CONFERENCE RECAP

May 1-3, 2023 | The Fairmont Pittsburgh

CASCADIA
CAPITAL LLC

2023 Conference Recap

We want to take this opportunity to thank those who were able to attend our 2023 RAAI Cascadia Connect conference in Pittsburgh and share some highlights with everyone else. Attendees contributed to what we believe was a hugely successful event which we hope fostered many new and meaningful connections and conversations.

We'd like to acknowledge and thank our sponsors including K&L Gates, BNY Mellon Wealth Management, Moss Adams, Fresh Consulting, and Gillespie Manners who helped make the event possible.

Like last year, over 300 people attended the conference which included a welcome reception at Kingfly Spirits, multiple panel discussions, a keynote speaker presentation from Aurora, networking opportunities, and on-site tours including Thoro.ai, Gecko Robotics, Advanced Construction Robotics, and the ARM institute at Mill 19.

The content this year focused on the pressing issues at hand, including the investment climate, robotics deployment, and commercializing technology in a solution-oriented way that creates value for both the end customer and the provider.

Select Takeaways & Highlights

The Market for Investing in Robotics Has Changed and Will Continue to Evolve

- **Funding Gap Between Early Stage and Growth Stage** - While early-stage investment has persisted, some later stage companies have recently struggled to raise funds as expectations have shifted toward robust customer traction and a defined and clear path to profitability. These changing goalposts have created challenges.
- **Metrics that Matter Most -** Positive unit economics, sustainable revenue growth, and efficient robot deployment track record are as or more important than TAM, Team and Tech when speaking with potential investors.
- **Strong Tailwinds Persist** - Manufacturing reshoring, growth in warehousing and logistics, lack of available labor, and advancements in machine learning and AI continue to make automation investment attractive for both the customer and the investor.
- **Success Stories Exist -** While investing in later stage robotics companies has slowed, there is a general "flight to quality" where quality deals are getting increased uptake / attention. Large outsider-led investment rounds are scarce in the current market.

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CASCADIA CAPITAL

Cascadia Capital is one of the first investment banks in the country to have a dedicated practice group to serve emerging growth and middle market companies in Robotics, Automation and Artificial Intelligence ("RAAI").

Recognizing the myriad of industries that will be upended by RAAI technology in the coming decade, Cascadia's RAAI group meets the growing demand for M&A and capital raising services in the market.

Investors are Thinking Differently

- **Change in Environment** - The macro environment has changed relative to two years ago. Monetary and fiscal stimulus pushed valuations up and now companies are needing to execute to grow into valuations. SAFE note rounds are more common, as are insider lead rounds at flat to down valuations.
- **Focus On the Exit** - Investors want visibility into an ultimate exit, especially at the Series B and C level. Lack of IPO activity, and a dormant SPAC market, have focused attention on M&A in the near term or the path to sustainable cash flow.

Investors Continue to Like RaaS/Recurring Revenue

- **Low BOM Cost and Strong Customer ROI Important** - The most successful companies often have relatively inexpensive hardware that can deliver the customer solution with the ability to make good margin and short payback period on holding the RaaS equipment.
- **Hybrid Models see Success** - Companies don't necessarily need to use a full on RaaS model to achieve success but even for CapEx sales, there should be a recurring revenue component.
- **Enabling Additional Revenue** - Up-front hardware is typically not the "cash cow", it enables services that can be billed to the customer. This can create a stickier customer base and realize value from ongoing maintenance, repairs, and updates.
- **Market forces may drive RaaS adoption** - Higher interest rates and cost of capital may encourage more customers to consider a RaaS model vs Capex, as the cost can be paid out of operating expenses.

The Importance of Scale Within the Industry

- **Rethinking "Scale" in Robotics** - It takes significant time and resources to achieve meaningful robot deployment numbers. Scale for robotics most closely resembles Biotech with long development and implementation cycles.

Michael Butler, Chairman & CEO of Cascadia Capital delivers opening

- **Industry still Nascent** - The number of non-OEM robotic companies that have deployed at scale is still quite small, with many well-funded companies still under 50 units in service.
- **Getting Out of Pilot Phase** - It is important for companies to demonstrate that they can implement their solutions with a "rinse and repeat" model. Perpetually trying to raise money to further tinker with tech is a vicious cycle and increasingly challenging in this market.
- **The Domino Effect** - Akin to Ford and the assembly line, the industry is waiting for a large Fortune 500 adopter to prove the model of widespread AI/ML automation solutions.
- **The Labor Conundrum** - Labor shortages drive automation but simultaneously make it more difficult to implement robotics. Skilled labor is needed not only to design, but also implement, maintain, and manage solutions. For most robotics system integrators, deployment times are long.

Adithya Sreekumar with Radical Ventures listens to a panel discussion

Going to Market for Robotics Companies

- **Finding the Right Fit** - Sales channels are nuanced and depend heavily on the application or use case. It should never be good tech seeking a problem to solve. Problem comes first, and then the tech helps solve in a more efficient way than incumbent solutions.
- **Vertical Expertise** - Investors are actively looking for domain experts who understand how to go to market within a team and tackle specific use cases.
- **Defining Value Proposition** - Companies need to hone the value proposition directly with the end user first, and then seek out partners and integrators to leverage deployment.

Manufacturers Continue to Face Challenges

- **Meeting Labor Demands** - Demand for robotics and automation remains high although the ability to program and deploy continues to be a limiting factor.
- **Basic Automation Solutions Still in Demand** – While Machine Vision and AI based systems have made great strides, many manufacturers still lack basic automation solutions for material handling.
- **Finding the Right Partner** - Manufacturers struggle with technology selection, picking providers, and planning implementation. They need partners with expertise to guide them as they don't always know what they need.
- **Often Overlooked Considerations** - Skilled labor extends past implementation into upkeep and maintenance making automation projects riskier for small to mid-size manufacturers.

Attendees using dedicated networking time to create connections

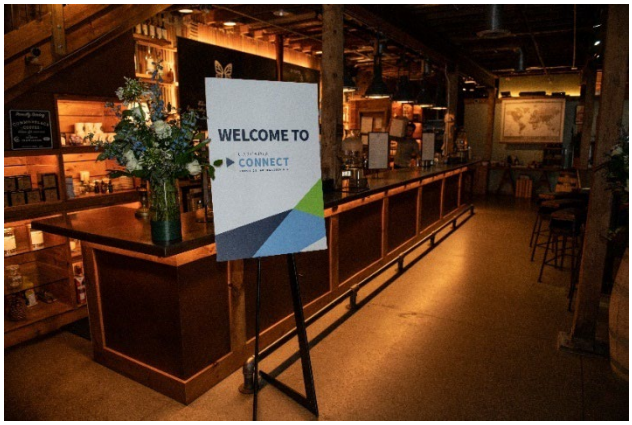
James Van Thof with Adaptec Solutions addresses the audience during a panel presentation

Efficient Deployment is Critical

- **Processes and Workflows** - Where can robotics add the most value? Within tasks that are:
  - Repetitive
  - Dangerous
  - Require high precision
- **The Importance of Integration** - Proper solutions must coexist within both the current infrastructure and the work force.
- **The Role of Robots** - The environment can't be built around robots; robots must be built into the environment.
- **Laser Focus is Best** - Robotic solutions should not be over engineered but key-in on specific offerings to maximize customer utility and foster efficient deployment.

Operational Considerations for Companies Looking to Automate

- **Expectation vs. Reality** - Plans need to be responsive to the care and support of a decided implementation strategy.
- **The Last Thing to Move is the Robot** - Everything should happen in the front end of the process.
  "A mistake in the front end of the processes costs nothing, a mistake if you're doing it on the [robotic] arm costs a lot."
- **Augmentation and Automation** - "Human in the loop" approaches bolster uptake and sales frequency, and lead to stickier deployments.



Cascadia Connect got underway with the cocktail party at Kingfly Spirits

Drinks, food, and lively conversation kicked off the Cascadia Connect Conference

Paul Vittone of BNY Mellon opens day three with a look at private market performance

Dr. Yanbing Li of Aurora delivers a captivating keynote presentation on the future of self driving cars

Ilana Diamond of 412 Venture Fund and Dr. Andrea Thomaz of discuss what's now and what's next for the industry during their panel presentaiton

Erik Nieves of Plus One Robotics sits down with Cascadia's Firdaus Pohowalla, for a fireside chat on his journey as a Founder

Keep Connecting

Please feel free to reach out to Cascadia if there are any connections you made at the conference that you'd like to expand on. Cascadia would be happy to facilitate further dialogue.

We hope to see you at future events and look forward to paving a path forward together in the Robotics, Automation, and Artificial Intelligence industry!

Additional Content

Please find all conference related materials and select content here: **Cascadia Connect 2023**

Recap of Content:

Welcome Remarks and Opening Session

Welcome remarks by Michael Butler, Chairman & CEO, Cascadia Capital

Opening session delivered by Paul Vittone, Managing Director, Head of Private Markets, BNY Mellon Investor Solutions and BNY Mellon Wealth Management

Panel Discussion: ROI in RAAI: Investor Perspectives

Moderated by Firdaus Pohowalla, Managing Director, Cascadia Capital

Panelists: Jeremie Capron, Partner & Director of Research, Robo Global; Dennis Dunegan, Managing Principal, Graham Partners Growth; Adam Kelson, Partner, K&L Gates LLP; Neel Mehta, Investor, G2 Venture Partners; Fady Saad, Founder & General Partner, Cybernetix Ventures

Panel Discussion: Bridging the Last Mile: How Do We Deploy Robots More Quickly and Efficiently?

Moderated by Jason Lippenberger, Senior Vice President, Cascadia Capital

Panelists: Panelists: Bryan Bird, Regional President, US/Canada, Universal Robots; Misa Ilkhechi, VP of Products & Partnerships, Co-Founder, Formic; Jordan Kretchmer, Co-Founder & CEO, Rapid Robotics; Jim Rock, Operating Partner Arsenal Capital Partners; James Van Thof, Senior Vice President, Adaptec Solutions

Keynote Presentation: The Journey to Making Self-Driving Cars and Trucks a Reality

Keynote by Dr. Yanbing Li, Senior Vice President of Engineering, Aurora

Fireside Chat: From the Ground Up: Insights from a Founder & CEO

Moderated by Firdaus Pohowalla, Managing Director, Cascadia Capital
Discussion with Erik Nieves, Co-Founder & CEO, Plus One Robotics

Panel Discussion: What's New and Next? Solution-Oriented Business Models and Technology Developments Driving the Robotics Industry

Moderated by Jason Lippenberger, Senior Vice President, Cascadia Capital

Panelists: Felipe Chávez Cortés, Founder & CEO, Kiwibot; Jeff Dance, Founder & CEO, Fresh Consulting; Ilana Diamond, Managing Partner, 412 Venture Fund; Charlie Andersen, Co-Founder & CEO, Burro; Andrea Thomaz, Co-Founder & CEO, Diligent Robotics