

## 22.5 x 7 x 365 - THESE ROBOTS ALMOST NEVER SLEEP



Stack Capital Group Inc. ("Stack Capital") has invested \$8 million USD into preferred shares of Locus Robotics, Inc. ("Locus" or the "Company"), a leading provider of enterprise robotics solutions for some of the world's most dynamic warehouses and leading brands operating in third-party logistics, retail & e-commerce, healthcare, and the industrial sectors.

Designed to work collaboratively alongside human labor, Locus' suite of robots transform large-scale warehouse fulfillment and distribution facilities with industry-leading, intelligent, and dynamically scalable solutions that reduce costs, improve productivity, and enhance overall efficiency. Its Robotics-as-a-Service ("RaaS") pricing model dramatically reduces the upfront costs typically associated with outfitting a warehouse facility, saving its clients a significant capital outlay. Combined with monthly operating savings in the form of a 2x-3x increase in productivity, and a large reduction in the cost per pick, the return on investment for customers is quick - making Locus a clear and compelling value add.

Stack Capital's investment was part of the recently announced \$117 million USD Series F funding which brought its valuation close to US\$2 billion and included Goldman Sachs Asset Management, G2 Venture Partners, SuRo Capital, Next47, Stafford Capital Partners, HESTA, Newton Investment Management North America, Gray's Creek Capital, Silicon Valley Bank, Hercules Capital, Inc., BOND, and Scale Venture Partners.

### **BUSINESS OVERVIEW**

Over the past several years, Locus has built an impressive platform of automated mobile robots ("AMR's") designed specifically to solve the challenges facing warehouse facilities & operators. Locus is uniquely positioned as a leader in the digital transformation of this enormous global market, offering solutions that deliver powerful and actionable business intelligence that optimize warehouse productivity, cost management, and labor management at a time when warehouse operators are increasingly focused on scalability, fast ROI, and ease of deployment. Overall, Locus delivers robotic solutions for its customers that are fully automated in 4-6 weeks; require minimal infrastructure requirements; are flexible and scalable; provide actionable intelligence; and typically result in a 2x-3x increase in productivity.

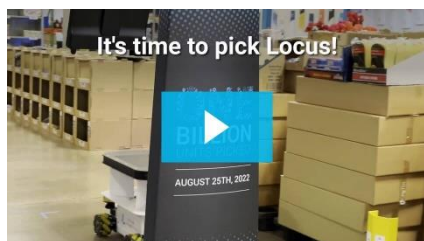
## WHAT EXACTLY DOES LOCUS DO?

In a conventional third-party logistics ("3PL") facility, an order comes into the distribution center and individual pickers are sent out to collect the requested items in the warehouse. In a facility that relies entirely on human labor, this translates into an individual walking 16+ km per day, going from aisle to aisle, picking specific items. In many cases, these individuals are also hauling around large bins to collect items; once finished, the individual delivers their bin to the packaging lines, where orders are boxed up and sent out to the customer.

In comparison, with the Locus solution in place, a much more efficient process exists - allowing 3PL facilities to increase throughput with reduced reliance on human labor. As opposed to an individual walking the entire facility picking items, the individual instead works within a designated zone. When a Locus 'Origin' robot gets an order list from the packing line, it then proceeds to autonomously drive through the facility, fulfilling each order. Each time a Locus robot comes into a specific zone, the individual working that area picks the requested item, scans it, and then sends the robot on its way to obtain the next item on its list, or to head back to the packing station for the order(s) to be shipped off. Clearly, this is a much more efficient process that reduces the amount of ground a human picker needs to cover, and virtually eliminates the risk of an incorrect item being picked and sent out.

Being able to see the Locus robots 'in action' is very helpful in gaining a better understanding of this picking process; below are videos that have been pulled directly from the Locus Robotics website, for your viewing pleasure:

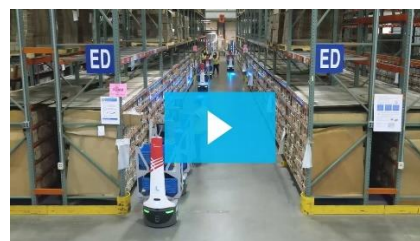
**LOCUS SURPASSES  
1 BILLION PICKS**



**CARHARTT LEVERAGES DHL/LOCUS  
FOR 2X SUCCESS**



**LOCUS ROBOTS AT WORK  
WITH CARDINAL HEALTH**



In August 2022, Locus reached a major milestone with its industry-first **one billionth pick**. As a point of reference, it took Locus 1,542 days to achieve its first one hundred million picks, and only 59 days to achieve the last one hundred million. Globally, Locus robots now average more than three million picks per day.

With over 90 customers worldwide, and 230 sites currently under contract, Locus continues to expand its global footprint through increased adoption from its existing customer base, in addition to winning new business. The following are a few examples of current customers, including some global brand names, operating within third-party logistics (3PL), retail/ecommerce, healthcare, and the industrial sectors:



## Locus Robot Fleet: Total Warehouse Automation



### Locus Origin

Engineered for maximum warehouse efficiency, Locus Origin delivers optimal productivity with agile maneuverability, incorporating the latest navigation and vision system technologies. Works safely and easily alongside associates in dynamic environments.



### Locus Vector

The AMR with the flexibility for a wide range of roles from fulfillment to transport to putaway. Locus Vector features an industrial strength chassis, omnidirectional mobility, and compact design for use in any environment.



### Locus Max

Get unparalleled flexibility and heavyweight capacity with Locus Max. Easily transport a wide variety of materials, cartons, or pallets across your facility. Heavy-duty design that's ideal for industrial and material handling applications.

Source: [www.locusrobotics.com/products](http://www.locusrobotics.com/products)

## Robotics-as-a-Service ("RaaS") Pricing Model drives fast ROI for its customers

Beyond the functionality and efficiency of the robots, one of the key competitive advantages that Locus provides relates to its pricing model. Similar to Software-as-a-Service ("SaaS"), Locus' RaaS model minimizes the upfront capital requirements required to outfit a typical warehouse facility. The monthly RaaS fee includes software upgrades, support, and optimization services, which means that a typical warehouse site will incur a very reasonable up-front set-up fee, which includes site design, all the necessary servers and Wi-Fi, training, and delivery.

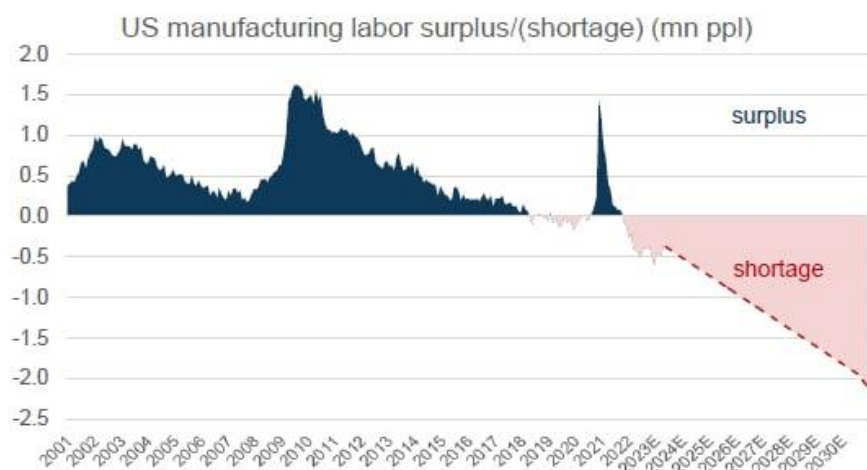
Given today's challenging economic environment, the ability for a customer to avoid spending millions in up-front capital expenditures to outfit a facility is extremely attractive. When combined with the fast ROI time resulting from implementation and cost-savings, the Locus solution clearly becomes value-add, and has led to increased adoption with both existing customers (outfitting more of their facilities) and the winning of new business.

## MAJOR THEMES THAT HAVE FUNDAMENTALLY CHANGED DISTRIBUTION & LOGISTICS

Over the last several years, three inter-related themes have combined to accelerate the need for industrial automation and robotics. Specifically, the stress placed on global supply chains because of the pandemic; the extremely tight labor market conditions that have ensued; and the continued growth of global ecommerce.

Labor shortages, in particular, have plagued manufacturing and logistics businesses (see chart below). In a recent conversation with the management team of one of the world's largest distributors, the difficulty in hiring individuals to work within its facilities, and the high turnover rate being experienced, were noted. Unfortunately, the labor-intensive and repetitive nature of the work available in these types of facilities simply doesn't appeal to today's younger workforce, who are more interested in TikTok, on-line influencers,

and social media. As such, robots being introduced into these facilities are addressing an acute labor shortage and are not directly displacing existing workers.



Source: *Global Automation: The Investment Case for Humanoid Robots* (Goldman Sachs Equity Research; November 2, 2022)

The current labor shortage also represents a structural change in the economy. If you were a baby boomer working in a distribution/warehouse facility when COVID struck, you've probably spent some time re-evaluating your career choice. While it's nearly impossible to quantify, it's safe to say that a number of individuals have permanently left these work environments. Consequently, increasing the level of automation in warehouse facilities has become essential.

Yet another operating challenge faced by any ecommerce business is backhaul logistics, where a consumer has to ship goods back because an order was incorrectly processed. You've likely encountered this problem yourself; ordering an item on-line, only to have another make/model/size delivered to your home. This type of error is very costly to an e-commerce business; however, Locus essentially eliminates this risk/problem as each of its AMR's will not proceed to the next location and/or pick if an incorrect item is scanned by human picker.

## **SIGNIFICANT GROWTH OPPORTUNITY - AUTOMATION AND THE RESHORING OF BUSINESS**

GXO, a large logistics company, published an investor presentation dated July 13, 2021, where it estimated that only 5% of warehouse facilities in the United States and Europe were automated<sup>1</sup>. In combination with the operating challenges addressed above, it's clear that there is a large opportunity for AMRs in the coming years, and Locus is a key player at the forefront of that movement.

It's also important to note that the impact of COVID has also extended beyond companies and their supply chains, to governments and the best interests of their citizens. While some companies have begun to re-shore certain assets and production (reducing their dependency on other countries for goods/services), all levels of Government worldwide have also begun to push certain domestic businesses towards bringing strategic assets and production back home. Zero-COVID policies in China only serve to highlight the near-shoring and manufacturing shifts already underway. To be clear, this doesn't mean that baseball caps and other garments are going to be made in the US, however, products of high importance to "national security" such as computer chips, pharmaceuticals, emergency medical equipment and supplies, etc. very likely will. To successfully do so, and to be able to offer these domestically produced items at reasonable prices, it's essential that operations will have to be automated to some degree to help reduce costs.

## CONCLUSION

We're very excited to add Locus Robotics to the Stack Capital portfolio; and feel that the quality of its AMRs, the strength & diversified nature of its customer base, and its experienced Management Team will allow the Company to successfully achieve its next phase of growth.

The increased productivity delivered by Locus' AMRs, the capital efficiency of its RaaS pricing model, its fast implementation period, and the overall flexibility of its solution combine to make Locus extremely attractive to warehouse facilities and operators. As global ecommerce continues to grow over the coming years, Locus is well-positioned to make supply chains faster, more cost-effective, resilient, and sustainable.

<sup>1</sup> Source: <https://investors.gxo.com/static-files/0d80ea5f-5c9e-40a9-9ed7-cc8ef0531684>