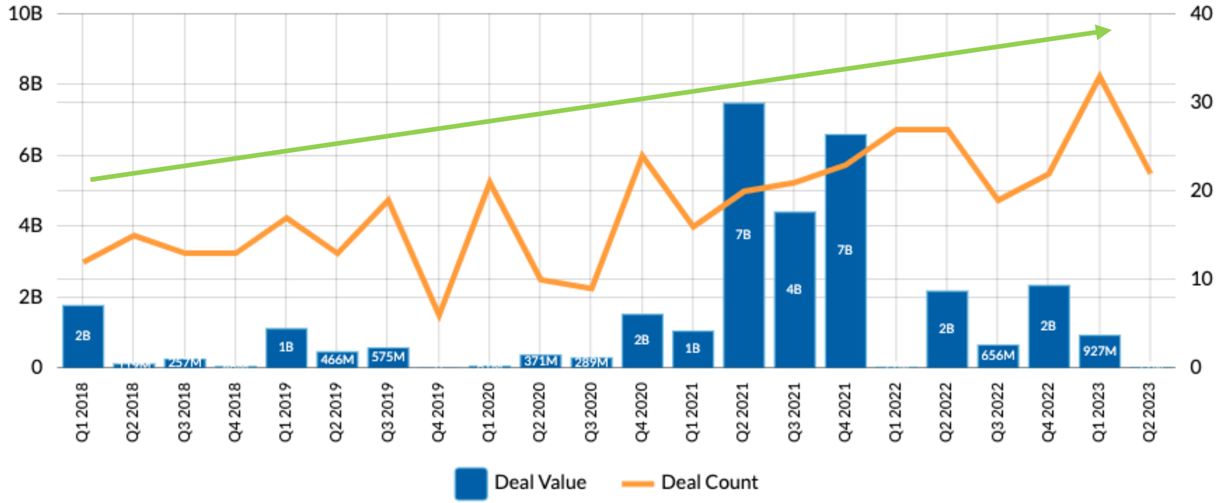
The Current Market

- While 76% of corporate leaders are pessimistic about global economic growth, 54% aren't planning to delay deals in 2023 to mitigate potential economic challenges and volatility[3]
- Most leaders know they can't cut their way to growth. ***History has proven that M&A has been a key fuel to business resurgence and economic expansion.***
- Markets will not be patient. Strong leaders will look for deals that can help their company move ahead and quickly generate value.
- Despite economic uncertainty and the rise in interest rates, we believe there will be solid opportunities for companies with in-demand technology in the next 24 months as buyers continue to pursue strategic acquisitions throughout the digital supply chain landscape.

[3] PwC's 27th Annual Global CEO Survey

Supply Chain M&A by Quarter 2018-Q2 2023

Deal Volume Peaked In Q1 2023 With the Highest Volume Of Deals Per Quarter Over the Previous 6 Years

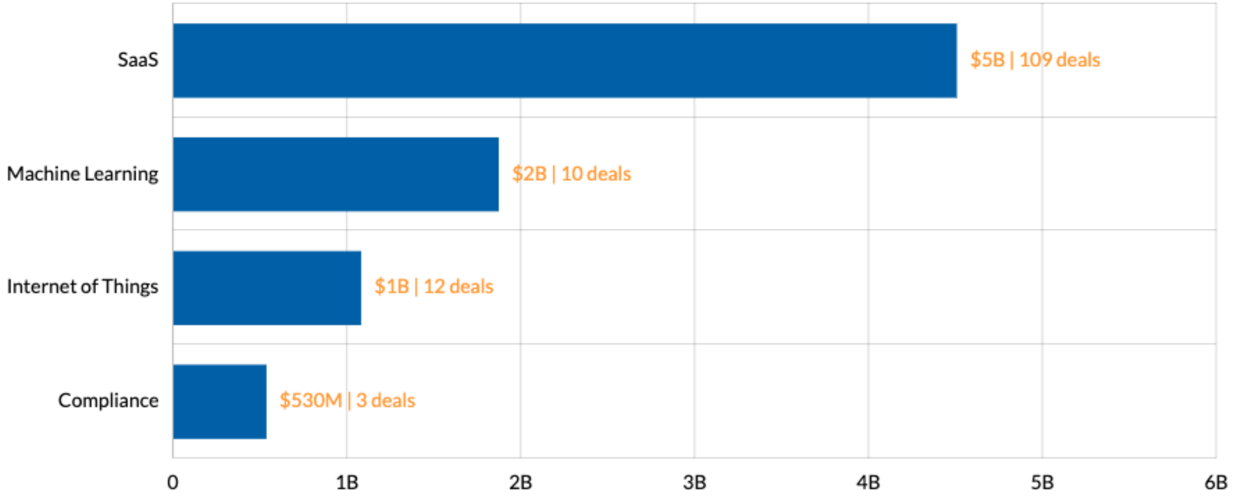


Source: 451 Research

TEQUITY ADVISORS

Deals by Target Theme

SaaS Transactions Made Up the Majority of Deal Value at More Than 2x the Next Category



Source: 451 Research

Significant Deals

Date	Buyer	Target	Target Abstract	Total Deal Amount	Target TTM Multiple
Feb 2023	The Descartes Systems Group Inc.	Windigo Logistics, Inc. [dba GroundCloud]	Logistics automation & management SaaS	$138,000,000	Not Disclosed
Feb 2023	WiseTech Global Limited	Blume Global, Inc. [Apollo Global Management]	SCM & ERP SaaS	$414,000,000	Not Disclosed
Dec 2022	Trimble Inc.	Transporeon GmbH [HgCapital LLP]	E-logistics management SaaS	$1,981,238,000	Not Disclosed
July 2022	Arcadis NV [fka Heidemij NV]	IBI Group Inc. [fka IBI Income Fund]	Urban city management SaaS, systems & services	$562,699,829	1.9x
May 2022	Shopify Inc. [NYSE: SHOP]	Deliverr Inc.	Order fulfillment & logistics management SaaS	$2,100,000,000	42.0x

TEQUITY ADVISORS

Add-On Strategy is Clear

- Of the 11 deals inked in 2023 to-date, 8 had an EV under $100m
- Buyers haven't scaled back their acquisition strategy as much as they have pivoted to smaller, less risky transactions
- The next 12-24 months will see a wave of add-on transactions in this sector over the transformative deals we saw in 2021
- 2021 Deals included Emerson Electric's acquisition of Aspen Technology for $6B, Uber Freight's acquisition of Transplace Inc. [TPG Capital] for $2.25B, Fortive Corporation's acquisition of ServiceChannel for $1.2B, E2open Parent Holdings' acquisition of BluJay Solutions]Francisco Partners] for $1.8B, and Panasonic Corp's acquisition of Blue Yonder Group [fka JDA Software] [New Mountain Capital] for $5.6B

Corporate Buyers and Investors Will Look for Add-On Acquisition Opportunities in the Next 24 Months

What Does This Mean for Founders?

Be Ready

Understand how to best prepare for an eventual M&A transaction – whether you are thinking about this in the near or long-term.

Equity Value

Learn what buyers are looking for and what metrics they value most highly.

Timing

Learn how to recognize when the timing is in your favor.

Tax Advice

Get this early! There are restrictions on certain trust and other structures that you should be aware of and put in place well in advance of a transaction.

Build Your Team

It's essential to have the right advisors on your team. Early relationships = better outcomes. Learn who should be on your team.

Talk with Our Advisors

We work with companies well in advance of an event - helping them to prepare, focus on building equity value, and ultimately transitioning quickly into an active M&A process when the time is right.

We are at the Heart of M&A in Digital Transformation

- Tequity is focused on sell-side strategic M&A transactions with core expertise in B2B Enterprise Cloud, SaaS, and IT companies.
- With decades of combined experience as executives, consultants, and tech company operators, we bring real-world experience to every M&A discussion.
- Guidance to shareholders on valuations, timing, and business exit strategies to help them get well-positioned, we then deliver outstanding results in the sale of their company.
- Efficient, well-run M&A processes that drive multiple competitive offers from the right strategic buyers.
- Skilled at increasing valuation even when there is an offer in hand.
- Experienced in cross-border and international transactions.
- We have one of the largest networks in the industry and regularly speak with growth-focused corporate buyers and private equity investors around the globe on their current acquisition strategies.

Recent Transactions

Beniva Consulting Group

eSCRIBE

Dundas

Satuit Technologies

AlignTrac Solutions, Inc

Cloud Coach

NterOne

Greenius

robust Network Solutions

Recent Buyers We've Concluded Deals With

softwareone

MAIN CAPITAL PARTNERS

insightsoftware

A Portfolio Company of TA Associates, Genstar Capital, and Hg

EY Building a better working world

WORLD SYNC

A Portfolio Company of Battery Ventures

accenture

OSF DIGITAL

A Portfolio Company of Delta-v Capital, Sunstone Partners, Salesforce Ventures

pwc

OnBoard

A Portfolio Company of JMI Equity

quatrro BUSINESS SUPPORT SERVICES Get more to go on

A Portfolio Company of Trivest Partners LP and VSS Capital Partners

Let’s Talk

It’s never too soon to start having a conversation

Book a call with us here https://calendly.com/dhortontequity/30min

THANK YOU

Tequity Advisors
88 Queens Quay West, Suite 2500, Toronto, ON M5J0B8

Diane Horton, CBI, CM&AA
Co-Founder & Managing Partner

416-993-1734
dhorton@tequityadvisors.com