



Sustainable IoT – for a better world

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“NVM Private Equity’s successful sale of Mobius Networks Ltd. to Wireless Logic Limited has underlined the demand for sustainable IoT solutions. The rising interest in these solutions is a significant indicator of a market that is becoming increasingly attractive to private equity firms as IoT companies evolve into mature businesses. And as they are characterized more and more by stable revenues, cash flows and diversified customer groups, a growing number of private equity firms are drawn to invest in IoT companies.”

JAN P. HATJE
IOT SPECIALIST, OAKLINS

MARKET TRENDS

Appealing option

Sustainable IoT applications are gaining ever-increasing attention in the public and private sectors to support the reaching of current and future sustainability goals.

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CASE STUDY

Showing the way

We look at how private equity firm NVM Private Equity LLP has demonstrated that successful IoT exits are becoming the norm.

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VALUATION TRENDS

Steady times

The past year's trading multiples for companies in the IoT sector have largely been stable.

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Introduction

The global energy crisis and the shift towards sustainability require innovative solutions, including those involving technology. Internet of Things (IoT) products and services are emerging as a key driver of this change, helping to accelerate progress towards a more sustainable world. One of the key advantages of IoT solutions is their versatility. They can be deployed in a range of settings and industries, from large-scale public infrastructure projects to small-scale private applications.

This flexibility is reflected in the widespread adoption of these solutions, with both public and private sector organizations recognizing their potential to drive sustainable development.

In this Spot On, we will share recent market developments with you and the rationale behind landmark transactions that include exits and acquisitions, their consequences and insights, as well as further findings on value drivers within the industry.

In the fast-evolving IoT market, M&A activity is an opportunity to accelerate knowledge building and growth to create a sustainable competitive edge.

The emergence of sustainable IoT solutions is a significant step towards achieving a sustainable future. The integration of IoT technology with sustainability goals can help address the challenges posed by the increasing demand for resources, energy consumption and environmental degradation. Sustainable IoT can help optimize the use of resources, reduce waste and improve energy efficiency, making a significant contribution to achieving global sustainability aims and needs.

One of the most critical features of sustainable IoT is its ability to monitor and manage energy consumption in real time. This technology can help optimize the consumption of resources

such as water, by monitoring usage and detecting leaks in real time, which can lead to significant cost savings.

The market for sustainable IoT is rapidly growing, with increasing investments and collaborations between companies, governments and other stakeholders. Companies are investing heavily in research and development to create new IoT devices and services that can drive sustainability. Governments are also introducing policies and regulations to promote the use of sustainable IoT solutions in public infrastructure projects.

In this report, we will provide insights into recent market developments, including M&A activities that have accelerated knowledge building and growth within the industry. We will also highlight the value drivers within the sustainable IoT industry and the potential for creating a competitive edge in sustainability. The report will provide an in-depth analysis of market trends, challenges and opportunities, and how sustainable IoT can contribute to achieving a more sustainable world.

Recent market developments

The green technology and sustainability market is expected to reach US\$82 billion by 2030

As a result of current developments such as the global energy crisis and climate change, the market in the public and private sectors is observing a growing demand for sustainable IoT systems and applications to find solutions to said problems.

As more businesses place greater emphasis on environmental sustainability, the market for IoT solutions is anticipated to expand quickly in the coming years. In fact, the green technology market is expected to grow at a compounded annual growth rate of 22.4% up to US\$82 billion by 2030. IoT has accounted for over 40% of this sector in the recent past, a level projected to stay more or less the same in the coming years. By improving production and process efficiency and environmental friendliness, IoT and AI solutions can assist in identifying, quantifying and solving environmental concerns. The development of sustainable production and processes is greatly aided by IoT. For instance, sensors built into machinery and equipment can gather information about energy use and other crucial parameters that can be used to increase productivity and reduce waste. Additionally, IoT can assist businesses in better monitoring and managing their supply chains, to identify opportunities to save resources

and boost productivity. This in turn can significantly contribute towards reaching the UN Sustainable Development Goals regarding sustainable industrialization and responsible consumption and production.

The growing emphasis on environmental responsibility is not just based on a sense of social responsibility or the need to improve your environmental footprint. It is now also driven by economic incentivization. Companies that prioritize sustainability may benefit from lower risk exposure, reduced costs, increased efficiency and improved reputation. These are all factors that may notably improve a firm's profitability. And at this point, unsustainable practices are becoming a liability for companies, with potentially damaging consequences. Companies that make no effort to improve their footprint are seen as irresponsible, which can lead to a significant customer count boycotting the purchase of their products or services. And as mentioned above, one of the leading ways for companies to enhance their focus on sustainability is through IoT. The use of IoT-enabled solutions can help reduce the consumption of resources like water and energy in manufacturing processes, sharply lowering the environmental impact of industrial production.

As more businesses prioritize sustainability in their operations, we can expect to see an increase in the number of companies investing in IoT-enabled solutions to assist them in meeting their goals. Energy monitoring and management systems, supply chain optimization tools, and waste reduction technologies will be among the solutions offered.

And it's not just private companies that are increasingly understanding the potential of IoT solutions and making huge investments in them. The public sector, which is traditionally more cautious about integrating relatively newer technologies, has now also recognized the potential of sustainable IoT. We can observe large, eco-friendly government projects that implement the technology of IoT. This broad field of application with acceptance via B2C, B2B and B2G can in turn have a positive effect on M&A interest.

In the following pages, we will take a deep dive into Wireless Logic Limited's recent acquisition of Mobius Network Ltd. and analyze the strategic rationale from an IoT and market standpoint. After that, we look at a recent Oaklins transaction in the IoT space and examine market valuation trends.



Case study



PRIVATE EQUITY FIRM NVM PRIVATE EQUITY LLP PROVES THAT SUCCESSFUL IOT TRANSACTIONS ARE BECOMING INCREASINGLY COMMON

In July 2022, NVM Private Equity LLP completed a significant exit from Mobius Networks Ltd., which is based in the UK. As one of the most active investors in the UK, NVM Private Equity LLP has made over 300 investments since 1984. The company is expanding its investments in the technology sector and proves that IoT transactions and sustainable IoT are no longer a rarity. This UK-based private equity firm is one of many investment vehicles that has detected the potential of IoT products and services for sustainable applications. In parallel with the exit of NVM Private Equity LLP, the market is showing increasing traction on the buy-side.

This case study takes a closer look at the latest IoT exit of NVM Private Equity LLP, and discusses two questions: What are the goals and strategic rationale behind investments in sustainable IoT applications? Why are these investments so appealing to private equity?

NVM Private Equity LLP exits from Mobius Networks Ltd. with the sale to Wireless Logic Limited

Formed in 2004, Mobius Networks Ltd. began as Vodafone's preferred distributor for M2M data SIMs for local government and smart cities. This reach has now expanded to other global operators and a broader set of sectors including sustainable IoT applications. After providing initial backing in 2019, NVM Private Equity LLP exited in 2022 to sell the company for an undisclosed amount to Wireless Logic Limited, the UK-based leading provider of M2M managed services.

Mobius Networks Ltd. has won the contract to provide the technology airtime solution to every Clean Air Zone

project in the UK. A Clean Air Zone (CAZ) is an area in the United Kingdom where targeted action is taken to improve air quality. In each CAZ, some vehicles are charged to drive in them depending on factors such as the type of vehicle and its level of emissions. The amount charged is decided by the local authority responsible for each CAZ. Mobius Networks Ltd. has been mandated as the exclusive technology provider for the entire UK.

During the holding period under review, Mobius Networks Ltd. recorded tremendous growth, with a CAGR of 34.5%, demonstrating the widespread acceptance of sustainable IoT products and services.

Investment rationale

Private equity companies are increasing their IoT transactions and have detected the potential of various applications as sustainable solutions. After a short holding period of three years, NVM Private Equity LLP has proven that companies like Mobius Networks Ltd. can evolve into mature businesses.

The NVM fund is a good example of how private equity firms are increasingly focusing on IoT to support the transition to a more sustainable economy. The demand for technological solutions to stop climate change is more relevant than ever.

What is the goal of the strategic acquisition by Wireless Logic Limited?

Wireless Logic Limited is a leading global managed IoT connectivity provider, focusing on solutions for the private sector. The company's strategic alignment is driven by its overall corporate mission to play an important role in accelerating the rate of positive environmental, social and economic change for a more sustainable world. The acquisition aims to benefit from the deep expertise within the business



and a much stronger position when targeting the public sector. The expertise of Mobius Networks Ltd. complements that of Wireless Logic Limited for further growth in the IoT sector, especially the sustainable IoT sector.

What motivates private equity companies to invest in sustainable IoT?

In addition to the transaction already mentioned, further investments and financing are being seen for smart factory applications that increase efficiency and reduce energy consumption.

The current global energy crisis is leading to higher demand for sustainable technologies. In turn, this increasing demand is key for more predictable revenues and cash flows, which are among the main arguments for investing in the IoT sector.



A recent Oaklins deal

GARZ & FRICKE GROUP, A PORTFOLIO COMPANY OF AFINUM MANAGEMENT GMBH, HAS BEEN ACQUIRED BY SECO S.P.A.

Oaklins was officially mandated by Afinum Management GmbH as exclusive financial advisor for this transaction. SECO (IOT.MI), listed on Borsa Italiana's Mercato Telematico Azionario (STAR segment), has acquired all shares of Garz & Fricke Holding GmbH (G&F), a leading supplier of standard and customized edge HMI solutions, their building blocks and a tailored ecosystem of IoT, software and payment solutions. The company was acquired by Afinum in 2017, and has expanded its operations under this ownership, completing two strategic acquisitions in the field of edge systems and software applications. Today, G&F operates under three complementary brands: Garz & Fricke (HMI solutions), Keith & Koep (SOM) and e-GITS (software and platform).

The acquisition of Garz & Fricke Group represents a clear opportunity for SECO S.p.A. to roll out SECO CLEA software into G&F-installed IoT devices.

Situation: SECO S.p.A. has been a leading player in technological innovation, IoT and artificial intelligence solutions since 1979. Both SECO and G&F are leaders in their core competences, and have enormous potential in the area of cross-selling synergies.

Action: The integration of the CLEA IoT platform into G&F-installed IoT devices enables new cross-selling potential to integrate edge technology directly with the consumer, and eliminate inefficiencies with the help of AI and machine learning applications.

SECO is a center of excellence in the field of innovation and technological integration. The company has been operating in the high-tech market for over 40 years, designing, developing and manufacturing cutting-edge proprietary technological solutions for industrial clients. SECO's products range from miniaturized computers to standard or customized hardware, high-tech finished products and hardware-software integrated systems for highly diversified end-markets, including medical, industrial automation, aerospace and defense, wellness and vending systems.

SECO also offers applications that can help companies make a significant contribution to sustainable

GARZ & FRICKE

has been acquired by



M&A SELL-SIDE

Private Equity/TMT

transformations. For example, its proprietary CLEA software offers solutions for the industrial sector to increase the efficiency of production, resulting in processes that are much more efficient in terms of energy consumption. It's also possible to integrate these IoT platform applications into existing G&F devices.



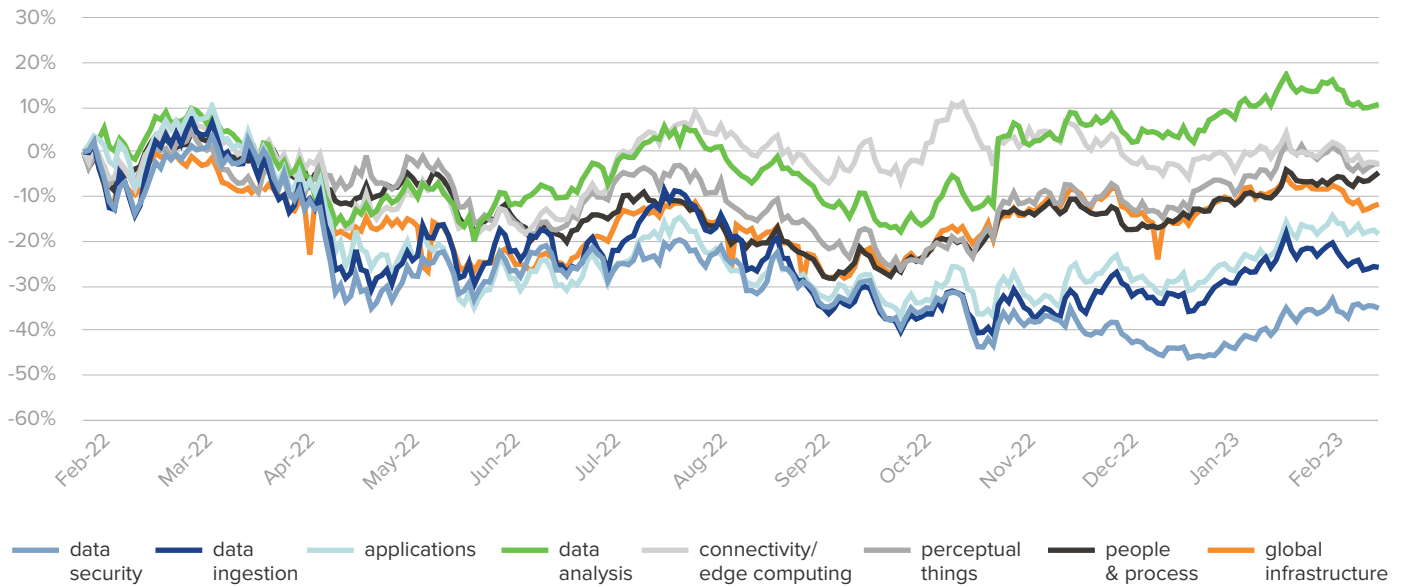
Valuation trends

To get a more detailed understanding of the value drivers in the IoT market, we cluster all firms into two groups according to their business model, with each group containing specific layers.

Firstly, the software as a service (SaaS) cluster, which has five layers: data ingestion, data analysis, data security, applications, and connectivity/edge computing. Secondly, the perceptual

things cluster, which contains sensor-related businesses and a mix of hardware and software businesses, as well as people & process, which is comprised of consulting businesses.

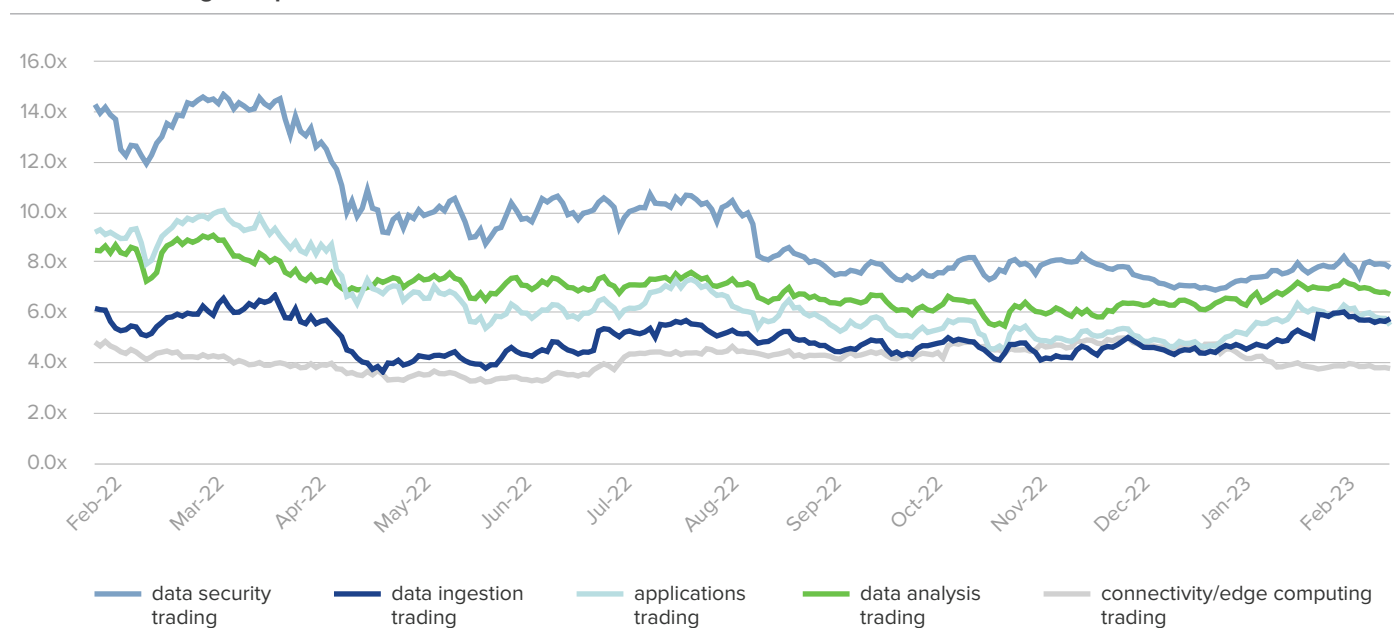
Development of revenue multiples across different layers



Source: S&P Capital IQ

The data analysis shows that over the past year, trading results for companies in the IoT sector have regressed sharply. After turbulent times, we can see a mixed picture with different trajectories where multiples have both recovered and deteriorated.

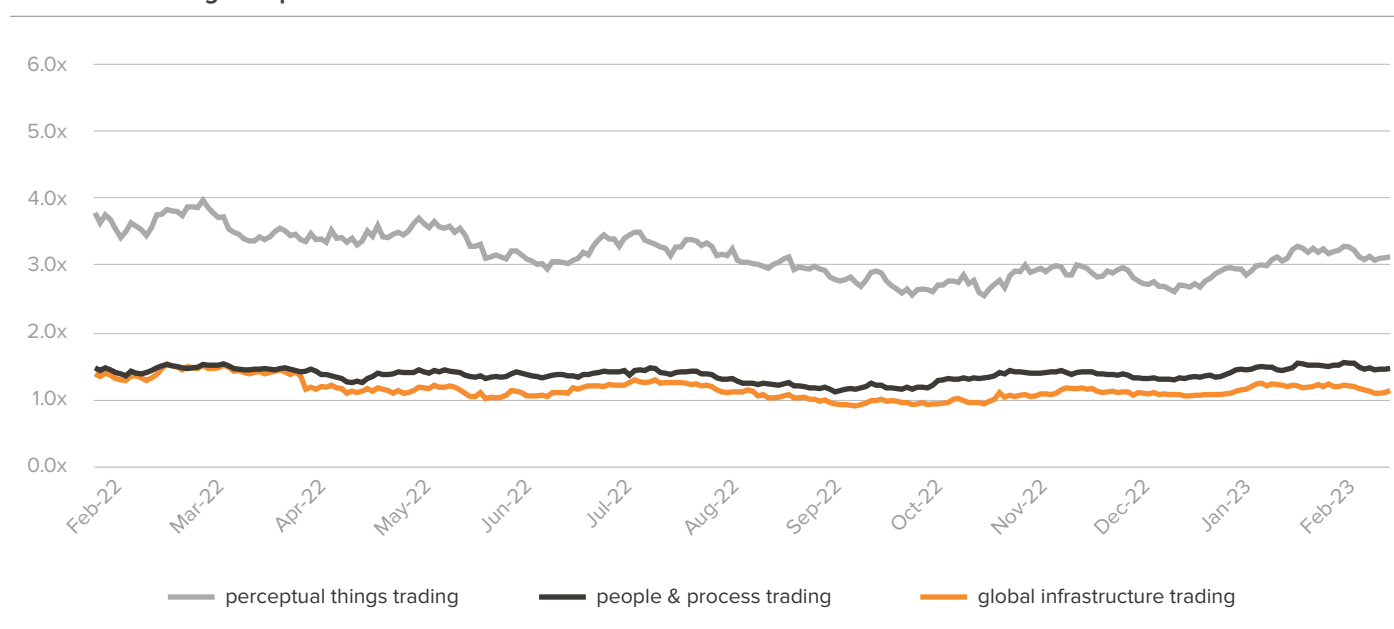
Cluster 1 — trading multiples



Source: S&P Capital IQ

In cluster 1, it can be observed that all layers have converged and been stable, with multiples between 4x and 8.5x, since August 2022.

Cluster 2 — trading multiples



Source: S&P Capital IQ

In cluster 2, global infrastructure trading and people & process trading have been stable, with multiples between 1x and 2x, since February 2022.

Summary

The current global crises, such as those concerning energy and climate change, require prompt action from both governments and businesses to create a more sustainable world. Technology, particularly the Internet of Things, can play a significant role in managing this shift towards sustainability.

Sustainable IoT technologies can foster an environment of connectivity, thereby eliminating inefficiencies. Both the public and private sectors are already adapting to these technologies, with promising uses demonstrated by applications. Although government institutions are traditionally more cautious about new technologies, IoT is one such that offers them great hope.

For instance, the case study discussed above serves as a model for the widespread adoption of sustainable IoT applications.

IoT technologies are increasingly critical in solving major challenges. Given the significant adjustments that private companies are making to accelerate the fight against rising energy costs and to meet customer demands for a more sustainable society and economy, these companies have no choice but to use technological solutions to become more sustainable. Smart factory technologies, for example, enable the connection of machinery and components, thus improving efficiency and reducing energy consumption.

The potential of sustainable IoT is almost limitless, and its growth is expected to accelerate in the coming years. The two transactions involving NVM and G&F demonstrate that IoT companies are in the spotlight, with stable cash flows, revenues and profits being high priorities for private equity firms and strategic investors. Additionally, the environmental, social and governance (ESG) impact of sustainable IoT will ensure that such transactions will increasingly occur.

In conclusion, it will be exciting to see how the IoT market evolves in the next few years and how it impacts global sustainability efforts.



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OAKLINS OFFERS A COMPREHENSIVE RANGE OF SERVICES

- M&A advisory (buy- and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

IoT is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become one of the most experienced M&A advisors in the IoT sector, with a large network of relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for IoT companies.

If mergers, acquisitions, or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.



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Jan leads Oaklins' IoT team. He is also a managing partner at Oaklins Germany. Jan has a strong network in the IoT industry and is in regular contact with its key players. As part of his sector focus, he continuously follows developments, publishes newsletters and attends the major events. He has advised a number of clients either on M&A or on strategic development. He has a deep understanding of the market dynamics and value drivers regarding smart devices, connectivity, big data and intelligent solutions. Notable transactions Jan has completed include Garz & Fricke, vyzVoice and Höft & Wessel (now Almex).

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