

ICON

C O R P O R A T E F I N A N C E

AI & Data Technologies

2021 Atlas

Strategic Analysis for AI & DataTech Fundraising & M&A

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About ICON Corporate Finance

AI & DataTech Overview

ICON's AI & DataTech Expertise

Identify Strategic Opportunities. Leverage Competitive Dynamics. Achieve Execution Advantage.

Data-driven advice for a data-driven industry – ICON's AI & DataTech Platform is a curated, proprietary data platform utilized to achieve optimal results.

Company & Transaction Database



>4,300 M&A Transactions By

>2,900 Acquirers



>3,200 VC Financings From

>2,900 Investors



>1,700 Companies

>160 Sectors

Proactive & Proprietary Analysis

VC, CVC & PE Trends

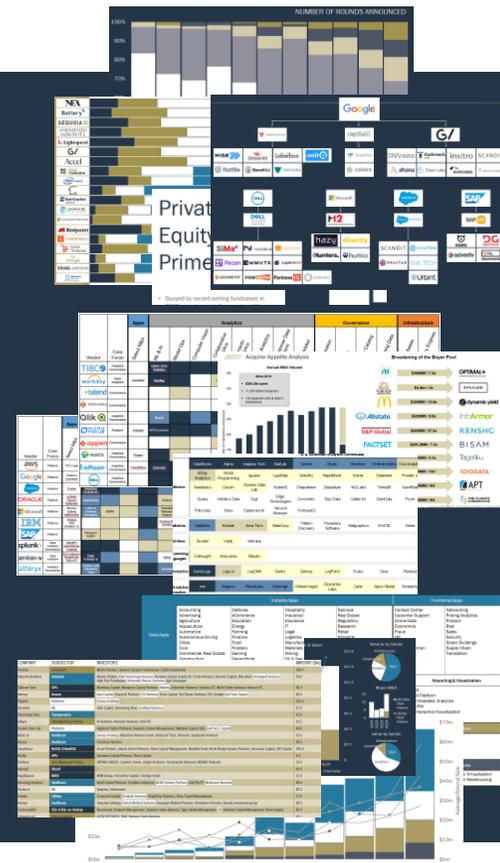
- Firm-specific Investment Analysis
- Breakdown By Size & Valuation

Acquirer Appetite Analyses

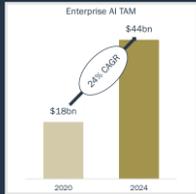
- Product Gap Analysis
- Highlights Premium Acquirers

Hyperdetailed Categorization

- Identifies Competitive Dynamics
- Vendor Financial Sizing



Predictions



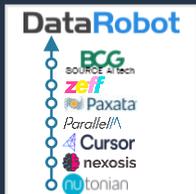
Demand Driving Investment

In its IPO prospectus, C3.ai cited research pointing to enterprise AI growing at a 24% CAGR from 2020 to 2024. VCs will continue funding companies feeding this demand, but investment will skew toward DeepTech and growth-stage companies.



Strategic M&A

Corporate acquirers will continue to pay strategic valuations for early- and mid-stage DeepTech companies, continuing activity we saw in 2020. Last year, 4 years old was the largest age cohort of acquired companies



Unicorn Platforms

Most AI & DataTech unicorns today have achieved success by maniacal focus on single product excellence. As they further grow into their valuations, they'll broaden their offerings to becoming platforms. DataRobot underscores this prediction.

Opportunity Complexity

We predict investment and M&A activity will be most active in the Data Apps layer, with PE being particularly active here. Data Governance will continue to be a source of robust opportunity – especially in data security and data management. Analytics companies will see the most premium M&A valuations.

However, the sheer number of companies throughout the DataTech stack is overloading and confusing investors and acquirers. For startups seeking acquisition or investment—precision, preparation, and identifying the right targets is key.

DataTech Stack



Data Apps

Vertical Apps
Horizontal Apps



Analytics

Advanced Analytics
Marketing Analytics
Reporting



Data Governance

Data Management
Data Security
Data Provider



Data Infrastructure

Database
Processing
Query Engine
Management

Detailed Market Segmentation

Data Apps

VERTICAL APPS						HORIZONTAL APPS		
Accounting	Construction	Farming	Industrial	Oil & Gas	Shipping	Asset Management	Loss Prevention	Security
Advertising	CPG	Finance	Insurance	Pharma	Smart Cities	Contact Center	Marketing	Smart Buildings
Agriculture	Credit	Food	IT	PR	Sports	Customer Support	Networking	Supply Chain
Automotive	Defense	Forestry	Law Enforcement	Public Safety	Supply Chain	Drone Data	Payroll	Translation
Auto. Driving	eCommerce	Gaming	Legal	Publishing	Telecom	Economics	Pricing Analytics	
Batteries	Education	Geopolitical	Logistics	Railroad	Traffic	Fraud	Product	
Cities	Energy	Government	Manufacturing	Real Estate	Transportation	HR	Research	
Civic	Entertainment	Healthcare	Materials	Regulatory	Utilities	Industrial	Risk	
Commercial RE	Environmental	Hospitality	Mining	Retail	Weather	IT	Sales	

Analytics

ADVANCED ANALYTICS					MARKETING ANALYTICS		REPORTING
AI	Computer Vision	Log Analytics	Predictive	Semantic Analytics	Behavioral Analytics	Media Intelligence	BI
AutoML	Content Analytics	ML	Prescriptive	Social Analytics	Customer Churn	Mobile Analytics	BPM
BPM	Conversational AI	Model Ops	Prog. Languages	Sound Recognition	CDP	Social Analytics	CPM
Collaborative Analytics	Decision Support	Optimization/Solvers	Quantum Computing	Spatial AI	Customer Journey	VoC	Embedded Analytics
Community	Geo Analytics	Platform	Real-time Analytics		CX Analytics	Web Analytics	Interactive Visual.

Governance

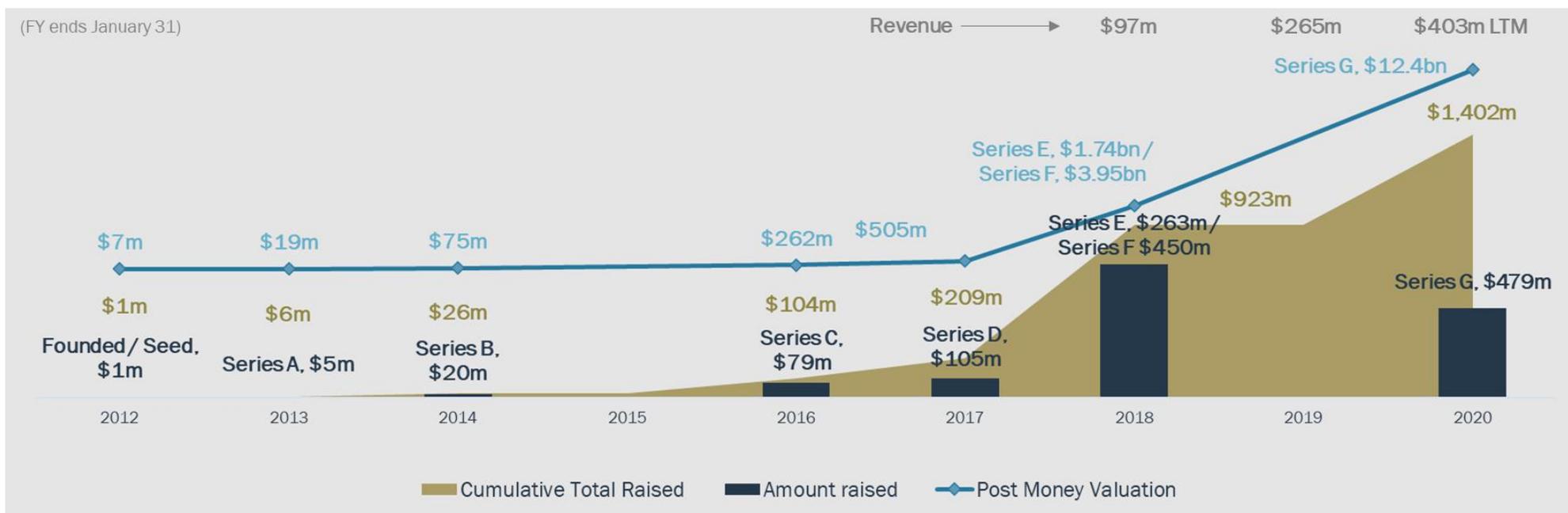
DATA MANAGEMENT					DATA SECURITY	DATA PROVIDER
Archiving & Recovery	DataOps	Metadata Management	Search		Data Discovery & Privacy	Data as a Service
Data Catalog	eDiscovery	Platform	Sharing		Data Loss Prevention	Data Exchange
Data Lineage	Integration	Prep	Training Data		Encryption	Data Extraction
Data Quality	Master Data Management	Quality			Platform	Web Scraper

Infrastructure

DATABASE				PROCESSING		QUERY ENGINE		MANAGEMENT	
DBaaS	GPU	IaaS	NoSQL/NewSQL Time Series	Acceleration	IMDG	Access	Virtualization	Administration	Deployment
Edge Comp.	Graph	Real-Time	SQL/on-Hadoop	Computing		Data Lake	Warehousing	Automation	Monitoring

Setting The Stage

Snowflake's Path To A Premium Valuation



The Result

(September 16, 2020)

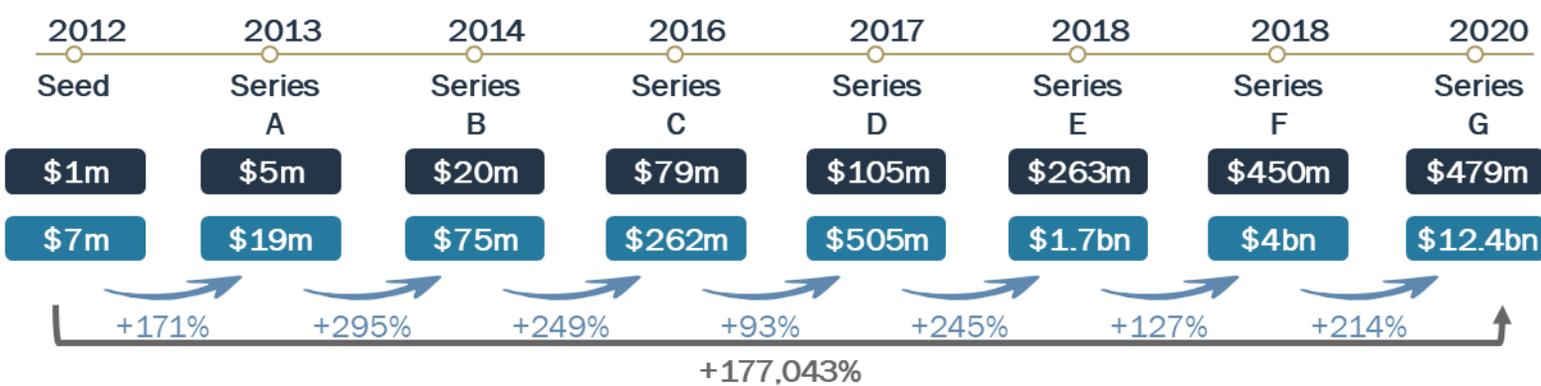
- \$68bn** Opening Market Cap
- 9,714x** Increase in valuation since Series A
- \$3.4bn** Amount raised

The Private Placement Path

Cumulative Total Raised: \$1.4bn

Amount Raised

Post Money Valuation

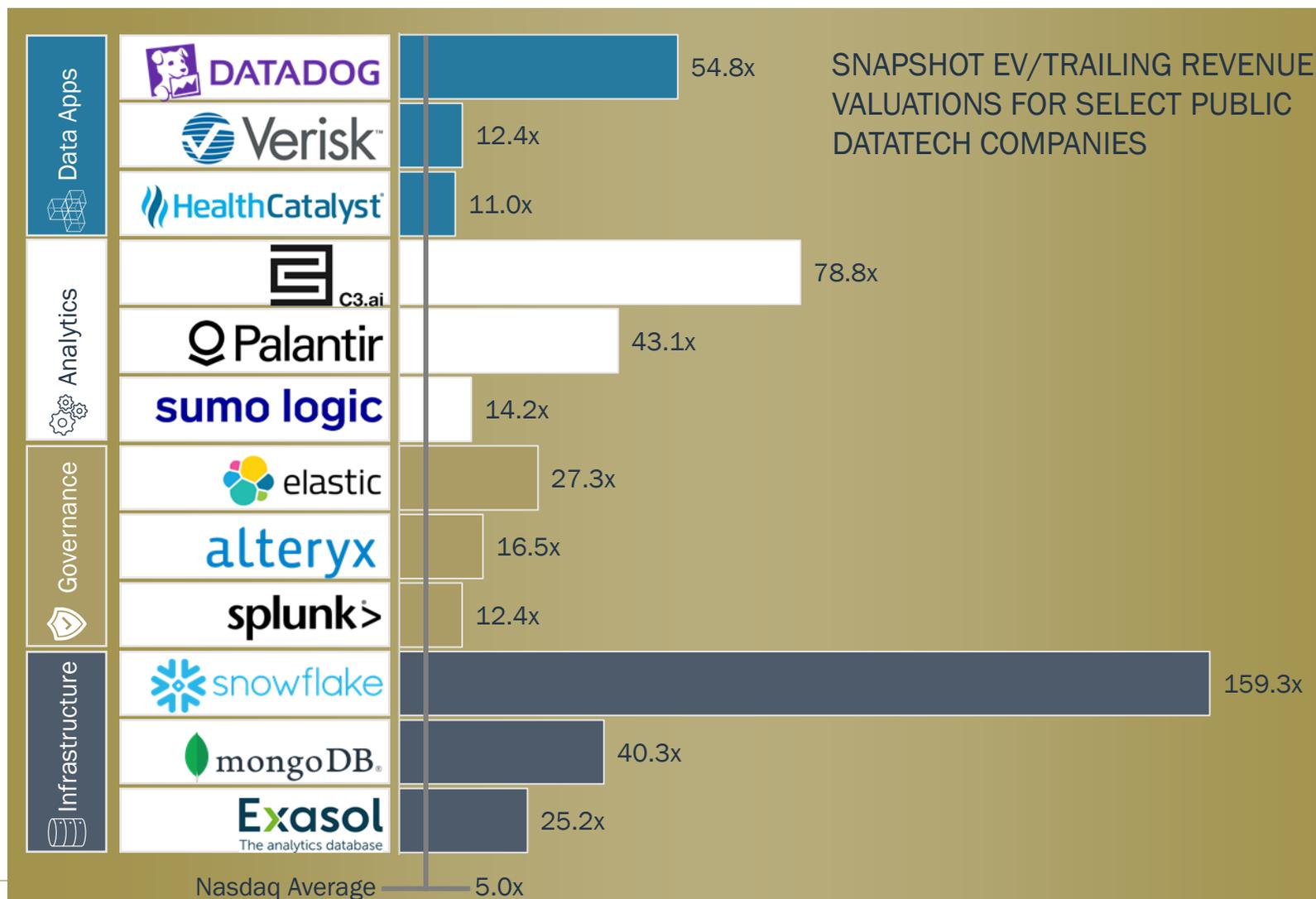


Select Investors

Along The Way

IPO Influence

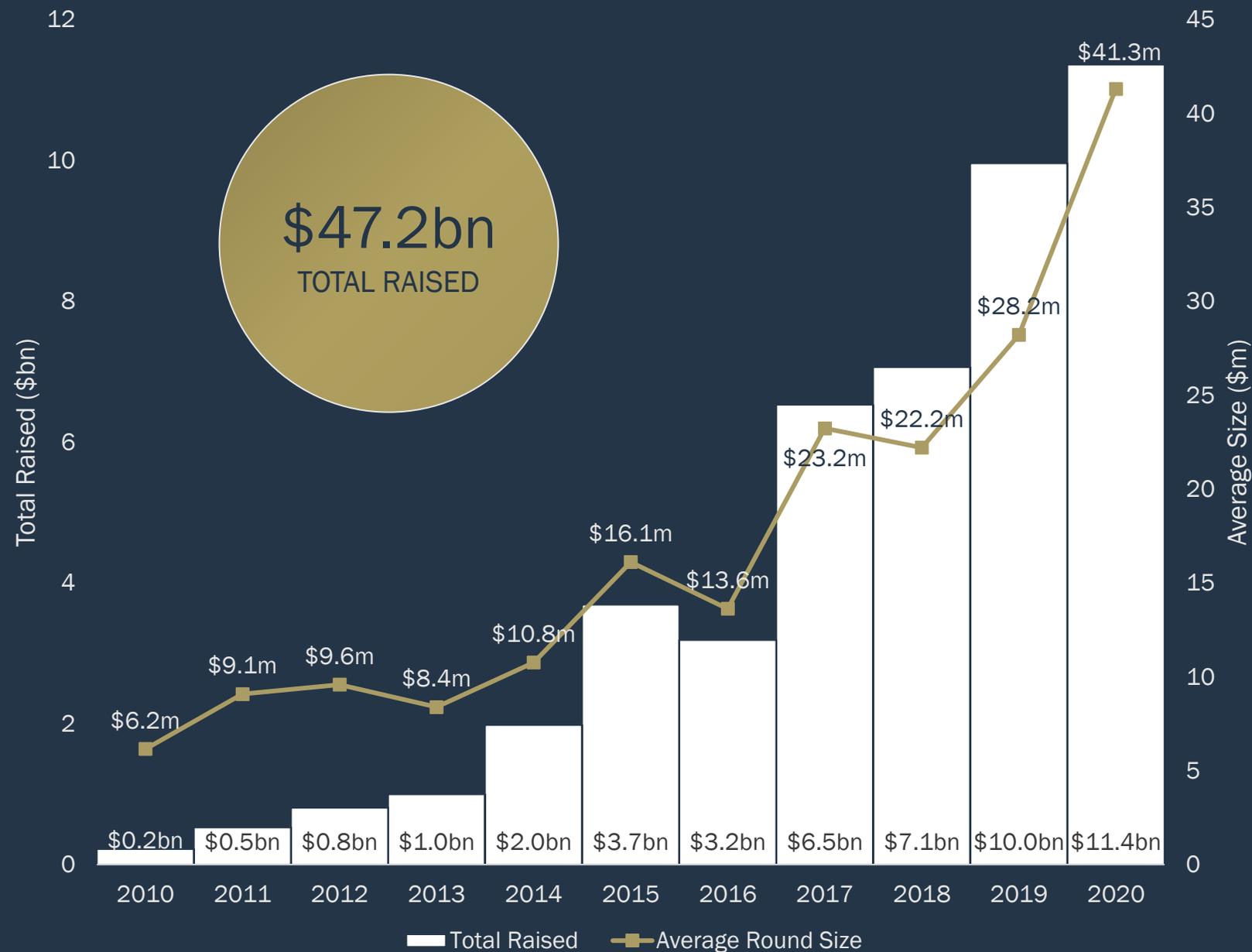
- Amid global lows of 2020, AI and data companies saw record highs in public markets.
- Data cloud provider Snowflake marked the largest-ever software IPO in its September debut. Sumo Logic went public the next day followed by Palantir two weeks later. C3.ai ended the year with a debut in December. Telus International, new owner of AI annotation company Lionbridge, filed its IPO prospectus in January 2021.
- As of this analysis, Snowflake is valued at a whopping **159x** Enterprise Value / Trailing Revenue multiple.
- Public valuations like these influence future private company fundraising and M&A.



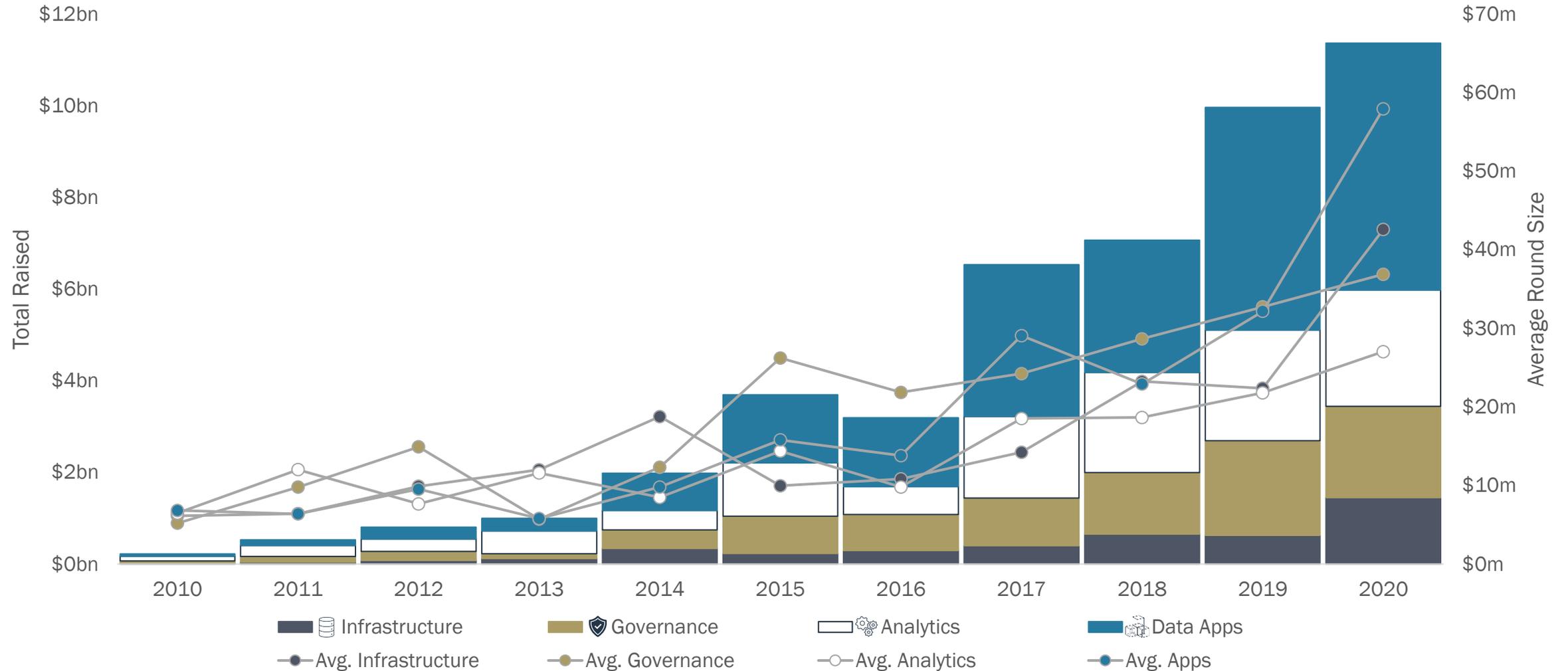
Fundraising Trends

VC Feeding Frenzy

- Driven by cheap capital, seemingly insatiable customer demand, and growing competition among the VC universe, 2020 set records for the amount of capital raised and the average size of rounds raised by AI & Data Technology vendors.
- 1,107 investors made at least one investment last year, just shy of the 1,125 record set in 2019. However, the average number of investors per round set a new record of 4, topping the previous record of 3.2 in 2019.
- Although total capital raised and average round sizes reached new highs, the total number of rounds announced dropped to the lowest level since 2016.



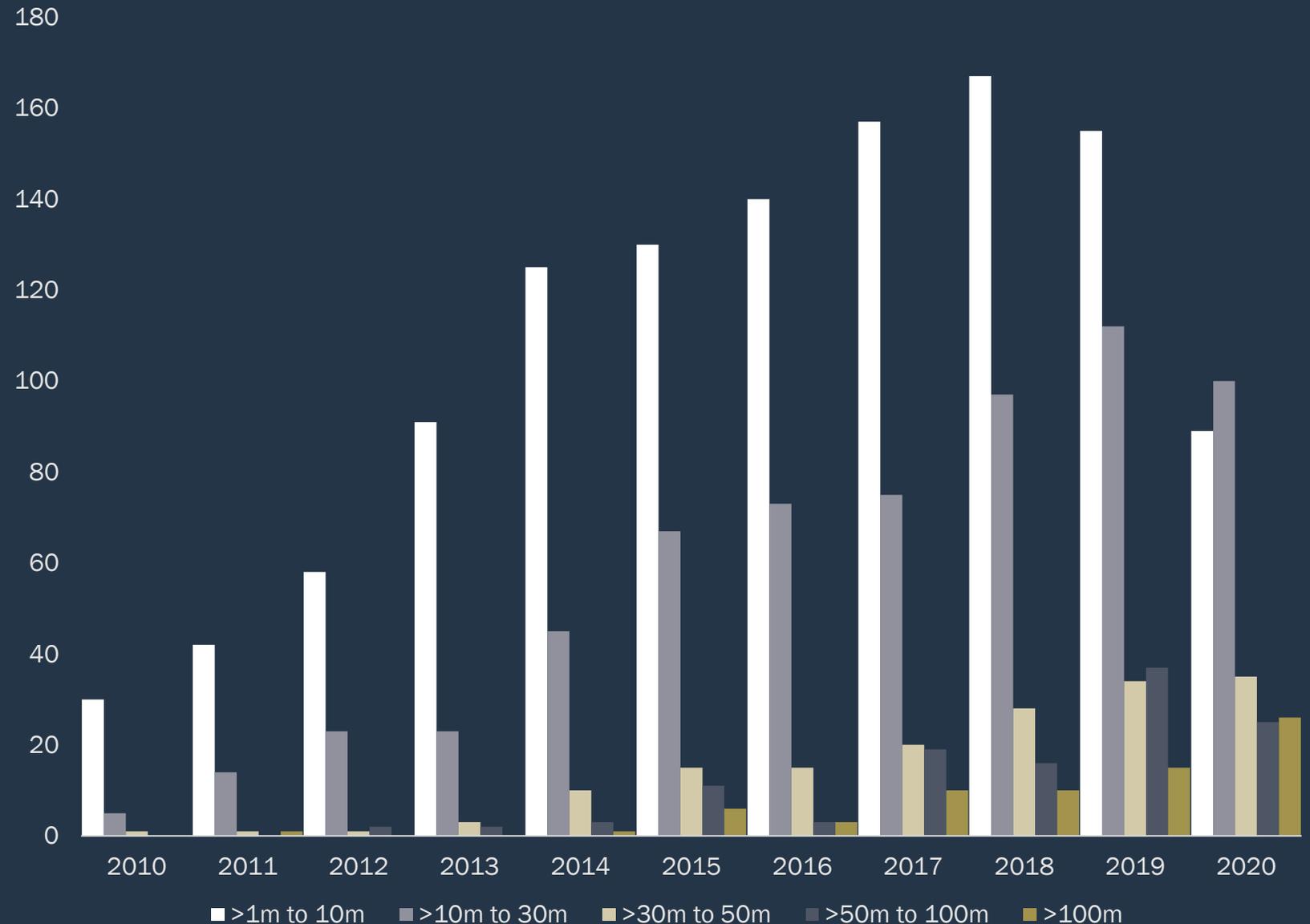
Total Raised By Sector By Year



Trends in Transaction Sizes

- Early-stage financings in AI & DataTech continued to decline while the number of rounds worth more than \$100m reached a record percentage of total rounds announced.
- In the second half of 2020, a total of 20 rounds worth >\$100m were announced – equal to one nearly every week.
- Mid-stage rounds in the \$10-30m range declined slightly, while deals in the \$30-50m range set a new record.

NUMBER OF ROUNDS ANNOUNCED



Financing Frequency & Valuations

- With the exception of the Data Infrastructure sector, \$10-30m rounds were most common for our three other macro sectors. Data Apps vendors raised more rounds of at least \$100m than they did in each of the two immediately smaller tiers.
- Median post money valuations in two of our four macro sectors reached \$100m or more last year.
- Data Governance vendors, which are becoming increasingly critical to producing accurate analytics, are attractive investment opportunities.

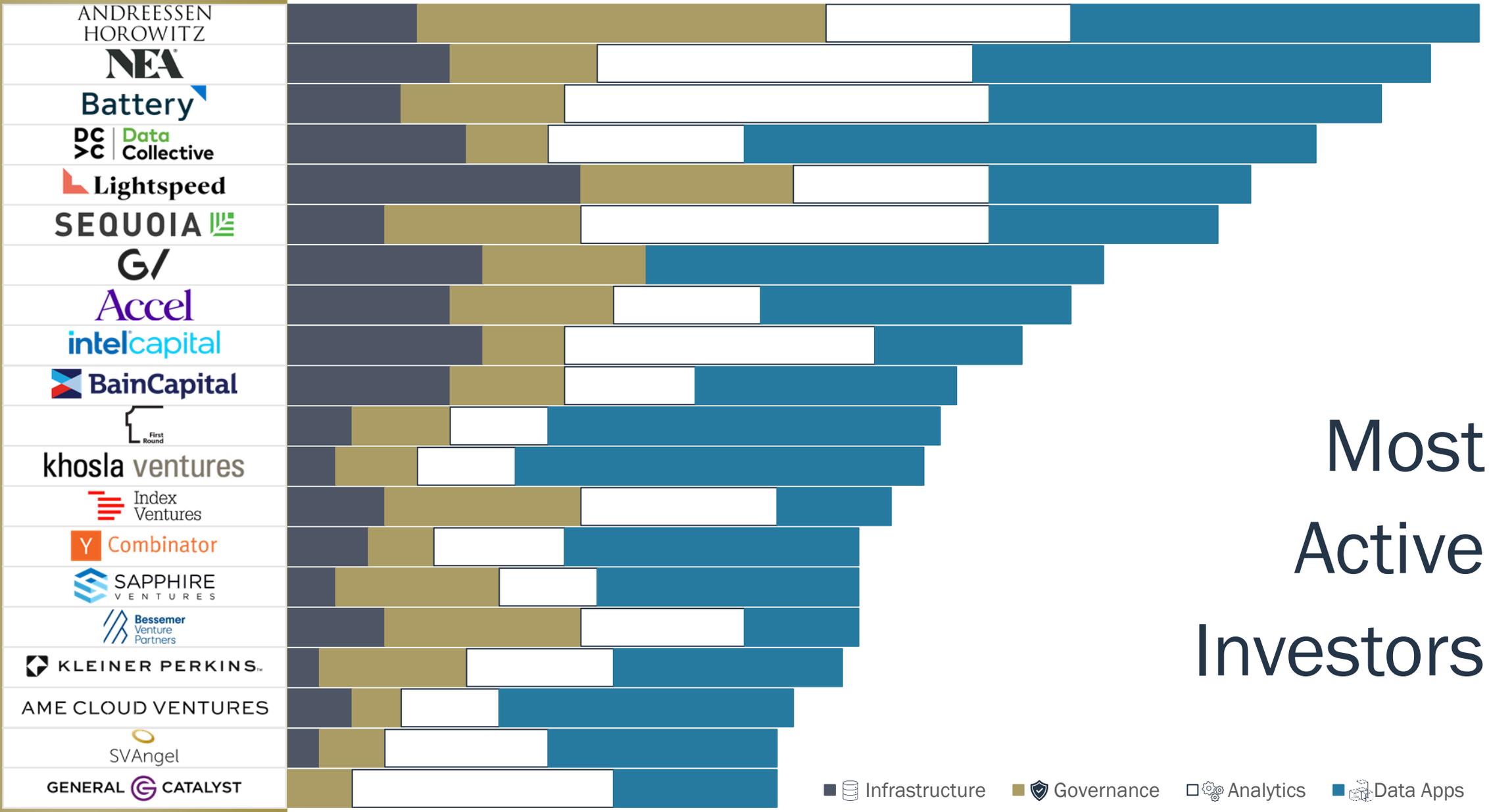
2020 DEAL DISTRIBUTION BY SECTOR AND SIZE

	>1m to 10m	>10m to 30m	>30m to 50m	>50m to 100m	>100m
Data Apps	Light Gray	Dark Gray	Light Gray	White	Light Gray
Analytics	Light Gray	Dark Gray	Light Gray	White	Light Gray
Governance	Light Gray	Dark Gray	White	Light Gray	Light Gray
Infrastructure	Dark Gray	Light Gray	Light Gray	Light Gray	Light Gray

2020 MEDIAN POST-\$ VALUATIONS

Data Apps	\$100.0m
Analytics	\$65.0m
Governance	\$47.3m
Infrastructure	\$110.0m

Most Active Investors



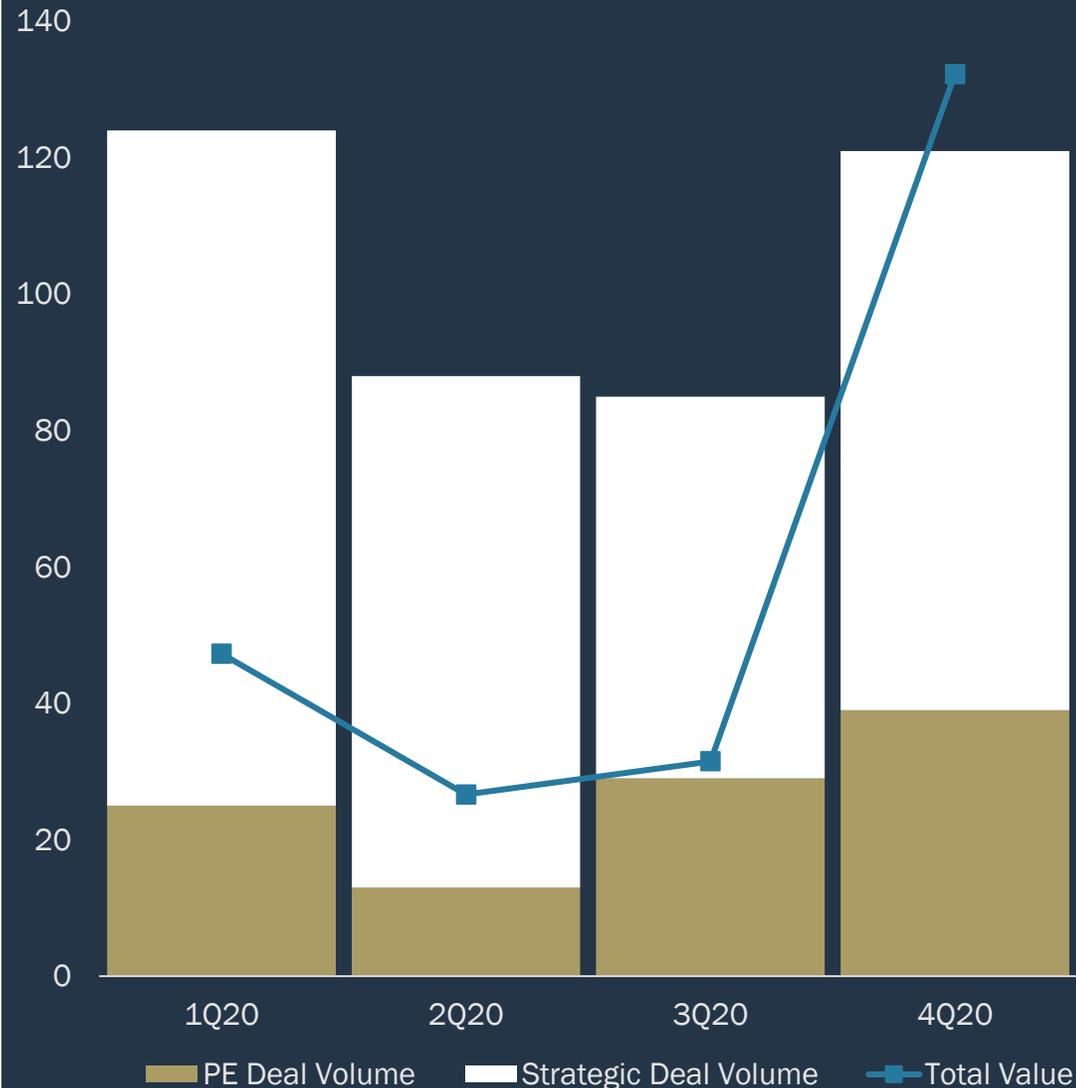
■ Infrastructure
 ■ Governance
 □ Analytics
 ■ Data Apps

M&A Activity

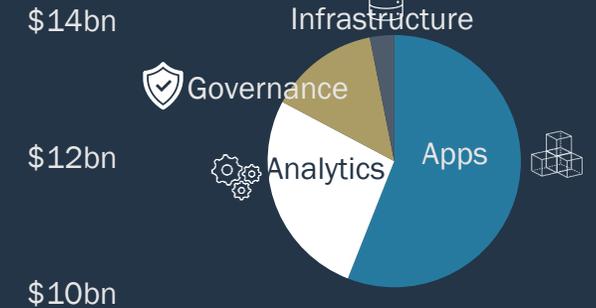
Rebound & Resilience

- Alongside all other economic activity, M&A volumes and value halted in the second and third quarters of 2020 as global uncertainty weighed on acquirers' acquisition strategies.
- In Q3 of last year, however, US GDP grew a remarkable 33.4% Q/Q, more than recouping GDP lost in Q2.
- That led to a boom in activity in the fourth quarter. Twilio kicked off Q4 announcing it would acquire customer data platform startup Segment for \$3.2 billion – its largest-ever acquisition. By our estimates, the deal values Segment at roughly 13-20x trailing revenue.

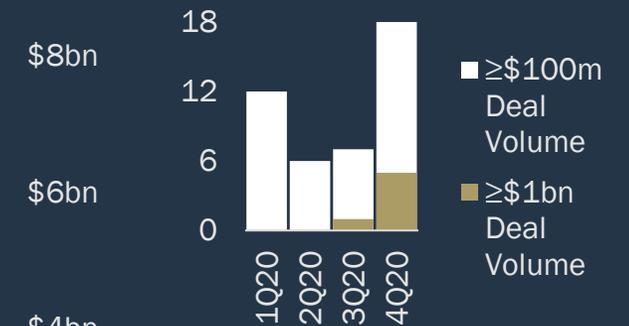
2020 Quarterly Deal Volume & Value



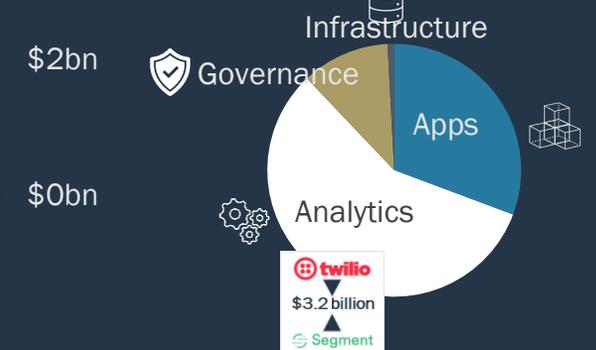
Volume by Sector



Major M&A

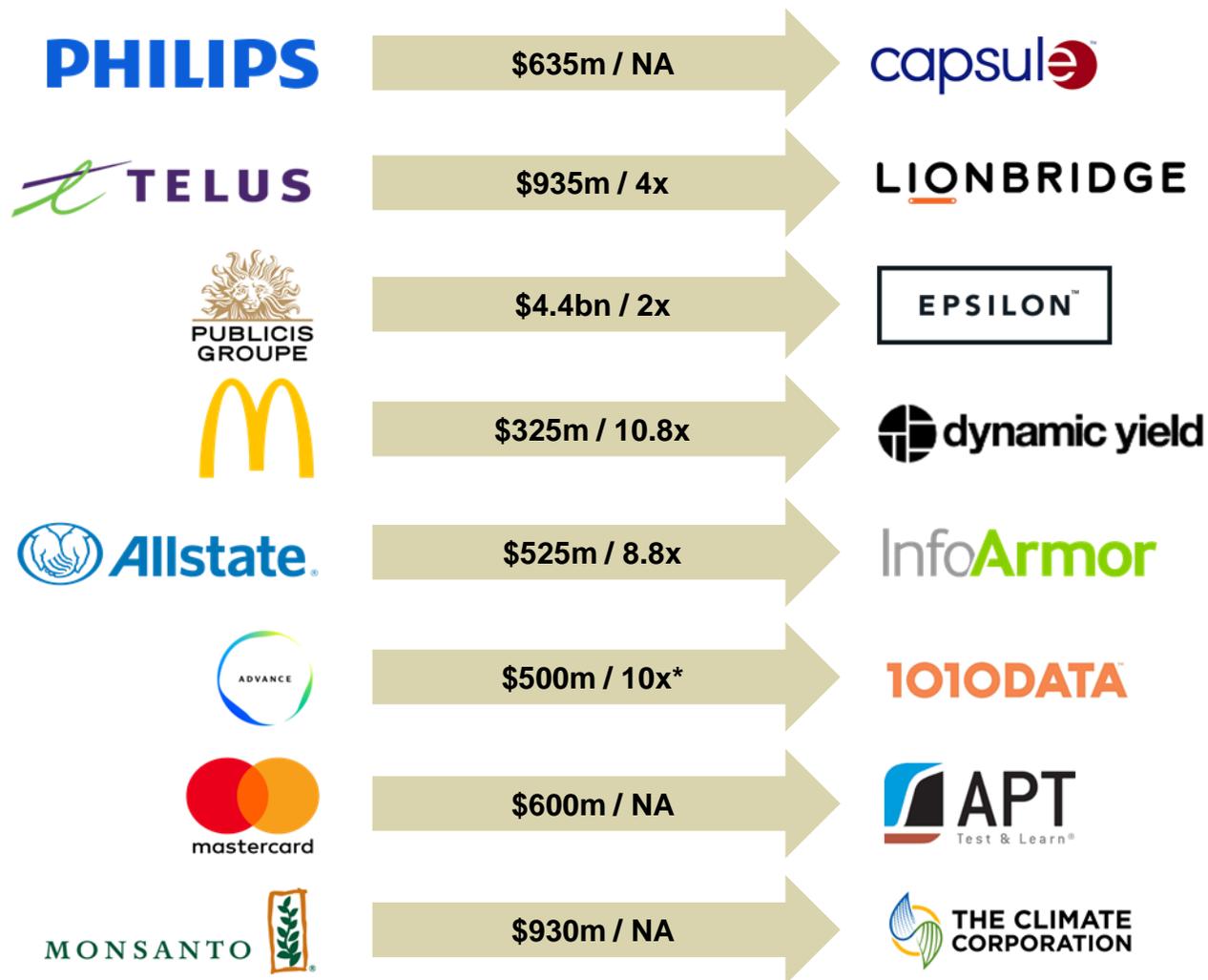


Value by Sector



Broadening Of The Buyer Pool

- As the need to become data-driven has grown over the years, so too has the pool of acquirers of data vendors. The diversity of the buyer pool has expanded to include agriculture, publishing, and even fast-food conglomerates.
- Atypical acquirers are seeking both commercial and operational benefits of AI and data technologies, but also financial returns. In November 2020, Canadian telco Telus announced it was acquiring AI annotation company Lionbridge for \$935m. Two months later, Telus announced it was taking its newly acquired Lionbridge business public as a separate entity.
- We expect this ‘broadening’ trend to continue as VCs fund ever more data-driven applications vendors that can become data empowerment targets for digitizing industries.



Strategic Opportunity Snapshot

- Nimble and well-capitalized startups are developing disruptive technologies at breakneck speed. With nothing to do but work during the pandemic, development cycles have shortened significantly.
- Acquirers have frequently maintained pace via M&A, and they oftentimes acquire companies that appear to overlap.
- For startups seeking an acquisition—identifying the right acquirers and precise messaging are key to differentiate from the scores of other companies with similar positioning.

ICON PROPRIETARY GAP ANALYSES

Select Vendors	Core Focus	Apps	Analytics							Governance				Infrastructure	
	Platform	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Platform	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Analytics Governance	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Platform	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Platform	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Platform	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Platform	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Apps-IT Analytics Governance	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Apps-IT Analytics	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Analytics Governance	...	...	...	...	...	...	...	...	...	...	...	...	...	...

Available one-on-one only

Strategic Opportunity

High

Medium

Low

TBD

Premium Valuations For Deep Technology

- Financial performance is typically the greatest influencer on M&A valuations. However, in DeepTech sectors such as AI and DataTech, the value of a startup's technology and talent oftentimes supersedes financial metrics.
- ServiceNow has been among the most frequent premium buyers of AI and data management companies in recent years. True to its core business, it has preferred IT-leaning targets but its most recent and largest acquisition is that of horizontal AI startup Element AI.
- Coinciding with the rise of DevOps, over the past few years the acquirers paying strategic valuations most often focused on the IT market.
- This selection of 12 acquisitions over the past two years highlights technical value: **approximately \$1 billion spent for less than \$50 million of revenue.**

Transaction	Date	EV (\$m)	Rev. (\$m)*	EV/Rev.*	Description
 / 	11/30/20	230	<10m	>23x	 AI platform
 / 	11/3/20	60*	<3m	>20x	 AI infrastructure & ModelOps
 / 	10/27/20	50*	<3m	>17x	 Computer Vision
 / 	10/20/20	38	<3m	>13x	 Digital experience monitoring
 / 	6/22/20	28.1	<3m	>9x	 Configuration data management
 / 	1/22/20	58.4	<3m	>19x	 Log analytics
 / 	1/15/20	~200*	<3m	>67x	 Edge AI platform
 / 	1/3/20	128.1	<3m	>43x	 Computer vision
 / 	12/11/19	117.5	<10m	>12x	 Database monitoring
 / 	11/1/19	24	<3m	>8x	 Streaming data integration
 / 	4/24/19	39	<3m	>13x	 Mobile data infrastructure
 / 	2/6/19	37	<3m	>12x	 ML-based event analytics

Private Equity Primetime

- Buoyed by record-setting fundraises in 2019, private equity firms entered the pandemic period hungrier than ever.
- Historically, PE generally were underbidders on acquisitions that traded to strategic acquirers. That's all in the past – they are now offering competitive valuations and should be considered in nearly every M&A or financing process.
- In 2020, PE firms acquired more in the data-driven vertical and horizontal applications market than any other sector. We expect that to continue.

PE DEAL VOLUME, 2020

 Apps

 Analytics

 Governance

 Infrastructure

SELECT TRANSACTIONS BY SECTOR

THE CARLYLE GROUP



Carlyle Group acquires VC-backed clinical trials data management provider TriNetX.



AcceI-KKR-backed SugarCRM acquires VC-backed AI-based customer analytics startup Node.io.



Providence Strategic Growth acquires bootstrapped master data management startup Semarchy.



Great Hill & Catalyst Investors-backed EDB continues PostgreSQL consolidation by acquiring bootstrapped 2ndQuadrant.

About ICON Corporate Finance

Deep Experience

250+
Closed transactions

180+
Combined years'
experience

8
Languages spoken

25+
Countries we've
transacted in

1
Focus – Tech Investment
Banking



Banker Backgrounds

J.P.Morgan

Deloitte

OPPENHEIMER

KPMG

451 Research

pwc

ROLLS
ROYCE

MOORELAND
PARTNERS

CLSA
ASIA-PACIFIC MARKETS

SOCIETE
GENERALE

LLOYDS
BANKING
GROUP

Global Transaction Record

Select Transaction Experience Across Verticals, Geographies & Structures



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