

Artificial Intelligence

in a Growing M&A Landscape

Industry Snapshot

1H 2024



Table of Contents

Industry Overview 3

What is AI and How is it Investable? 4

The AI M&A Environment 6

Buyer Profile: Accenture 9

About Us 10

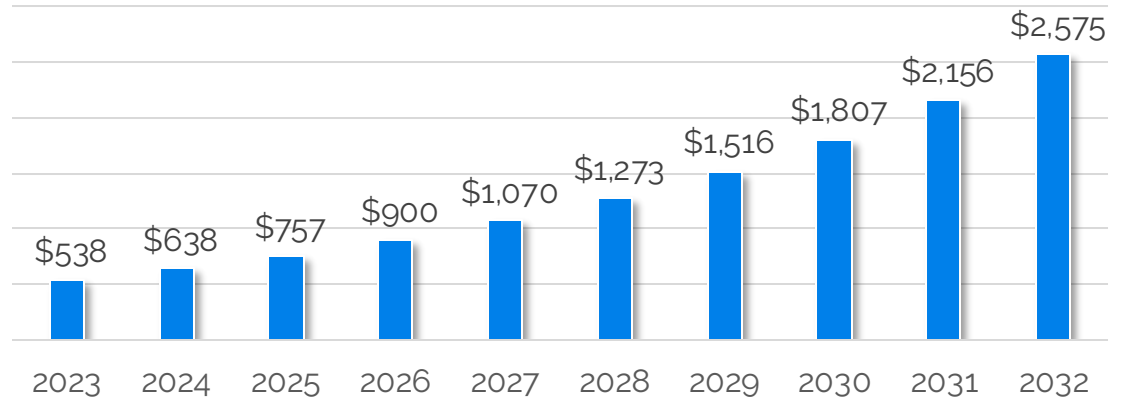
Artificial Intelligence In Today's World

- The artificial intelligence market is estimated to be worth over **\$638 billion** by 2024 according to Precedence Research.
 - The AI market is expected to experience an **annual growth rate of 37.3%** from 2023 to 2030, according to Grand View Research.
- The momentum from 2023 has carried into 2024, with continued growth in AI investment and adoption. The release of more advanced models like GPT-4 has further expanded the capabilities of AI, enabling even more sophisticated applications in fields like healthcare, finance, and education. The market has also seen a surge in AI-powered productivity tools, transforming the way businesses operate and individuals work.

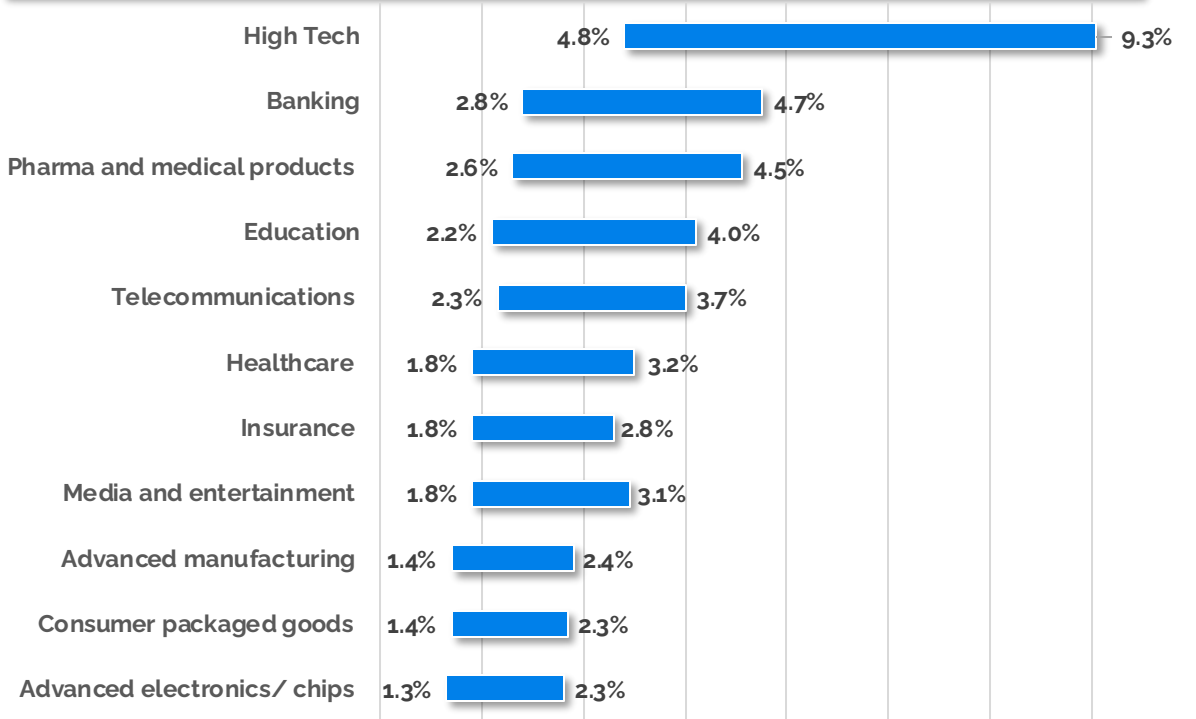
Key Trends

- **Skyrocketing Generative AI investments:** funding for Gen-AI has risen 600% since 2022 to \$25.2 billion, despite overall declining investment in AI generally,
- **Regulatory attention in the US:** there were 25 AI-related regulations in 2023, 54% more than in 2022 and in contrast to only 1 in 2016.
- **Upticks in organizational AI-adoption:** 55% of companies now use AI in at least one business unit as conviction about productivity impacts grows

AI Market Size Projected through 2032 (in \$billions)



Projected Revenue Augmentation due to AI by Industry



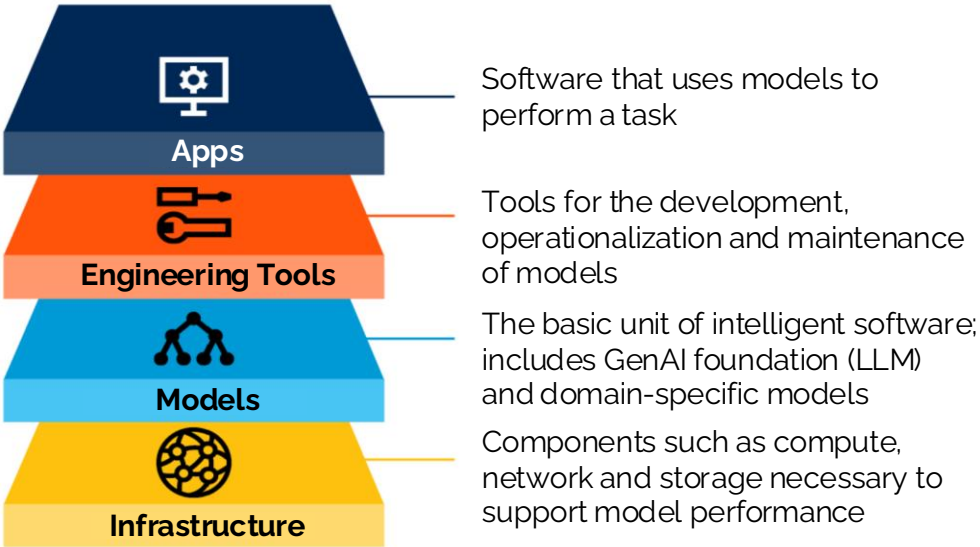
What is AI and How is it Investable?

Gartner defines AI as the application “of advanced analysis and logic-based techniques – including Machine Learning – to interpret events, support and automate decisions, deliver experiences and take action.” The impacts on industries and business domains of this application will be revolutionary! Examples may include:

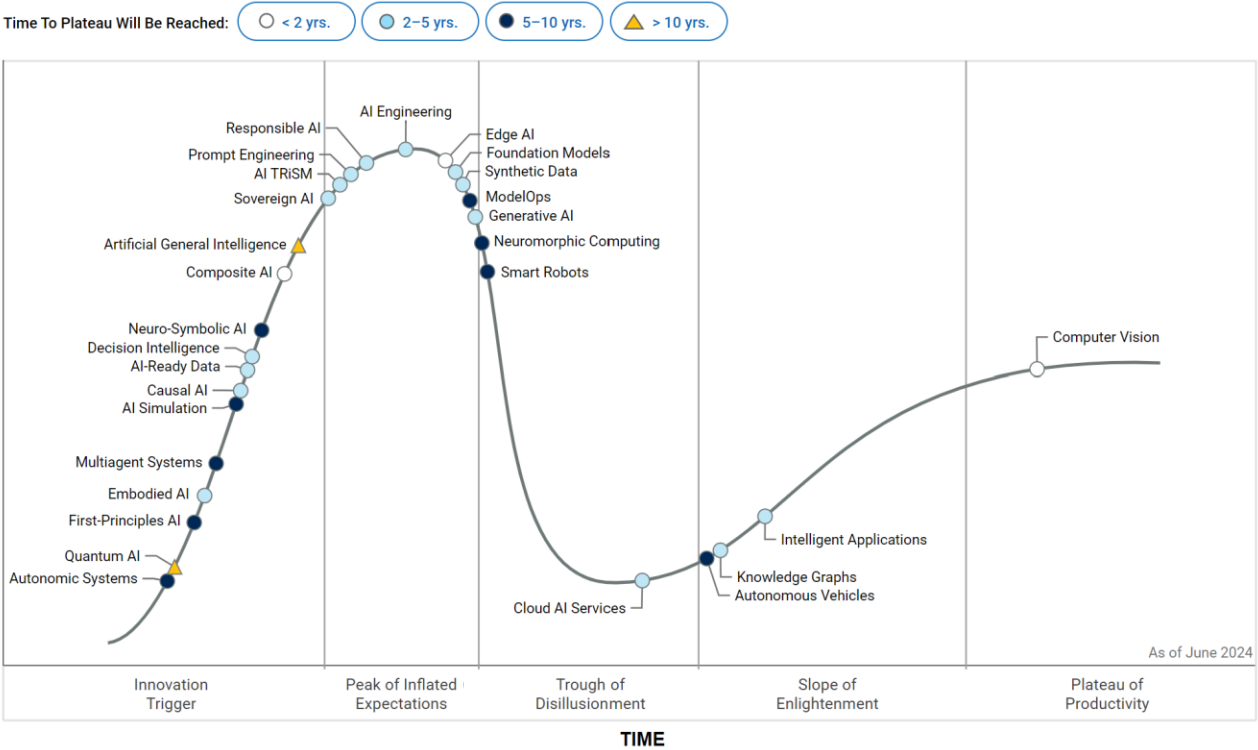
- **Healthcare:** AI-enabled IoT and edge devices (such as cameras) will diagnose conditions and recommend care tactics automatically
- **Insurance:** AI will automate claims estimation with intelligent image analysis; fraud detection will be performed by ML models
- **Law:** automated contract creation and revision, litigation research, e-discovery, and legal self-service will be accomplished by AI apps
- **Sales and Marketing:** tailored, targeted content will be created and delivered on the fly by online AI agents; sales analytics and insight generation will be automated

The AI Technology Stack

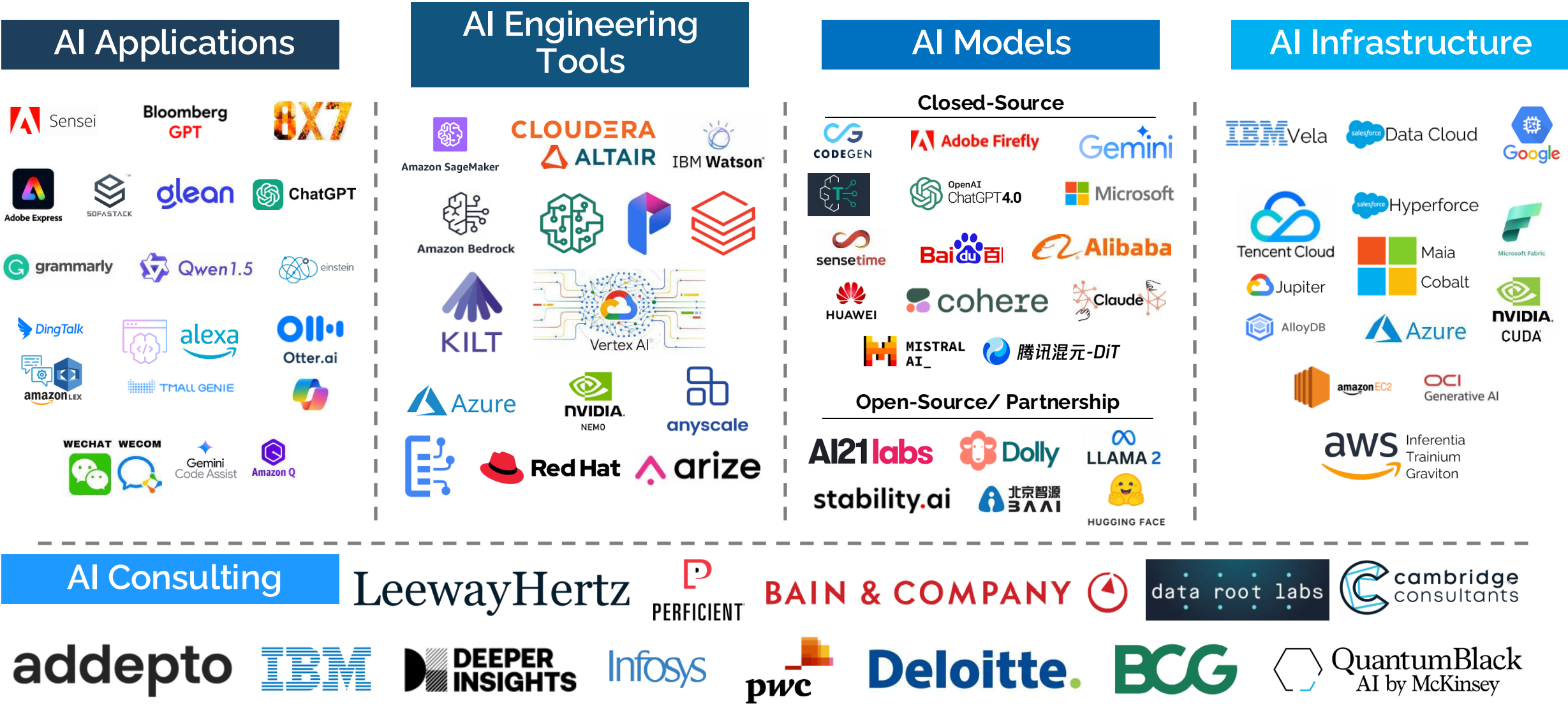
AI enablement in the real world happens on top of the following tech stack. Offerings from AI-focused companies are focused within or spread across these stack layers.



Garter's 2024 AI Hype Cycle (below) positions different AI technologies along a five-stage maturity cycle oriented around the concept of normalizing “hype.”



Industry Landscape by Artificial Intelligence Stack Layer



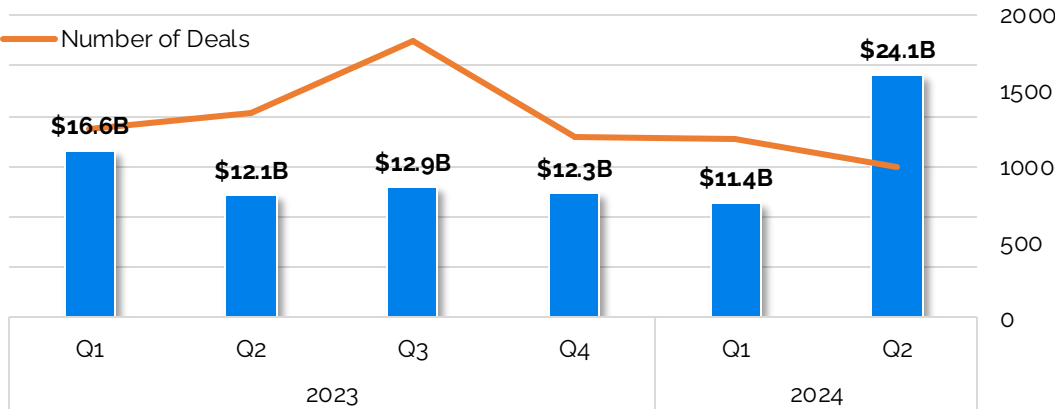
Source: Gartner, Forbes, AI Magazine

AI-led VC Rebound Primed to Spill Over into M&A

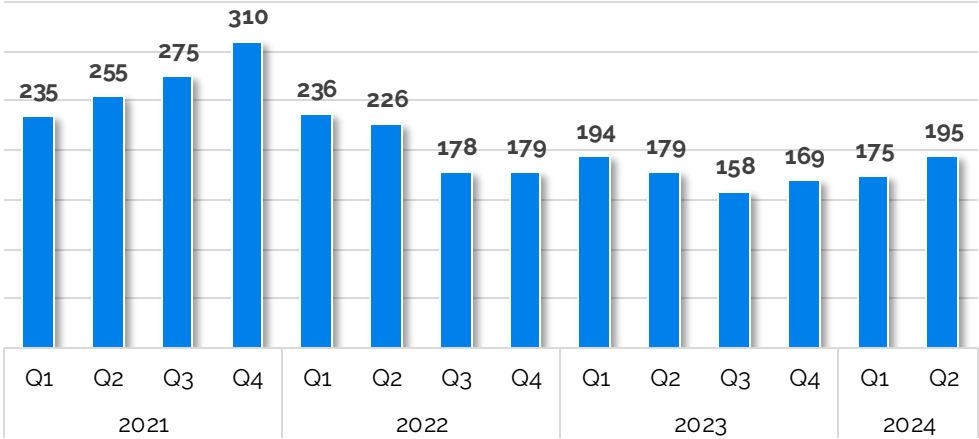
Increasing VC and M&A Investment Interest

- Acquisitions of AI-related companies in Q2 of 2024 **accounted for 195 technology deals**, down from 2021 highs but continuing a recent uptrend.
- 2023 was AI's "year in the sun" as OpenAI's Chat-GPT exploded onto the consumer scene. AI was cited as the most impactful disruptive technology industry by business executives surveyed by Gartner. We see enterprise focus on the technology priming high levels of acquisitiveness for the remainder of 2024, as companies "buy" important AI capabilities that they otherwise won't "build."
- Recent venture investment bears this thesis out, \$24 billion flowed into AI startups in Q2 2024. AI became the best funded venture sector for the first time, and 5 of 6 billion-dollar deals went to AI companies. Deal count was down while overall investment was up.
- Uncertain macroeconomic conditions and lingering questions about a "soft landing" in the US conspire to create harsh funding conditions for older AI startups, who may need to seek alternatives in M&A. It will be a buyer's "techquisition" market as valuations face pressure.
- Crystallizing use cases in the nascent AI industry will drive clarity and conviction for dealmakers in the coming months and years.

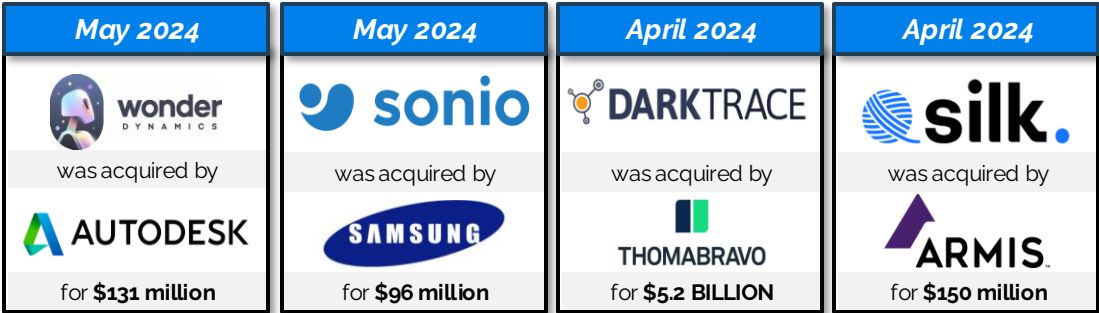
Global VC Funding to AI through Q2 2024



AI M&A Deal Volume, Q1 2021 – Q1 2024



Select M&A Transactions, Q2 2024



Select Artificial Intelligence M&A Transactions, 1H 2024

Announcement Date	Target	Acquirer	Summary
June-24	Colleen AI	Entrata	Unicorn property management software buys Conversational AI tool for real estate
June-24	Recognai	Hugging Face	Popular GenAI chatbot platform buys NLP labelling solution for \$10M
June-24	Verta	Cloudera (:CLDR)	AI/ML model lifecycle management platform bought by data management and analytics co.
May-24	Peel Insights	Shopify (NYSE:SHOP)	E-commerce giant acquires e-commerce store analytics platform
May-24	Sawatch	WEX (NYSE:WEX)	Commerce platform with mobility segment acquires fleet electrification management tool
April-24	Deci.AI	NVIDIA (NASDAQ:NVDA)	Chip giant buys \$55M-funded (2022) deep learning model development platform
April-24	Golden	ComplyAdvantage	Anti-money laundering software buys finance-focused knowledge graph co.
April-24	Run:AI Labs	NVIDIA (NASDAQ:NVDA)	\$118M-funded (2022) compute analysis and optimization company acquired by chip giant
April-24	Intersphere	Climavision	AI weather forecast service bought by \$100M-funded (2021) weather tech co.
April-24	PartyKit	Cloudflare (NYSE:NET)	AI-enabled multiplayer app engine acquired by cloud services provider
April-24	Sentient	Shield AI	\$2B-valued defense and first-response AI co. buys imagery analysis tool used in ISR
March-24	DarwinAI	Apple Inc. (NASDAQ:AAPL)	Tech giant buys neural network development platform with popular GenSynth component
March-24	Talespin Reality Labs	Cornerstone OnDemand	L&D SaaS solution acquires AI and VR enabled, \$40M+ (2021) funded learning tool
February-24	Patch Biosciences	Ginkgo Bioworks (NYSE:DNA)	Gene therapy engineering tool bought by cell programming platform for \$15M
February-24	Waymark Tech	Ascent Technologies	AI-based compliance cloud bought by PE-owned compliance software firm
January-24	HeyPluto	Sevenrooms	Hospitality management platform with guest engagement arm buys app for affirming others
January-24	Claypot Ai	Voltron Data	Real-time ML platform bought by \$88M-funded (2022) open-source analytics developer
January-24	Radiance Labs	Bloomreach	Unicorn marketing platform acquires AI-driven messaging app
January-24	Kyndi	Qlik Technologies (:QLIK)	NLP search and enablement platform acquired by major enterprise BI player
January-24	Bright.md	g8point6	Healthcare automation co. with \$30M in prior funding (2020) bought by physician app

Public Comparables: Artificial Intelligence

Company	Market Cap	EV	Revenue (LTM)	EV / Revenue	EBITDA (LTM)	EV / EBITDA
	(\$MM)	(\$MM)	(\$MM)		(\$MM)	
Adobe Inc. (NASDAQGS:ADBE)	250,973	248,998	20,429	12.2x	7,844	32 x
Alphabet Inc. (NASDAQGS:GOOGL)	2,343,615	2,263,901	318,146	7.1x	109,723	21 x
Alteryx, Inc. (NYSE:AYX)	3,488	4,069	970	4.2x	(110)	-
Amazon.com, Inc. (NASDAQGS:AMZN)	2,074,457	2,149,943	590,740	3.6x	96,609	22 x
C3.ai, Inc. (NYSE:AI)	3,675	2,983	311	9.6x	(307)	-
Cadence Design Systems, Inc. (NASDAQGS:CDNS)	86,433	85,925	4,077	21.1x	1,359	63 x
CCC Intelligent Solutions Holdings Inc. (NASDAQGS:CCC)	6,845	7,532	889	8.5x	162	46 x
Microsoft Corporation (NASDAQGS:MSFT)	3,415,442	3,441,658	236,584	14.5x	125,982	27 x
Mobileye Global Inc. (NASDAQGS:MBLY)	21,515	20,347	1,860	10.9x	(76)	-
Nuance Communications, Inc. (NASDAQGM:NUAN)	17,882	18,738	1,338	14.0x	134	140 x
NVIDIA Corporation (NASDAQGS:NVDA)	3,228,708	3,208,507	79,774	40.2x	49,275	65 x
Palantir Technologies Inc. (NYSE:PLTR)	60,995	57,430	2,334	24.6x	230	249 x
SentinelOne, Inc. (NYSE:S)	6,182	5,431	674	8.1x	(301)	-
Upstart Holdings, Inc. (NASDAQGS:UPST)	2,130	3,023	577	5.2x	(130)	-
Mean	823,024	822,749	89,907	13.1x	27,885	74x

Data as of July 10, 2024

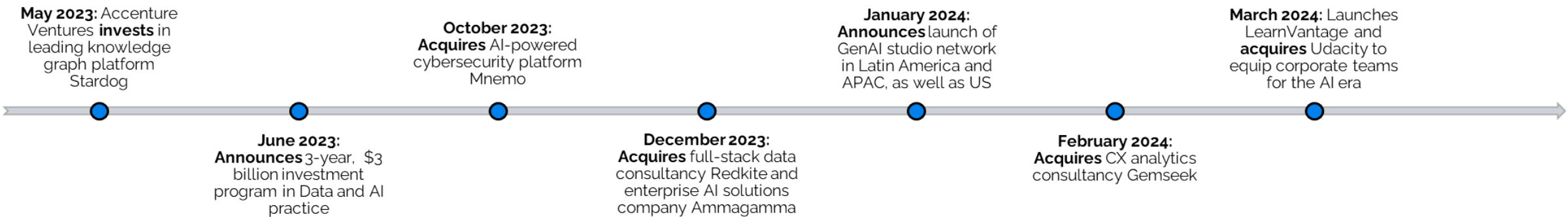
Buyer Profile:

As one of the largest multinational consulting firms, **Accenture** is an important bellwether for corporate rates of new technology adoption and integration. Their recent activity within the AI space has been pronounced from both an acquisition and service prioritization standpoint (see below). In particular: in June 2023, the company announced its intention to invest \$3 billion over 3 years into their Data and AI practice to "help companies develop the new strategies, operating models, business cases and digital core architecture they will need to capitalize on AI innovation." Investments will support:

- A doubling of Data & AI practice headcount to 80,000 through hiring, training and acquisitions
- A new AI Navigator for Enterprise platform built to support clients through all stages of AI adoption
- Creation of accelerators and pre-built models to support AI uptake across 19 distinct industries
- The Accenture Center for Advanced AI's R&D, innovation and thought leadership efforts
- New and existing partnerships within the cloud, data and AI ecosystems to drive forward the industry's capability set (see sidebar).

Accenture's commitment to AI is an important signal that corporations are planning to integrate the technology deeply, that a best-practice ecosystem is developing around it, and ultimately that it is "here to stay" in the corporate environment.

Accenture 12-month M&A timeline through Q2 2024



Partnership Announcements 1H 2024

Palo Alto Networks and Accenture Team to Secure the Gen AI Transformation Journey
May 13, 2024

Accenture and Oracle Collaborate to Help Clients Accelerate Generative AI Adoption, Starting with the Finance Organization
May 6, 2024

Accenture and Adobe to Co-Develop Industry-Specific Generative AI Solutions to Accelerate Marketing Transformation
Mar. 25, 2024

Accenture Teams with NVIDIA to Showcase AI-Powered Immersive Client Experiences for Defender
March 18, 2024

Accenture and Mujin Establish Joint Venture to Bring AI and Robotics to the Manufacturing and Logistics Industries
Jan. 24, 2024

Who We Are?

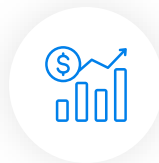
Formed in 2009, Solganick & Co. is a data-driven **investment bank** and **mergers and acquisitions (M&A) advisory firm** focused exclusively on the **Software** and **IT Services** sectors.

We advise buyers and sellers of companies on M&A strategies and execution to maximize shareholder value.

Our M&A transactions have the following characteristics:



Deal Size Range:
\$25M to \$250M+



Revenues:
\$10M to \$250M+



Client Ownership:
75%+ founder-led;
Private. 25% PE
backed



EBITDA:
\$2M to \$20M+

Offices located in **Dallas** and **Los Angeles**

Solganick M&A Transaction Experience

Cloud, AI, Data Analytics

NEXTIRA

has been acquired by

accenture

Cloud, Data Analytics

PANDERA

has merged with

66degrees

backed by **SUNSTONE PARTNERS**

Data Analytics

visualbi

has been acquired by

Atos

IT Services

SIG

has been recapitalized by

FORT POINT CAPITAL

Cloud, IT Services

FLAGSHIP

has merged with

DataStorage CORPORATION

Highlighted Transaction: *Nextira*

Solganick & Co. Advises Nextira in its Sale to Accenture

- Nextira, an AWS Premier Partner headquartered in Austin, TX, uses AWS to deliver cloud-native innovation, artificial intelligence, predictive analytics, and immersive experiences for their clients.
- Because of Solganick & Co.'s deep experience within technology services, including the buyer universe, valuation drivers, and overall M&A environment, Solganick & Co. was engaged to run a highly targeted, efficient and competitive M&A process.
- The Solganick team worked closely with Nextira management to attractively position the business and ultimately receive several attractive offers exceeding initial valuation expectations.
- Solganick & Co. supported the entire M&A process, including the client's initial selection of Accenture as well as successful transaction negotiations.
- The transaction was completed in June 2023.

AI, Data Analytics

LONE STAR

has been recapitalized by

HCAP PARTNERS

IT Services

NAVIGATOR

has been acquired by

ALERION Capital Group, LLC

IT Services

iXerv

has been acquired by

TSP

backed by **MONETA VENTURES**

Software

learn on demand systems

has been recapitalized by

QUAD PARTNERS

Software

VIRIDIAN SCIENCES

has been acquired by

AKERMA

IT Services

eMedApps

has been acquired by

Med Tech Solutions

backed by **SUNSTONE PARTNERS**

Data Analytics

Waypoint

has been acquired by

WIPFLI

IT Services

ITENTIVE

has been acquired by

DAShealth

backed by **SHERIDAN CAPITAL PARTNERS**

IT Services

ITELAGEN HEALTHCARE

has been acquired by

SHERIDAN CAPITAL PARTNERS

AI, Software

AIM

has been acquired by

inspirata

Cloud, AI, Data Analytics

NEXTIRA

has been acquired by

accenture

Artificial Intelligence

Cloud Computing

Data Analytics

Most Influential Investment Bankers and Private Equity Advisors

Los Angeles Business Journal, 2019-2023 Leaders of Influence



Aaron Solganick
Chief Executive Officer

30+

Years in
Practice

15

Years in
Current Firm

**Software/
SaaS and
IT Services**

Specialty or
Industry Focus

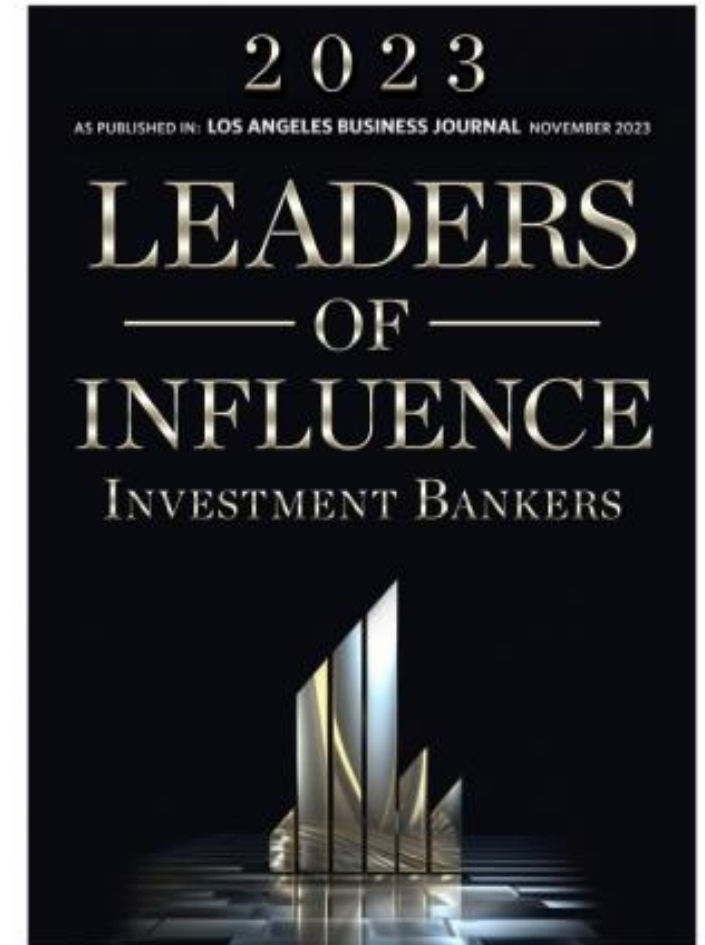
Aaron Solganick is a high energy and experienced technology investment banker with an entrepreneurial spirit. He launched the investment bank Solganick & Co. in 2009 to focus exclusively on completing mergers and acquisitions for software and technology services companies.

Previous Experience

- Senior Vice President Investment Banking, B. Riley Securities
- Vice President Investment Banking, KPMG Corporate Finance
- Corporate Development and Senior Financial Analyst, Perot Systems Corporation
- Investment Banking Associate, Southwest Securities
- Investment Banking Analyst, Bear Stearns & Co.

Education

- MBA, Southern Methodist University
- BBA/MS in Finance, University of North Texas
- Executive Education, M&A, Columbia University



LOCATIONS

LOS ANGELES

840 Apollo St.
Suite 100
El Segundo, CA 90245
mergers@solganick.com

Phone: (310) 684-3130

DALLAS

6860 Dallas Pkwy
Ste 200
Plano, TX 75024

DISCLAIMER

This research report is intended for informational and discussion purposes only. Information presented herein is not investment advice of any kind and does not constitute a recommendation as to the purchase or sale of any securities nor interests or as to any other course of action. General, financial, and statistical information concerning the details of this report and related industry are from third party sources and direct research that Solganick & Co. believes to be reliable. Solganick & Co. has accurately reflected such information in this research report; however, Solganick & Co. makes no representation as to the sources' accuracy or completeness and has accepted this information without further verification. All forward-looking statements in this report may not be achieved and thus there is no guarantee of such statements.

Neither all nor any part of the content of this report may be conveyed to the public through advertising, public relations, news, sales, mail, direct transmittal, or other media without the prior written consent of Solganick & Co. Solganick & Co.'s research is as of the date reported herein. Solganick & Co. has no direct client affiliation with any of the companies used as a basis for research in this report, nor does Solganick & Co. hold any investments in the companies listed herein. The content of this report may be used, in part, as a basis for any work that Solganick & Co. performs for you in the future at the sole discretion of Solganick & Co.

Investment Banking Team



AARON SOLGANICK
CEO/Founder
aaron@solganick.com
(310) 713-4764



FRANK GRANT
Managing Director
fgrant@solganick.com
(702) 612-9459



ALEXEI SOROKIN
Managing Director
alexei@sorokin.com
(408) 390-8950



DAVID JOHNSON
Senior Vice President
djohnson@solganick.com
(727) 460-4280



Samantha Chang
Deal Origination
schang@solganick.com



CHRISTIAN CUMMINS
Associate
cumminse@solganick.com
(760) 803-0335



PHONG LE
Analyst
ple@solganick.com
(402) 999-2035