Acquisition of Blue Yonder

Panasonic Corporation, CEO
Yuki Kusumi

Become a global leader of solutions for supply chain innovation

Management reform for enterprise customers × Realization of a sustainable society
Gemba Process Business

Optimization
Standardization
Visualization

Autonomous frontline optimization through data utilization

BlueYonder
Panasonic
Panasonic’s Solutions for Supply Chain Transformation

End-to-end visibility and optimization of the supply chain
Autonomous frontline optimization through data utilization

Transforming the Panasonic Group’s operations as well
Acquisition of Blue Yonder

Panasonic Corporation, Representative Director
Connected Solutions Company, CEO
Yasuyuki Higuchi

Overview

Acquisition of remaining 80% of shares of Blue Yonder, adding to the 20% Panasonic already holds

Target
Blue Yonder Holding, Inc.
Acquire remaining 80% of shares, combined with 20% acquired in July 2020

Valuation
Comprehensive evaluation under the DCF method and similar listed company method based on profitability: US$8.5 billion
(EV / Adjusted EBITDA Multiple: Blue Yonder 2021 33 times, 2022 29 times)
Ref: Average of other companies in the same industry 44 times in 2021 and 41 times in 2022
Required funds for purchase of remaining 80%: US$7.1 billion
(80% of shares: $5.6bn + Existing debt repayments: $1.5bn)

Schedule
Deal is planned to close FY2022Q3* and is subject to receipt of customary regulatory approvals such as antitrust procedures and CFIUS examinations

*Fiscal year ending March 2022, Q3 = Oct-Dec period
Blue Yonder is the World’s Largest Supply Chain Software Company

- Countries: 76
- Global customers: 3,000
- 48/100 of Top Manufacturers
- 9/10 of Top 3rd party global logistic companies
- 65/100 of Top Retailers

Customer examples:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Logo</th>
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<tbody>
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<td>Caterpillar</td>
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<td>M&amp;S</td>
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Blue Yonder is the World’s Largest Supply Chain Software Company

- Name: Blue Yonder Holding, Inc.
- HQ: Scottsdale, Arizona, U.S.A.
- Est.: 1985
- CEO: Girish Rishi
- Employees: 5,545
- Business: Provision of supply chain software utilizing AI and machine learning for major manufacturing, retail, and logistics companies

- Sales: $1,013m
  - % of recurring revenue: 67%
    - 2020: 67%
    - 2025: unknown

- Adjusted EBITDA: $246m
  - 2020: $246m
  - 2025: unknown

- CAGR (FY20-25): 13%+
  - Sales
  - Adjusted EBITDA

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Blue Yonder’s Competitive Advantage

Highly competitive as a solutions provider specializing in end-to-end supply chain optimization

3,000+ Global customers
Deep knowledge gained from track record with top companies in each industry

400+ Patents
No. 1 intellectual property holdings in the industry

100+ AI / ML engineers
Data scientists & AI / ML experts

Gartner 3 SCM Magic Quadrant categories
Only recognized leader End-to-end product lineup

600+ Marketing associates
Global network familiar with each industry

1,600+ Partner companies
Well established partner ecosystem

History of Partnership with Blue Yonder

Conviction of realizing the Autonomous Supply Chain based on strength of partnership

2019.11 Establishment of Joint Venture
Collaboration on integrated solutions

2020.7 20% Investment
Expansion of strategic partnership, Joint go-to-market activities in Japan, Development of joint solutions

2021.4 Acquisition
Expansion of Autonomous Supply Chain globally
Evolution of Gemba Process Innovation

Solving customers' challenges by acquiring Blue Yonder’s software platform, integrating it with Panasonic’ industrial engineering, edge devices, and IoT to connect the digital and physical layers

Toward an Autonomous Supply Chain
Gemba Process Innovation

BlueYonder × Panasonic

Software Solutions
AI / ML

Industrial Engineering
Edge Devices / IoT

Realization Of A Sustainable World, A Better World
Acquisition of Blue Yonder

Panasonic Corporation, CFO
Hirokazu Umeda

Financing Plan

Utilizing reserved dollar cash and new financing for financial stability

- Acquisition funds: US$7.1 billion
  (Acquisition of additional 80% of shares: $5.6bn; repayment of outstanding debt: $1.5bn)
- To be financed with (a) reserved cash (approx. US$3.5bn) and (b) bridge loan
  Bridge loan is planned to be refinanced with hybrid financing (e.g., subordinated debt) that qualifies for equity credit to a certain extent

Response to growth opportunities, per the capital allocation policy of the Mid-term strategy

- Allocate capital for the Mid-term strategy with cash flows generated from business (operating CF, divestiture); however, respond flexibly to seize growth opportunities.
  (‘Capital allocation policy’ of the Mid-term strategy, announced on May 9, 2019)
Capital Allocation

**Capital allocation (forecast) from FY2020 to FY2021**

By promoting portfolio optimization and sale of assets, on top of generating operating CF, approx. 1 trillion yen excess funds are expected after deduction of necessary funds such as investment.

**Financing for Acquisition**

This acquisition is within the framework of the capital allocation. Complement capital with hybrid financing* and promote further CF generation.

* Eligible for equity treatment to a certain extent from rating agencies

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**Impact on Financial Leverage (interest-bearing debt) by the Acquisition**

Post-acquisition financial leverage is expected to improve compared to FY2020 as the lease liabilities would be reduced and the profitability would be enhanced.

**Operating CF, etc.**

- Investment (incl. 20% shares of BY*)
- Restructuring, etc.

**Portfolio optimization, sale of assets, etc.**

**Sources**

**Uses**

**Approx. JPY 780bn** (approx. $7.1bn @110 USD/JPY)

- Acquisition (acquisition of additional 80% shares + repayment of outstanding debt)
- Hybrid financing (equity treatment)

**Promotion of further CF generation**

**Approx. 1 trillion yen**

**By**: Blue Yonder

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**Net Debt / EBITDA**

- **Beginning of FY2020 (JPY 1bn)**: 813.1
- **Post-acquisition**: Improve

**Net Debt / Shareholders Equity**

- **Beginning of FY2020 (JPY 1bn)**: 0.42
- **Post-acquisition**: Improve

**Net Debt / EBITDA: 1.0x**

(*) Net Debt: Interest-bearing debt – Cash (beginning of FY2020)
Shareholder’s Equity: (beginning of FY2020)
EBITDA: Adjusted operating profit + depreciation (of tangible fixed assets, intangible assets, and right-of-use assets) (FY2020 actual)
Reasoning behind the Acquisition

Access to customer base, acquire software capabilities, etc. Accelerate transformation of business model and profit structure to recurring revenue

- Access to customer base (over 3,000 globally)
- Acquire software capability, development expertise (AI / ML, data analysis, data scientists)
- High level software company management team, organizational capability (CEO Girish Rishi and other executives)
- Build Gemba Process business ecosystem (including consulting)
- Transition to recurring revenue business model, transform profit structure

Evolution of Gemba Process business

Impact of Acquisition

**Business valuation: US$8.5 billion**
Adjusted EBITDA margin: Blue Yonder Year 2021 33 times, Year 2022 29 times
Average EBITDA margins of other companies in the industry: Year 2021 44 times, Year 2022 41 times

<table>
<thead>
<tr>
<th>Additional goodwill, intangible assets, etc.</th>
<th>Approx. 7,000 estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue Yonder assets*1</td>
<td>Approx. 1,500</td>
</tr>
<tr>
<td>Total value</td>
<td>Approx. 8,500</td>
</tr>
<tr>
<td>Intangible asset amortization*2</td>
<td>Approx. 200/year</td>
</tr>
</tbody>
</table>

*1 Approx. 1,300 goodwill and intangible assets recorded by Blue Yonder
*2 Including amortization of intangible assets at Blue Yonder
Supply Chain Market Trends

COVID-19 accelerated structural changes in the supply chain

Conventional Supply Chain
- Manual
- Onsite or Online
- Cross border

COVID-19
- Rise in e-commerce
- Rebuild global supply chains
- Increase in remote work

Modern Supply Chain
- AI / ML
- Omni-channel
- Last 1 mile

Expanded TAM by Integrating Panasonic and Blue Yonder

In addition to the high growth potential of supply chain software, further market expansion can be expected by combining IoT technologies

Supply Chain Management (SCM)
- 2020-2024 CAGR: +12%
- $18 BN (2020)
- $28 BN (2024)

IoT + SCM
- TAM Expansion: $14BN
- $42BN (2024)
- $28BN (2024)

Source: Allied Market Research (Supply Chain Management Software Market) for the market size forecast of SCM; See Frost & Sullivan (Growth Opportunities in the Internet of Things-enabled Supply Chain Management Market) for IoT + SCM market size forecasts.
Blue Yonder Financial Indicators

Top Level KPIs for Software Company

Succeeded in solving problems and creating value for customers under the leadership of CEO Girish Rishi
Smooth transition from on-premise to SaaS model to meet customer needs

$1BN+
Total Revenue
World’s leading SCM
specialized software company

67%
Recurring Revenue Ratio
High recurring rate

54%
YoY SaaS ARR Growth
Smooth transition to SaaS

120%+
SaaS Dollar Net Retention
Excellent SaaS KPI

24%
Adjusted EBITDA Margin
High profitability

Note: For FY2020

Synergy with Blue Yonder

Expect to develop synergies across CNS and whole Panasonic Group

Development / expansion of joint solutions

Expand Gemba Process business globally by accessing Blue Yonder’s customer base

Accelerate expansion into Japan market starting with manufacturing industry

Reap benefits of implementing Blue Yonder solutions within Panasonic Group
Synergistic Effects Seen through Joint Efforts after 20% Acquisition

Convinced that the need for supply chain reform will increase after seeing competitive advantage of business combining Gemba Process and Blue Yonder

**Manufacture**
- Production planning / supply planning

**Logistics**
- Ordering plan / inventory plan

**Retail**
- Forecasting

**Operation improvement and management reform by reducing product numbers (breaking down vertical division between departments)**
- Supply and demand planning and inventory optimization
- Productivity improvement and labor shortage elimination by reviewing operations using image and flowline analysis
- Plan the optimal work plans
- Eliminating product shelf shortages and reducing backyard inventory by introducing new operation standards and IT tools
- Automate inventory management and product replenishment

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Go-To-Market Activities in Japan

Using the case study of Blue Yonder solutions in our own PC business, we have made great progress with external sales development targeting top domestic manufacturers

**Supply Chain Management Challenges**
- Centralization of global SCM plan
- Improve ability to respond to fluctuations in demand and accuracy

**System Needs**
- Automate optimal PSI and supply planning
- Speeding up delivery and reducing workload

**Target Customers**
- Semiconductor / parts manufacturers
- Home appliances, precision equipment, office equipment

Electronics

Automotive

Machinery

- Global production / procurement restructuring
- Improved visibility of the entire supply chain
- Manage complex parts hierarchy
- Effective use of packaged software
- Car manufacturers
- Tier 1 and Tier 2 parts manufacturers
- Centralized global SCM plan
- Highly accurate demand forecasting and planning
- Automation of manual work and adjustment
- Visualization and management of performance evaluation indicators
- Control equipment manufacturer
- Construction machinery / agricultural machinery manufacturer

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Realizing the Autonomous Supply Chain™

AI / Machine Learning
Real time analysis / action

Panasonic