Artificial Intelligence M&A and VC Funding Update

H1 2018

August 17, 2018
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Sources for our research and data include: PitchBook, MergerMarket, Wall Street Journal, Company Websites, SEC Filings, Bloomberg, TechCrunch, MergerMarket, MIT Review, and CB Insights
M&A Market Brief

Global, U.S. and Artificial Intelligence M&A Activity H1 2018

Worldwide

The global M&A value in Q2 2018 totaled US$1.01tn, an 9.1% growth from Q1 2018, became the most active quarter since Q4 2016 (US$ 1.03tn) by value, breaching the US$ 1tn mark for only the fourth quarter since the crisis.

Only 38.2% of the global M&A value was generated by cross-border activity – almost a six percentage-point drop compared to H1 2017.

More than $2.5 trillion in mergers were announced during the first half of the year, as fears of Silicon Valley’s growing ambitions helped drive a record run of deal-making.

Six of the largest ten deals in H1 2018 were domestic deals, including T-Mobile’s US$ 58.9bn takeover of Sprint, announced in late May.

Almost three-quarters of the global value has targeted the US and Europe this year, up from 64.9% in H1 2017.

Europe now accounts for just under a third of the global value up from 22.4% in YTD 2017. Asia has seen its global share dip from 27% in YTD 2017 to 19.1% this year for deal announcements.

In H1 2018, US M&A deal value rose by 15.9% to US$ 807.9bn from US$ 697.1bn recorded in H2 2017 and by 31.1% from US$ 616.3bn recorded in H1 2017. However, total deal count fell by 247 transactions compared to H2 2017 (2,840) and by 293 transactions compared to H1 2017 (2,886).

The average value for disclosed deals in the first half of the year jumped 51.4% to US$ 736.7m from US$ 486.5m in H1 2017, and 24.8% from US$ 590.2m in H2 2017.

There are 11 mega-deals (>$US 10billion) in H1 2018, five more than in H1 2017 where six mega-deals took place.

The value of the largest US deal of Q2 2018, T-Mobile acquisition of Sprint, at US$ 58.9 billion.

The total value of technology deals is US$ 178.5bn has increased compared to H1 2017 value (US$ 111.8bn).

73% of software M&A targets (sellers) and 80% of buyers were based in North America.

United States

Artificial Intelligence

Total US Artifical Intelligence M&A deals are on pace to hit 131 acquisitions by the end of 2018, a 14% increase from 2017.

Artificial Intelligence VC funding totaled $4.2B for H1 2018, an increase of $1.9B, which is a 77% increase compared to H1 2017.

Artificial Intelligence M&A multiples have been scarce, but A2iA was acquired for approximately $58m, or 29x EBITDA, by Mitek Systems.

10 top tech companies currently investing and acquiring in AI include:

- Amazon
- Apple
- Facebook
- Google
- IBM
- Microsoft
- NVIDIA and Nuance
- Uber
- Salesforce
- Spotify
Global M&A Deals by Volume & Value

Source: https://dealogic.com/insight/h1-2018-ma-highlights/
Artificial Intelligence VC funding

VC funding for Artificial Intelligence continues to grow signaling an increase in investor confidence. Artificial Intelligence VC funding totaled $4.2B for H1 2018, a 77% increase compared to H1 2017’s total of $2.38B.

The large increase in VC funding signals a long-term increase in Artificial Intelligence M&A activity.

Source: CB Insights
Artificial Intelligence Q2 Funding by Category

According to Medium, the below chart shows that both Machine Learning Platforms and Computer Vision Platforms lead the sector in Q2 funding with $1.5B each. Machine Learning Applications and Smart Robots follow in the second and third places with $1.4B and $1B, respectively. It’s also noteworthy that there is a steep drop-off after Smart Robots, as its funding is 3.4 times higher than the next category, Speech Recognition.

Q2 2018 Funding (in $USD Billion)

Source: https://medium.com/@VentureScanner/machine-learning-categories-lead-ai-funding-776bba9b3b1
Artificial Intelligence M&A activity 2013 – 2018 YTD

2018 AI M&A is on pace for 131 acquisitions, up 14% from 2017.
## Artificial Intelligence sub-sector breakdown

<table>
<thead>
<tr>
<th>AI Specialty</th>
<th>Where it is being used</th>
<th>Select M&amp;A Target</th>
<th>Select M&amp;A Acquirer</th>
<th>Target Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Analytics</td>
<td>Finance, Insurance, Tech, Healthcare, Manufacturing, Transportation, Gov</td>
<td>Counsyl</td>
<td>Myriad Genetics</td>
<td>Automates prenatal genetic testing and provides advanced healthcare diagnostics. TV—$375M.</td>
</tr>
<tr>
<td>Natural Language Processing (NLP)</td>
<td>Virtual Agents, Text Prediction, Chatbots, Sales, Customer Service</td>
<td>Datorama</td>
<td>Salesforce</td>
<td>Provides AI, analytics, and real-time automation solutions for Marketing &amp; Sales. TV—$800M.</td>
</tr>
<tr>
<td>Autonomous Vehicle</td>
<td>Self-Driving Cars, Computer Software, Computer Hardware,</td>
<td>Mobileye</td>
<td>Intel</td>
<td>Mobileye provides vision-based advanced driver-assistance systems for collision prevention/mitigation. TV—$15B, EV/EBITDA—118x, EV/Revenue—41x (2017)</td>
</tr>
<tr>
<td>Automation &amp; Smart Robotics</td>
<td>Automated Software, Intelligent Contracts, Industrial Robots, Audit/Compliance</td>
<td>Intelligens.ai</td>
<td>Conversica</td>
<td>Intelligens.ai is an automated and virtual sales assistant bot that makes the sales process more efficient and connects sales people with leads</td>
</tr>
</tbody>
</table>

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Kensho, S&P Global, TV—$550M.
Counsyl, Myriad Genetics, TV—$375M.
Datorama, Salesforce, TV—$800M.
Hawxeye, Bossa Nova Robotics, Intelligens.ai, Conversica,
Future of Artificial Intelligence

Investors and analysts are predicting Artificial Intelligence to play an increasingly critical role in the economy through increasing productivity, efficiency, and by enabling advanced communications between different software, devices, and people.

### Artificial Intelligence M&A Transactions YTD 2018

<table>
<thead>
<tr>
<th>Date Announced</th>
<th>Target Company</th>
<th>Acquirer</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/19/2018</td>
<td>Hawxeye</td>
<td>Bossa Nova Robotics, Inc.</td>
<td>-</td>
</tr>
<tr>
<td>7/17/2018</td>
<td>Missions</td>
<td>Slack</td>
<td>-</td>
</tr>
<tr>
<td>7/17/2018</td>
<td>Datorama</td>
<td>Salesforce</td>
<td>$800M+</td>
</tr>
<tr>
<td>7/17/2018</td>
<td>Sesmic Games</td>
<td>Niantic Labs</td>
<td>-</td>
</tr>
<tr>
<td>7/13/2018</td>
<td>Real Time Analytics Platform</td>
<td>Accenture</td>
<td>-</td>
</tr>
<tr>
<td>7/12/2018</td>
<td>Kogentix</td>
<td>Accenture</td>
<td>-</td>
</tr>
<tr>
<td>7/11/2018</td>
<td>Emotion Reader</td>
<td>Kairos</td>
<td>-</td>
</tr>
<tr>
<td>7/10/2018</td>
<td>Butter.ai</td>
<td>Box</td>
<td>-</td>
</tr>
<tr>
<td>7/3/2018</td>
<td>Bloomsbury AI</td>
<td>Facebook</td>
<td>-</td>
</tr>
<tr>
<td>6/28/2018</td>
<td>PillPack</td>
<td>Amazon</td>
<td>$1,000M</td>
</tr>
<tr>
<td>6/26/2018</td>
<td>Elastic Beam</td>
<td>Ping Identity</td>
<td>-</td>
</tr>
<tr>
<td>6/24/2018</td>
<td>DeepUI</td>
<td>WalkMe</td>
<td>-</td>
</tr>
<tr>
<td>6/22/2018</td>
<td>Simility</td>
<td>PayPal</td>
<td>$120M</td>
</tr>
<tr>
<td>6/21/2018</td>
<td>Bonsai AI</td>
<td>Microsoft</td>
<td>-</td>
</tr>
<tr>
<td>6/19/2018</td>
<td>Connecto</td>
<td>Leanplum</td>
<td>-</td>
</tr>
<tr>
<td>6/13/2018</td>
<td>Empirical Systems</td>
<td>Tableau</td>
<td>-</td>
</tr>
<tr>
<td>6/11/2018</td>
<td>Commonwealth Informatics</td>
<td>Genpact</td>
<td>-</td>
</tr>
<tr>
<td>6/4/2018</td>
<td>HeavyWater, Inc.</td>
<td>Black Knight</td>
<td>-</td>
</tr>
<tr>
<td>6/1/2018</td>
<td>VISR</td>
<td>SafeToNet</td>
<td>-</td>
</tr>
</tbody>
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<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/29/2018</td>
<td>Jotre</td>
<td>PayPal</td>
<td>-</td>
</tr>
<tr>
<td>5/28/2018</td>
<td>Counsyl</td>
<td>Myriad Genetics</td>
<td>$375M</td>
</tr>
<tr>
<td>5/28/2018</td>
<td>HyperFish</td>
<td>LiveTiles Ltd.</td>
<td>$8.9M</td>
</tr>
<tr>
<td>5/24/2018</td>
<td>Semantic Machines</td>
<td>Microsoft</td>
<td>-</td>
</tr>
<tr>
<td>5/23/2018</td>
<td>2iaA2Ai</td>
<td>Mitek</td>
<td>$58M</td>
</tr>
<tr>
<td>5/21/2018</td>
<td>Avocando</td>
<td>Whisk</td>
<td>-</td>
</tr>
<tr>
<td>5/19/2018</td>
<td>VoiceBox Technologies</td>
<td>Nuance Communication</td>
<td>-</td>
</tr>
<tr>
<td>5/16/2018</td>
<td>TalkIQ</td>
<td>Diapad, Inc.</td>
<td>-</td>
</tr>
<tr>
<td>5/15/2018</td>
<td>MarianaIQ</td>
<td>8x8, Inc.</td>
<td>-</td>
</tr>
<tr>
<td>5/15/2018</td>
<td>Zaitech Technology Pvt Ltd.</td>
<td>Paymate Pty Ltd</td>
<td>-</td>
</tr>
<tr>
<td>5/8/2018</td>
<td>ADT Caps</td>
<td>SK Telecom</td>
<td>-</td>
</tr>
<tr>
<td>5/7/2018</td>
<td>QuickHelp</td>
<td>1001 Squared AI</td>
<td>-</td>
</tr>
<tr>
<td>5/3/2018</td>
<td>Parlo</td>
<td>ServiceNow</td>
<td>-</td>
</tr>
<tr>
<td>5/1/2018</td>
<td>Accompany</td>
<td>Cisco</td>
<td>$270M</td>
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<tr>
<td>4/30/2018</td>
<td>Universal Patient Key</td>
<td>Datavant</td>
<td>-</td>
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<tr>
<td>4/30/2018</td>
<td>Certus Solutions</td>
<td>Accenture</td>
<td>-</td>
</tr>
<tr>
<td>4/28/2018</td>
<td>Sysomos</td>
<td>Metwater</td>
<td>-</td>
</tr>
<tr>
<td>4/27/2018</td>
<td>URU</td>
<td>Adobe Sensai</td>
<td>-</td>
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<tr>
<td>4/24/2018</td>
<td>Sysomos</td>
<td>Meltwater</td>
<td>-</td>
</tr>
<tr>
<td>4/17/2018</td>
<td>Web Shrinker LLC</td>
<td>DNSFilter</td>
<td>-</td>
</tr>
<tr>
<td>4/11/2018</td>
<td>ZenIQ</td>
<td>6sense</td>
<td>-</td>
</tr>
<tr>
<td>4/6/2018</td>
<td>Flatron Health</td>
<td>Roche</td>
<td>$1.9B</td>
</tr>
<tr>
<td>4/3/2018</td>
<td>Counselytics</td>
<td>AppExtremes, Inc.</td>
<td>-</td>
</tr>
<tr>
<td>3/28/2018</td>
<td>E8 Security</td>
<td>VMware</td>
<td>-</td>
</tr>
<tr>
<td>3/20/2018</td>
<td>OfferCraft LLC</td>
<td>NRT Technology Corp.</td>
<td>-</td>
</tr>
<tr>
<td>3/19/2018</td>
<td>DataSift</td>
<td>Meltwater</td>
<td>-</td>
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<tr>
<td>3/12/2018</td>
<td>Spoutable</td>
<td>Proper Media</td>
<td>-</td>
</tr>
<tr>
<td>3/8/2018</td>
<td>Digital Signal Corporation</td>
<td>SteroVision Imaging, Inc.</td>
<td>-</td>
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<tr>
<td>3/6/2018</td>
<td>Kngine</td>
<td>Samsung</td>
<td>-</td>
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<tr>
<td>3/5/2018</td>
<td>Incoming Media</td>
<td>OVO</td>
<td>$13M</td>
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<tr>
<td>3/5/2018</td>
<td>GameSparks</td>
<td>Amazon</td>
<td>-</td>
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<tr>
<td>3/2/2018</td>
<td>Namaste Technologies</td>
<td>Findify</td>
<td>$12M</td>
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<tr>
<td>2/28/2018</td>
<td>Ring</td>
<td>Amazon</td>
<td>$1,000M</td>
</tr>
<tr>
<td>2/22/2018</td>
<td>Kormo</td>
<td>Falcon.io</td>
<td>-</td>
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<tr>
<td>2/20/2018</td>
<td>Panjiva</td>
<td>S&amp;P Global, Inc.</td>
<td>-</td>
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<tr>
<td>2/12/2018</td>
<td>Blink</td>
<td>Amazon</td>
<td>$90M</td>
</tr>
<tr>
<td>2/9/2018</td>
<td>Nervana</td>
<td>Intel</td>
<td>-</td>
</tr>
<tr>
<td>2/1/2018</td>
<td>Escher Reality</td>
<td>Niantic Labs</td>
<td>-</td>
</tr>
<tr>
<td>1/30/2018</td>
<td>Mezi</td>
<td>American Express</td>
<td>$137M</td>
</tr>
<tr>
<td>1/30/2018</td>
<td>Intelligens.ai</td>
<td>Conversica</td>
<td>-</td>
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<tr>
<td>1/29/2018</td>
<td>Intellisist, Inc.</td>
<td>Avaya, Inc.</td>
<td>-</td>
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<tr>
<td>1/25/2018</td>
<td>Thread Genius</td>
<td>Sotheby’s</td>
<td>-</td>
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<tr>
<td>1/24/2018</td>
<td>Sqrl</td>
<td>Amazon</td>
<td>-</td>
</tr>
<tr>
<td>1/17/2018</td>
<td>Sageworks, Inc.</td>
<td>Accel-KKR</td>
<td>-</td>
</tr>
<tr>
<td>1/11/2018</td>
<td>House of Engagement</td>
<td>Broad Horizon B.V.</td>
<td>-</td>
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<tr>
<td>1/10/2018</td>
<td>Northwest Cadence</td>
<td>10th Magntude, Inc.</td>
<td>-</td>
</tr>
<tr>
<td>1/9/2018</td>
<td>Layer 6 AI</td>
<td>TD Bank</td>
<td>-</td>
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<tr>
<td>1/8/2018</td>
<td>Niddel</td>
<td>Verizon</td>
<td>-</td>
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<tr>
<td>1/8/2018</td>
<td>TextRecruit, Inc.</td>
<td>iCIMS, Inc.</td>
<td>-</td>
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<td>1/5/2018</td>
<td>Notch Co.</td>
<td>Capital One</td>
<td>-</td>
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<tr>
<td>1/3/2018</td>
<td>Inner Circle Labs</td>
<td>Highwire PR</td>
<td>-</td>
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<tr>
<td>1/2/2018</td>
<td>AIM, Inc.</td>
<td>Inspirata, Inc.</td>
<td>-</td>
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</tbody>
</table>
M&A Spotlight

S&P Global Completes Acquisition of Kensho

April 9th, 2018

S&P Global announced its acquisition of Kensho Technologies Inc. (“Kensho”). Kensho is a leading provider of next-generation analytics, artificial intelligence, machine learning, and data visualization systems to Wall Street’s premier global banks and investment institutions, as well as the national security community. The acquisition was announced on March 6, 2018.

Kensho was founded by Daniel Nadler, who launched Kensho five years ago while finishing his PhD at Harvard. Kensho, a very profitable company with over 120 employees sold for $550M.


Salesforce Signs Definite Agreement to Acquire Datorama

July 16th, 2018

Salesforce has signed a definite agreement to acquire Datorama, the leading cloud-based, AI-powered marketing intelligence and analytics platform for enterprises, agencies and publishers. Datorama enables more than 3,000 leading global agencies and brands—including PepsiCo, Ticketmaster, Trivago, Unilever, Pernod Ricard and Foursquare—to optimize marketing campaigns, automate reporting and make data-driven decisions faster.

Datorama customers will be able leverage the power of Salesforce, the worlds #1 CRM as a result of the $800M transaction.

VC Funding Spotlight

Alibaba Joins $600M Round For Chinese AI Facial Recognition Start-up Megvii

July 24th, 2018

Megvii Inc., the Chinese developer of facial recognition system Face++, is said to be raising at least $600M from investors including Alibaba Group Holding Ltd. And Boyu Capital, according to media reports. Megvii provides face-scanning systems to companies including Lenovo Group Ltd. And Ant Financial and competes with Alibaba-backed AI start-up SenseTime.

New backer Boyu Capital is a private equity firm co-founded by a grandson of former Chinese leader Jiang Zemin.


SenseTime Closes $620M Series C+ round with Alibaba & Qualcomm

May 30th, 2018

SenseTime, the world’s highest-valued AI company with a valuation of over $4.5 billion raised $600M in an Alibaba-led financing round announced last month, and now it has added a further $620M to that with a “Series C+” round announced today. SenseTime is a Chinese technology company specializing in artificial intelligence and facial recognition. A Chinese government program aims to make the country the world leader in AI technology by 2030, by which it is estimated that the industry could be worth $150 billion per year.

Source: https://techcrunch.com/2018/05/30/even-more-money-for-senstime-ai-china/
About Solganick & Co.

Solganick & Co., Inc. is an independent investment banking and M&A advisory firm focused exclusively on the global technology and digital media industry sectors, including an active practice within artificial intelligence. We advise buyers and sellers of companies and efficiently execute M&A transactions that help increase shareholder value. Our professionals have advised on $20+ billion in M&A transactions to date and have current clients and relationships globally with entrepreneurs, companies and leading private equity firms within the sectors we cover.

Please contact us for information regarding this report or to inquire about an M&A transaction.