

J&A Capital Markets Report

Spotlight on Industrial IoT and Logistic Technology Investments in the GCC

October 2023

Investors from the Gulf Cooperation Council (GCC) have invested \$11 billion in the industrial Internet of Things (IoT) sector, and \$16 billion in the logistics technology sector since 2020. The Middle East region has traditionally been known for oil and gas extraction and production but is now actively pursuing a reduction in its dependency on oil and gas and diversifying into new sectors. The development of manufacturing and industrial sectors is a key investment focus of many sovereign wealth funds and politically connected investors across the region. Investors in the GCC are looking into industrial IoT and logistics technology companies abroad and striving to develop these sectors within the region.

This report provides a comprehensive analysis of investment activity in the industrial IoT and logistic technology by GCC-based investors. The dataset analyzed focuses on capital deployment, transaction types, geographical distribution, and investor preferences within the industry. By analyzing the data and trends from 2020 to Q1 2023, this report reviews the dynamic landscape of industrial IoT and logistic technology, offering insights into market dynamics and growth opportunities.

AUTHORS



RIM CHAABAN

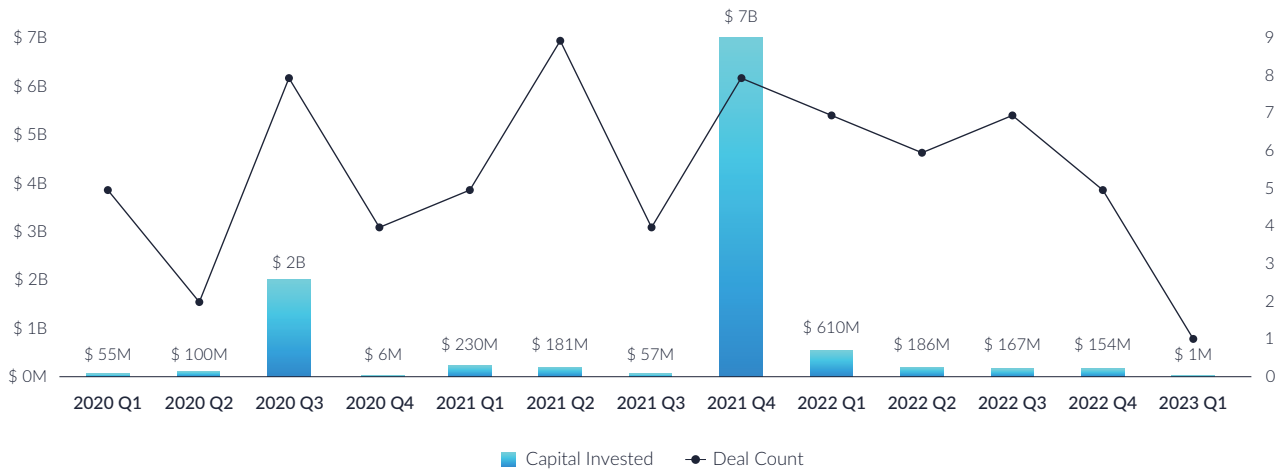
Rim is based in J&A's Abu Dhabi office and is a member of the investment banking team. She is an associate at J&A and is responsible for providing investment banking advisory to clients including but not limited to memorandum drafting, valuation analysis, comparable analysis, financial statement analysis, and financial statement forecasting. She holds a bachelor's degree in business administration with a focus on accounting and finance.



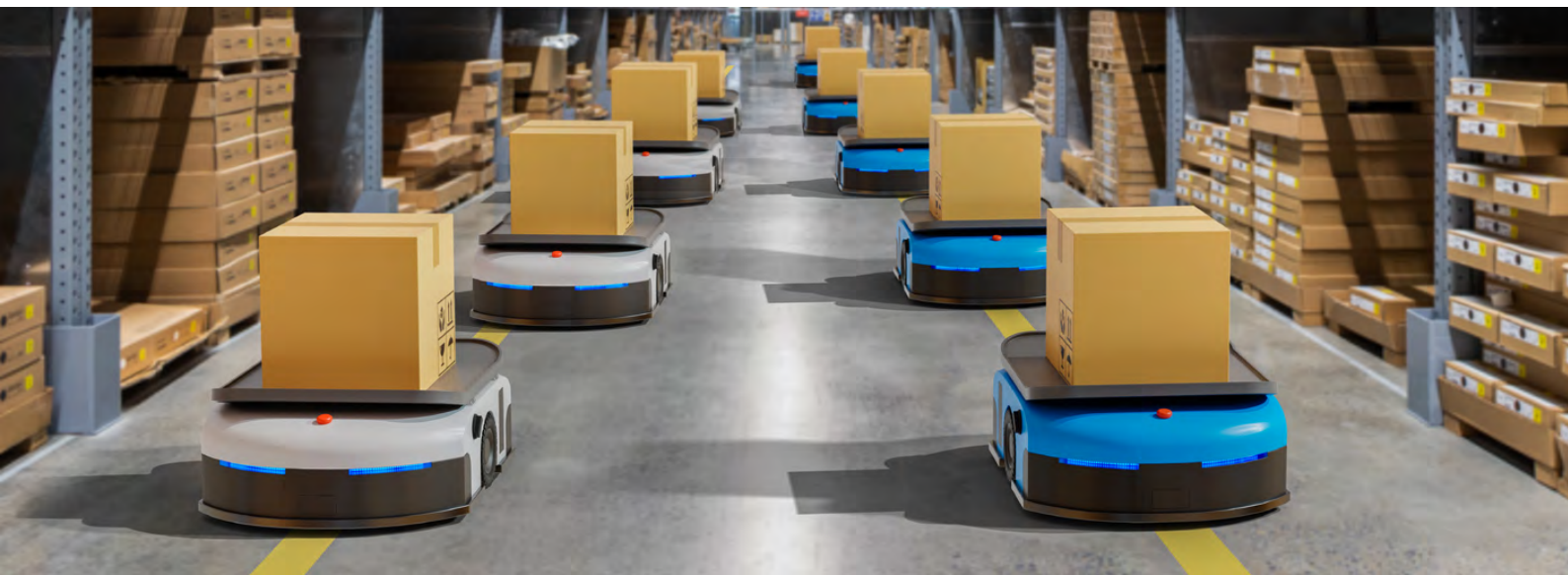
GARETH WALDECK

Gareth Waldeck is a member of the investment banking and global trade team at J&A. He is based in Abu Dhabi. He is originally from South Africa and studied Economics at Fordham University. He has served as panelist for multiple forums such as the Diversity Dividend: Why Equality Benefits Us All and regularly publishes in the space of cross border capital markets.

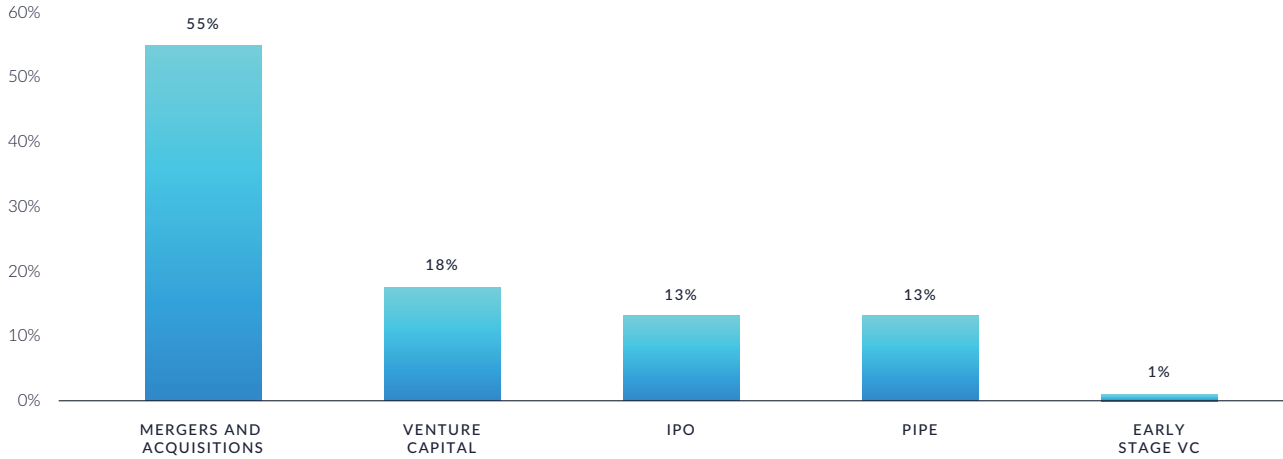
Industrial IoT Between 2020 and Q1 2023: Capital Market Analysis



- Throughout the period from 2020 to Q1 2023, approximately \$11 billion was invested into industrial IoT companies by GCC investors in 71 deals. The average deal size was approximately \$149 million.
- The overall chart shows that in most quarters, four or more deals were done with two outliers in Q3 2020 and Q4 2021. The amount invested was relatively static at less than \$1 billion, excluding the outliers.
- The major deal in this time frame was in Q4 2021 in a US company, Medallia, in which Mubadala Investment Company injected \$6.4 billion.
- Medallia is a software company. Its SaaS platform, the Medallia Experience Cloud, captures experience data from signal fields emitted by customers and employees. It utilizes AI technology to analyze structured and unstructured data from these signal fields across human, digital, and IoT interactions.



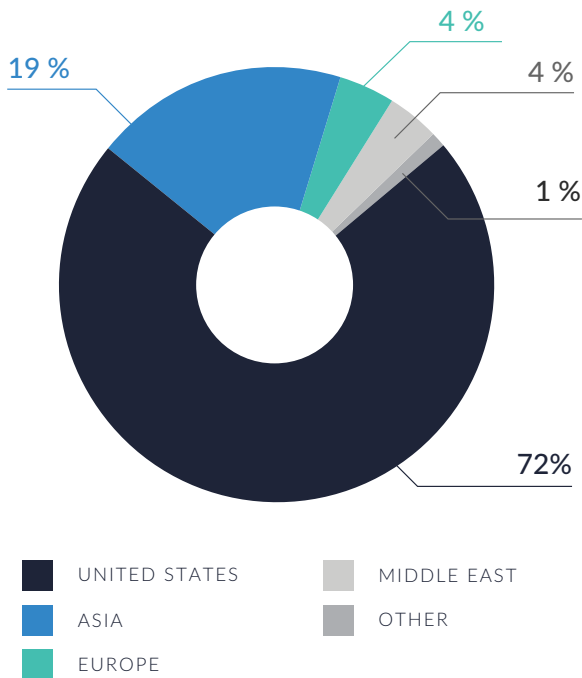
Capital Deployed Into Industrial IoT Companies by Deal Type 2020 - Q1 2023



- Of the transactions in industrial IoT, 55% were mergers and acquisitions. This could be due to markets and valuation uncertainty, making buy-side mandates more attractive.
- There were notable investments made by venture capital (VC) of approximately \$2 billion.
- Only 2% of the capital deployed was in early stage VCs due to uncertainty around the companies making the investments that were perceived as high risk.



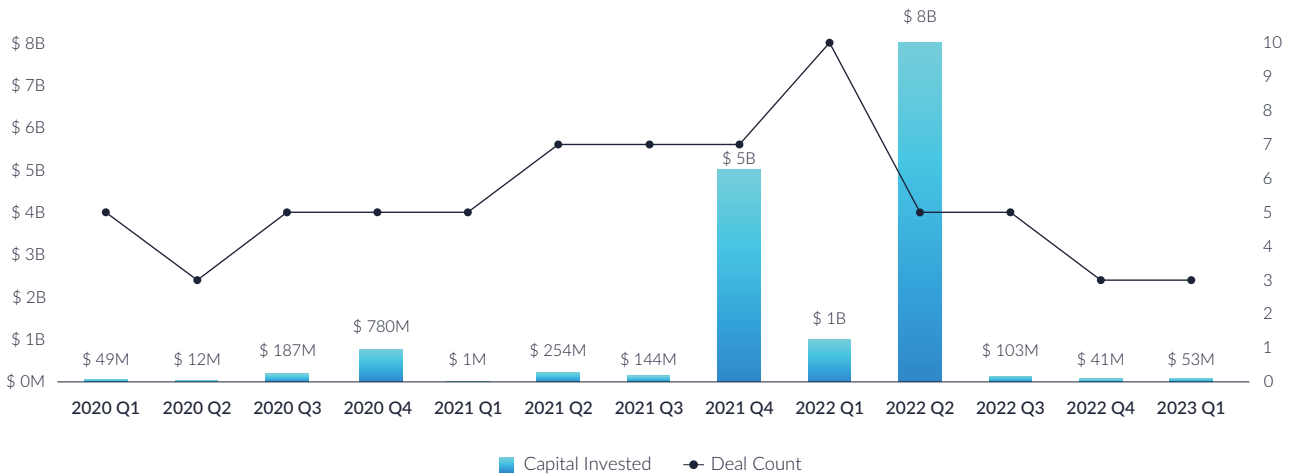
GCC Investments Into Industrial IoT Companies in 2020 - Q1 2023 by Region



- GCC investors deployed 72% of their capital into US-based industrial IoT companies. The industrial IoT market in the US was \$44 billion in 2021, with a projected market value of \$66 billion in 2023, with this significant market potential attracting investments from GCC investors.
- Of the capital deployed, 19% was in Asia. This is because it is the second-largest industrial IoT market with a market value of \$23 billion in 2021.
- The remaining 9% of the capital was deployed into Europe, the Middle East, and other regions.

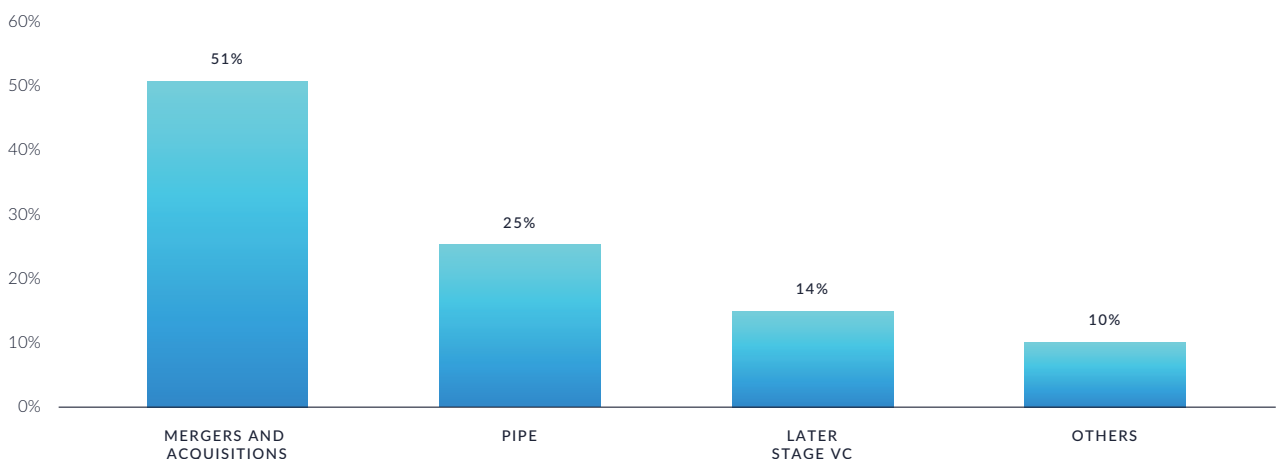


Logistics Technology Between 2020 and Q1 2023 – Capital Market Analysis



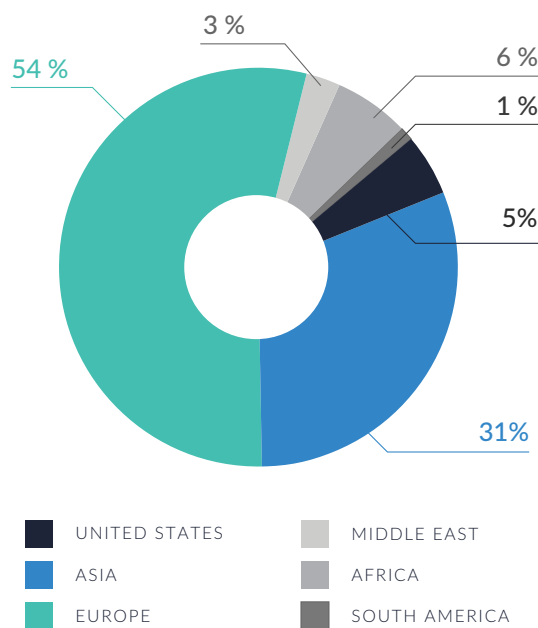
- Throughout the period of Q1 2020 to Q1 2023, approximately \$16 billion was invested in logistics technology companies in 70 deals.
- In June 2022, Abu Dhabi Investment Authority executed a buyout transaction with VTG AG, a logistics company based in Germany, for \$7 billion.
- In December 2021, Mubadala Investment and other investors transacted a private investment in GRAB, a publicly traded company for \$4 billion.

Capital Deployed Into Logistics Technology Companies by Deal Type 2020 - Q1 2023



- Of the deals 51% were in mergers and acquisitions, followed by PIPE deals, which represent 25% of the deals.
- PIPE deals are generally safer, especially in uncertain markets, and offer faster liquidity to investors.
- M&A deals were attractive during this period due to lower valuations stimulated by the slowdown in the markets.

GCC Investments Into Logistics Technology Companies in 2020 - 2023 Q1 by Region



- Europe represents 54% of the total capital because of the significant deals in Germany, which leads in the ranking of industrial transportation companies in Europe.
- This is followed by Asia, representing 31%. Asia's e-commerce logistics market is anticipated to account for more than 57% of total market growth between 2020 and 2025.
- Singapore is the world's busiest trans-shipment hub, which makes it an attractive market to GCC investors interested in logistics technology companies.

The Middle East region is expected to pursue sector diversification through investments within the region and abroad. The manufacturing industry is expected to grow steadily in the coming years as the government initiates and encourages industrial growth and reinforces reduced dependency on the oil and gas sector. It is expected that GCC investors will play an important role in the capital markets after the economic slowdown.