

Cloud, Data & Analytics Market Monitor

Market Overview

Sector Spotlight

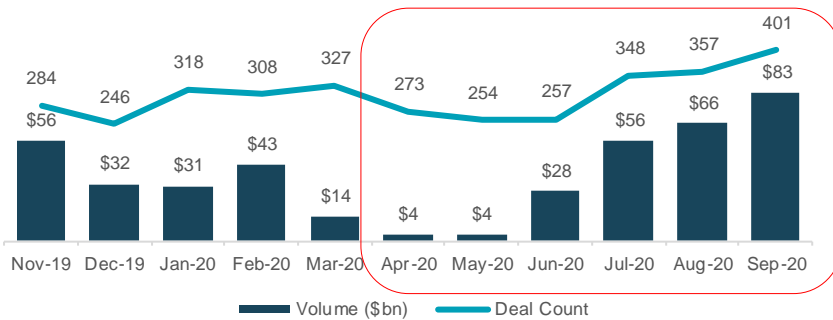
Public Market Performance

M&A Activity

Sector Leadership

Three months ago we noted green shoots in the M&A market following June's rebound in deal volume. Wow – what an understatement that turned out to be. In the third quarter, the technology M&A market erupted in its biggest quarter in years, riding a wave of pent up demand and rising confidence among corporate executive and financial investors. As I often remark, M&A represents the ultimate discretionary purchase, and it is encouraging to see thriving confidence considering this year's global pandemic and continuing economic fallout.

Global Technology M&A Activity



83%
Deal volume CMGR
since Apr-20

8%
Deal count CMGR
since Apr-20

While many buyers have remained bullish throughout this cycle, we are seeing an increasingly thematic approach. Strategic buyers have refined their inorganic growth priorities and are showing discipline within those areas atop their lists. Meanwhile, financial investors have increased outbound calling around select themes and are more open to creating a platform in areas where actionable opportunities of scale may not exist. It is clear both groups filled Q2 downtime doing their homework on proactive strategies when inbound deal flow became sparse.

For many prospective sellers, 2020 has been a bullet dodged – their businesses are thriving despite a stumbling macroeconomy and ongoing pandemic that provides a tangible reminder of unforeseeable future risk factors. This group now confronts a suddenly strong M&A market and looming (if uncertain) tax code revisions. For owners of growing companies in priority segments, is it better to be early or late to the M&A game? All else equal, a growing company is worth more tomorrow than it is today....but if 2020 has taught us anything its that 'all else equal' is a fatally flawed assumption.

At Clearsight, we continue to be highly active and have closed eight transactions since April. We are fortunate to be focused on ecosystems which are increasingly in demand in the Covid economy. Please connect with us to learn more about current opportunities in one of technology's hottest acquisition themes and longtime Clearsight domain: cloud, data, and analytics.



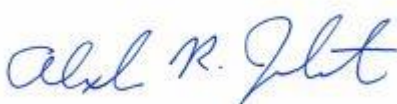
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Sources: 451 Research M&A Knowledge Base

Sector Spotlight

Fresh Names in the Public Markets



Arguably the biggest story from the third quarter is the public market enthusiasm for new data and analytics listings. **Snowflake** (NYSE:SNOW), **Palantir** (NYSE:PLTR), and **Sumo Logic** (Nasdaq:SUMO) debuted on U.S. exchanges with aggregate market capitalization of nearly \$100 billion. (Palantir offered shares as a direct listing, a notable but not out of character move for the unorthodox company.) The Snowflake IPO was easily the largest ever for a software company, raising nearly \$3.4 billion and closing with a market capitalization above \$70 billion. All three companies surged in initial trading.

Not all was rosy for the sector, however, as Apollo-backed **Rackspace** priced at the bottom of its range and disappointed on first day trading. Rackspace is notably a different animal than the others in terms of weak organic growth, high debt levels, and history as a formerly public company ahead of its 2016 take private.

Clearly not all cloud companies are created equal and *next generation “born in the cloud” companies garner exceptional enthusiasm.*

How Is This Playing Out in the Services World?

Private market investors understandably want to put money to work in a winning ecosystem without paying ~220x TTM sales (Snowflake’s current EV/Revenue multiple) and partner networks have proven fertile grounds for services investors to ride the success of high growth enterprise software names. The past two quarters alone offer several case studies including **10th Magnitude** (Microsoft Azure), **Acorio** (ServiceNOW), and **Collaborative Solutions** (Workday). All three had received private equity capital prior to their eventual strategic exits and no doubt provided healthy returns to their sponsors.



And?

Recently, we are taking more calls from investors seeking a play in the Snowflake ecosystem - a “pure play Snowflake partner” repeatedly tops their wish lists. But unlike Workday or ServiceNOW, Snowflake is not application software designed for end-user simplicity. Rather, Snowflake provides essential layers within a broader data analytics technology stack – there is no isolated value. Companies deploy Snowflake to seamlessly unify data infrastructure across multiple public clouds for a broad variety of use cases. My advice for investors is to expect Snowflake to be one of many competencies for modern data analytics. Data is messy and the investable angle involving Snowflake is similarly nuanced – please message [Alex Johnston](#) to exchange ideas and give this theme the attention it deserves.

Source: 451 Research, Barron’s

Sector Spotlight

Cognizant Doubles Down on Azure



acquired in separate transactions:

NEWSIGNATURE

July 28, 2020



10TH MAGNITUDE

September 1, 2020

Cognizant has been notably busy in 2020, printing several nine figure transactions including New Signature (\$305 million), Collaborative Solutions (\$395 million), 10th Magnitude, Tin Roof Software, and others in a spending spree estimated at over \$1 billion. The 10th Magnitude deal was its fifth cloud-related acquisition of the calendar year.

Together, New Signature and 10th Magnitude become the foundation for Cognizant's Microsoft Business Group, a new practice focused on Microsoft cloud solutions. The two acquisitions provide scale among both commercial and public sector clients across various industries and service offerings in both professional and managed services.

In our view, Cognizant has backed up its aspirations with real dollars as a serious player in the hyperscale cloud ecosystem. The industry has shifted towards multicloud and we expect Cognizant may aim to print deals for AWS or GCP partners to round out its ability to serve large enterprise clients utilizing multiple hyperscale providers.

Informatica Returns to M&A with Strategic IP Acquisitions



acquired in separate transactions:



July 2, 2020



GreenBay Technologies, Inc.

August 18, 2020

Privately held Informatica printed its first two deals of 2020 in the third quarter (and only its fifth such acquisition since 2015). The Compact Solutions deal strengthened Informatica's metadata management capabilities for its Intelligent Data Platform. The IP key to this acquisition, formerly known as Compact Solutions MetaDex, facilitates enterprise metadata ingestion to its data catalog.

The GreenBay deal provides distinct and advanced capabilities which accelerate the Informatica product roadmap and will become embedded in core products.

Both deal announcements come in the first year under new CEO Amit Walia, who started in January 2020. We expect that new vision will bring Informatica back to the M&A markets in a more meaningful way as the company seeks to keep pace in a rapidly evolving data sector and create enthusiasm for its investor group to seek an exit or return to the public markets.

NEWSIGNATURE

HQ: Washington, DC
Employees: 490+

New Signature is a cloud-first, full-service Microsoft technology partner that delivers technology services by leveraging hybrid and public clouds



HQ: Chicago, IL
Employees: 150+

10th Magnitude provides data center transformation and application modernization services by harnessing the power of Microsoft Azure



HQ: Chicago, IL
Employees: 50+

Compact Solutions develops a metadata lineage tool, and focuses on automated solutions for data governance in large and complex enterprises

GreenBay Technologies, Inc.

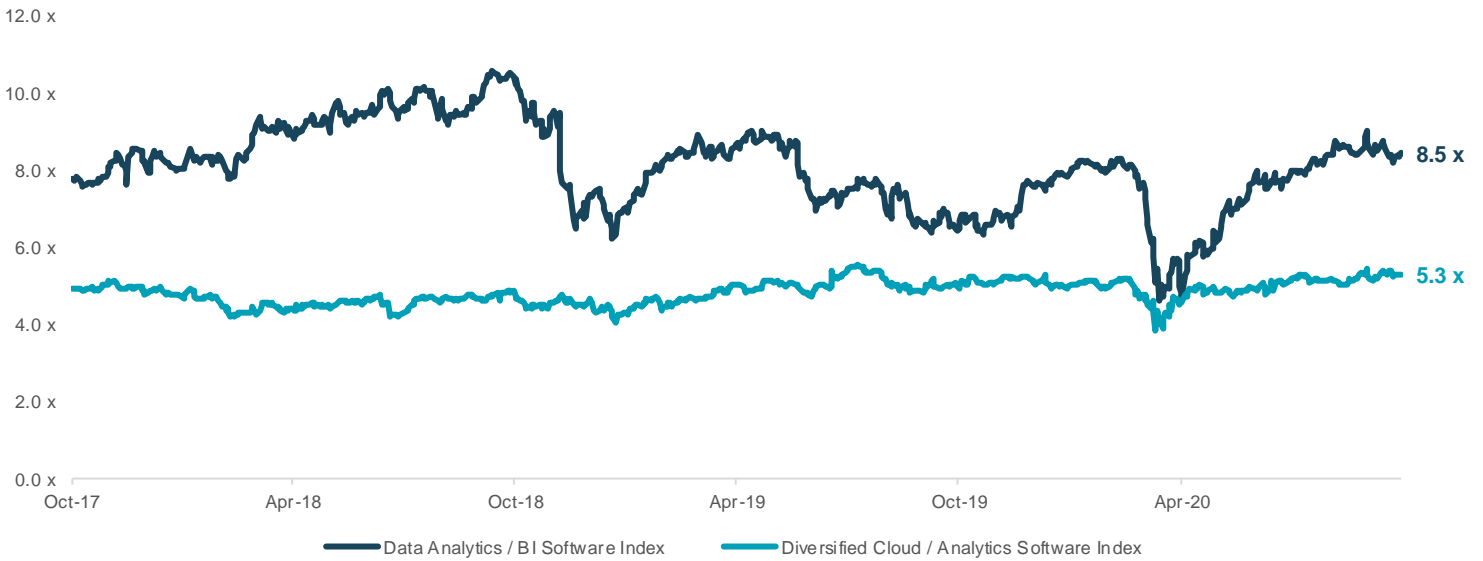
HQ: Madison, WI
Employees: 200+

GreenBay Technologies develops AI and machine learning data management applications to automate complex data management tasks

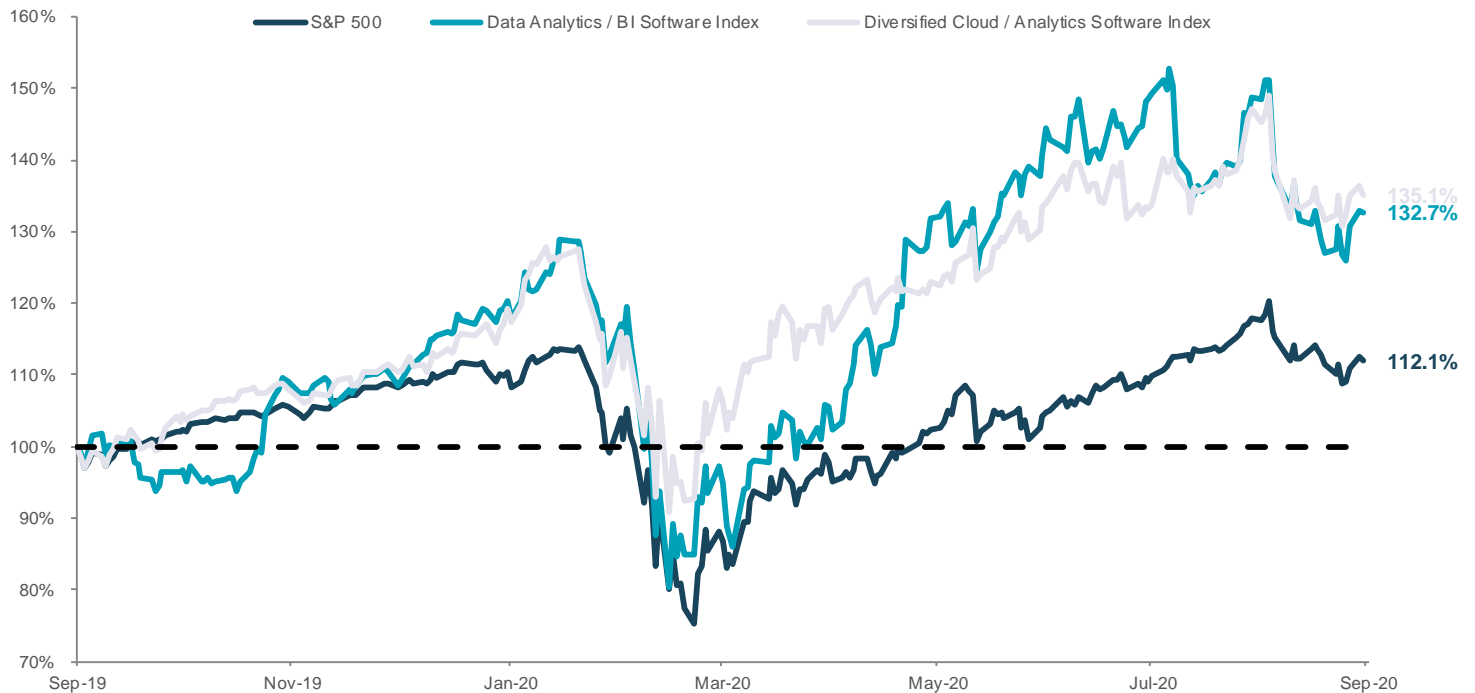
Source: Public filings, Pitchbook, Capital IQ and company websites

Public Market Performance

LTM EV / Revenue Multiple Trend – 3 Years



Cloud, Data & Analytics Market Indices Performance – 1 Year

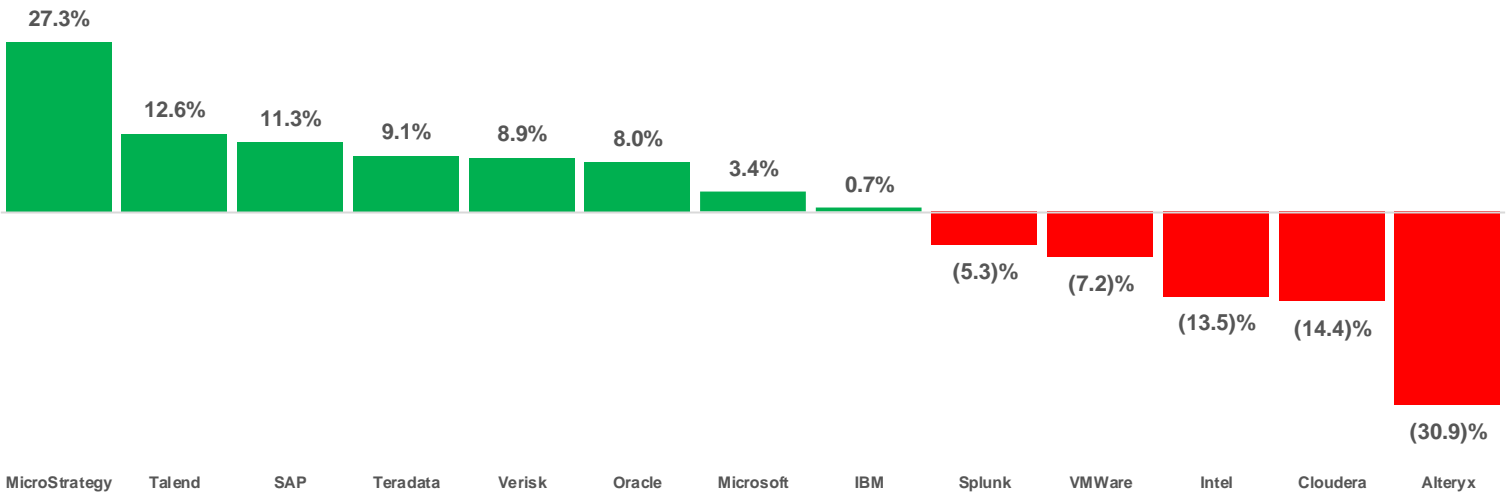


Source: Public market data as of 30-Sep-2020, Capital IQ

Note: Indices do not include PLTR, SNOW, or SUMO as they each listed during the quarter

Public Market Performance

Q3 2020 Share Price Performance – 1 Quarter



Cloud, Data & Analytics Comparable Companies Analysis

Data Analytics / BI Software Index

	Closing Price 30-Sep-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2020	2021	LTM	2020	2021	
Data Analytics / BI Software											
Alteryx	\$113.55	61.1%	\$7,898	\$7,909	17.0x	17.1x	13.4x	NMF	NMF	NMF	5.4%
Cloudera	10.89	76.7	3,713	3,484	4.2	4.1	3.8	NMF	18.8	15.3	(17.8)
MicroStrategy	150.56	85.3	1,473	1,040	2.2	2.2	N/A	26.4	21.0	NA	8.3
Palantir	9.50	83.2	20,387	21,315	23.7	20.1	14.7	NMF	NMF	14.7	(47.0)
Snowflake	251.00	78.7	88,382	87,991	NMF	NMF	NMF	NMF	NMF	NMF	(85.3)
Splunk	188.13	83.3	32,472	33,014	14.1	14.2	11.4	NMF	NMF	NMF	(20.1)
Sumo Logic	21.80	76.6	2,688	2,954	16.3	NA	NA	NMF	NMF	NMF	(48.6)
Talend	39.04	83.4	1,366	1,361	5.1	4.9	4.3	NMF	NMF	NMF	(19.1)
Verisk	185.31	95.7	30,758	34,036	12.6	12.3	11.6	29.8	25.3	23.8	42.3
High		95.7%	\$88,382	\$87,991	23.7x	20.1x	14.7x	29.8x	25.3x	23.8x	42.3%
Median		83.2	7,898	7,909	13.4	12.3	11.5	28.1	21.0	15.3	(19.1)
Mean		80.4	21,015	21,456	11.9	10.7	9.9	28.1	21.7	17.9	(20.2)
Low		61.1	1,366	1,040	2.2	2.2	3.8	26.4	18.8	14.7	(85.3)

Diversified Cloud / Analytics Software Index

	Closing Price 30-Sep-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2020	2021	LTM	2020	2021	
Diversified Analytics Software											
IBM	\$121.67	76.6%	\$109,667	\$166,916	2.2x	2.3x	2.2x	10.7x	9.5x	8.8x	20.6%
Intel	51.78	74.7	224,575	237,107	3.0	3.2	3.2	6.2	7.0	7.2	48.3
Microsoft	210.33	90.3	1,618,206	1,552,712	10.9	10.4	9.5	23.8	22.6	20.1	45.6
Oracle	59.70	95.4	189,356	218,492	5.6	5.5	5.4	13.0	11.2	11.1	42.8
SAP	156.83	93.2	198,185	211,137	6.7	6.4	5.9	25.2	17.9	16.1	26.5
Teradata	22.70	72.2	2,592	2,760	1.5	1.5	1.5	20.0	7.4	6.5	7.5
VMware	143.67	82.9	63,491	65,783	5.8	5.7	5.1	28.9	15.1	14.0	20.1
High		95.4%	\$1,618,206	\$1,552,712	10.9x	10.4x	9.5x	28.9x	22.6x	20.1x	48.3%
Median		82.9	189,356	211,137	5.6	5.5	5.1	20.0	11.2	11.1	26.5
Mean		83.6	343,725	350,701	5.1	5.0	4.7	18.3	13.0	12.0	30.2
Low		72.2	2,592	2,760	1.5	1.5	1.5	6.2	7.0	6.5	7.5

Source: Public market data as of 30-Sep-2020, Capital IQ

Note: Multiples charts may differ from Comparable Company Analysis figures due to detailed adjustments made to the Comparable Company Analysis.










Note: Share price performance graph does not include PLTR, SNOW, or SUMO as they each listed during the quarter

M&A Activity

Date	Target	Buyer/Investor	Summary
L3M Featured M&A Transactions (Services Companies)			
30-Sep-2020	 2ndQuadrant [®] PostgreSQL	 EDB [™]	<ul style="list-style-type: none"> 2nd Quadrant is a global PostgreSQL solutions and tools company based out of the UK This deal combines two of the world's top PostgreSQL experts with decades of experience
18-Sep-2020	 NEW SIGNATURE	 Cognizant	<ul style="list-style-type: none"> New Signature is one of the world's largest Microsoft public cloud transformation specialists This acquisition expands Cognizant's hyperscale cloud advisory services
09-Sep-2020	 PRAGMATIC WORKS	 3Cloud backed by GRYPHON INVESTOR	<ul style="list-style-type: none"> Pragmatic Works is a services firm focused on Microsoft's cloud and data platforms With this acquisition, 3Cloud will form the largest Azure pure-play services firm in the U.S.
08-Sep-2020	 fourcast.	 devoteam	<ul style="list-style-type: none"> Fourcast is a Google Cloud Premier Partner focused on innovation and transformation With this acquisition, Devoteam strengthens its position in the European Google Cloud ecosystem
02-Sep-2020	 HyperAspect	 CONCORD	<ul style="list-style-type: none"> Concord acquired HyperAspect's services team based in Bulgaria This acquisition will expand Concord's Artificial Intelligence and Machine Learning capabilities
01-Sep-2020	 AHEAD	 Centerbridge	<ul style="list-style-type: none"> AHEAD is a leading provider of enterprise cloud solutions Centerbridge helped AHEAD acquire two smaller companies within 30 days of this acquisition
01-Sep-2020	 {X} 10 TH MAGNITUDE	 Cognizant	<ul style="list-style-type: none"> 10th Magnitude is a leading cloud specialist focused exclusively on Microsoft Azure cloud computing 10th Magnitude's Azure experts will join Cognizant as part of the Microsoft Business Group
27-Aug-2020	 invisio	 devoteam	<ul style="list-style-type: none"> Inviso is a consulting company that helps clients improve their analytical practice Devoteam builds on top of existing data analytics competencies with this acquisition

Source: Public filings as of 30-Sep-2020, Capital IQ, Pitchbook


M&A Activity

Date	Target	Buyer/Investor	Summary
L3M Featured M&A Transactions (Services Companies – continued)			
21-Jul-2020			<ul style="list-style-type: none"> • Triari Labs helps clients convert their data into accessible and intuitive business value • The acquisition allows Ekon to innovate around SME's, providing them with analytical capabilities to make better decisions in global markets
L3M Featured M&A Transactions (Product Companies)			
16-Sep-2020			<ul style="list-style-type: none"> • Blockdata is a Netherlands-based software company that tracks the global blockchain economy • The acquisition will provide CB Insight's clients with proprietary data and intelligence that will allow it to make decisions about technology more efficiently
02-Sep-2020			<ul style="list-style-type: none"> • Binary Tree is a leader in cloud migration services and a long-time partner with Microsoft • Quest Software's acquisition will strengthen its ability to assist clients with migrating, managing, and securing their Microsoft environments
18-Aug-2020			<ul style="list-style-type: none"> • GreenBay Technologies specializes in entity matching, schema matching, and metadata knowledge graphs • The acquisition accelerates Informatica's innovation in its AI and ML data management technology
24-Jul-2020			<ul style="list-style-type: none"> • Blueboard is a leading analytics platform that enables brands to measure and analyze real-time performance of its products • The acquisition enhances ChannelAdvisor's position as a leading e-commerce solution
20-Jul-2020			<ul style="list-style-type: none"> • CryptoNumerics specializes in enabling businesses to create privacy protected datasets with quantifiable privacy risk • Snowflake's acquisition will enable its clients to solve their privacy concerns while leveraging their data assets to create new revenue opportunities
15-Jul-2020			<ul style="list-style-type: none"> • HVH Precision provides a military-grade analytics platform that optimizes operational decisions • Eversana's acquisition brings the value of data and analytics to the pharmaceutical industry, helping clients optimize their operations and strategies
02-Jul-2020			<ul style="list-style-type: none"> • Compact Solutions provides metadata management services • The acquisition strengthens Informatica's leadership in metadata-driven AI and automation and enhances its Enterprise Data Catalog segment

Source: Public filings as of 30-Sep-2020, Capital IQ, Pitchbook

About ClearSight

ClearSight Advisors is an independent merchant banking firm dedicated to driving the Knowledge Economy by providing world-class M&A and capital raising solutions exclusively to growth-oriented Business Services and Technology companies. ClearSight combines deep market insights across software, services and data. ClearSight Capital Advisors, Inc., a wholly owned subsidiary, is a registered member of FINRA & SIPC. For more information about ClearSight, visit www.clearsightadvisors.com

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have been acquired by


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a portfolio company of



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psl

has been acquired by


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has been acquired by


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a portfolio company of


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The Managed Services Division of


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has been acquired by


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