

ONDEX

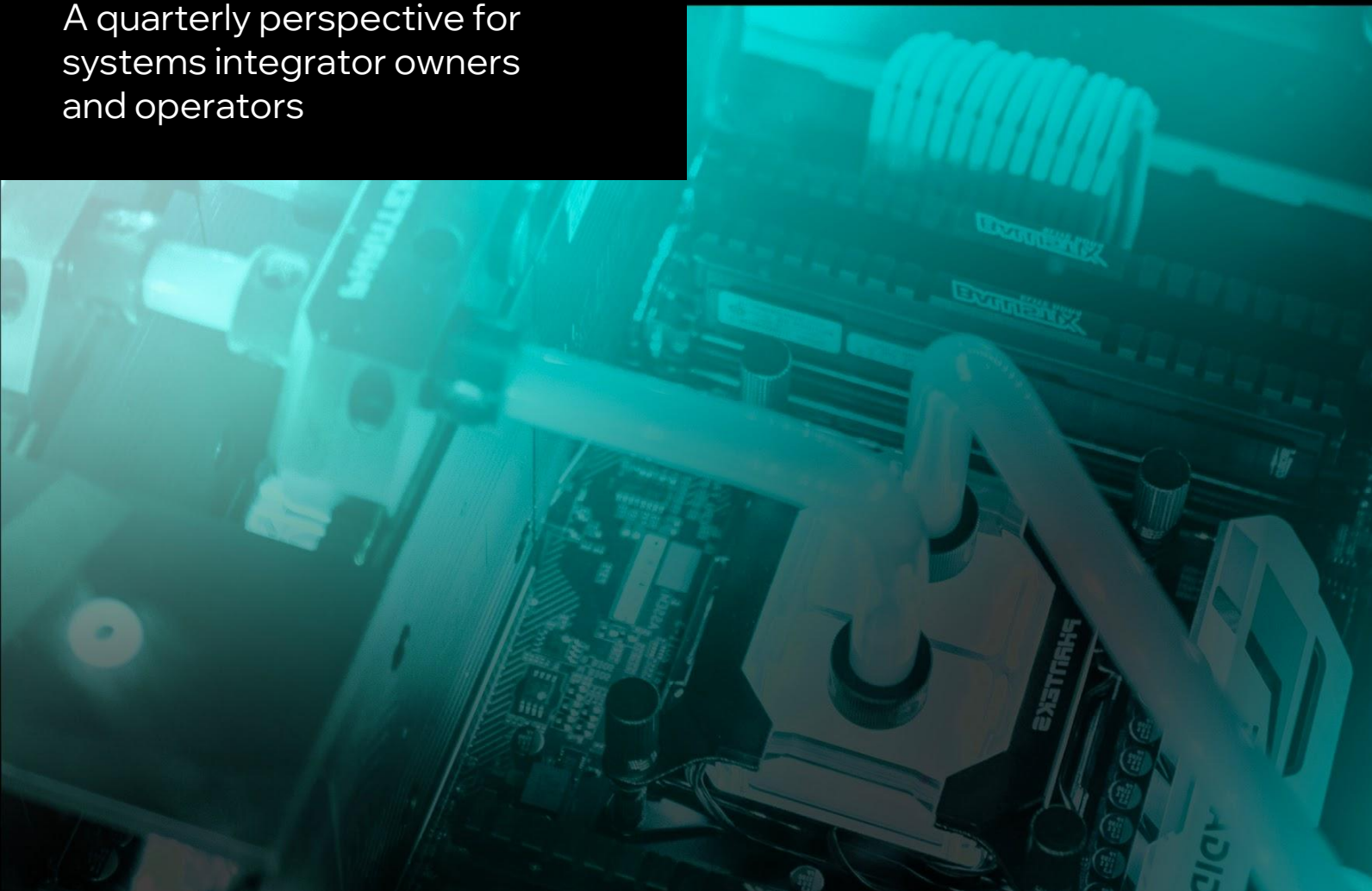
automation

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THE AUTOMATION BRIEF

A quarterly perspective for
systems integrator owners
and operators



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SECTION 1: A NOTE FROM ONDEX

A NOTE FROM ONDEX

ONDEX was founded two years ago to support North American manufacturers on their most challenging automation and integration needs. Since launch, we have partnered with six businesses and grown to roughly 150 employees across nine offices. We are launching this brief to share our perspective on the market, discuss how we are navigating the challenges of scaling an integrator, and pass along what we are learning to founders, operators, and others in the SI community.

THE STRUCTURAL CHALLENGES OF SCALING AN SI

Systems integration is a fantastic business - durable, sticky, and rooted in delivering real customer value. However, SIs are hard to scale. Step-change growth requires investment and risk that the model does not naturally fund.

People are your product

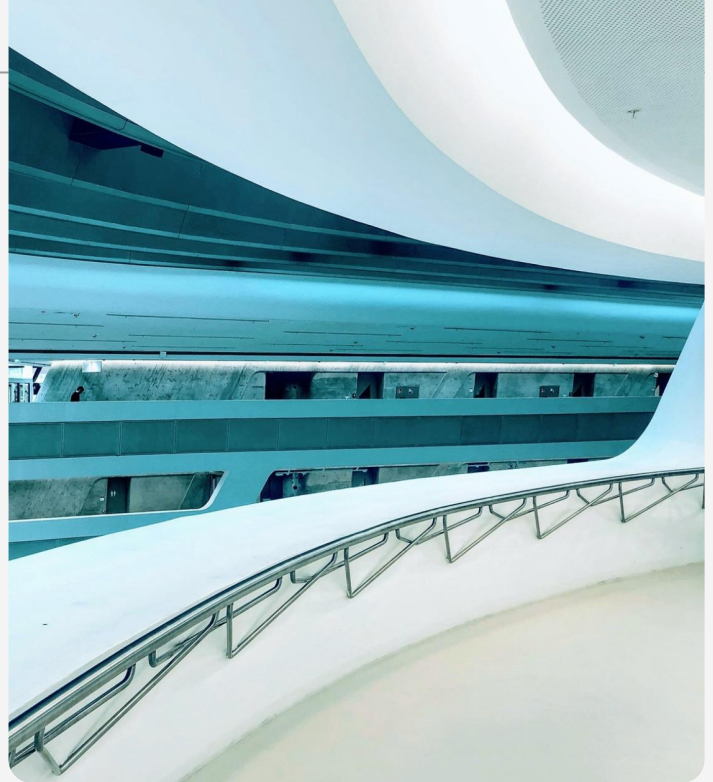
Engineers are costly, hard to find, and harder to keep. Training is critical and largely an apprenticeship - it takes time and investment to develop them.

Revenue is project-based

You are always chasing the next project. There is no annuity to fall back on when activity slows.

Hiring ahead of growth

You carry the cost of talent before the work shows up. Slow periods amplify a high fixed-cost structure.



HOW OUR STRUCTURE IS DESIGNED TO OVERCOME THESE CHALLENGES

ONDEX is a growth-oriented platform. We have structurally designed the business to address these challenges, and we invest strategically to position our business and people for long-term success.

Decentralized model

Local leaders own commercial, operational, and talent decisions. Nimble by design, close to the customer.

Scale that de-risks

Shared engineering resources, diversified customer and service mix, and quarterly forums where leaders solve problems together.

Cross-sell growth engine

Coordinated selling across business units, simple sales processes, and real-time data driving decisions.

Shared services support

Unified back-office systems and support that lifts admin off founders so they stay focused on customers, talent, and growth.

SECTION 2: MARKET PERSPECTIVES AND OUTLOOK

WHAT WE ARE SEEING IN THE NORTH AMERICAN MARKET

We track Rockwell, Emerson, Siemens, ATS, Cognex, FANUC, Honeywell, and others alongside what we hear from our own platform, customers, and the integrators we talk to every week. Together, they paint a clear picture of the North American market.

WHAT PUBLIC COMPS ARE TELLING US

- Demand is strong; North America was the strongest region for nearly every company that reported.
- Order books are healthy - Siemens at a record €124B backlog, Emerson backlog up 9% YoY.
- 2026 outlooks are cautiously optimistic. Most management teams raised or held guidance.
- Growth is concentrated. Life sciences, power/energy, data center, and logistics are doing the heavy lifting.
- Large discretionary CapEx remains selective. Smaller and mid-size projects are moving; the biggest sign-offs are still deferred.

WHAT WE ARE SEEING ON THE GROUND

- Life sciences is resilient across pharma, biotech, and medical device - pipeline activity is very healthy.
- Data center work is running hot. Integrators are struggling to staff against the demand.
- Energy and power are benefiting downstream as electrification spend flows through the supply chain.
- Food and beverage and broader process work is steady, but large CapEx remains mixed.
- Talent is the most consistent challenge. The integrators best positioned for this cycle are those with strong vertical focus and disciplined recruiting.

HOW VERTICALS ARE SHAPING UP

■ Strong
 ■ Steady
 ■ Soft



SECTION 3: METRICS THAT MATTER

BOOKINGS AND BACKLOG: THE HEARTBEAT OF AN SI

In project-based businesses, bookings and backlog are the key leading indicators to revenue, utilization, hiring, and margin. They are critical to how we run our businesses and drive organic growth, and they are among the first metrics we look at when evaluating an acquisition.

NO BOOKINGS, NO BUSINESS

Bookings come first. Without bookings, there is no backlog. Without backlog, there is no revenue. Without revenue, there are no earnings - and there is no business. We target roughly 20% year-over-year bookings growth across our businesses to sustain a 10%+ annualized revenue growth rate, with a healthy mix of large and small projects across multiple customers.

We deploy simple, repeatable sales processes and lightweight tools across our businesses so leaders see bookings activity in real time and can forecast what is on the horizon. The discipline is the same across each business unit: track the pipeline, manage it forward, and act early.

BACKLOG IS A RESOURCE MANAGEMENT TOOL

Backlog tells us whether we are properly staffed, whether we can take on opportunistic work, and whether we need to act on the hiring plan. We benchmark our businesses to roughly six to nine months of backlog. Backlog also helps us share resources across the platform - work is not always up and to the right at every business unit, so we make the effort to work across business units to keep everyone active and utilized.

SLOW BOOKINGS ARE IRREVERSIBLE IN THE SHORT RUN

We monitor bookings weekly. A weak quarter shows up two or three quarters later as soft revenue, and by then it is too late to fix in the current period. This is not a business with highly variable labor cost - you roll with the punches, learn from the past, and work hard to climb out of the hole. It is another structural reality of the SI model, and it is why we manage forward.

HOW WE READ BACKLOG AT ONDEX

Under 3 months

Reactive



Selling pressure mounts. Margins concede.
Team utilization at risk.

3 to 6 months

At Risk



Visibility is tight but we can still win opportunistic work to fill the gap.

6 to 9 months

Healthy



Our target zone.
Visibility to plan, hire, and invest with confidence.

Over 9 months

Heavy



Strong on paper.
Execution risk rises and capacity gets stretched.

HOW WE USE THIS IN DILIGENCE

When evaluating a deal, we review weekly bookings, backlog, and commercial metrics with sellers to keep focus on commercial activity so we come out of the gates firing post-close. Mix matters: we want to see diversification by customer, project size, and project type. Each of these data points help us manage forward.

SECTION 4: OUR APPROACH TO PARTNERSHIPS

WHAT WE LOOK FOR IN A PARTNER

M&A activity in the automation space remains strong, and capital has followed, but building durable platforms requires a purpose-built model. ONDEX has been the most active acquirer in the SI space since 2024, completing six partnerships.

We partner with founder-led systems integrators and automation service businesses, typically \$3M to \$50M in revenue. We are geography agnostic, but focused on resilient, mission-critical end markets across North America. We want partners who align with our core values - these are core to how we operate, hire, and grow.

1

Champion the Customer

Build partnerships, do what is right, win together.

2

Own It

Take accountability, figure it out, and drive results.

3

Deliver Excellence

Take pride in our work, apply proven standards, and execute with rigor.

4

Spark Innovation

Stay curious, embrace challenges, and never stop growing.

5

Stronger Together

Respect, support, and care for your teammates.

TARGET MARKETS



Life Sciences & MedTech



Food & Beverage



Specialty Chemicals



Consumer Goods



Power & Energy



Niche Industrials

TARGET CAPABILITIES



Engineering & Controls – PLC/DCS



SCADA/HMI



MES Integration & Consulting



Vision & Robotics



IT/OT & Cybersecurity



Electrical Install

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GET IN TOUCH

If anything in this issue resonated - or if you are simply curious about what a partnership with ONDEX could look like - we would welcome the conversation. And if there are topics you would like us to cover in a future issue, let us know.



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