



MCROCK Industrial Software INDEX

Q1 2024
REPORT

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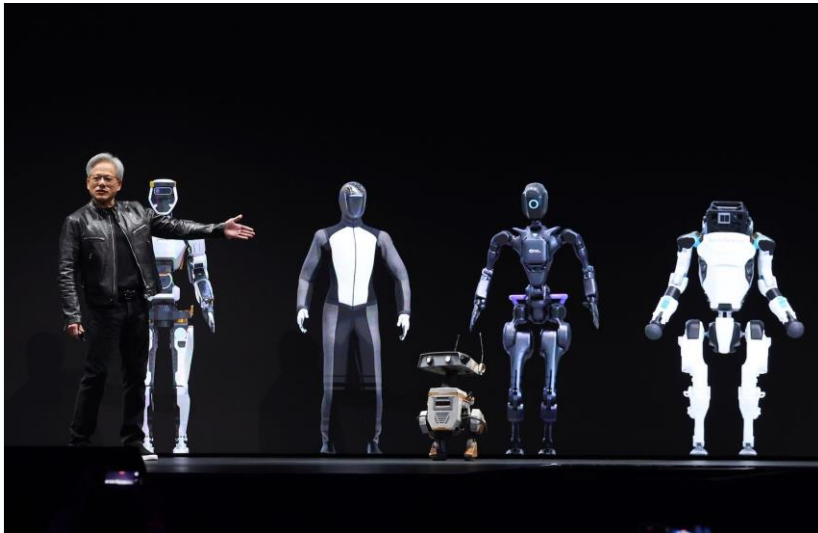


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Industrial Software Q1 2024 Market Update

Large industrial businesses that make and distribute our food, our cars, our energy, and our infrastructure have felt an outsized impact by “higher for longer” interest rates and high oil prices caused by ongoing global conflicts. This also makes a strong case for increased adoption of Industrial Software that optimizes assets, automates processes, and leads to more efficient workers.

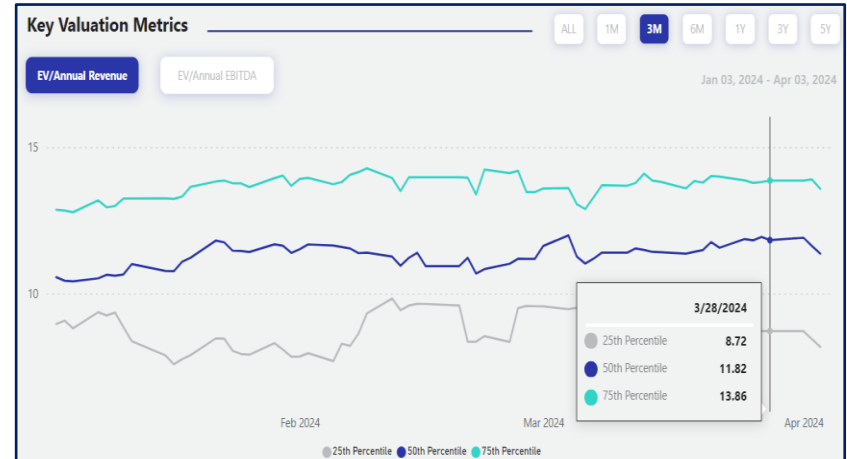
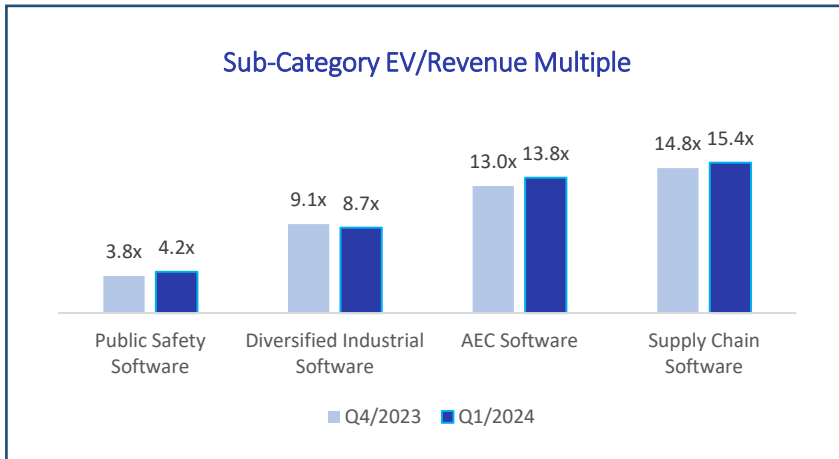
The large Industrial Software leaders are ready to pounce. The McRock Industrial Software Index is up nearly 40% since the start of 2023 at the exact same time as the startup universe has seen valuation multiples drop from COVID highs back in line with historical averages. M&A teams are going on offense, and it’s already begun as can be seen on pages 4 and 6.



Industrial Software is heating up and the world is taking notice. Nvidia CEO, Jensen Huang’s recent GTC keynote included significant attention paid to industrial applications. This from a company who, not long ago, focused on gaming and consumer software. Jensen used the term “Digital Twin” over 20 times, presented in front of videos of an automated supply chain facility, and brought out a roster of humanoid robots that are marketed to first operate in industrial environments.

Index Performance and Highlights

- During the first quarter of 2024, the performance of the McRock Industrial Software Index paralleled that of the S&P and NASDAQ, with all three notably surpassing the DJIA.
- EV/Revenue performance showed an increase for the top and middle quartiles while the bottom quartile retreated slightly.
- Focusing on the four main sectors, EV/Revenue multiples softened slightly for Diversified Industrials, while others, particularly AEC and Supply Chain Software, experienced consistent growth.



Index Company Spotlights: 2 Mega-Deals

In our first quarterly report since the announcement of the McRock Industrial Software Index, we have two deals involving three index companies. Once these deals are closed, Ansys and Everbridge will no longer be included in the Index.

Purchase price = \$35 Billion



- Represents a premium of ~29% over Ansys' closing stock price prior to deal agreement.
- Combines world-leading Silicon design software with leading simulation and analysis capabilities to meet demand for fusion of electronics and physics, augmented with AI.
- Complimentary businesses that opens Synopsys to new adjacent growth areas like Automotive, Aerospace and Industrial, expanding TAM by 1.5x
- Over 6 years of partnership between the two companies prior to deal.

Purchase price = \$1.8 Billion



- Represents a premium of ~47% over Everbridge's closing stock price prior to deal agreement.
- EVBG has been a public company since its 2016 IPO with the stock falling over 85% from its 2021 peak prior to the deal. Despite increased global conflict, growth has plummeted to near 0%.
- Originally receiving a bid of \$28.60/share, Everbridge received an additional offer during the "go-shop" period leading to Thoma Bravo increasing the price to \$35/share
- Thoma Bravo feels they can drive value through this take-private by funding further acquisitions and applying their knowhow in scaling software companies

Sector Spotlight: Supply Chain Software

At a macro level, Supply Chain has struggled to recover from COVID due to accelerated momentum in reshoring/deglobalization, geopolitical tensions resulting in raw materials shortages (i.e. rare earth metals), and two global conflicts leading to increasing crude oil prices and bottlenecked shipping routes.

Software and the efficiencies it can unlock are being looked to as one of the only ways to mitigate or diminish the negative impacts of macro events. The advent of open ocean internet with the proliferation of sensors have enabled better prediction and optimization of price volatility, timing, inventory, traceability, and fuel consumption. The push for circularity is spawning new markets for recycled materials and full chain traceability.

The outlook for 2024 and beyond revolves around digitalization and adoption. This legacy sector has been forced to transition to digital-first but some will struggle to remain nimble over time. Digital incumbents will increasingly become the shipping system-of-record and take share of wallet away from legacy global Shippers pushing the latter to become simple vessel and container suppliers that cannot meet sustainability expectations.

Q1 Index Sector Performance

EV/Annual Revenue	EV/Annual EBITDA	Revenue Growth (%)	Gross Profit Margin (%)	Net Profit Margin (%)	Rule of 40 (%)
15.4x	46.1x	29%	68%	0%	28%

Index Constituents



Emerging Players



Private Market Activities Highlights

Notable deals announced in Q1 2024

Selected M&A Transactions

Strategic-led Transactions

Acquirer	Target	Amount (\$M)
Cisco	Splunk	28,000
Cadence Design Systems	Beta CAE Systems	1,240
Honeywell	Civitanavi Systems	217
Apple	DarwinAI	N/A
ServiceNow	4Industry	N/A

PE-led Transactions

Acquirer	Target	Amount (\$M)
Thoma Bravo	Everbridge	1,800
Ardian	Verne Global	575
Ridgemont Equity Partners/Crete United	ProStar Energy Solutions	N/A

Selected Investment Deals

Equity Investments

Financial Investors	Strategic Investors	Company	Round Size (\$M)
US Innovative Tech Fund	Bloomberg Beta, SK Telecom	Lambda	320
JP Morgan Chase	Honeywell	Quantinuum	300
Forward Investments	Honeywell Ventures, Johnson Controls	Nozomi Networks	100
Delta-v Capital	Rockwell Automation, SE Ventures	Claroty	100
Smith Point Capital	Rockwell Automation, Chevron Technology Ventures	ZEDEDA	72
Lightrock	Schneider Electric, Shell Ventures, National Grid Partners	AiDash	50
Target Global and Astanor Ventures	N/A	Robovision	42

McRock Capital – Industrial Software Pioneer



McRock Capital is the first dedicated Digital Industrial venture capital fund manager focused on the intersection of data and software in large industrial markets and smart cities.

McRock’s history of trailblazing in industrial technology started over 10 years ago with Fund I having been the first Industrial IoT VC fund.

Today, the funds invest in Industrial Software across North America, Europe, and Israel. The McRock team has a unique background of building high-growth Industrial SaaS companies while having deep domain experience in the power, water, and oil and gas industries.

Our Investors

Backed by world class corporate and institutional investors including:



Our Portfolio



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