



June 2023 Edition: A Mid-Year Review

Foreword

We are happy to share with you [Reefknot's](#) 2023 mid-year newsletter, where we opine about significant forces in the Supply Chain technology investment area and share some portfolio highlights.

There are 3 main categories of forces that currently shape this space: Supply Chain macro trends (incl Geopolitical & bifurcation), Technology & AI revolution (and how it's applied in this space), and current challenges facing the start-up ecosystem (incl capital market impact).

While this might be a challenging time especially for the Supply Chain & Logistics industry, as well as for overall start-up and growth stage companies, we at Reefknot continue to see our portfolios revenue close to doubling year-on-year, with aggregate gross profit close to 2.5x year-on-year, demonstrating the strength and resiliency of our portfolio, and having our investment methodology validated through the past few years.

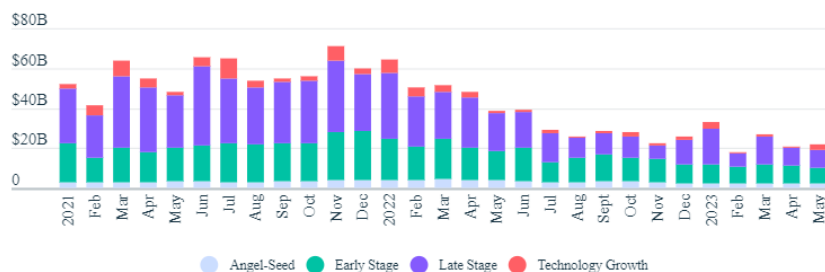
In the meantime, while we increase our efforts on value creation activities for our current portfolio companies, we continue to source for great quality transformative start-ups, and actively deepen and grow our relationships with strategic corporates globally.

Industry Observations

a. Venture Capital Investments

Although there continues to be investments into growth stage start-ups these are much fewer in number and more concentrated, showing an increased capital concentration into perceived winners in specific spaces.

Global Funding By Stage Through May 2023



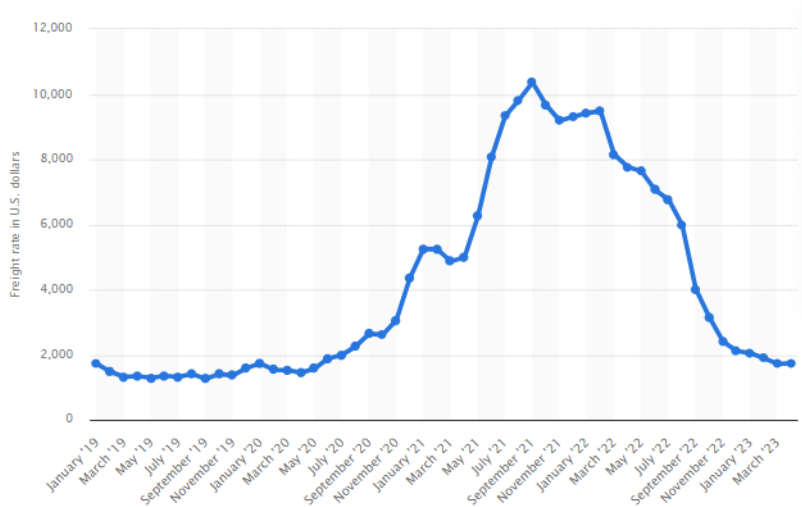
crunchbase

Source: Global Funding By Stage Through May 2023, Crunchbase

The business of Venture Capital itself will continue to evolve and mature, together with the importance of doing sound investment analysis and Diligence, as well as more active Board governance. The power of good portfolio management is being re-emphasized, with more resources and time dedicated to this, even for early-stage investments, including leveraging senior

resources (with deep business or technical domain) who can more effectively advise and steer start-ups.

b. Freight rates and the Logistics industry

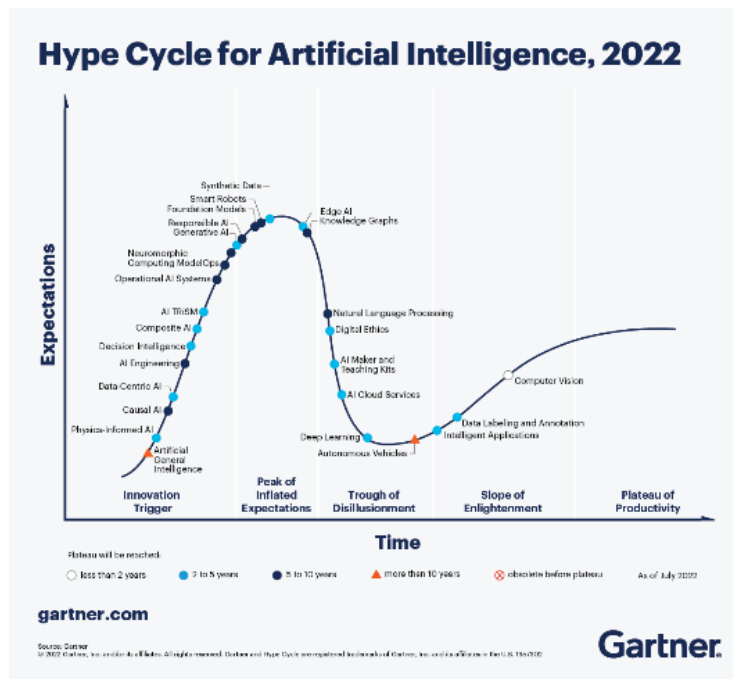


Source: Global container freight rate index from January 2019 to April 2023, Statista

While the Logistics industry goes back to focusing on driving/maintaining margins and cost optimization, instead of revenue growth at all costs, there has been an increased awareness of the types of emerging business models and the value of AI/technology to support and drive innovation & differentiation. Interesting to note as well, is that margins in the industry seem to be holding up (within established players), and due to the focus on improving margins in the start-up space, even Digital Logistics related start-up margins generally is on the rise, but ability to achieve a sustainable profitability for some of these players is still a question, and 2H2023/1H2024 will be a determining time period for them.

However, there is light at the end of the tunnel for the Logistics start-up industry, in that survivors post this period will be much stronger, will have proven their 'reason for being', and will emerge the winners in their respective spaces.

c. Generative AI and implications on the industry



Source: Hype Cycle for Artificial Intelligence, 2022, Gartner

From a technology perspective, seems like the AI hype cycle is back, specifically for this specific class of AI: Generative AI. There is promise and good applications for these models, however, we need to discern investability vs purely (practically) applying it to use cases. Among Reefknot's portfolio, there are some that have previously deployed such capabilities into their product suites, including [Altana](#) and [Previser](#). In the meantime, Blockchain (albeit architected fit-for-purpose) has also observed to be consumed by the industry, a case in point is how [WaveBL](#) has adapted/adopted such technologies to drive the digitization of trade documents (Bill of Lading) in the Maritime industry.

That being said, there are indeed areas in the Supply Chain & Logistics solution area landscape where application of Generative AI technologies will have an impact, and we are in the midst of completing this thesis, and intend to publish a version for the general public by August.

Above & Beyond The Noise

For the Venture Capital space, it is increasingly important to see above & beyond the noise, to know how to identify mid-long term trends and invest into those trends. Deep industry and technology understanding becomes paramount, together with strong corporate and VC/CVC networks, in order to be successful in the Venture Capital business. In addition, it is also important for VCs to have a strong differentiated proposition for start-ups that they invest into, especially being able to demonstrate effectiveness in value-adding to the start-ups in areas they have gaps in, be it domain knowledge/expertise, networks, and the latest tech/AI relevance (to the Supply Chain and Logistics space).

We at Reefknot will continue to push the envelope in investing and creating value in innovative technology start-ups and strive to become an industry architect in supporting our portfolio to transform the Supply Chain & Logistics industry landscape.

[Marc Dragon](#)

Managing Director, Reefknot Investments

Featured



Source: WaveBL

We are excited to announce our [latest investment into WaveBL](#), a leading player into the global digital trade document space.

[WaveBL](#)'s unique technological capability, especially the way they've leveraged and architected around blockchain, helps solve an industry-wide problem and enables the digitalization of trade documents and trade flows. This not only reduces costs and drives Sustainability through negating physical paper, but also gives greater security and visibility to parties involved in the process.

This investment into WaveBL marks our 1st investment into Israel in driving digital transformation & sustainability in the Maritime trade documentation space, and we continue to be on the lookout for transformative technology centric startups in the supply chain and logistics space.

Congrats to Noam and the WaveBL team on this significant milestone!

Portfolio In The News



- Altana is one of 13 revolutionary startups awarded in [Fast Company's 2023 World Changing Ideas Awards](#) in the "AI and Data" category alongside Nvidia, Hewlett Packard (HP) and more.
- Altana was featured at [Gartner's Supply Chain Symposium|Xpo in Barcelona](#) recently to share on building trusted networks for global trade, security and compliance, supply chain management and sustainability with top global supply chain executives.
- Maersk Customs Services partners with Altana in launching an [AI enabled traceability system](#), to address the increasingly dynamic US customs regulation.



- Stellar Lifestyle, the business arm of transport operator SMRT, joins forces with Pickup in setting up a [last-mile fulfilment satellite network](#) to enable multi-delivery functions through Pickup's platform.

- Pickup collaborates with L'Occitane to promote eco-friendly logistics and pave the way for a more sustainable future, [reducing carbon emissions by 15% for every customer purchase](#).



- With a renewed emphasis on “Intelligence”, Roambee [closes off a strong 2022](#), achieving 138% growth in monthly shipments monitored and playing an instrumental role in driving 6 major industry transformations.
- Awarded to only 6 out of 1000+ submissions globally, Roambee emerged as Runner-Up for the prestigious [CSCMP Supply Chain Innovation Award](#). Roambee’s CEO [Sanjay Sharma](#) further [shared his perspectives](#) around redefining Supply Chain Intelligence.
- Roambee celebrates a turning point in its “Intelligence” position as it was awarded the [winner](#) of the “Best AI-based Solution for Supply Chain” designation in the sixth annual AI Breakthrough Awards, joining the ranks of OpenAI, Microsoft, and more.

Our Other Portfolio Companies



Reefknot Perspectives

The topics of demand-supply imbalance, impact of supply chain bifurcation, and inventory and supplier resilience are even more important today as it was in 2022. Our Insights paper which was published last year is increasingly relevant in today's environment and continues to provide valuable insight and guidance for companies involved in the supply chain and logistics industry.

Whitepaper: Implications of Inventory Optimization & Supply Chain Resilience on Future Supply Chains

- This is Reefknot's 3rd Supply Chain Digitalization survey, done in collaboration with NEXST, IFC and Kuehne-Nagel.
- This research allows readers to glean key insights around inventory and supply chain resilience, with a deeper dive into impact of regionalization and supplier diversification on fulfilment and transportation strategies.

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