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QSights, published by Q Advisors, provides thought-leadership, independent opinions and data on topics of interest to the telecom, media and technology sectors.

Sensors to Software – IoT Value Chain Observations

By Michael Crawford, Jordan Rugar and Naazneen Essabhooy / 7.17.17

Q Advisors recently joined hundreds of leaders across the Internet of Things (“IoT”) sector at the IoT Evolution Conference in Las Vegas. Michael Crawford, Q Advisors Partner, participated in the “Money Matters” panel comprised of bankers, consultants, and executives focused on IoT. During the panel, Michael delivered the latest edition of the Q Advisors proprietary *IoT Transaction Heat Map*, which highlights recent transaction activity within the B2B IoT segment.

IoT M&A and Financing Trends

Below are several observations gathered from the latest edition of the Q Advisors *IoT Transaction Heat Map* and the panel discussion:

- Deal volumes for both M&A and financings in 1H 2017 were as strong as in prior years. Value of M&A transactions is lagging previous periods due to a lack of mega deals
- **Capture** deal value and volume have been impacted by the lack of large semiconductor acquisitions in 2017. Intel’s acquisition of Mobileye (\$15B) is the largest transaction in the segment YTD
- **Transmit** deal value and volume have continued to lag. Recent financings for Actility, Senet, and Sigfox bucked that trend. Qualcomm’s purchase of NXP (\$50B) would be a blockbuster deal in that segment if/when it closes
- **Manage & Analyze** have remained the most active segments across deal type, count and size. Valuations remain robust as exemplified by C3 IoT’s recent unicorn financing (\$1.3B)
- Corporate VCs continue to participate actively in equity financings. GE is one of the few corporate investors that has acquired an IoT target post- strategic investment
- In general, the panel felt that IoT valuations have temporarily plateaued; further expansion will require more broad-based market adoption and large-scale deployments rather than pilot projects
- Given the flatter-than-expected revenue trajectory of some IoT companies, the panel anticipated an increase in down-rounds, recapitalizations and take-private transactions
- Security and privacy were topics that seemed to come up in almost every conference session. The benefits of chip-level protection were mentioned, but others stressed the need for a layered security approach that spanned device, network and software. Data protection and privacy continue to be a challenging issue, particularly with requirements that vary by country

Noteworthy Conference Commentary

While the superiority of licensed vs. unlicensed spectrum continues to be hotly debated, many conference participants advocated a hybrid network approach in which different protocols are deployed depending on use-case, geography, economics, etc. That, in turn, creates an opportunity for a network-management solution which can provision, manage and bill across providers

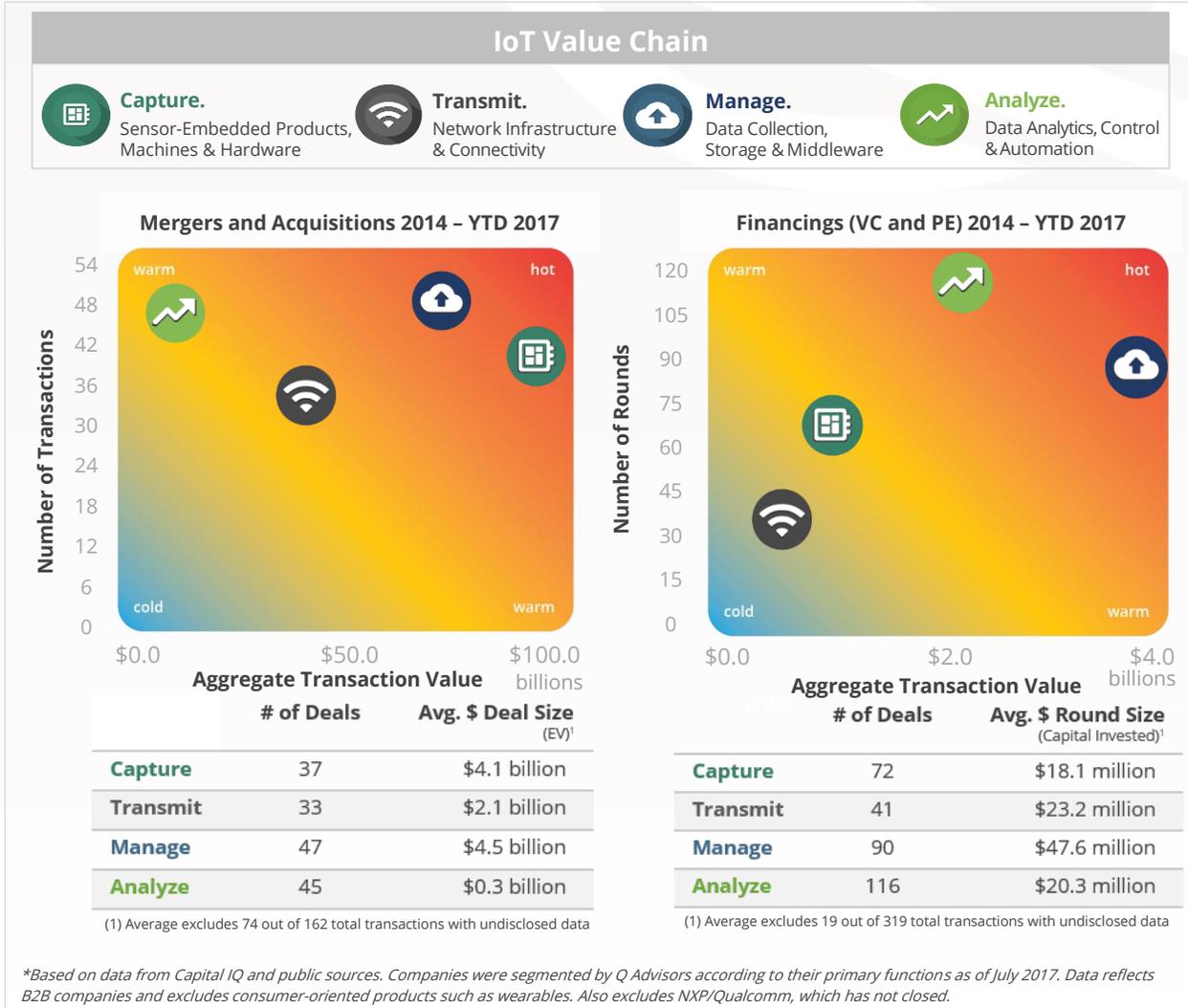
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The Internet of Things (“IoT”) Transaction Heat Map and associated Value Chain

represent a framework to help companies and investors organize the IoT landscape and see which segments have the most transactional activity. Companies can use this to identify where they currently sit in the Value Chain, as well as where they may want to expand. Investors can use this to determine which functional IoT segments to focus on.

Q Advisors IoT Transaction Heat Map



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Michael Crawford / Partner / crawford@qllc.com

Michael Crawford joined Q Advisors in 2005 and leads the firm's IoT practice. He has over 20 years of investment banking and operating experience. During his investment banking career, Michael has executed mergers and acquisitions and raised equity and debt capital through both private placements and public offerings. He has represented companies in a range of industries, and within telecom, media, and technology (TMT) he is focused primarily on Internet of Things, data centers and XaaS cloud-based businesses.

Prior to joining Q Advisors, Michael spent five years with Level 3 Communications, a Fortune 500 telecommunications service provider, where he held leadership positions in Corporate/Business Development, Sales Management, and Marketing. Prior to Level 3, Michael was an investment banker with Prudential Securities in New York, as well as with two leading boutique firms in Denver.

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Jordan Rugar joined Q Advisors in 2012 and she is part of the firm's IoT practice. She has executed numerous mergers and acquisitions, equity financings and strategic advisory assignments for clients across the telecom, media, and technology (TMT) industries with a particularly deep focus on Internet of Things, cloud communications, software and technology and other emerging growth sectors.

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Naaz Essabhoy joined Q Advisors in 2017 and has worked with the team on mergers and acquisitions and strategic advisory assignments for clients across the telecom, media, and technology (TMT) industries.

About Q Advisors

Q Advisors LLC (www.qllc.com) is a world-class global boutique investment bank formed in 2001 serving public and private companies, PE firms, entrepreneurs and large multi-nationals in the telecom, media, and technology (TMT) sectors. The firm has extensive, global reach, while also providing the personalized service of a boutique advisory firm. Thanks to our partners and senior staff, who come from leading investment banks and operating companies, we leverage extensive industry knowledge and analytical insights to help our clients achieve successful M&A and capital markets transactions.

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