

Market Update

Industrial Automation and IoT

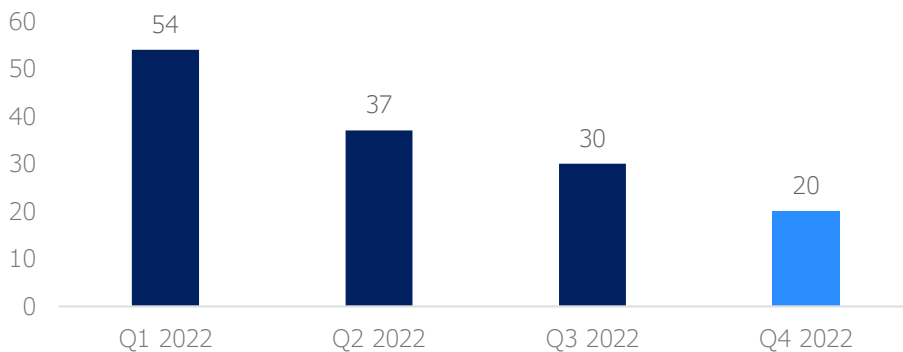
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Industrial Manufacturing was one of the first industries to embrace and implement business computing when it was introduced in the 1960s. However, the industry has been one of the slowest with adopting new technologies. Over the last two years, organizations have started embracing smart manufacturing and broader digital transformation, as well as an increase in Information Technology (IT)/Operational Technology (OT) assessment services to help avoid obsolescence.

Major trends driving 2022 and creating tailwinds into IT/OT optimization for 2023 include the integration of greater remote monitoring, data-driven predictive modeling and simulation, a migration from “on-prem” to cloud-based computing, and a recent surge toward the development of digital twin technologies.

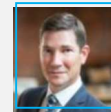
With significant changes in data computing and automation, the industry continues to move towards projection, monitoring, maintenance, and security on the industrial floor. The Industrial Internet of Things (IIoT) market is following these trends at a time when the macro-environment is indicating high levels of future M&A activity, consolidation, and integration in IoT Security and Digital Twin technology markets. Digital Twin technology improves IoT systems like CAD by presenting real-time monitoring and modeling based on the full-cycle of processes involved. With real-time data being transferred via newly adopted cloud systems, each new connection creates an increased risk of compromise and increased need for security. In this way, Digital Twin and IoT Security technology are interconnected through these developments. In fact, the markets show statistical similarity in deal quantities over the last decade, with both markets showing a general increase in VC activity over that same time frame – a common indicator of future deal activity.

of M&A Deals Automation and IoT



7MA has recently completed several M&A transactions for companies with Industrial Automation & IoT products, software platforms, and service offerings and has developed unparalleled deal expertise and knowledge of the industry trends, valuation trends, and most active strategic and financial buyers. Please contact Tripp Davis, John Cooper, Sydney Scadden, Steve Buffington, Tyler Ratterree, or Zac Zielinski if you would like to learn more about Industrial Automation & IoT.

Sector Coverage Team



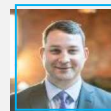
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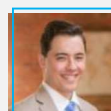
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Sector Snapshot

7MA Advises Flexware Innovation in Sale to Hitachi

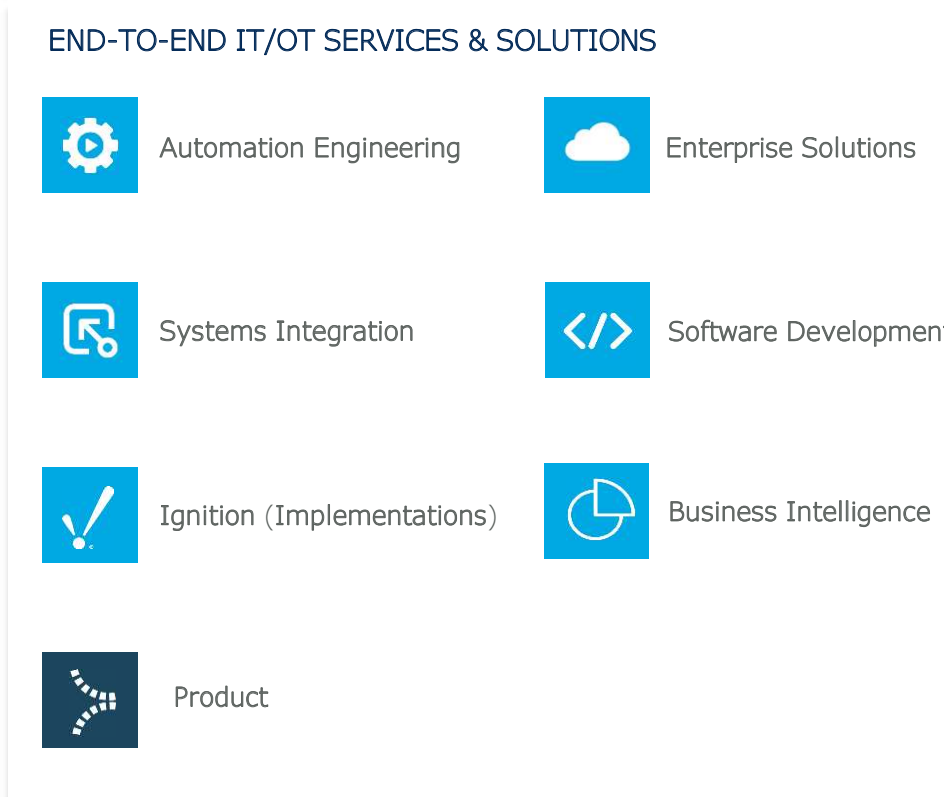


Flexware Innovation, a leading manufacturing Systems Integrator, was acquired by Hitachi to help Hitachi bolster its focus on its Total Seamless Solution that uses data and digital technology to help connect Information Technology departments with Operational Technology departments.

With the acquisition, Hitachi strengthens its MES (Manufacturing Execution Systems), SCADA (Supervisory Control and Data Acquisition), Software Development, Business Intelligence (BI), and ERP (Enterprise Resource Planning) implementation capabilities in North America as well as accelerate the digitalization with JR Automation.

Specialized IT / OT Offering

- o Flexware is a rare provider of end-to-end IT and OT services, offering manufacturing-specific digital transformation and automation capabilities.
- o Flexware fills the gap between pure-play industrial automation providers and enterprise IT services firms through its use of its three proprietary offerings – Acumence, Spark MES, and LIFT.



Sector Snapshot

Shoplogix Acquires PROXIA Software



PROXIA is the operator of a software company intended to serve the capital equipment, tooling, automotive, and material sectors. The company develops, implements, and manages MES software to improve the planning process, performance management, and KPI tracking of its clients. PROXIA will complement solutions already offered by Shoplogix through this acquisition, and Shoplogix will be able to enhance its planning, maintenance, and performance management software offerings for manufacturers.

Date: Nov 18, 2022
Deal Type: M&A
Target HQ: Germany

Epicor Software Announces Acquisition of eFlex Systems



Developer of a MES platform designed to digital transform manufacturers. The company's platform runs applications locally, as well as in the cloud, and offers flexible control. The platform enables smart manufacturing industries to configure their manufacturing environment and standardize work instructions and process control. The company was acquired by Epicor Software, via its financial sponsor Clayton, Dubilier & Rice. The acquisition expands the Epicor Software portfolio of advanced manufacturing execution system functions.

Date: Oct 04, 2022
Deal Type: Buyout LBO
Target HQ: USA

Market outlook on smart manufacturing industry



- Global market size was valued at \$254 billion in 2022
- Smart manufacturing market is segmented hardware, software, and services
- Software accounted for ~50% of the market in 2022 and is expected to continue dominance through the remainder of the decade
- The hardware segment has the highest projected growth through the forecast period, as improving software demands greater hardware.

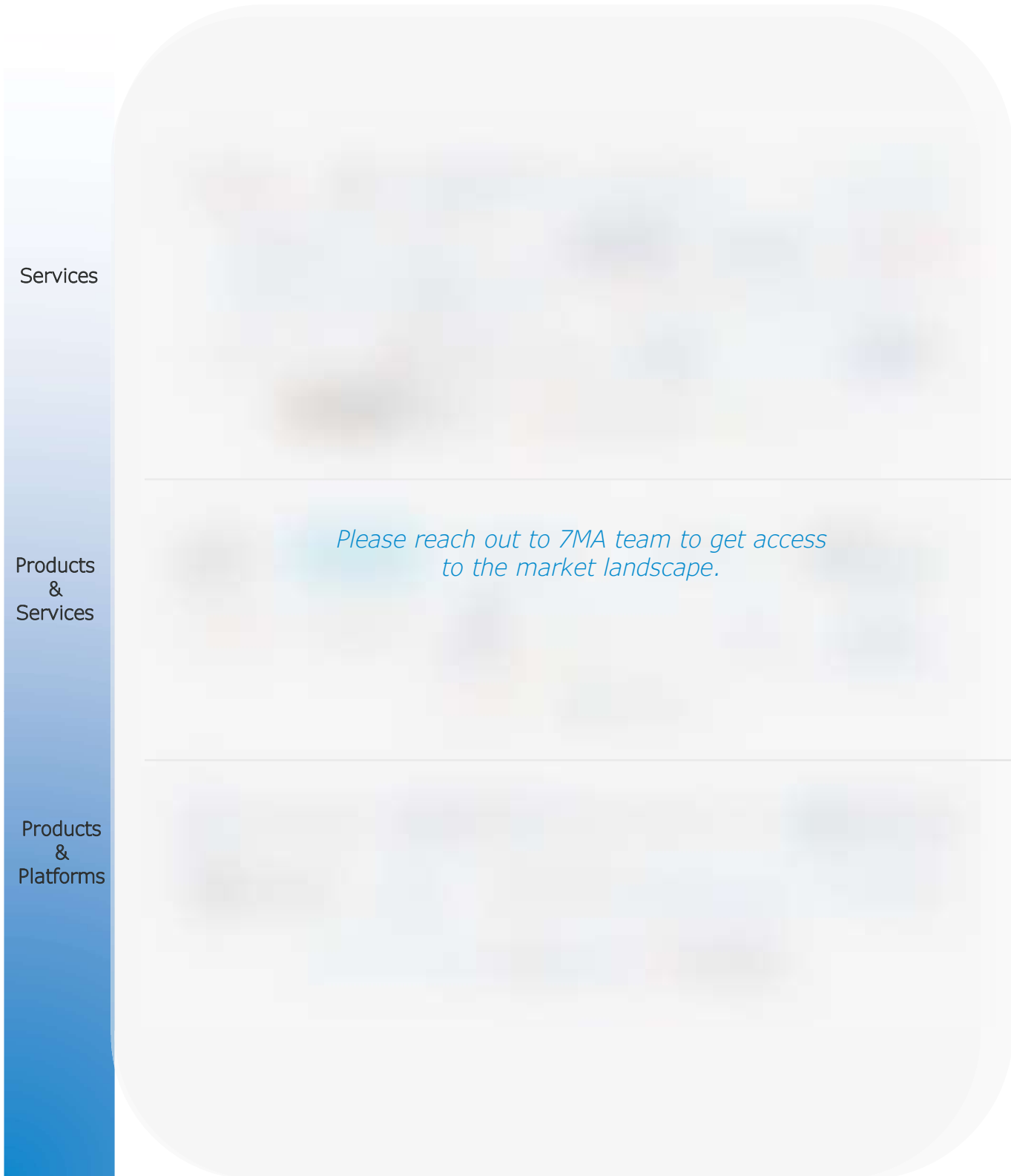
Market outlook on Industry 4.0



- The global industry 4.0 market size was valued at \$115 billion in 2021
- An increased adoption rate of industrial robots and integration between the IT and OT departments is driving the market to be valued at an estimated \$337 billion by 2029
- Market is defined as industrial automation, smart factory, and industrial internet of things

Market Landscape

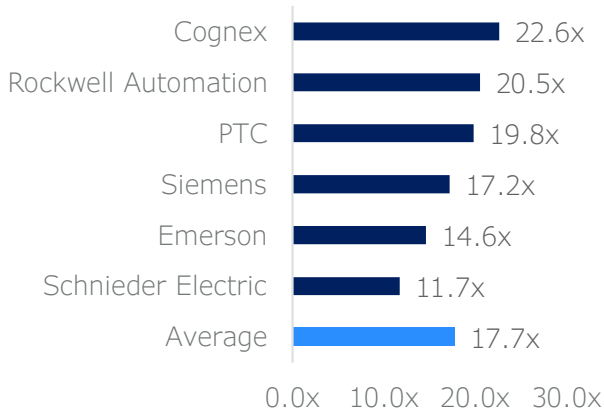
Offerings



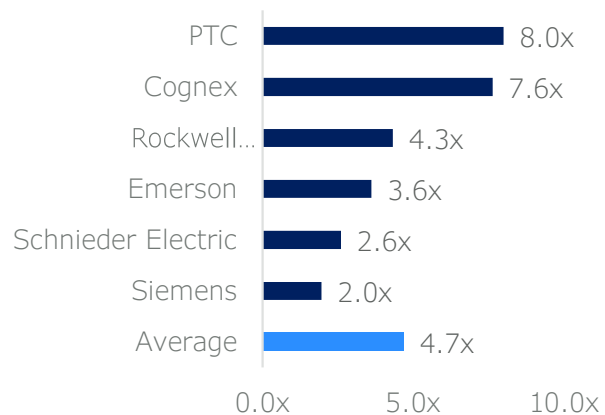
Publicly-traded Industrial Automation & IoT – Q4 2022

Companies	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# of FTEs	Rev / FTE \$k
Siemens	152,329	8,867	77,875	16%	36%	11%	2.0x	17.2x	311,000	49
Schnieder Electric	91,462	7,804	35,145	15%	41%	22%	2.6x	11.7x	166,025	55
Emerson	70,806	4,853	19,629	8%	42%	25%	3.6x	14.6x	85,500	83
Rockwell Automation	33,539	1,637	7,760	11%	40%	21%	4.3x	20.5x	26,000	129
PTC	15,451	780	1,933	7%	80%	40%	8.0x	19.8x	6,987	221
Cognex	7,706	341	1,011	28%	72%	34%	7.6x	22.6x	2,257	341
Average	61,882	4,047	23,892	14%	52%	26%	4.7x	17.7x	99,628	146
Median	52,172	3,245	13,695	13%	41%	23%	4.0x	18.5x	55,750	106

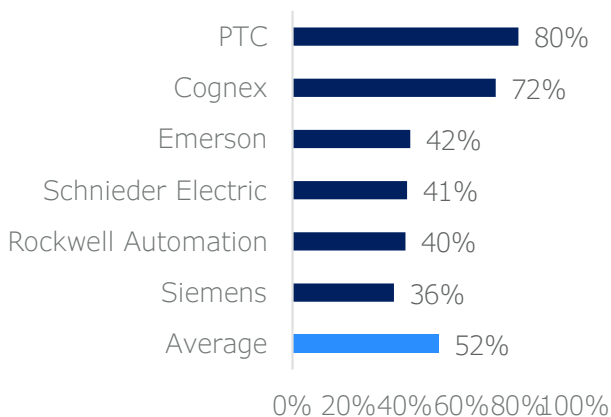
TEV / EBITDA X



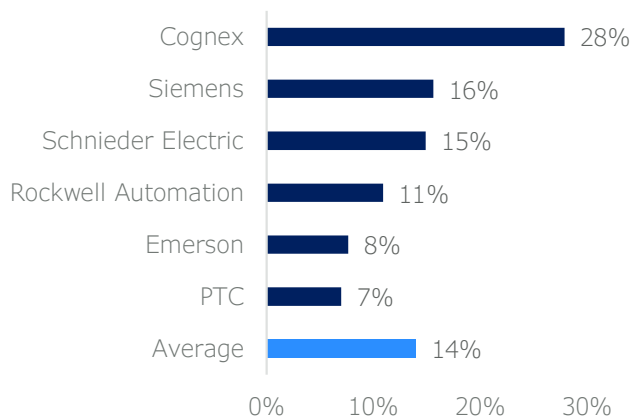
TEV / Rev X



Gross Margin %



Rev Growth YoY



Q4 2022 M&A Transactions

Date	Target	Buyer / Investor	Target Description
December 2022			<ul style="list-style-type: none"> Control Specialists is a provider of industrial network support and control system support catering to process and factory automation industries. The company also provides certifications and certified training for industrial automation systems that supports clients' cost reduction. The acquisition will enhance HMS's procentec training offering.
December 2022			<ul style="list-style-type: none"> Linecraft.ai is a developer of a smart manufacturing solution software designed to improve manufacturing plants using artificial intelligence combined with domain expertise. The company's technology collects and analyzes data from industrial machines and recommends ways to optimize efficiency using artificial intelligence, helping clients to get more productivity from their existing production lines. Through the acquisition, Wipro Infrastructure Engineering, a subsidiary of Wipro Enterprise, will expand its digital analytics capabilities and automation solutions with greater depth.
October 2022			<ul style="list-style-type: none"> C4 Security is a developer of offensive security systems designed for various domains. The company specializes in information warfare, SCADA and military C&C systems security, thereby helping with critical national infrastructure sector. The company utilizes reverse engineering and protocol analysis to service its clients.
October 2022		 	<ul style="list-style-type: none"> +Vantage is a manufacturer of computer numerical control automation systems. The company specializes in designing and building advanced manufacturing, automation, and measuring systems by combining precision sensing and robotics technology to perform multiple tasks. Via its financial sponsor Angeles Equity Partners, Röbbex expands into global markets and improves its position in the market in automation assembly, management, and integration.
October 2022			<ul style="list-style-type: none"> Enics is a provider of electronics manufacturing services (EMS) intended to help industrial OEMs to optimize their value chains. The company provides end-to-end electronics manufacturing services. This acquisition creates the second-largest EMS company in Europe with more than 7,500 employees spread across the globe.

About 7 Mile Advisors

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. All securities transactions are executed by 7M Securities, LLC, member FINRA / SIPC. For more information, including research on the M&A markets, visit www.7mileadvisors.com.



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Notable 7 Mile Transactions

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FLEXWARE
innovation

HITACHI

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KALYPSO

RA Rockwell Automation

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SPIDA
SOFTWARE

Bentley

7MA

Multi-national Industrial
Conglomerate

Strategic Advisor

7MA

Global Leader in Beverage
Production

Strategic Advisor

