



Solganick & Co.

Artificial Intelligence
Investment Banking + M&A Advisory



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.

United States

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.

Artificial Intelligence

Total US Artificial 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.

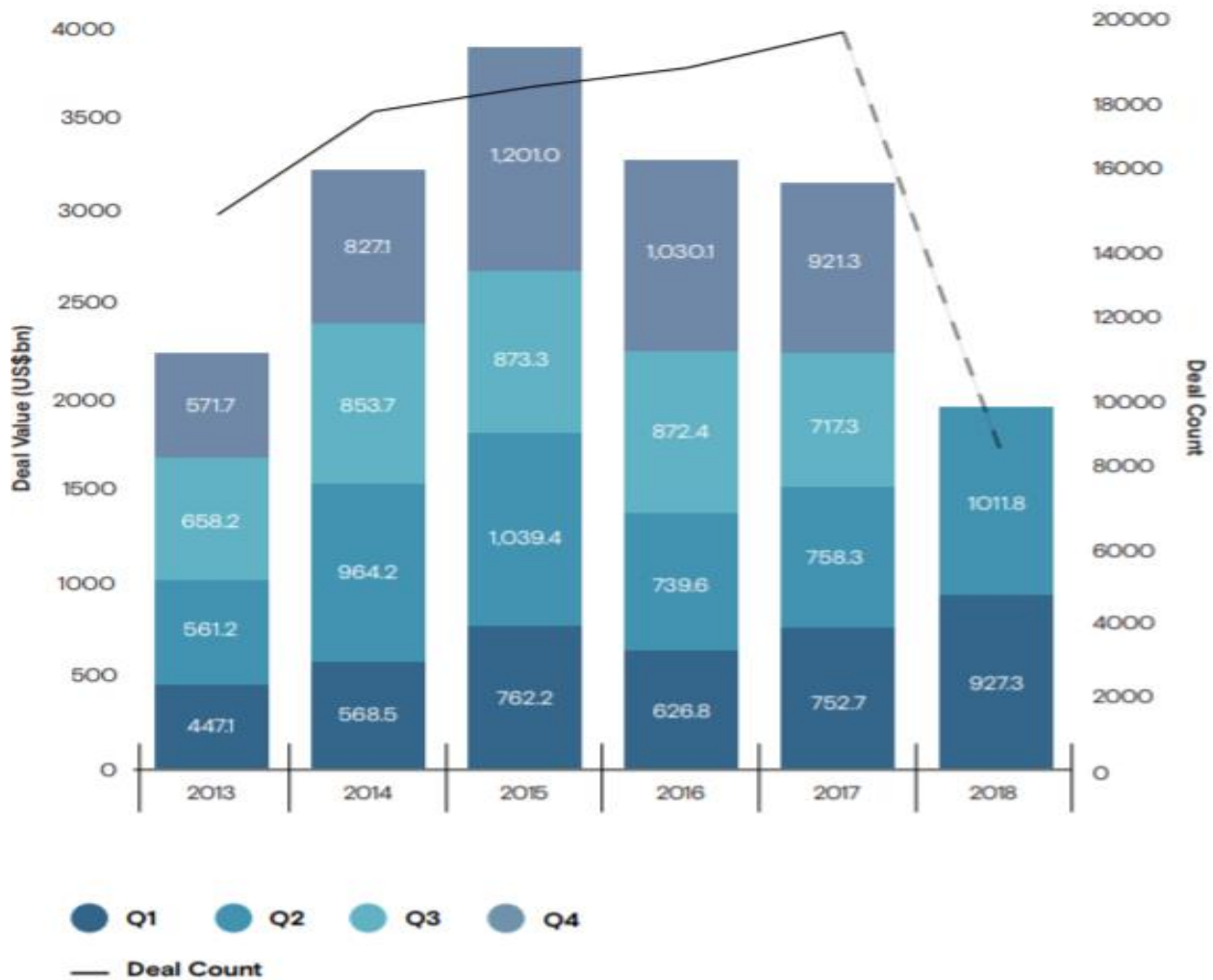
Artificial Intelligence M&A multiples have been scarce, but A2iA was acquired for approximately \$58m, or **29x EBITDA**, by Mitek Systems.

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

Global Quarterly Breakdown Trend
2013 - 2018

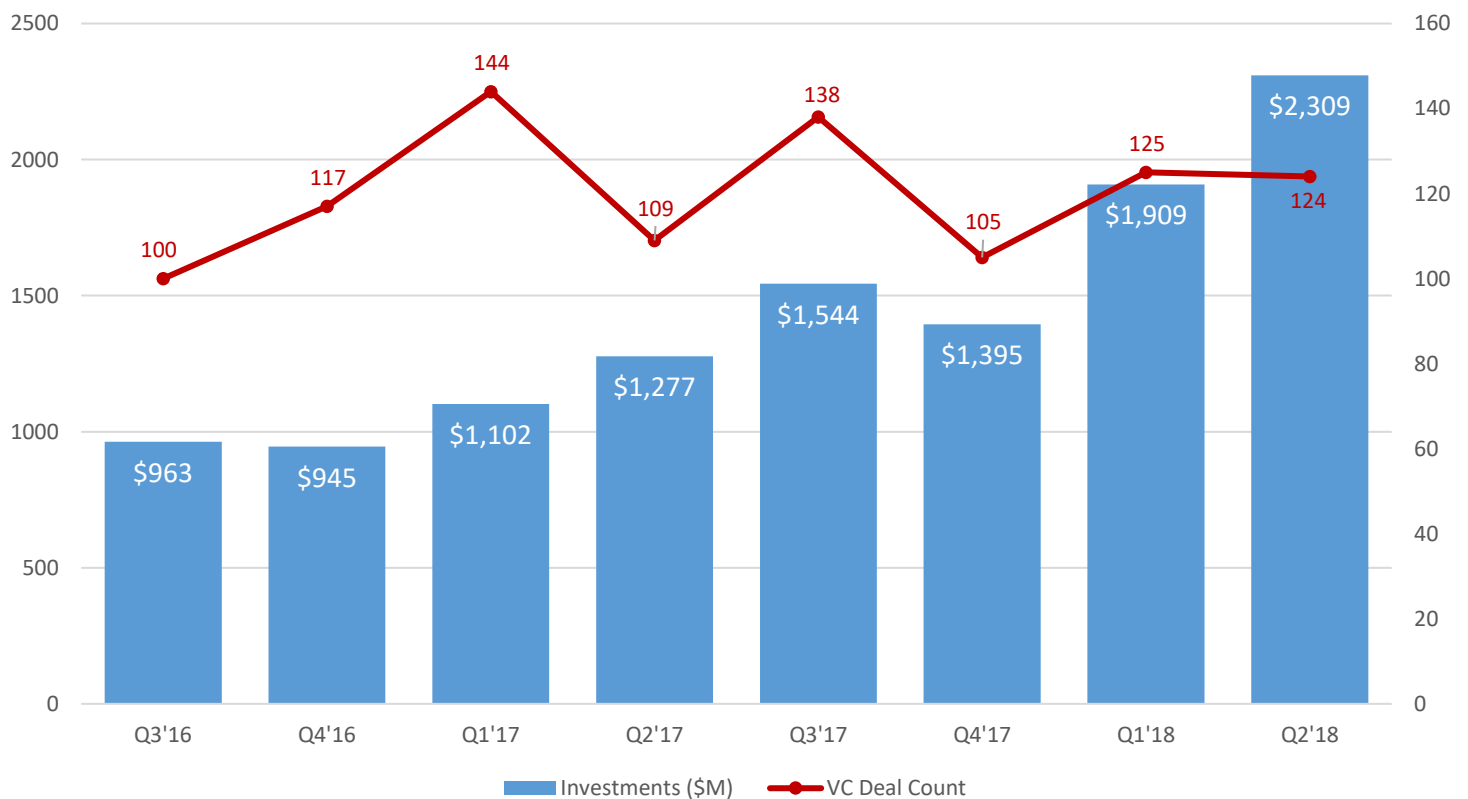


Source: <https://dealogic.com/insight/h1-2018-ma-highlights/>

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.

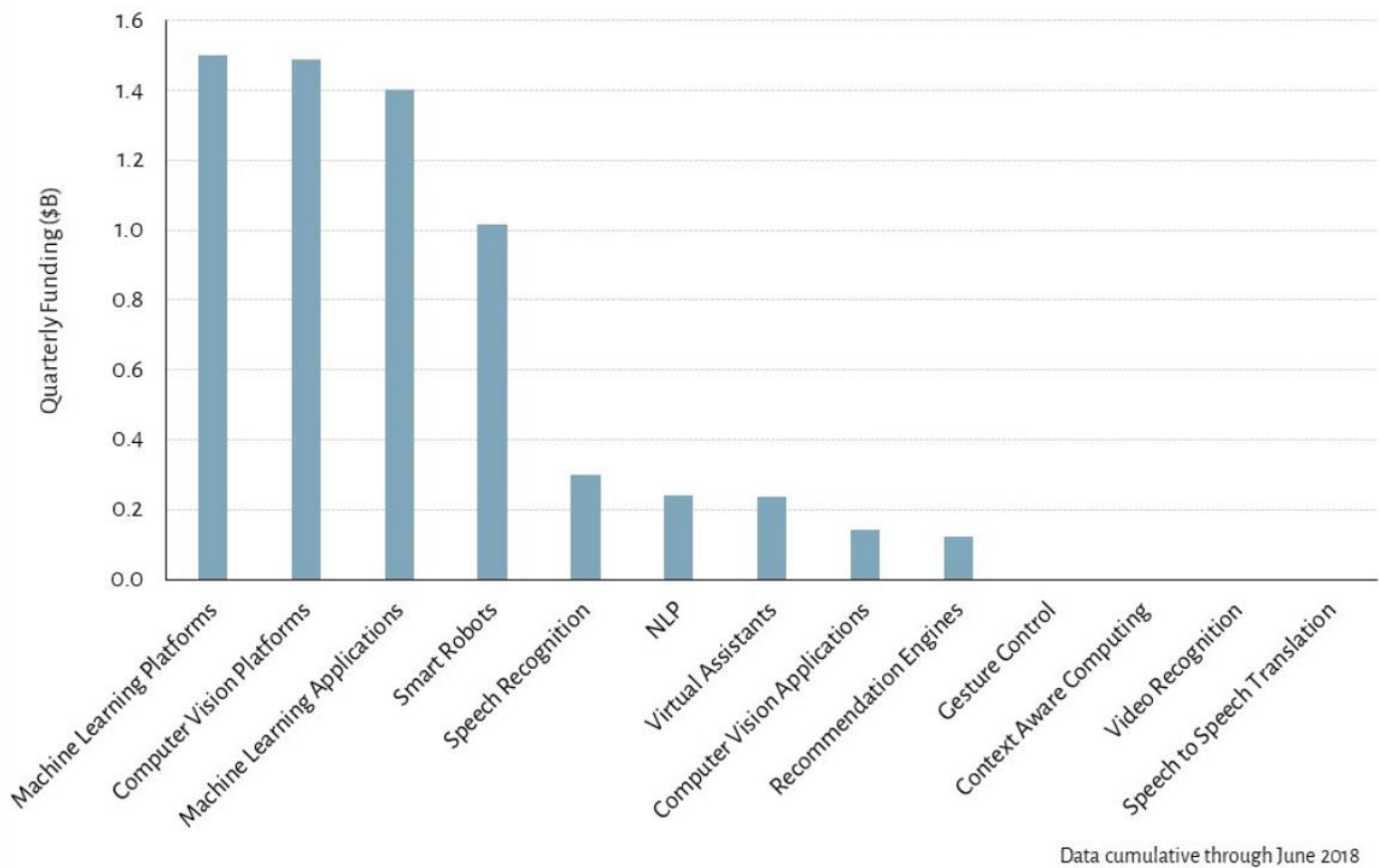


Source: CB Insights

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.

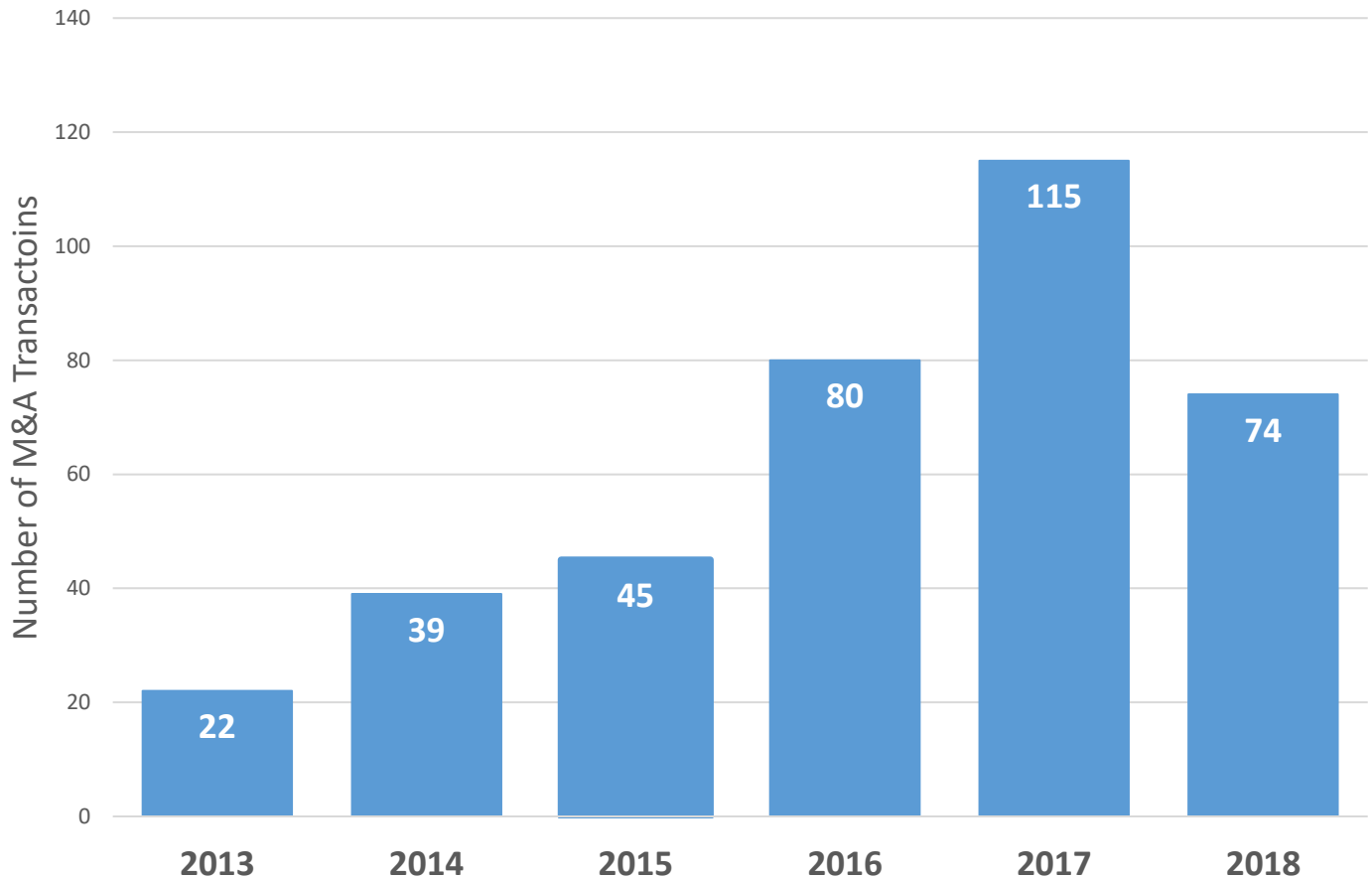
Q2 2018 Funding (in \$USD Billion)



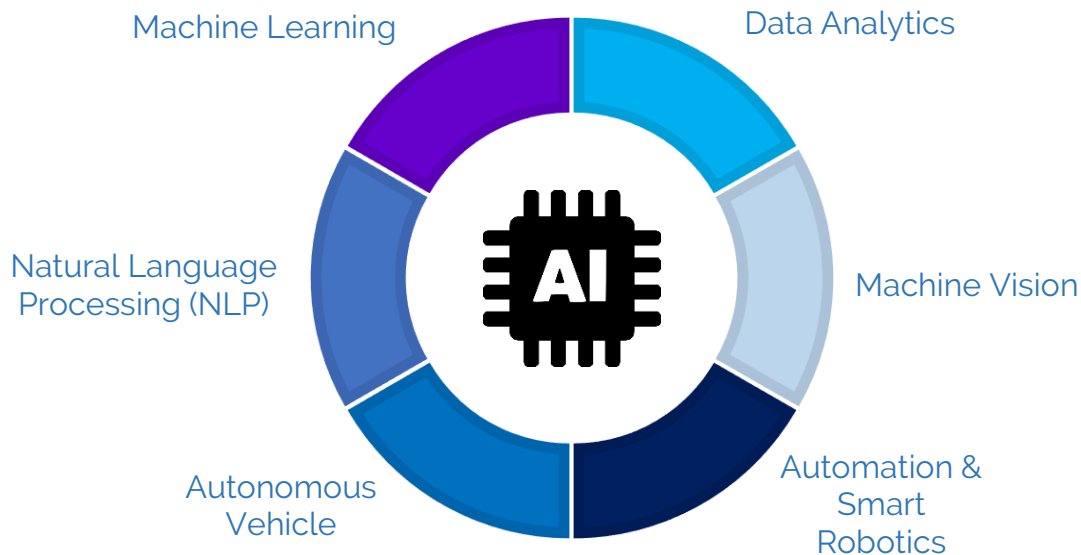
Source: <https://medium.com/@VentureScanner/machine-learning-categories-lead-ai-funding-776bba9b3b1>

Artificial Intelligence M&A activity 2013 – 2018 YTD

2018 AI M&A is on pace for 131 acquisitions, up 14% from 2017.



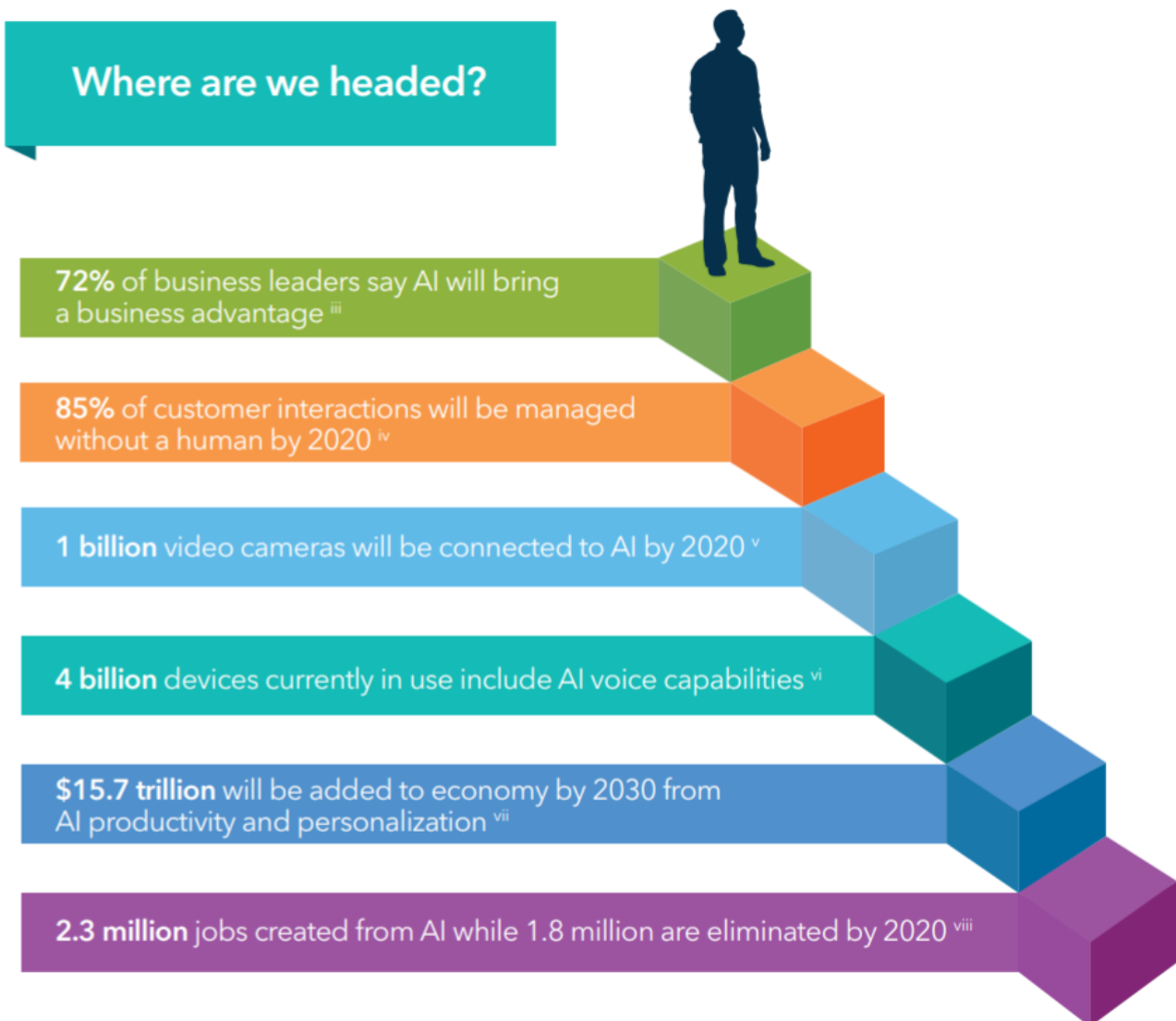
Artificial Intelligence sub-sector breakdown



AI Specialty	Where it is being used	Select M&A Target	Select M&A Acquirer	Target Summary
Machine Learning	Finance, Healthcare, Marketing/sales, Transportation, Software, Security	Kensho	S&P Global	Deploys scalable machine learning & analytics systems to government & commercial institutions. TV— \$550M.
Data Analytics	Finance, Insurance, Tech, Healthcare, Manufacturing, Transportation, Gov	Counsyl	Myriad Genetics	Automates prenatal genetic testing and provides advanced healthcare diagnostics. TV— \$375M.
Natural Language Processing (NLP)	Virtual Agents, Text Prediction, Chatbots, Sales, Customer Service	Datorama	Salesforce	Provides AI, analytics, and real-time automation solutions for Marketing & Sales. TV— \$800M.
Machine Vision	Security, Gaming, Sports, Drones & Robotics, Marketing, Healthcare	Hawxeye	Bossa Nova Robotics	Hawxeye AI software recognizes people, objects, & actions and provides customer & shop path analysis.
Autonomous Vehicle	Self-Driving Cars, Computer Software, Computer Hardware,	Mobileye	Intel	Mobileye provides vision-based advanced driver-assistance systems for collision prevention/mitigation. TV— \$15B, EV/EBITDA—118x, EV/Revenue—41x (2017)
Automation & Smart Robotics	Automated Software, Intelligent Contracts, Industrial Robots, Audit/Compliance	Intelligens.ai	Conversica	Intelligens.ai is an automated and virtual sales assistant bot that makes the sales process more efficient and connects sales people with leads







































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.









































Source: https://www.sas.com/content/dam/SAS/en_us/doc/infographic/artificial-intelligence-109282.pdf





































Artificial Intelligence M&A Transactions YTD 2018

Date Announced	Target Company	Acquirer	Amount
7/19/2018	 Hawkeye	 Bossa Nova Robotics, Inc.	-
7/17/2018	 Missions	 Slack	-
7/17/2018	 Datorama	 Salesforce	\$800M+
7/17/2018	 Seismic Games	 Niantic Labs	-
7/13/2018	 Real Time Analytics Platform	 Accenture	-
7/12/2018	 Kogentix	 Accenture	-
7/11/2018	 Emotion Reader	 Kairos	-
7/10/2018	 Butter.ai	 Box	-
7/3/2018	 Bloomsbury AI	 Facebook	-
6/28/2018	 PillPack	 Amazon	\$1,000M
6/26/2018	 Elastic Beam	 Ping Identity	-
6/24/2018	 DeepUI	 WalkMe	-
6/22/2018	 Simity	 PayPal	\$120M
6/21/2018	 Bonsai AI	 Microsoft	-
6/19/2018	 Connecto	 Leanplum	-
6/13/2018	 Empirical Systems	 Tableau	-
6/11/2018	 Commonwealth Informatics	 Genpact	-
6/4/2018	 HeavyWater, Inc.	 Black Knight	-
6/1/2018	 VISR	 SafeToNet	-



































Artificial Intelligence M&A Transactions YTD 2018

Date Announced	Target Company	Acquirer	Amount
5/29/2018	 Jetlore	 PayPal	-
5/29/2018	 Fracta, Inc.	 Kurita Water Industries	\$37M
5/28/2018	 Counsyl	 Myriad Genetics	\$375M
5/28/2018	 HyperFish	 LiveTiles Ltd.	\$8.9M
5/24/2018	 Semantic Machines	 Microsoft	-
5/23/2018	 2ia A2Ai	 Mitek	\$58M
5/21/2018	 Avocado	 Whisk	-
5/19/2018	 VoiceBox Technologies	 Nuance Communication	-
5/16/2018	 TalkIQ	 Dialpad, Inc.	-
5/15/2018	 MarianaIQ	 8x8 8x8, Inc.	-
5/15/2018	 Zaitech Technology Pvt Ltd.	 Paymate Pty Ltd	-
5/8/2018	 ADT Caps	 SK Telecom	-
5/7/2018	 QuickHelp	 1001 Squared AI	-
5/3/2018	 Parlo	 ServiceNow	-
5/1/2018	 Accompany	 Cisco	\$270M
4/30/2018	 Universal Patient Key	 Datavant	-
4/30/2018	 Certus Solutions	 Accenture	-
4/28/2018	 Sysomos	 Meltwater	-
4/27/2018	 URU URU	 Adobe Sensai	-

Artificial Intelligence M&A Transactions YTD 2018

Date Announced	Target Company	Acquirer	Amount
4/24/2018	 Sysomos	 Meltwater	-
4/17/2018	 Web Shrinker LLC	 DNSFilter	-
4/11/2018	 ZenIQ	 6sense	-
4/6/2018	 Flatiron Health	 Roche	\$1.9B
4/3/2018	 Counselytics	 AppExtremes, Inc.	-
3/28/2018	 E8 Security	 VMware	-
3/20/2018	 OfferCraft LLC	 NRT Technology Corp.	-
3/19/2018	 DataSift	 Meltwater	-
3/12/2018	 Spoutable	 Proper Media	-
3/8/2018	 Digital Signal Corporation	 SteroVision Imaging, Inc.	-
3/6/2018	 Kngine	 Samsung	-
3/6/2018	 Kensho Technologies, Inc.	 S&P Global, Inc.	\$550M
3/5/2018	 Incoming Media	 OVO	\$13M
3/5/2018	 GameSparks	 Amazon	-
3/2/2018	 Namaste Technologies	 Findify	\$12M
2/28/2018	 Ring	 Amazon	\$1,000M
2/22/2018	 Komfo	 Falcon.io	-
2/20/2018	 Panjiva	 S&P Global, Inc.	-

Artificial Intelligence M&A Transactions YTD 2018

Date Announced	Target Company	Acquirer	Amount
2/12/2018	 Blink	 Amazon	\$90M
2/9/2018	 Nervana	 Intel	-
2/1/2018	 Escher Reality	 Niantic Labs	-
1/30/2018	 Mezi	 American Express	\$137M
1/30/2018	 Intelligens.ai	 Conversica	-
1/29/2018	 Intellisist, Inc.	 Avaya, Inc.	-
1/25/2018	 Thread Genius	 Sotheby's	-
1/24/2018	 Sqrrl	 Amazon	-
1/17/2018	 Sageworks, Inc.	 Accel-KKR	-
1/11/2018	 House of Engagement	 Broad Horizon B.V.	-
1/10/2018	 Northwest Cadence	 10th Magnitude, Inc.	-
1/9/2018	 Layer 6 AI	 TD Bank	-
1/8/2018	 Niddel	 Verizon	-
1/8/2018	 TextRecruit, Inc.	 iCIMS, Inc.	-
1/5/2018	 Notch Co.	 Capital One	-
1/3/2018	 Inner Circle Labs	 Highwire PR	-
1/2/2018	 AIM AIM, Inc.	 Inspirata, Inc.	-

M&A Spotlight

S&P Global

KENSHO

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**.

Source: <https://www.marketwatch.com/press-release/sp-global-completes-acquisition-of-kensho-2018-04-09>



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.

Source: <https://www.salesforce.com/company/news-press/stories/2018/July/071618/>

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 started SenseTime.

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

Source: <https://www.chinamoneynetwork.com/2018/07/24/alibaba-joins-600-million-round-for-chinese-facial-recognition-start-up-megvii>



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-sensetime-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.

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