

Samsara proposed acquisition of Aspen Technology

M&A Transaction Pitch



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All figures in \$USD except share numbers

Company Overview - Samsara

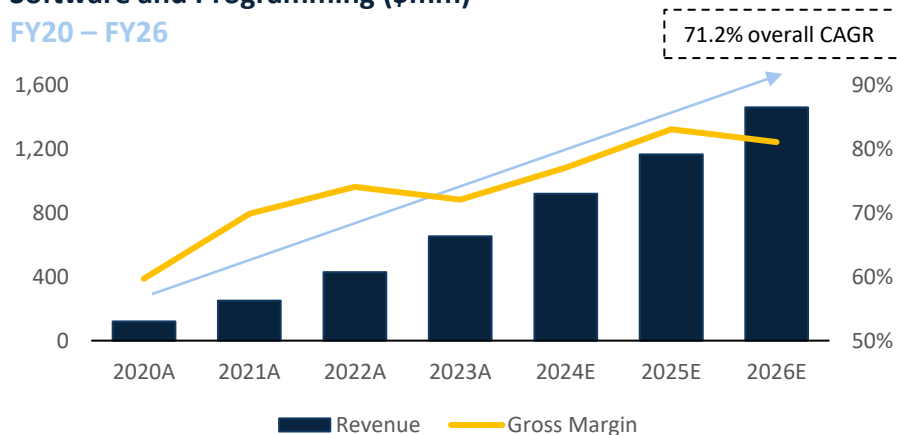
Company Highlights

- **Overview:** Samsara Inc. (NYSE: IOT) provides solutions that connect physical operations data to its Connected Operations Cloud in the United States and internationally. It serves transportation, wholesale and retail trade, construction, manufacturing, food and beverage, and other industries, as well as government.
- **Current Strategy:** Samsara maintains market share through vertical integration. They expand their customer base by acquiring new customers. With a rapidly digitizing market, there is a significant opportunity to continue to grow their customer base.
- **Suited for M&A:** Samsara currently has about 996 customers, contributing to \$652mm in revenue, this translates into an ARPU of approximately \$655K USD. They have a 70% YoY growth in \$100k+ ARR customers, and a 31% in \$1mm+ ARR customers. This has left IOT flush with cash in an industry with slow movements in market share where the only way up is inorganically.

Revenue Breakdown

Software and Programming (\$mm)

FY20 – FY26

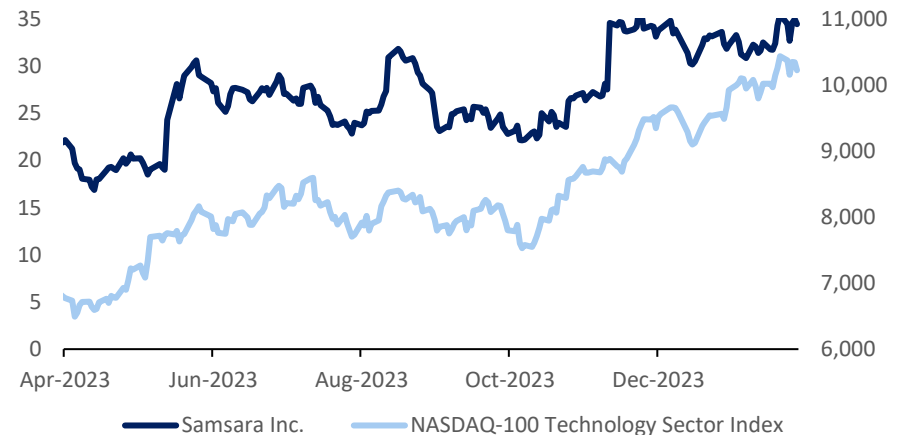


Key Valuation Metrics & Performance (\$mm)

Market Cap	\$18,604	Revenue (FY23)	\$659
Enterprise Value	\$17,859	Gross Income (FY23)	\$469
Share Price*	\$34.44	Gross Margin	72.1%
52 week-high	\$36.91	EV/Revenue	15.1x
52 week-low	\$15.32	Forward P/E	241x
Cash (FY23)	\$659	Debt (FY23)	\$103.9

*Based on 02/18/2024 close market data (\$34.44)

TTM performance vs The Industry



Company Overview – Aspen Technology



Company Highlights

- Overview:** Aspen Technology, Inc. (NASDAQ: AZPN) provides industrial software that focuses on helping customers in asset-intensive industries worldwide. The company serves a range of asset-intensive industries, including oil and gas exploration and production.
- Current Strategy:** Aspen Tech's strategy focuses on working with its customers to create Enterprise Operations Management (EOM) solutions. These systems are built on the key technologies of modeling, control, optimization and information management.
- Suited for M&A:** Aspen is an extremely fast-growing company in a niche, fragmented, and high CAGR industry. As a result, Aspen is ripe for a takeover as the company's technology and client data set can be leveraged in a several number of ways by companies ingrained in the supply chain ecosystem.

Key Valuation Metrics & Performance (\$mm)

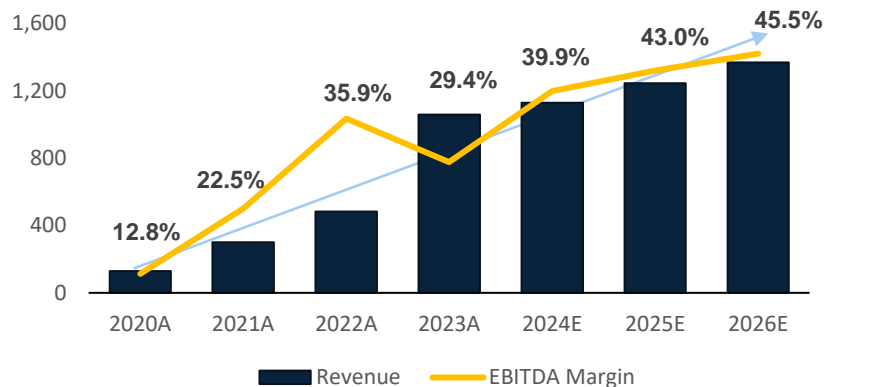
Market Cap	\$11,613	Revenue (FY23)	\$1,057
Enterprise Value	\$11,676	EBITDA (FY23)	\$311
Share Price*	\$182.75	EBITDA Margin	29.4%
52 week-high	\$247.96	EV/EBITDA	26.3x
52 week-low	\$161.32	Forward P/E	29.8x
Cash (FY23)	\$131	Debt (FY23)	\$194

*Based on 02/18/2024 close market data (\$182.75)

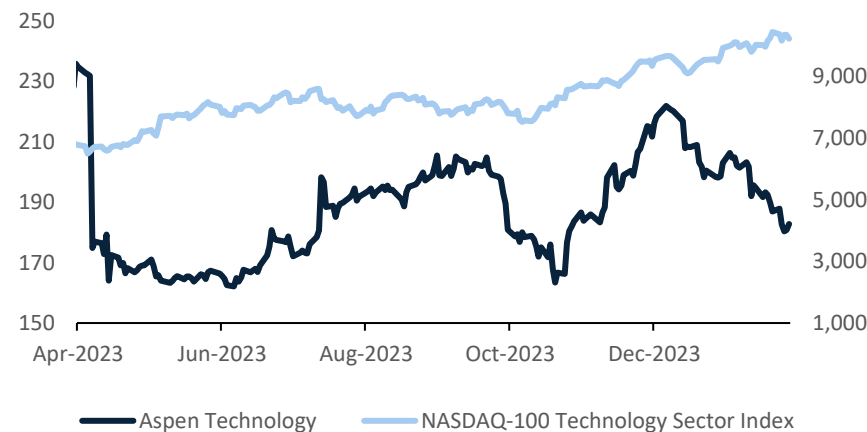
Revenue Breakdown

Software and Programming (\$mm)

FY20 – FY26



TTM performance vs the industry



Industry Overview



Industry Key Metrics

Global Supply Chain Management Technology Outlook

2022A	\$456B
2026E	\$761B
Revenue CAGR Growth (2022A - 2026E)	13.7%

Global Asset Control Technology Outlook

2022A	\$94B
2030E	\$166B
Revenue CAGR Growth (2022A - 2026E)	15.3%

Worldwide trucking and fleet management (2022)

Technology	44%
Asset control	19%
Services / Maintenance	37%

Global Supply Chain Industry M&A Trends

- **Margin Stability:** Traditionally, the incumbents in supply chain have aggressively sought M&A as the most proven and efficient method to margin stability in the industry – the trend however is changing with fast moving newcomers catching on to these ideals.
- **Bigger pie, bigger piece for the leaders:** With changing business needs and the importance of the “amazon model” – supply chain companies have become fundamental to a business’s core operations. But its growth has unequally rewarded the companies with the highest market shares – thus making inorganic growth the very lifeblood of existence in the industry.

Top supply chain technology deals (H1 2023)

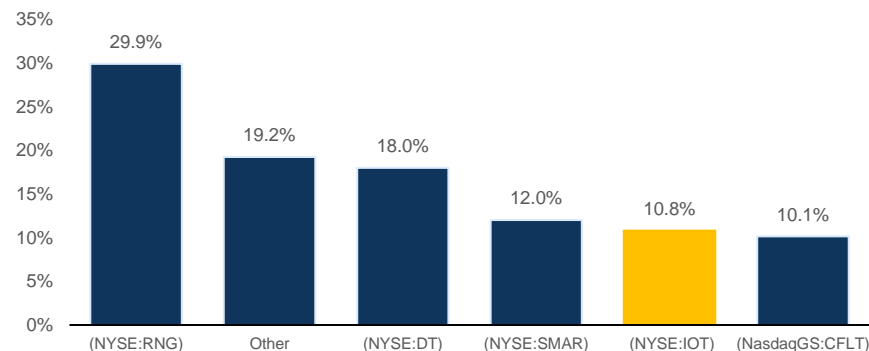
	Deal Value
DHL acquired MNG Kargo Tech	\$3.2bn
Dynatrace acquired Rookout Inc.	\$364mm
Salesforce acquired Airkite Inc.	\$311mm

Key Trends

- **Smart airlines are using technology to differentiate themselves:** Smart airlines are leveraging technology to enhance agility and adaptability in the unpredictable post-pandemic air cargo industry. The adoption of end-to-end digital processes, such as dynamic eBookings, not only streamlines booking procedures, reducing costs and increasing efficiency, but also facilitates improved communication through centralized, real-time updates.
- **Regulatory environmental pressures to augment growth:** Cargo shipping is environmentally favourable, emitting lower exhaust gas per ton-kilometer compared to road, rail, or air transport. The market is driven by its high efficiency, with large container ships transporting around 10,000 products in a single voyage, thus hyper scaling the need for efficiency in asset control and supply chain management.
- **Global Trade tensions driving growth:** Trade tensions, especially between China and the U.S., have increased import costs and prompted American companies to consider onshoring. The potential reshoring of production facilities within the U.S. is anticipated to drive the domestic freight industry by fully integrating supply chain cycles within the country.

Competitive Landscape

Global Supply Chain Cloud Industry Market Share FY2022 (Approx)



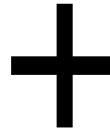
M&A Rationale

Samsara Objectives and Rationale

Expansion into New Markets: Samsara can expand its offerings and enter new markets by acquiring Aspen. Aspen's presence in industries such as energy, manufacturing, and construction offers Samsara an immediate foothold and diversification beyond Samsara's current IOT offerings.

Product Integration and Cross-Selling Opportunities: Samsara can integrate Aspen Technologies' advanced simulation, modeling, and process optimization software with its own IOT platform. This integration will enhance the value proposition of Samsara's offerings and unlock significant cross-selling opportunities within the combined customer base.

Enhanced Data Analytics and AI Capabilities: Samsara will significantly boost its data analytics and AI capabilities post integration. This will enable Samsara to offer predictive maintenance, energy management, and other features, setting a new standard for IOT solutions in the industry.



Aspen Technologies Objectives and Rationale

Access to Advanced IOT Technologies: Through the merger, Aspen will gain access to state-of-the-art IOT technologies. This access will allow Aspen to offer more integrated and comprehensive solutions, maintaining its competitive edge in a digitalizing world.

Scale and Resources for Growth: Becoming part of Samsara will provide Aspen with the necessary scale and resources to accelerate its product development and geographic expansion efforts more effectively than as an independent entity.

Strategic Alignment and Innovation: The merger will create a strategic alignment that capitalizes on both companies' technological strengths and innovative capacities. This alignment will spur the development of new and innovative solutions that meet EM needs, leveraging Aspen's expertise in process optimization and Samsara's agility in the IOT space.

This acquisition will help Samsara become one of the market leaders in a high-growth sector and will help Aspen Technology be more capitally flexible and improve contract timelines, resulting in revenue and cost saving synergies for both companies

Revenue Synergies

Horizontal Sales Leverage

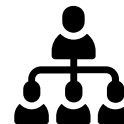


Geographical Synergies



Cost Synergies

SG&A Optimization



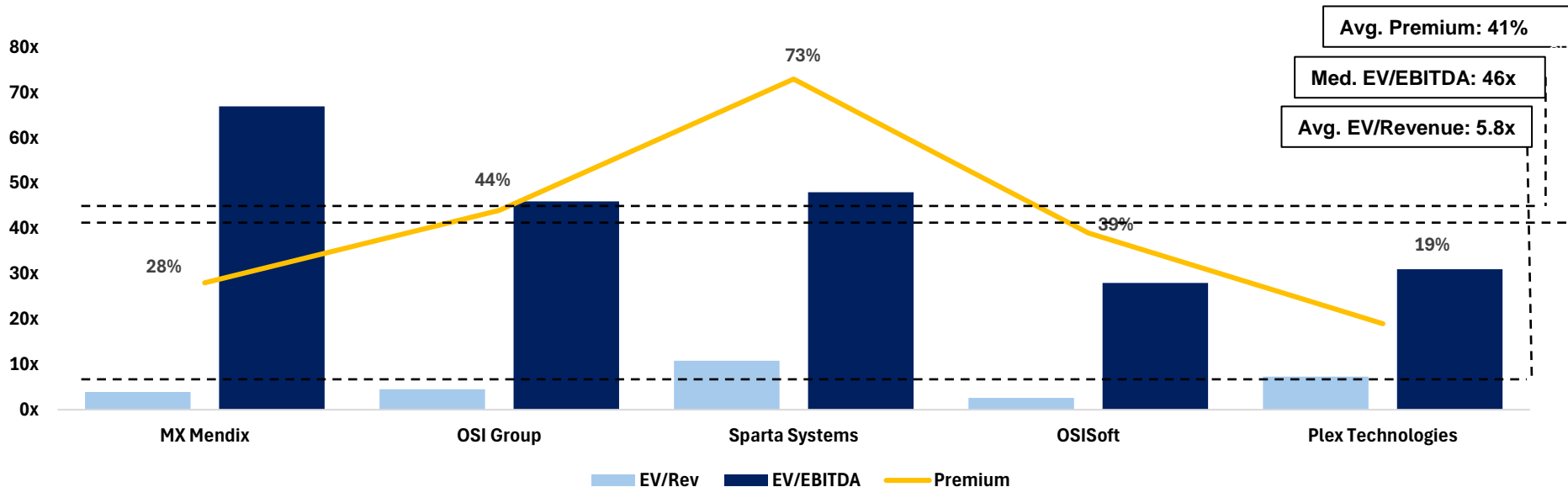
Scaling Advantages to Cost of Goods



CAPEX and R&D Efficiencies



Precedent Transaction Analysis



Company	Acquirer	Acquisition Price	Date
		\$730M	Jun 2018
		\$1.6B	Aug 2020
		\$1.3B	Sep 2020
		\$5.6B	Dec 2020
		\$2.2B	Jan 2021

Precedent Transaction median EV/EBITDA of 46x implies a price of **\$223.41**, representing a **22.4%** premium over AZPN's current price

Comparable Companies Analysis

Company	Enterprise Value (\$mm)	2023A EV/Revenue	2024E EV/Revenue	2025E EV/Revenue	2023A EV/New Customers	2024E EV/New Customers	2025E EV/New Customers
PROCORE	10,884	19.3x	15.4x	12.4x	18.5x	14.8x	11.9x
Ansys	28,895	8.3x	6.6x	5.3x	16.6x	13.3x	10.6x
Bentley	18,139	17.4x	13.9x	11.1x	14.3x	11.4x	9.2x
ENVESTNET Tamarac	3,775	6.2x	5.0x	4.0x	16.2x	13.0x	10.4x
Manhattan Associates	10,153	20.3x	16.3x	13.0x	14.2x	11.4x	9.1x
GUIDEWIRE	14,797	8.1x	13.5x	5.2x	8.3x	6.7x	5.3x
PEGA	5,807	11.0x	8.8x	7.0x	9.9x	7.9x	6.3x
tyler technologies	18,882	6.3x	5.1x	4.1x	13.6x	10.9x	8.7x
FICO	33,327	14.9x	11.9x	9.6x	7.3x	5.8x	4.7x
aspentech	11,403	11.8x	9.4x	7.6x	10.2x	8.2x	6.5x
Median		11.0x	11.8x	9.6x	14.2x	11.4x	9.1x

Aspen trades at a relative discount with an EV/Revenue multiple of **9.4x** compared to the peer group median of **11.8x**, representing an intrinsic value of ~**\$234**, an upside to current value of about **27%**

AZPN DCF Standalone Valuation



- Discounted cash flow analysis with an assumed WACC of 8.9% and a transaction close date of Feb 18, 2024.
- AZPN appears to trade at a discount of 24% against its fair value, this indicates that before the market prices in AZPN's future growth – IOT is in an ideal position to acquire AZPN at a favourable valuation.
- As AZPN begins to achieve net-positive income numbers through its strategic growth plan, the company will begin to observe substantial public interest in terms of its valuation – thus making Samsara's acquisition an urgent buy-now activity as they may not be priced at this rate much longer.

Cash Flow Summary	FY 2021A	FY 2022A	FY 2023A	FY 2024E	FY 2025E	FY 2026E
Revenue	\$482	\$1,044	\$1,616	\$2,343	\$3,281	\$4,429
Revenue Growth %		116.50%	54.78%	45.31%	40.96%	34.88%
EBITDA	\$29	\$372	\$501	\$609	\$810	\$1,062
EBITDA Margin %	5.93%	35.63%	31.02%	25.97%	24.68%	23.98%
EBIT	28.6	-119.3	371.7	539	754.6	1,018.70
Less: Taxes	17.5	72.8	-92.9	-134.7	-188.6	-254.7
NOPAT	\$11.1	-\$192.1	\$278.8	\$404.3	\$566.0	\$764.0
Add: Depreciation		491.4	129.6	69.7	55	43.5
Less: Capital Expenditures		-7.9	-19.4	-11.1	-8.8	-7
Less: Change in NWC	-4.9	-31.4	-90.8	-105.5	-152.3	-172.2
Unlevered FCF	\$16	\$339	\$298	\$357	\$460	\$628
Discount Factor		-	0.25	1.25	2.25	3.25
PV of Unlevered FCF			\$291.9	\$321.3	\$379.9	\$476.8

Terminal Value & Implied Share Price	
Terminal UFCF	1,054.9
Terminal Growth Rate	3.00%
Terminal Value	18,526.9
Discount Factor	0.58
PV of Terminal Value	\$11,862
PV of UFCF	2,718.7
Implied TEV	\$14,580
(-) Debt	235.0
(+) Cash	19.1
Implied Equity Value	\$14,364
Shares Outstanding	64
Implied Equity Value Per Share	\$225.50
Current Share Price	\$182.75
Implied Upside	23.39%

Perpetual Growth Rate Share Price Sensitivity Analysis

		WACC				
		9.86%	9.36%	8.86%	8.36%	7.86%
Perpetuity Growth Rate	2.00%	\$ 169.11	\$ 182.01	\$ 196.83	\$ 214.01	\$ 234.16
	2.50%	\$ 178.69	\$ 193.21	\$ 210.04	\$ 229.78	\$ 253.23
	3.00%	\$ 189.67	\$ 206.16	\$ 225.50	\$ 248.48	\$ 276.23
	3.50%	\$ 202.38	\$ 221.33	\$ 243.84	\$ 271.03	\$ 304.50
	4.00%	\$ 217.25	\$ 239.32	\$ 265.96	\$ 298.75	\$ 340.08

Key Assumptions

	Organic growth in revenue driven by growing demand
	Supply chain investments reduce SG&A cost margins over time
	CAPEX plans to extend beyond the current 2-year timeline
	Fairly conservative approach towards all other assumptions

Accretion/Dilution Analysis



Recommended Financing Option: Fully stock based (100%) to take advantage of Samsara's 52 Week-High

Structure Rationale:

High Stock Valuation as Strategic Currency

Samsara is trading at an all-time stock price high, which makes its stock a valuable currency for transactions. Using stock instead of cash or debt capitalizes on this high valuation, allowing Samsara to fund the acquisition without depleting its cash reserves or further leveraging its balance sheet. Lastly, an all-stock transaction shifts part of the risk onto AZPN shareholders allowing IOT to insulate some of the risk it undertakes.

Preserving Cash for Growth

Given Samsara's rapid growth trajectory, with an average growth rate of over 30% in the past four years, preserving cash is crucial. Cash is the lifeblood of high-growth companies, funding research and development, market expansion, and other growth initiatives. A stock transaction allows Samsara to keep its cash intact.

Avoiding Additional Debt

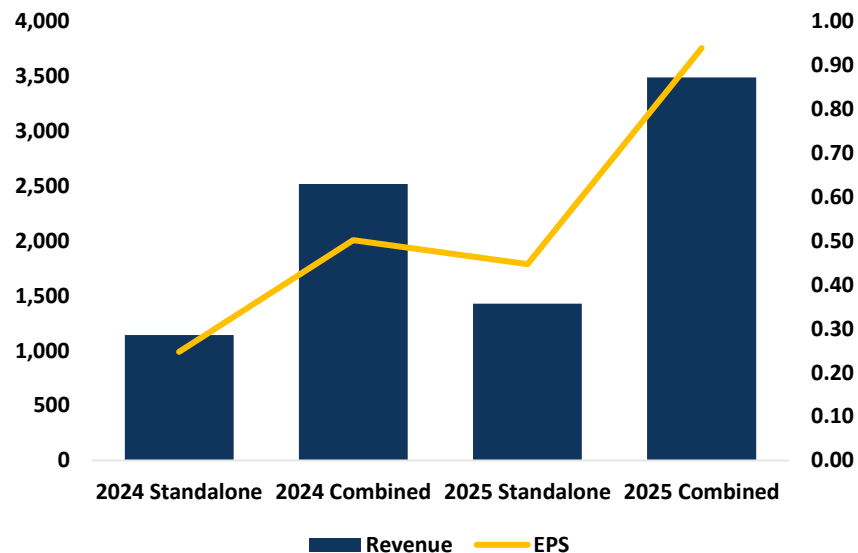
Samsara does not have the balance sheet strength to take on more debt, making debt financing an unattractive option for this acquisition. Debt financing would impose additional financial burdens on Samsara, including interest expenses and principal repayments, which could constrain its operational flexibility and potentially impact its growth momentum.

Debt %	Stock %	2024 Pro-Forma Accretion/Dilution %	2025 Pro-Forma Accretion/Dilution %
100.0%	0.0%	-863%	-181%
75%	25.0%	-344%	-24%
50.0%	50.0%	-112%	45%
25.0%	75.0%	18%	85%
0.0%	100.0%	103%	110%

Purchase Premium:

Applied a 32% purchase premium based on precedent transactions analysis and AZPN's intrinsic value based on both methods of the DCF. This comes in below the 41% average premium in our precedent transaction – but it's justified given high skepticism in tech, slowdown in the NASDAQ and AZPN's pre-existing high valuation.

Tech Industry Considerations: The technology sector values agility and innovation, with companies often requiring substantial investment in R&D to maintain competitive advantage. Stock transactions are common in the tech industry, especially for companies in high-growth phases or with high valuations. This method of acquisition allows companies to capitalize on its stock value to pursue strategic opportunities without compromising its ability to invest in innovation and growth.



M&A Strategic Alternatives and Analysis

Horizontal Integration

Acquisition of a Competing IoT Platform

Target Example:  Particle

IOT Rationale: Acquiring a direct competitor like Particle, which offers IoT hardware and software solutions for integrating physical devices with the internet, could significantly expand Samsara's market share and customer base in the IoT sector.

Target Company Rationale: Particle Industries could view the acquisition by Samsara as an opportunity to scale its technology and solutions rapidly by leveraging Samsara's larger customer base and resources. This merger could provide Particle with enhanced market reach, financial backing, and the ability to invest more in R&D.

Acquisition of a Fleet Management Software Company

Target Example:  Fleetmatics

IOT Rationale: Given Samsara's involvement in vehicle telematics, acquiring a company like Fleetmatics would strengthen its offerings in fleet management solutions. This acquisition would provide access to a larger customer base, enhance product features, and create cross-selling opportunities, thereby bolstering Samsara's competitive advantage.

Target Company Rationale: Fleetmatics, already a part of Verizon and specializing in fleet management solutions, might find strategic alignment with Samsara attractive for several reasons. The combined entity could leverage Verizon's network and Samsara's IoT expertise to innovate and offer enhanced services. This merger could also provide Fleetmatics with access to new markets and customer segments, further driving its growth.

Vertical Integration

Acquisition of a Sensor and Hardware Manufacturer

Target Example:  TE
connectivity

IOT Rationale: By acquiring a company specializing in the manufacture of sensors and related hardware, Samsara could control more of its supply chain, reduce costs, and ensure the quality and availability of critical components for its IoT solutions.

Target Company Rationale: TE Connectivity's Sensor Solutions might see the acquisition as an opportunity to ensure its sensors are part of cutting-edge solutions in various industries. This vertical integration could secure a steady demand for its products, providing a more predictable revenue stream and opportunities for co-developing new sensor technologies.

Acquisition of a Data Analytics and AI Company:

Target Example:  C3.ai

IOT Rationale: Integrating vertically by acquiring a firm like C3.ai, known for its enterprise AI software, would help Samsara enhance its capabilities in data analytics and AI. This could lead to the development of more sophisticated, AI-driven IoT solutions, enabling Samsara to deliver enhanced predictive analytics, maintenance, and operational insights.

Target Company Rationale: The merger could facilitate collaboration on product development, allowing C3.ai to tailor its solutions to the specific needs of Samsara's customers. Furthermore, the acquisition could provide C3.ai with access to Samsara's extensive data from connected devices, enhancing its AI models and solutions. This strategic move might also offer C3.ai the resources and platform to accelerate its growth and expand its market footprint.

Risks and Mitigants

Risks

1 **Cultural Integration Challenges**

2 **Customer Attrition**

3 **Technological Integration**

4 **Overestimation of Synergies**

5 **Loss of Key Talent**

Mitigation Strategies

Conduct thorough due diligence and develop a comprehensive integration plan that includes employee engagement programs, transparent communication, and retention strategies.

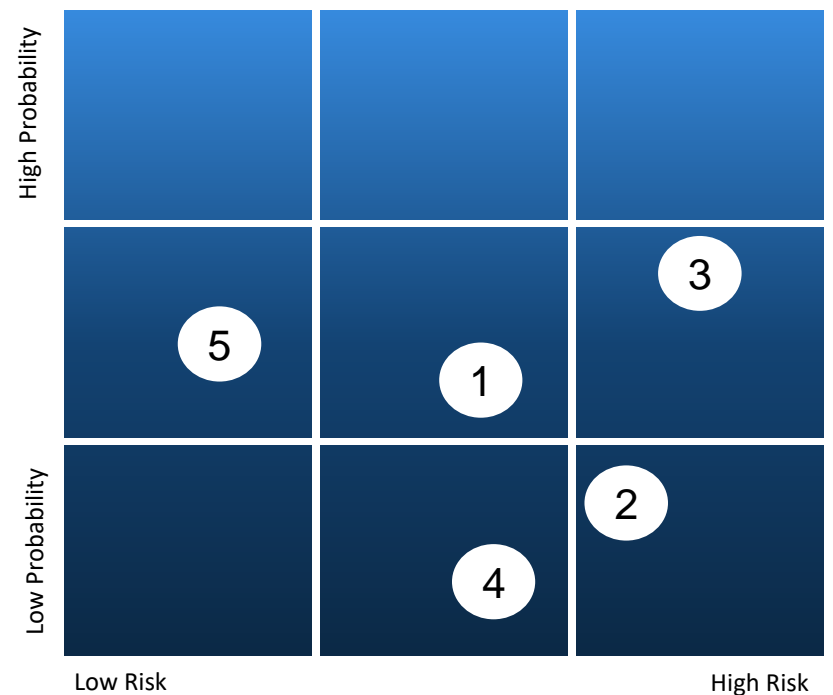
Proactively communicate the benefits of the acquisition to customers, emphasizing improved product offerings and services. Engage key customers early in the process to gather feedback and address concerns.

Prioritize a phased integration approach, focusing on areas with the highest synergy potential first. Invest in project management resources and expertise to oversee the integration process.

Conduct a conservative and realistic synergy assessment with external advisors if necessary. Establish robust tracking mechanisms post-acquisition to monitor synergy realization and adjust strategies as needed.

Identify key personnel early and offer retention bonuses or contracts. Engage these individuals in the integration process to align interests and provide clear career paths within the combined entity.

Risk Matrix



The biggest risk for Samsara in this acquisition would be technology integration complexity risks. Given Samsara's proprietary self-built technology and Aspen's pre-existing software outsourcing contracts – the process of switching over to Samsara's platforms for Aspen can prove difficult and will need to be kept a close eye on as it could prove detrimental to the organization-wide business model for the post-merger company.