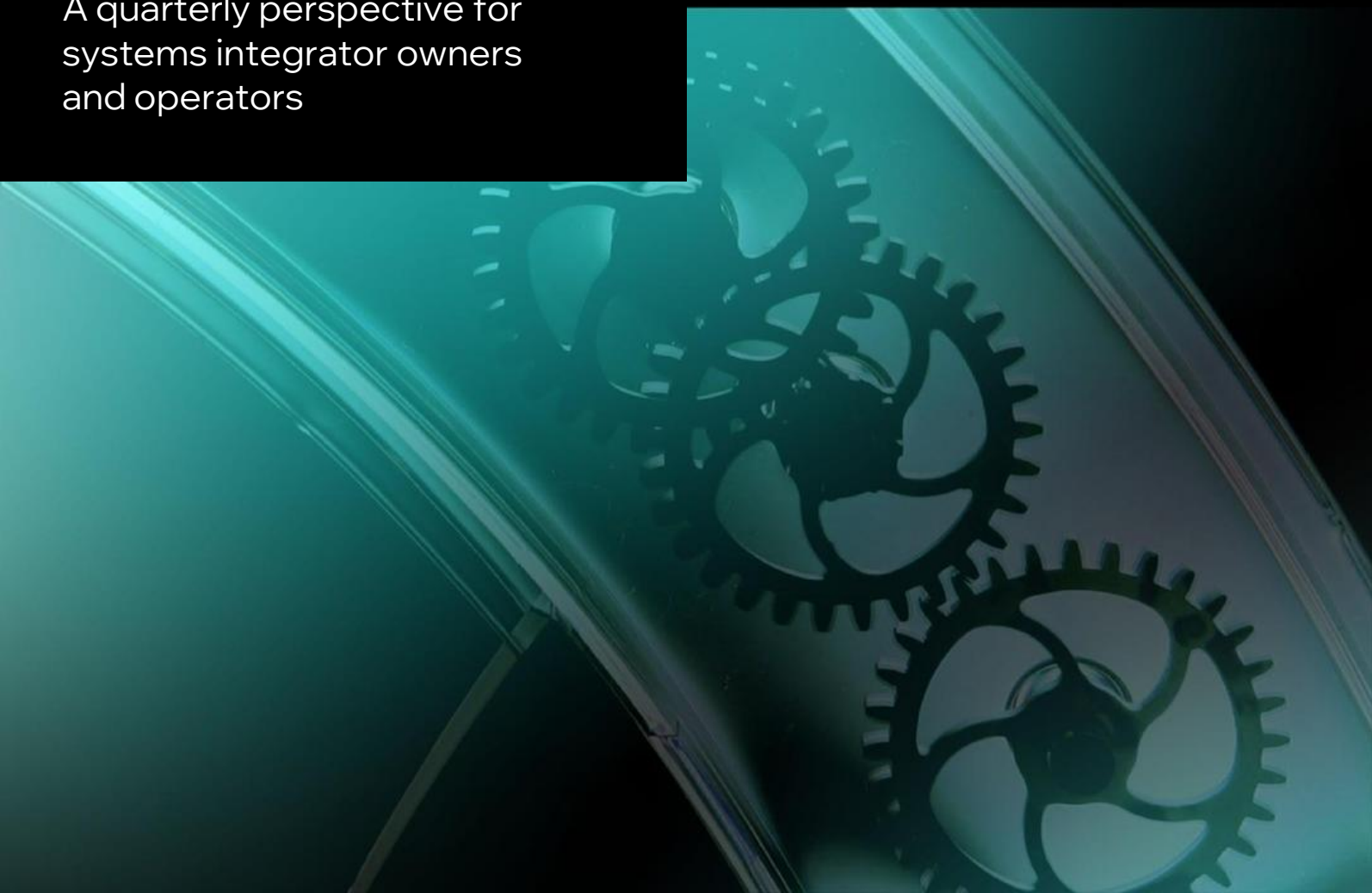
ONDEX automation

Issue No. 2 | Q3 | 2026

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



Thanks for reading the second issue of The Automation Brief. The response to the first one was great, and we're looking forward to sharing more about how we think about operating and growing our business.

2026 has been a busy year. We set some ambitious goals for ourselves, and our teams are showing up and delivering. A few things stand out since our last issue.

- We are tracking to exceed our bookings goal for the year and have a strong backlog heading into Q4. This is a testament to the whole team for staying focused, working together, and executing on our strategy.
- Our focus on cross-selling and resource sharing is paying off. Q3 2026 marked our highest quarter of collaborative opportunities between business units. We view this as a competitive advantage long-term and are excited to see this continue to grow.
- Since our last issue, we closed and announced two partnerships, The Fitch Company in Maine and ROI Engineering in Southern California. Both come with strong teams, both extend our reach across the country, and we are excited to invest behind them.
- We made meaningful technical investments. We added two senior hires to build out our DeltaV and PAS-X / PharmaSuite practices, deepening the controls and MES capabilities our life sciences customers depend on.
- Just as important, we kept building the infrastructure our platform needs to keep scaling. We are investing in finance, human resources, sales, and operations, including bringing on a new Human Resources leader. We don't want to add corporate layers, however a strong back-office infrastructure will be critical to our success. This will allow businesses to stay close to customers while we take the back-office weight off the owners.

While on the subject of talent: we are hiring across a number of sales and engineering roles right now. So if you are in the market, feel free to drop us a note.

Our focus for the remainder of the year is on continuing to execute on our growth plan – both organically and via new partnerships – to set ourselves up for a great 2027.

Thanks again for reading.



Justin Kerr
CEO, ONDEX Automation

SECTION 2:
MARKET PERSPECTIVES AND OUTLOOK

We track Rockwell, Emerson, Siemens, ATS, Cognex, FANUC, and Honeywell alongside what we hear from our own platform, customers, and the integrators we talk to every week.

WHAT PUBLIC COMPS ARE TELLING US

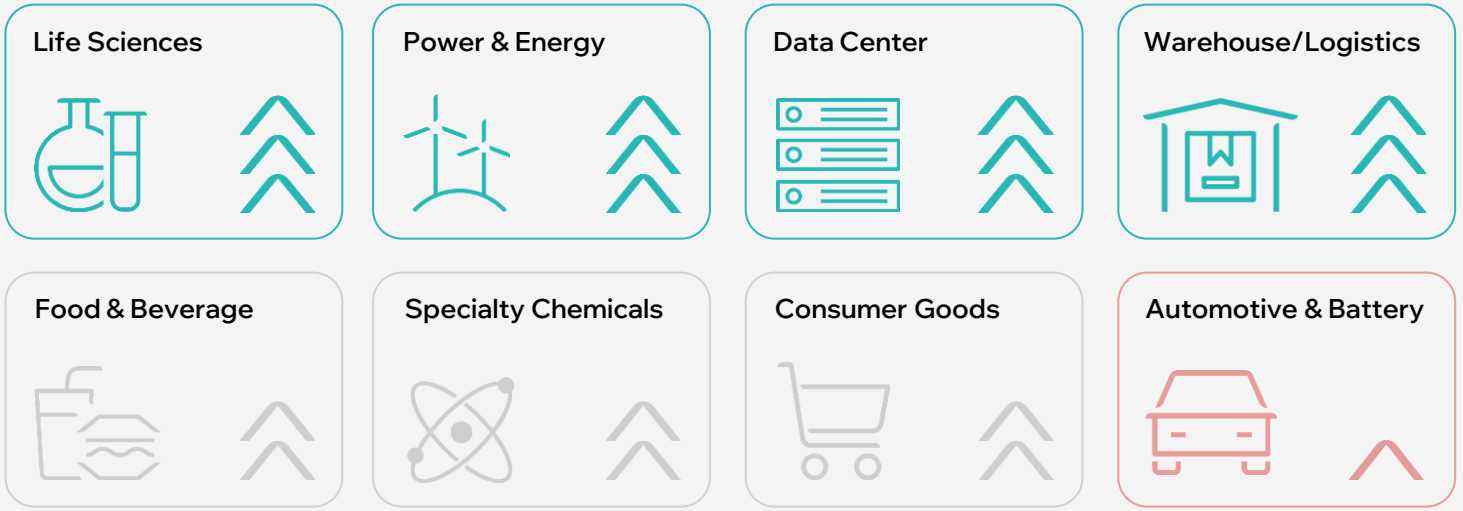
- → Demand is strong but narrow. Data center, semiconductors, and power are driving most of the growth, and life sciences is holding up well.
- → Warehouse, logistics, and e-commerce automation remain busy, one of the strongest corners of the market.
- → Automotive and battery are the clear soft spot. EV and battery-plant work is sliding as timelines slip.
- → Some large and greenfield projects are still on hold. Small and mid-size projects are generally moving forward, but big sign-offs are case by case.
- → Input and component inflation is pressuring margins even where demand is healthy

WHAT WE ARE SEEING ON THE GROUND

- → Data center demand keeps pulling through into power and energy.
- → Life sciences is resilient, with a long runway ahead.
- → Food and beverage and process work is steady, though the big capex has not fully returned.
- → Talent is still the constraint. The best integrators recruit and train relentlessly.
- → AI is on everyone's radar, but use cases vary.
- → The M&A market is active, with ONDEX among the most active buyers of founder-owned businesses.

HOW VERTICALS ARE SHAPING UP

Strong Steady Soft



Demand is real, but it is selective.
Strong markets are very strong, and big discretionary projects are selective.

SECTION 3:
METRICS THAT MATTER

VALUE ADDED SALES

WHAT IT IS

Value Added Sales (VAS) is revenue less buyouts, the cost of materials, subcontractors, and travel we purchase for a job. It isolates the revenue we earn from our own engineering and labor.

Value Added Gross Margin (VAGM) is gross profit divided by VAS. It shows how profitable that value-added work is, without the distortion of buyout content.

WHY IT MATTERS

- ➔ Standard profitability measures like project gross margin can swing widely with buyouts, even when the underlying margins on labor and purchased content are steady.
- ➔ VAS and VAGM cut through that. They give us a truer read on the profitability of a project, a customer, or a whole business.

HOW WE USE IT

VAS and VAGM are core KPIs for:

- ➔ Measuring sales performance.
- ➔ Resource and capacity planning.
- ➔ P&L budgeting and forecasting.
- ➔ Analyzing project and customer profitability.

WORKED EXAMPLE

Same revenue. Very different gross margin. Nearly identical VAGM.

Project A MATERIAL-HEAVY

Revenue (TCV)	$1,000,000
− Buyouts (materials, subs, travel)	$500,000
= Value Added Sales	$500,000
− Direct labor	$250,000
= Gross profit	$250,000

GROSS MARGIN 25% | VAGM 50%

Project B LABOR-HEAVY

Revenue (TCV)	$1,000,000
− Buyouts (materials, subs, travel)	$150,000
= Value Added Sales	$850,000
− Direct labor	$450,000
= Gross profit	$400,000

GROSS MARGIN 40% | VAGM 47%

Gross margin says these jobs look **very different.** On VAGM, their margin profiles are **nearly the same.** There is no 'right answer', however **revenue and gross margins do not always tell the full story**

SECTION 4:
OPERATING IN A DECENTRALIZED ENVIRONMENT

ONDEX operates as a decentralized business. We are often asked what that means and how it works.

WHAT "DECENTRALIZED" MEANS TO US

- Business leaders run their businesses. They make the calls on customers, operations, and talent, and they own their P&L.
- We govern through standards, not day-to-day control. We have structure, but we do not believe in 'centralized' operations.
- 'Corporate' is in place to serve the business units. We take on the few things that are better done at scale, common systems, data, and back-office support, so owners spend their time on customers. Getting these systems and processes in place is a lift, but it pays off in the long run.
- We hold each other accountable to a shared set of KPIs and meet regularly to share and compare results, help each other through problems, and pass along what works.
- We are careful about who joins. We look for great businesses that are well regarded in their markets and already share our core values. In plain terms: put customers first, own the outcome, do great work, keep getting better, and respect each other.

WHY WE BELIEVE IN IT

- It maintains the entrepreneurial edge that made our businesses great in the first place. Decisions stay close to the customer, and things move quickly.
- We aim to grow the business, not to cut costs. We believe long-term value will be created by growing revenue, enhancing our capabilities, championing the customer, and developing a long-term home for employees.
- For the people who work in each business unit, day-to-day should feel about the same after a partnership is formed, with opportunities to work across other businesses, technologies, and geographies over time.
- Most of all, it protects culture. Because we only bring in great businesses that share our values, each one keeps the identity that made it great. In this business, the people are the product, and we take great care in that.

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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.

Mason Zuniga
VP, Corporate Development
mzuniga@ondex.ai

