

Retail Technology Insights

October 2020

Toronto | Los Angeles | New Delhi

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Table of Contents

- i. Industry Highlights
- ii. Retail Technology Overview
- iii. Industry Trends
- iv. Selected Transactions
- v. Deal Focus
- vi. Deal Activity
- vii. Valuations

Industry Highlights

Retail technology gaining attention post Covid-19 crisis

- Retail market has performed well relative to the S&P 500 coming out of the COVID-19 selloff
- About 88% of retail decision makers have pledged to a digital transformation initiative.
- Technology investments have shifted away from online-centric to a balance of in-store and online, with 57% investing equally in both, thus using an omni channel approach.

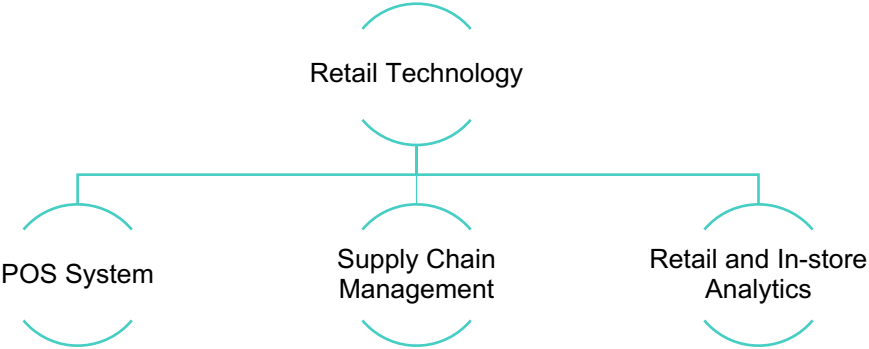
NASDAQ Global Retail Index vs. S&P 500 Index



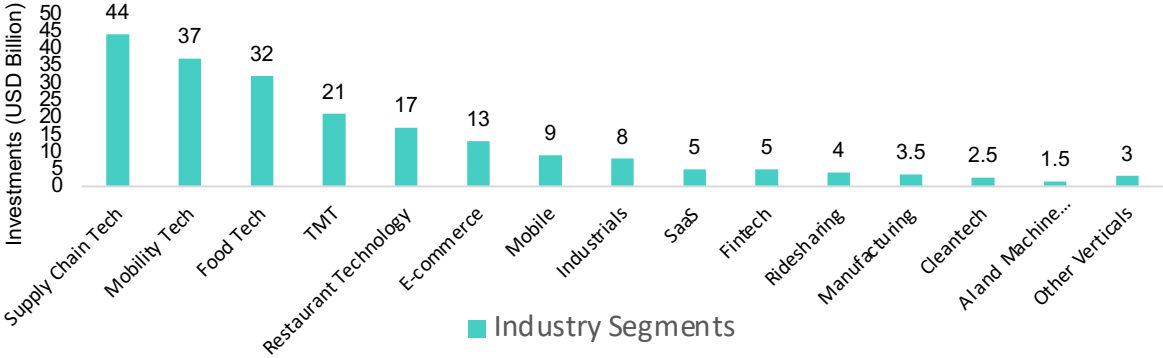
Industry Overview

Promising growth prospects

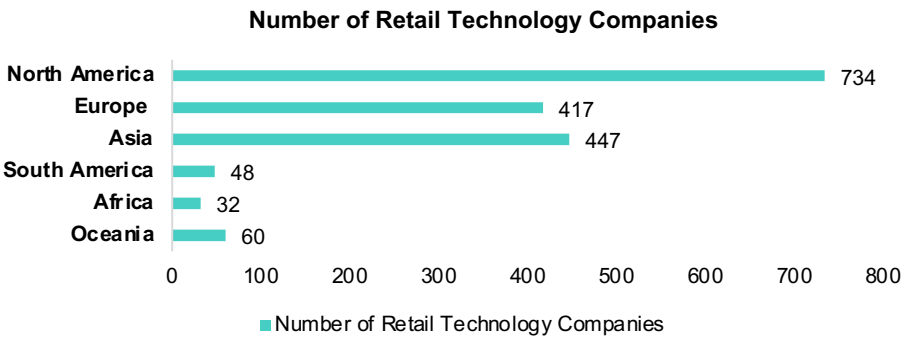
- Segmentation:** Retail technology industry is broadly divided into three segments:



- Deal Activity:** Retail technology space has been active in the first half of 2020 from sources including venture capital funding, private equity and corporate mergers and acquisitions

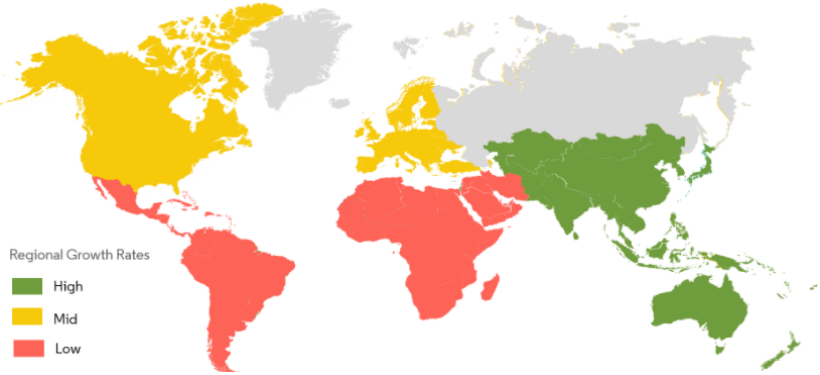


- Geography:** North America is currently dominating the market for retail technology with about 40% of total companies. Coming in second are Europe and Asia with about 24% of total companies.



- Market Growth:** The Global Digital Transformation Market in Retail is expected to grow at a CAGR of over 22% during the forecast period of 2020-2025

Digital Transformation in Retail Market-Growth Rate by Region (2020-2025)



Industry Trends

Consolidation , specialization and contactless solutions leading the way for growth prospects

POS System

- **Growing popularity of contactless payments:** Increase in penetration of contactless payments is expected to drive the growth of the POS system industry at a CAGR of 6% over 2020-2024
 - > The coronavirus outbreak has had a negative impact with an expected decline in revenue; maximum payment volume decline in airlines, hospitality and tourism
 - > Triple digit growth expected in e-commerce, remote ordering and low value contactless payments
 - > Supply side uncertainty, factory closures and trade barriers have affected B2B cross-border flows



Supply Chain Management

- **Operational efficiency and effectiveness:** Companies are realigning their operations to streamline workflow, gaining greater flexibility and competitive edge in the marketplace.
 - > The coronavirus outbreak has accelerated supply chain disruption. Companies are investing in emerging supply chain technologies to mitigate this risk
 - > ERP, Asset Tracking & Inventory Management software helps retailers realign their operations to streamline workflow
 - > Procurement Technologies provide greater flexibility in value chain



Retail and In-store Analytics











- **Better decision-making:** Retailers are seeking and implementing analytics to enable efficient and effective decision making and improve customer experience.
 - > Analytics platforms are expected to attract more investment from retailers who are trying to understand customers to engage with them via various channels
 - > Physical stores remain the most important customer contact point. Retailers interact and engage with customers and improve customer experience by using in-store analytics



Deal Highlights - 1

COLUMBIA PACIFIC CAPITAL PARTNERS

Shifted consumer behavior driving active M&A market











Date	Acquirer	Target	Deal Size (\$m)	EV/Rev	Target Description
10-Jun-2020	 JUST EAT Takeaway.com	 GRUBHUB™	\$7,300	5.6x	Grubhub operates as an online and mobile food-ordering company, connecting diners with local takeout restaurants. Just Eat Takeaway acquired Grubhub in an all-stock deal.
31-Aug-2020	 CLAYTON DUBILIER & RICE	 EPICOR.	\$4,700	NA	Clayton, Dubilier & Rice acquired Epicor from KKR. Epicor is an enterprise software vendor delivering cloud-enabled services.
11-June-2020	 FP FRANCISCO PARTNERS	 CONSIGNOR	\$171	NA	Francisco Partners is a technology private equity firm. Consignor is a Norwegian multi-carrier parcel management platform focused on delivery management solutions for the e-commerce industry.
07-Jan-2020	 lightspeed	 G GASTROFIX	\$131	8.1x	Gastrophix is German POS systems developer with over 8,000 customers. The \$131 million deal is comprised of cash and shares.
02-Jul-2020	 kinaxis®	 rubikloud®	\$60	NA	Rubikloud offers advanced AI-based demand forecasting, promotion, pricing and assortment optimization. This deal expands Kinaxis capabilities for consumer-packaged goods and creates entry point into enterprise retail industry.

Source: Crunchbase, Corporate Press Release

Deal Highlights - 2

COLUMBIA PACIFIC CAPITAL PARTNERS

Shifted consumer behavior driving active M&A market









Date	Acquirer	Target	Deal Size (\$m)	EV/Rev	Target Description
03-Feb-2020			\$9000	2.9x	Worldline is a French payment and transactional services company. Ingenico Group provides solutions for electronic payment transactions across all channels.
25-Feb-2020			\$1,330	10.0x	Salesforce acquired Vlocity in an all-cash deal. Vlocity delivers digital and omnichannel customer experiences.
27-Aug-2020		 InstaShop	360	NA	Delivery Hero is a Berlin-based restaurant delivery company that operates mainly in emerging markets. Instashop is a Dubai-based on-demand grocery delivery marketplace.
18-Feb-2020			\$50	4.2x	Repay Repay Holdings Corporation is a provider of vertically-integrated payment solutions. Ventanex is an integrated payments solutions provider to consumer finance and B2B healthcare verticals.
01-Mar-2020			\$41	5.7x	Boku is an independent direct carrier billing company that enables consumers to pay for goods and services. Fortumo is an Estonian direct carrier billing platform connected to more than 280 mobile operator networks in 80+ countries.

Source: Crunchbase, Corporate Press Release

Deal Highlights - 3

Venture capital funding

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Date	Lead Investor	Target	Deal Size (\$m)	Valuation (\$m)	Target Description
15-Jul-2020	 Advent International GLOBAL PRIVATE EQUITY	 THRASIO	\$260	\$1,000	Thrasio acquires and then operates third-party private label Amazon businesses. Advent International is a private equity firm focused on majority control investments.
24-Jan-2020	 mastercard.	 Pine Labs	\$207	\$1,500	India-based Pine Labs makes cloud-based point-of-sale Solutions. Mastercard is a financial services corporation whose principal business is to process payments.
22-Jun-2020	COATUE	 checkout.com	\$150	\$5,500	London-based Checkout.com facilitates cross-border payments. Coatue is a global technology-focused investment manager.
26-May-2020	 G2VP	SCANDIT	\$80	NA	Zurich based Scandit makes barcode scanning software used to speed up store processes. G2VP invests in emerging technology companies that digitize traditional industries.
22-Jun-2020	 SEQUOIA	 Canva	\$60	\$6,000	Canva is a graphic design platform for documents and posters. Sequoia Capital has invested in over 1000 companies that now control \$1.4 trillion of combined stock market value.

Source: PitchBook, CB Insight

Significant transaction – Just Eat Takeaway to Acquire Grubhub



To Acquire

\$7.3 Billion
5.6x EV/Revenue

GRUBHUB™

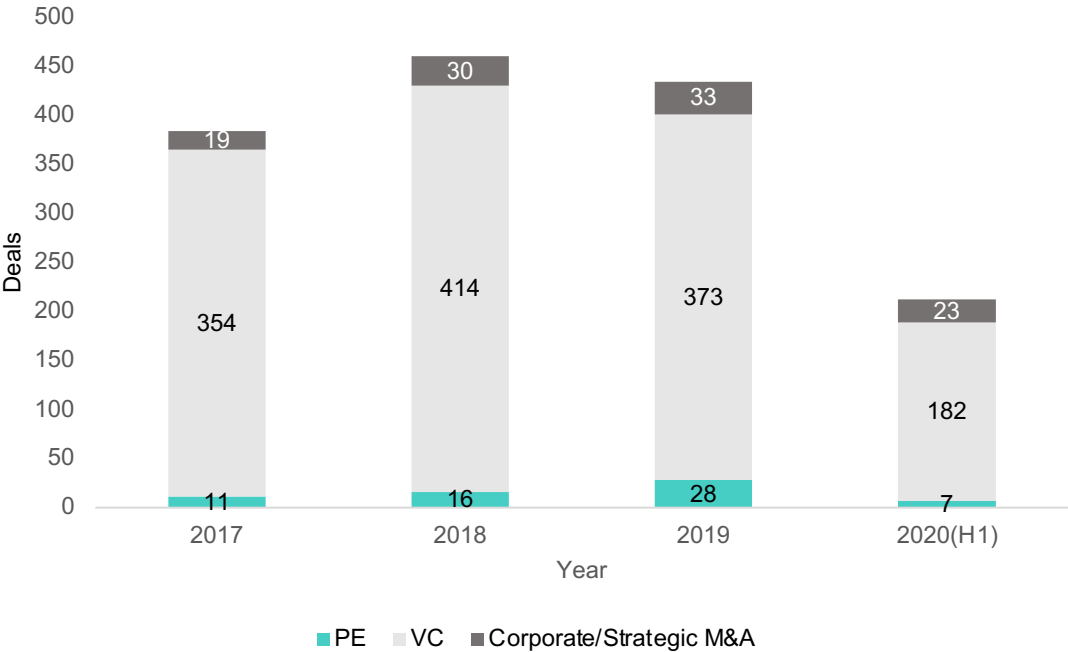
- Deals and funding to retail technology companies surpassed \$14.6 billion in the first half of 2020 as COVID-19 accelerated e-commerce sales growth; the sector is benefiting from changes though investors tightened their criteria
- Just Eat Takeaway.com announced the acquisition of Grubhub for \$7.3 billion in June of 2020
- Grubhub, a Chicago based food delivery platform holds around 23 % of the U.S. food delivery market; 100 % of Grubhub's shares was acquired at an implied value of \$75.15 per share
- Grubhub will offer Just Eat Takeaway a solid foothold in the U.S market, extending its global footprint to Australia, Brazil, Canada and Europe
- The two companies processed 593 million orders in 2019 and the combined entity will be the largest food delivery company outside china with 70 million users worldwide

Deal Activity

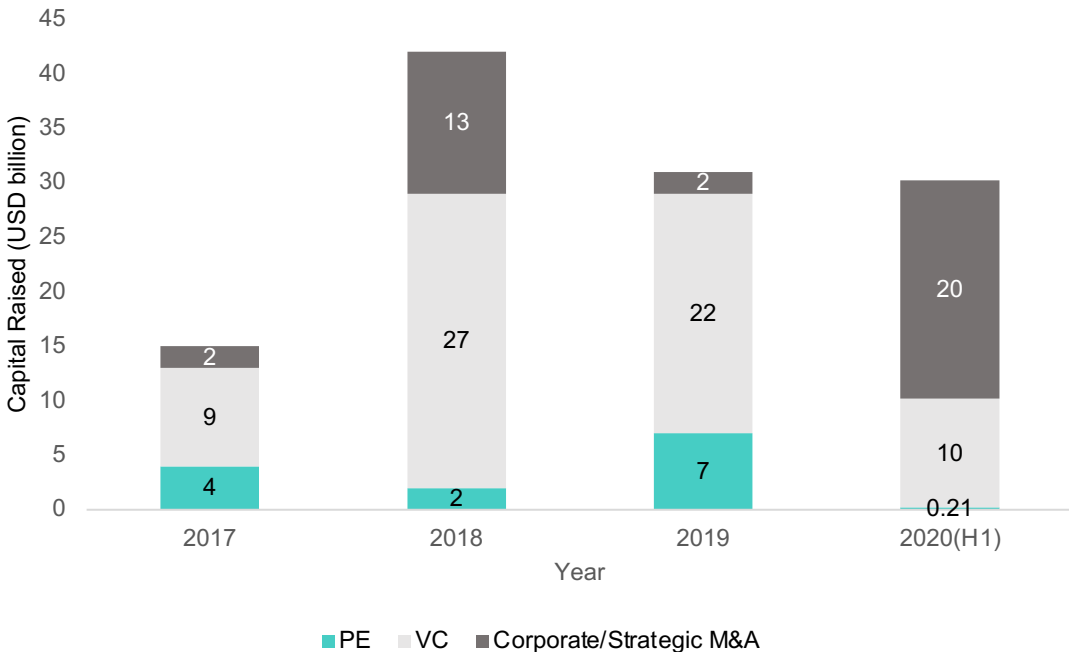
Maintaining pace in the M&A market

- Total deal volume is 212 for H1 2020; down by 32% YoY from H1 2019
- Private equity deals account for 3% of deal volume in the first 6-months of 2020
- Historical market activity has continued to remain stable over the past 3-years and is on pace to match the 2019 deal volumes
- Early stage VC will be looking at exit opportunities from their initial investments over the next five years either through private sale or IPO
- Total deal value for the first 6-months of 2020 was \$30.21 USD billion
- The need to pandemic proof supply chains is leading to more infusions of VC into previously underinvested subsectors such as procurement, risk management, and warehousing technology
- Pandemic has emphasized the need for data analytics and real-time monitoring services leading to gain in traction in future
- Digital solutions players like payment solutions are more likely to be involved in M&A activity in H2 2020 since the pandemic has fostered the use of digital capabilities

Number of Deals by Acquirer Type



Deal Value by Acquirer Type

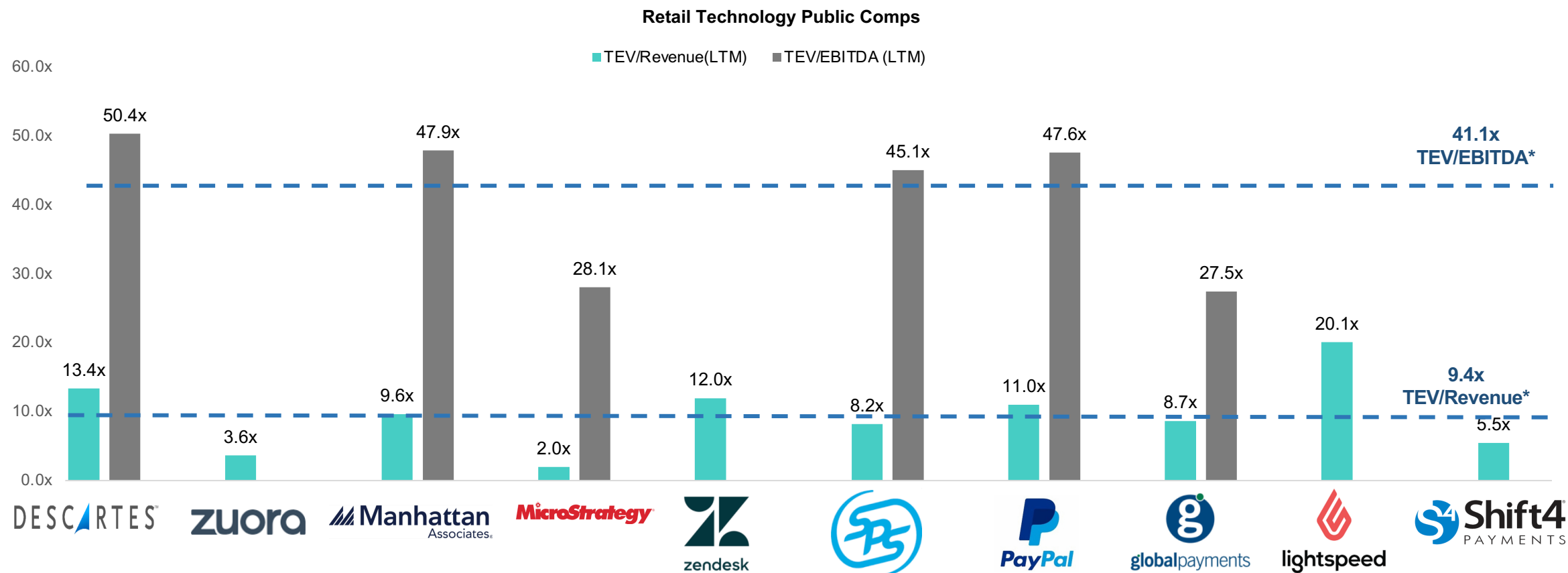


Source: PitchBook

Public Company Comparables

Industry leaders continue to indicate strength in valuation

- Publicly listed key players in the retail technology sector across US and Canada have an average TEV/EBITDA multiple of 41.1x and TEV/Revenue of 9.4x; growth valuations demonstrates long-term value prospects
- About 40% of the listed firms have yet to generate EBITDA, the market is still transitioning to profitability which indicates a unique opportunity in the Retail technology space

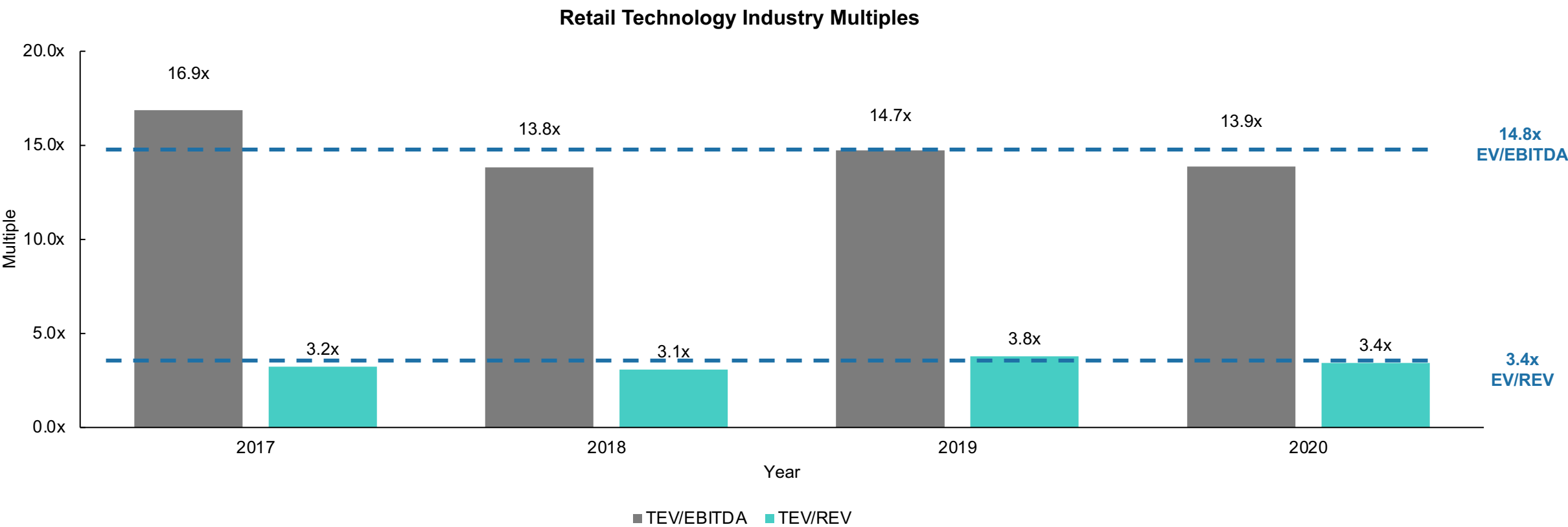


Source: PitchBook * Average Numbers

Market Valuations

Industry multiples reflect long-term profitability

- 4-year historical EV/EBITDA multiple of 14.8x and EV/REV of 3.4x; both multiples appear to be stabilizing as the industry matures
- Data is likely skewed for the revenue multiple given early-stage firms are not generating positive cash flow and therefore are being excluded in the EV/EBITDA multiple
- Retail Technology shows signs of resilience in the current market environment given shifted consumer demand, efficient customer engagement and increasing personalization need
- Multiples indicate growth industry with increasing focus on profitability



Source: Hamleton M&A Market Report

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LTM = Last Twelve Months
EV = Enterprise Value
TEV = Total Enterprise Value
REV = Revenue
EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization
NA: Not Applicable
NM: Not Meaningful

COLUMBIA PACIFIC CAPITAL PARTNERS

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