



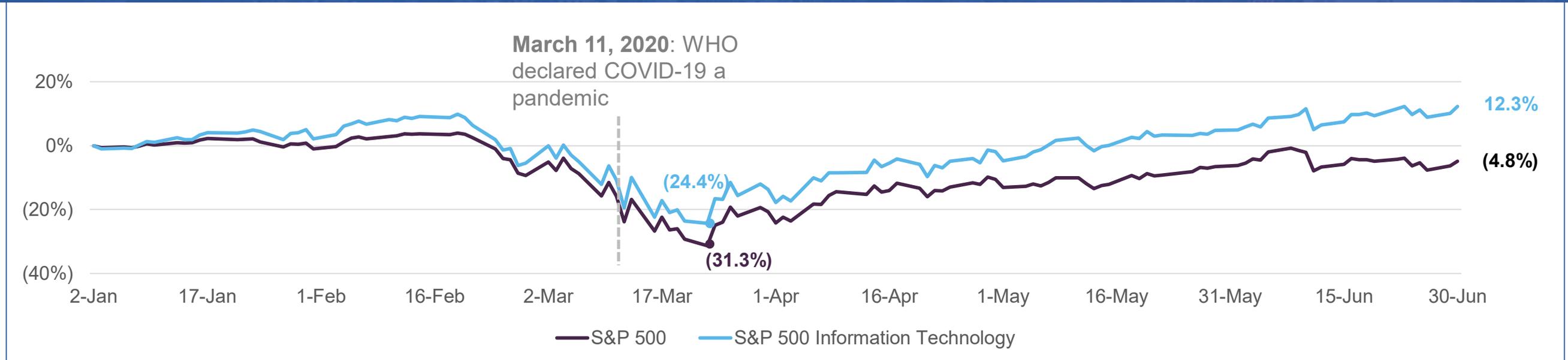
COVID-19: Impact on Technology Sector

EVALUESERVE

July 2020

Technology Sector Shows Resilience amid COVID-19 Lockdown Restrictions

Relative Performance – YTD Returns through June 30, 2020

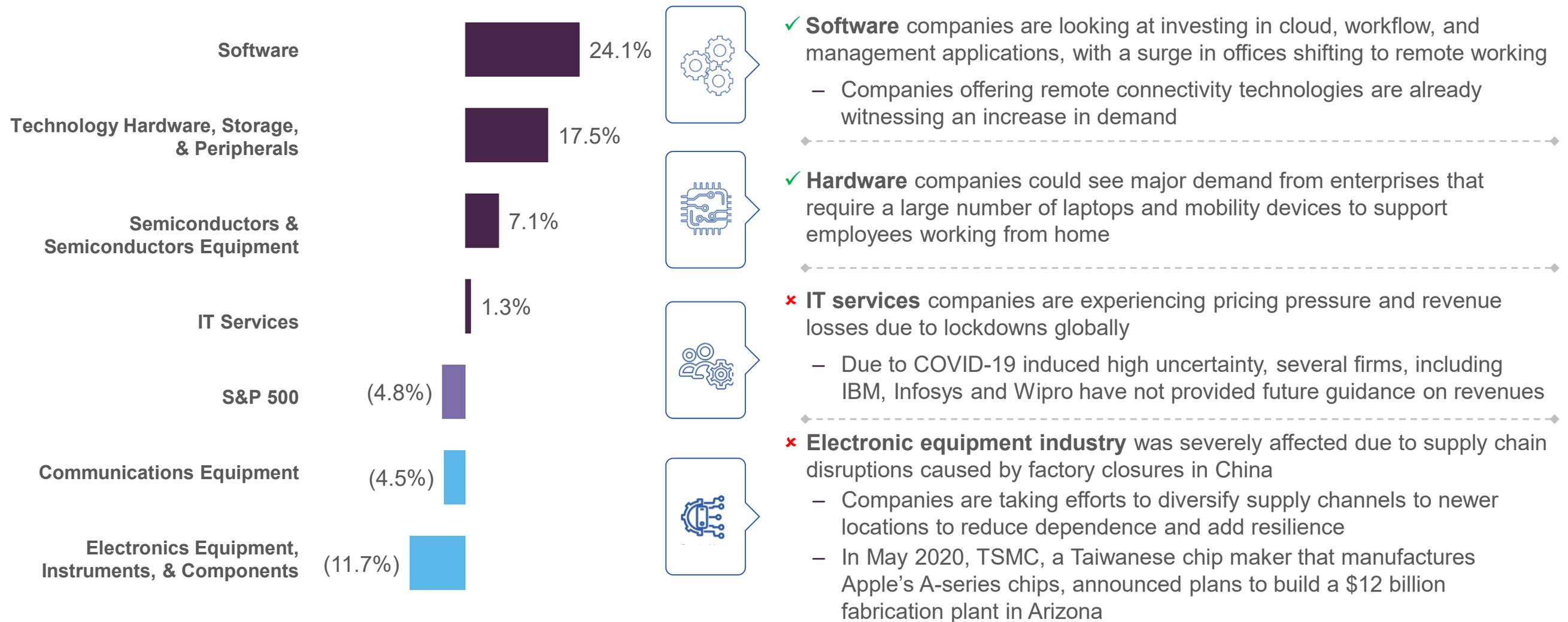


Source: S&P Dow Jones Indices website

- The economic slowdown due to the rapid spread of the coronavirus globally resulted in a historical dip in the S&P 500 index
 - Just a month after its record high, the S&P 500 was down 31%
- The S&P 500 Information Technology index, which had peaked on Feb 19, 2020, hit its lowest point on a year-to-date basis on March 23, 2020, plunging 24% at the height of the COVID-19 market selloff
 - Shortly thereafter, the index witnessed a steep recovery as it increased by 48.5% between March 23 and June 30, 2020, resulting in an overall uptick of 12.3% on a year-to-date basis
- The sector's outlook is encouraging in the long term due to its resilience to the after effects of the pandemic
 - Massive shifts to e-commerce, remote working, e-education, and telehealth services are expected to further strengthen the sector

Software Firms are Emerging Stronger During the Pandemic, While Electronics Companies have been Affected due to Supply Chain Disruptions

Technology Sub-sectors vs. Broad Market – YTD Returns through June 30, 2020



Source: S&P Dow Jones Indices website

Trends in Technology: WFH Directives Driving Increased Adoption of Technology

Digital Collaboration Tools See An Upsurge in Valuation

- Cisco's video conferencing app, Webex, registered 324 million attendees in March 2020



Webex Meetings

- Webex grew 2.5x in the Americas, 4x in Europe, and 3.5x in Asia-Pacific, driven by enterprise expansion, education, and telehealth

- Alphabet made Google Meet free in March. The offer will continue till September 2020



Google Meet

- Google Meet reached a total daily user base of over 100 million in April, adding 3 million daily users

- Microsoft's Skype witnessed a 70% monthly increase in daily active users to 40 million in March



Microsoft Teams

- The number of active users of Microsoft Teams increased from 32 million users in March to reach 75 million at the end of April

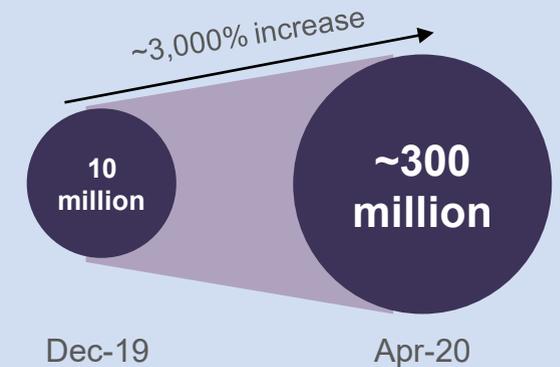
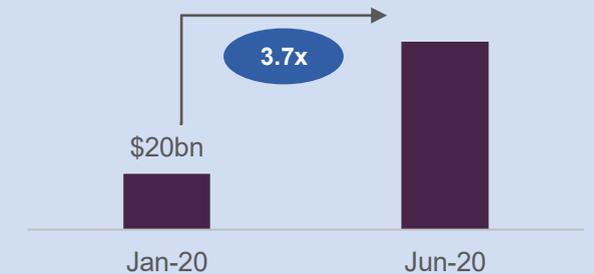
Zoom has Emerged as the Leader in Modern Enterprise Video Communications

Higher Valuation



Exponential Growth in Customers During COVID-19

Source: Company Filings, Yahoo Finance



In May 2020, Zoom acquired Keybase, a secure messaging specialist, to help build scalable end-to-end encryption into its video conferencing platform

Trends in Technology: Telemedicine is Gaining Popularity Across Healthcare Systems

Telemedicine is Witnessing Unprecedented Demand

- According to Global Market Insights, the telehealth services market stood at about \$45 billion in 2019, and will likely to cross \$175 billion by 2026
- The need for social distancing at physician's offices and hospitals could increase the users of telehealth services in the US to 1 billion by the end of 2020
- 22 telemedicine companies received funding in March and April 2020

Rapid Rise in Telemedicine Usage



Total tele visits were **up 92% y-o-y** in Q1'20, with **>60%** of visits from **new visitors**



From Mar 2 to Apr 24, 2020
Virtual urgent visits were up **683%**
Non-urgent video visits grew by **4,345%**
In-person visits were down by **80%**



Conducting over **50%** of primary care visits via tele health

Recent Notable Transactions in Telemedicine



acquired



Telehealth services provider
US\$1.2 billion
April 2020



acquired



Virtual mental-health therapy provider
US\$470 million
April 2020

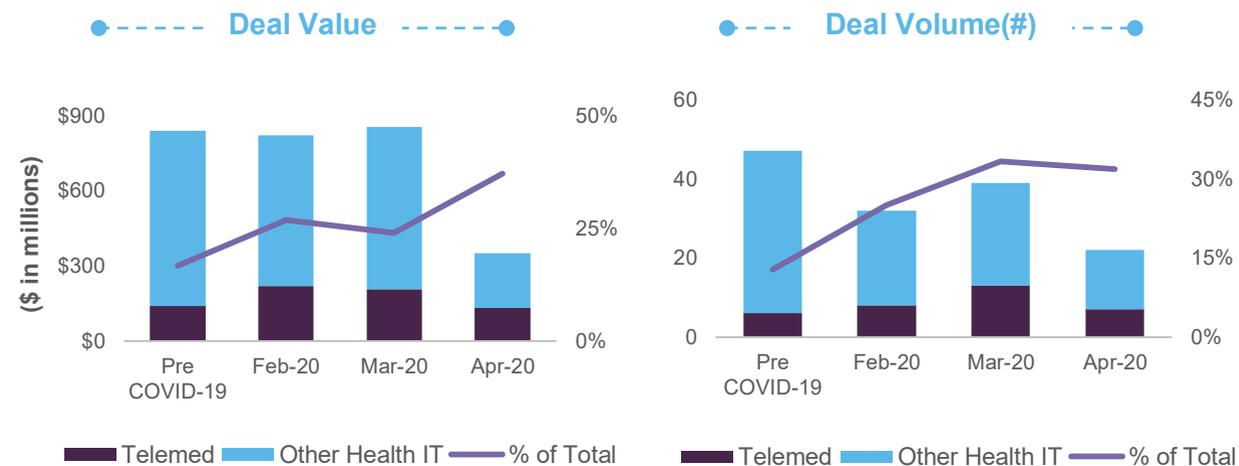


acquired



Virtual care solutions provider
US\$600 million
July 2020

Increasing Proportion of Telemedicine in Health IT Investments



Telemedicine accounted for 30% of total health IT investments in the Feb-Apr period, compared with 16% before the COVID-19 pandemic

Volume of Telemed investments rose to 31% of total health IT investments, compared with an average of 14% before the pandemic

Source: Healthcare Growth Partners

Trends in Technology: The Pandemic has Accelerated the Adoption Of E-commerce

US Retail E-commerce Sales (\$ billions)

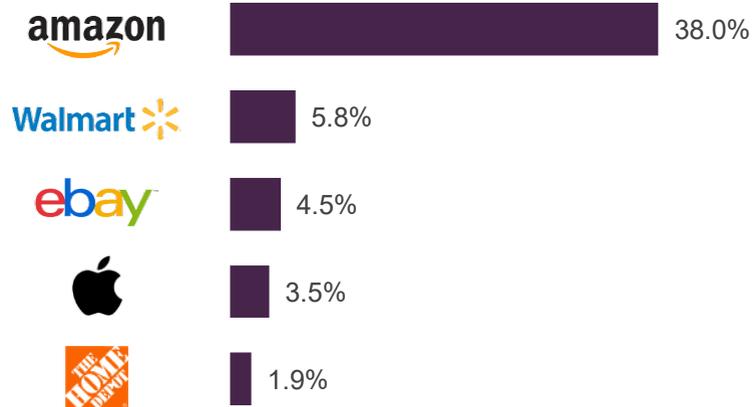
US e-commerce sales are expected to increase 18% y-o-y in 2020 as more and more shoppers shift to online shopping amid social distancing and shelter-in-place guidelines



Source: eMarketer, May 2020

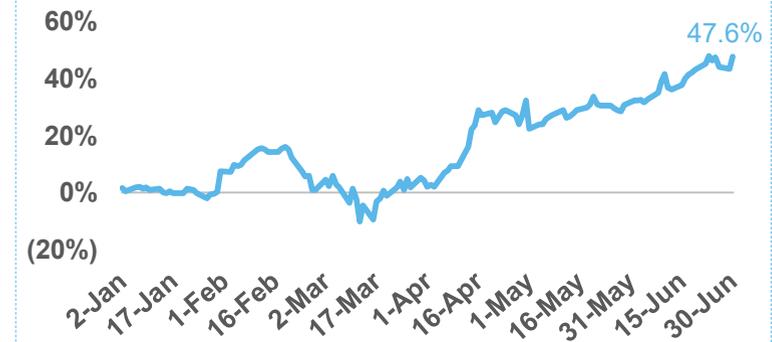
- Prominent players, such as Amazon.com and Walmart, are witnessing a surge in e-commerce / online sales
- The increase in online grocery purchases has particularly benefitted Walmart
 - For the first time ever, Walmart will outperform eBay to become the #2 e-commerce retailer in the US
 - Its e-commerce sales are expected to increase by 35% in 2020

Retail E-commerce Sales Share of Top US Companies (2020E)



Source: eMarketer, May 2020

Amazon Share Price – YTD Returns through 30-Jun



Source: Yahoo Finance

Driven by the increasing willingness of customers to shop online for groceries, Amazon's online grocery arm is expected to triple its current gross merchandise volume to \$70 billion in 2023, thereby contributing significantly to future revenues

Trends in Technology: The Adoption Of Automation Technologies is Expected to Increase

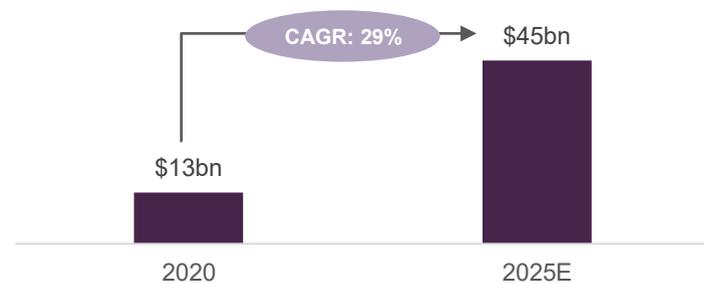
The Pandemic has Accelerated the Adoption of Digital Technology and Growth Across Industries



Investment in 5G Infrastructure

- The average daily fixed broadband consumption per user in the US has increased by about 3GB from Jan-2020
- The COVID-19 crisis has made end-users realize the true value of automation, IoT, and digitalization. This is likely to increase their focus on implementing 5G wireless technology across their facilities
 - Verizon announced plans to invest an additional \$500 million to accelerate its transition to 5G
 - AT&T plans to achieve 5G nationwide coverage by the end of 2020

Size of Global 5G Infrastructure Market



Increasing Reliance on Robotics

- Manufacturers are increasingly considering the adoption of robots to compensate for the lack of labor due to the pandemic
- As per the International Federation of Robotics, the global stock of robots stood at 2.4 million units at the end of 2018
 - It expects another 2 million new industrial robots to be installed in factories globally between 2020 and 2022
- 3D printing is also gaining momentum as it could be the solution to supply chain disruptions and shortages of medical equipment caused by COVID-19

1,500

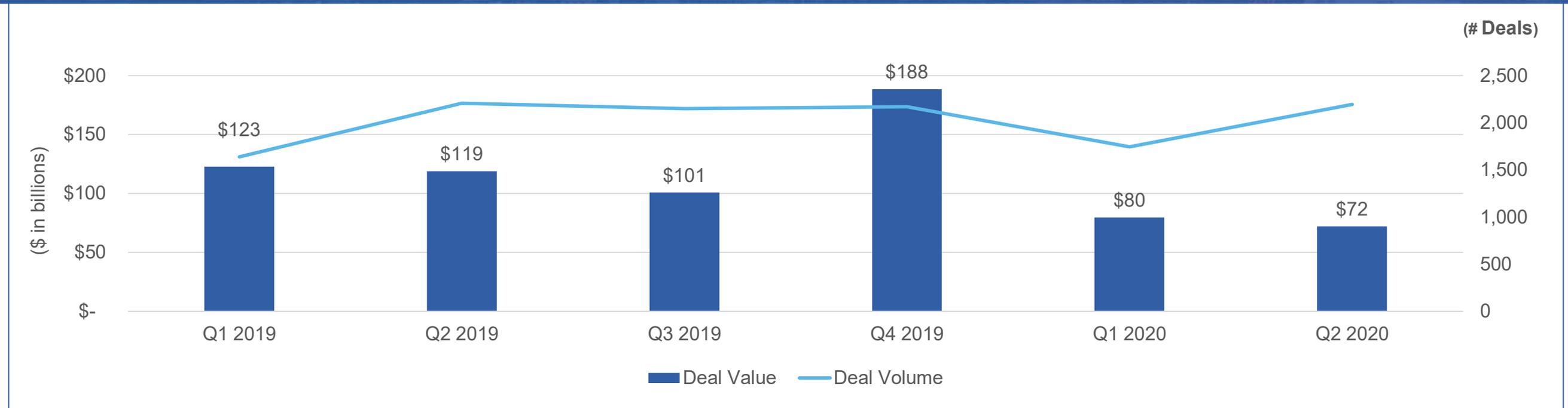
Additional robotic floor cleaners to be added by Walmart to its existing fleet (as announced in Apr-2020)

13%

Increase in average utilization of brain-powered robots in retail during Jan-2020 to Apr-2020

Tech Sector M&As have been Relatively Less Impacted due to COVID-19 as Deal Activity Continued amid Lockdown

Global High Technology M&A Deals



Source: Refinitiv

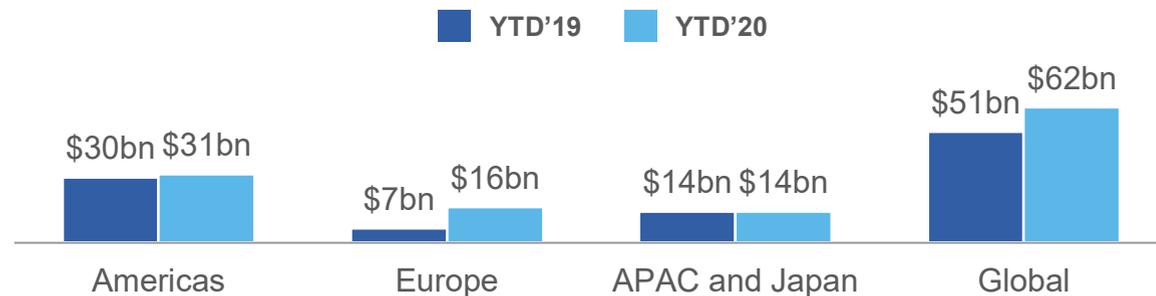
- Globally, there has been a decline in overall mergers and acquisitions post COVID-19 outbreak across different industries
- Although the total M&A dollar value in the high technology sector declined by 37.3% y-o-y in the first half of 2020, the total number of deals increased by 2.3% y-o-y in the same period; this shows the technology sector's relative resilience and continued deal activity amid disruptions due to the COVID-19 pandemic
- Despite the limited impact due to the pandemic, the fundamentals of technology companies remain strong and the sector continues to seek M&A as a strategic tool

The Strength of Tech Sector has Allowed It to Continue Accessing Capital Markets

Capital Markets Activity in Technology Sector

- ECM activity in the Americas remained consistent. Globally, ECM issuances was driven by Europe
- New tech listings came to a halt due to COVID-19; however, in June, the IPO market reopened for tech firms

High Technology Equity Issuances



VROOM

Vroom, an NY-based used car retailer has raised \$480 million in an IPO in June 2020. Its stock price registered a 100% hike on the first day of trading

Lemonade

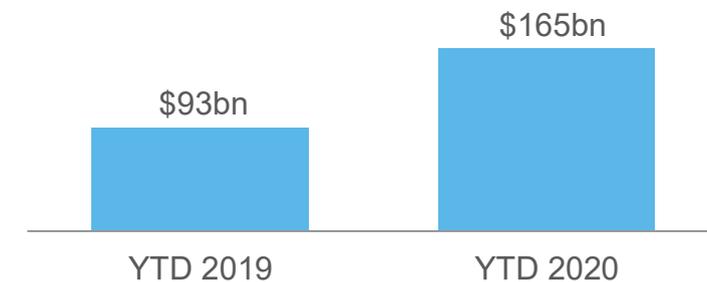
Lemonade, a New York-based insurance startup has raised US\$319 million in an IPO on July 01, 2020, reaching a valuation of US\$1.6 billion

Palantir

Palantir, a digital surveillance company valued at \$20 billion, has filed with the US regulators for a public stock listing in July 2020

- The technology sector is benefitting from active investor demand, driven mainly by low interest rates
- Furthermore, general reluctance to lend into other more volatile sectors has also favored the tech sector

High Technology Debt Issuances (Global)



NETFLIX

On April 22, 2020, Netflix issued US\$1 billion USD denominated and EUR high yield bonds, for corporate investment purposes

NOKIA

On May 18, 2020, Nokia issued multiple tranche bonds worth €1 billion (US\$1.1 billion) to refinance previous notes and for other purposes

Tencent

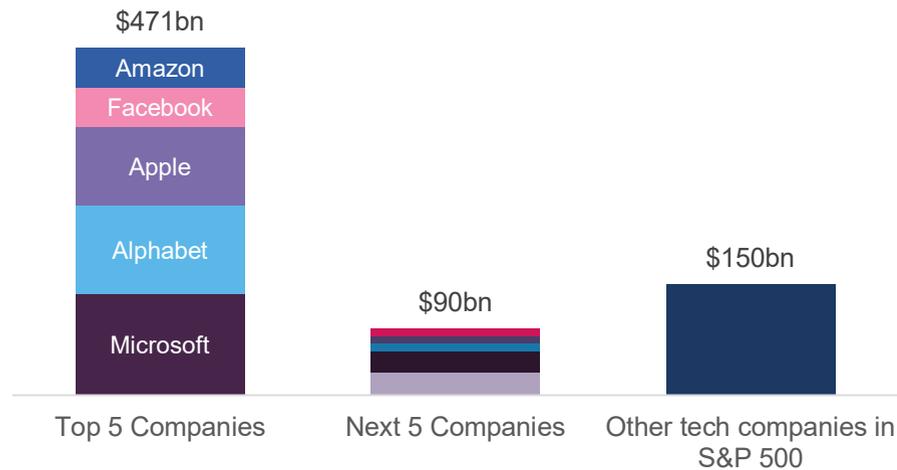
On May 28, 2020, Tencent raised ~US\$6 billion debt, marking the largest debt deal by an Asian corporate in 2020

Despite Challenges, Opportunities Exist for Technology Investors and Buyers

The Tech M&A Will Remain Vibrant

Cash-rich Giants Will Likely Restart Acquisitions

- Tech leaders are sitting on large cash reserves that could fund deals



Source: Bain Insights

- Top 5 cash rich companies are on M&A spree and have announced 19 deals YTD, representing fastest pace of acquisitions since 2015

facebook Jio

In March, Facebook acquired a \$5.7 billion stake in India-based telecom operator Reliance Jio. This is the company's largest international investment yet.

amazon ZOOX

In May 2020, Amazon was in talks to acquire Zoox, a self-driving car company (valued at \$3.2 billion two years ago).

Growing M&A Opportunities For Some Sub-sectors

- In the COVID stricken world, investors are increasingly mindful of the pandemic's long term impact on acquisitions and will be inclined towards targets that exhibit high dynamism and adaptability to changing scenarios including ability to work remotely
- Tech sub-sectors offering attractive M&A opportunities include cloud computing, Internet of things, big data, artificial intelligence, robotics, healthcare, fintech, and Internet TV
 - Also, recent acquisitions have been in sub sectors including cloud services (AWS, Azure, GCP), enterprise platform adoption (ServiceNow and Salesforce), network services, and security

CYBERARK idaptive

In May 2020, CyberArk acquired Idaptive, an identity-as-a-service vendor, for \$70 million

Apple NEXTVR

In May 2020, Apple acquired the virtual reality developer NextVR, for \$100 million

Other Emerging Trends

- PE firms and venture capitalists** are seeking new deal opportunities despite the expected declines in revenue as also experienced by their portfolio companies
- Tech companies are also **considering stock-based transactions** following a surge in stock prices

DST GENERAL CATALYST instacart

Instacart, a grocery delivery startup, raised \$225 million in a round led by DST Global and General Catalyst, increasing its valuation by 2x from US\$8 billion to US\$14 billion

Uber Postmates

In July 2020, Uber announced acquisition of food delivery service Postmates for ~\$2.7 billion in an all-stock transaction

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