Clearsight Advisors
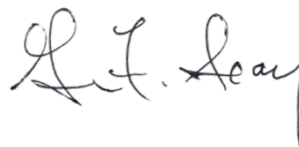## Investment Banking

Cloud, Data & Analytics
Market Monitor

Here in the US, the second quarter brought pre-COVID familiar scenes: warmer temperatures as spring turned to summer, unbridled optimism as schools adjourned, and packed bags as families hit the road for summer travel. We observed the same dynamic play out in Q2's white hot M&A market. Valuations are strong, buyers remain enthusiastic, and many are beginning to resume in-person deal negotiations and relationship building. In short, the M&A party continues in a big way and the music is only getting louder.

Within our coverage area of Cloud, Data & Analytics, Q2 demonstrated the remarkable resilience of key trends. Covid-19 accelerated digital transformation across all sectors of the economy, driven by data and cloud-first policies. Anything and everything featuring next-gen skillsets is attracting attention, including machine learning (ML), artificial intelligence (AI) and natural language processing, among others. The most sought-after ecosystems are still somewhat early and fragmented. Nonetheless, investors and strategic acquirers are exhibiting greater creativity in working with smaller, earlier stage firms born in the cloud-native era and offering capabilities associated with leading platforms such as Snowflake, Dataiku, AWS and GCP.

Clearsight continues to advise on some of the more cutting edge and exciting deals. We announced **three** Cloud, Data & Analytics transactions in Q2. In our last update, we featured M/C Partners' growth investment in cloud-based data analytics consultancy DAS42. This month, we feature deals for public sector analytics consultancy Qlarion, and cloud analytics consulting and managed services provider Core Compete. Buyers of all stripes are seeking our current market perspective and active opportunities in this strong market. Please contact us for real-time market intelligence and/or strategic discussion.

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Source: 451 Research

Sector Spotlight

Intelligent Communication

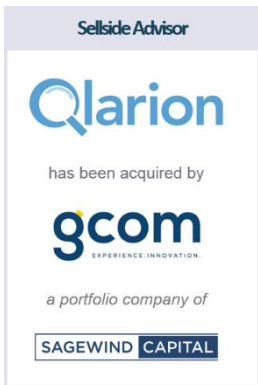**Microsoft**

NUANCE®

Conversational AI

High-Value Transaction in Novel Space

We are still in the early days for AI technologies and in complete infancy for the artificial intelligent communication sector. According to Pitchbook, VC-backed deal activity in the intelligent communication space showed flat deal count as the big tech companies continued to prefer home-grown solutions in 2020. However, the $19.7 billion acquisition by MSFT of Nuance Communications (Nasdaq: NUAN) (April 12, 2021) will start to rapidly shift the landscape.

Spurred by a widespread shift to digital brought by the COVID-19 pandemic, more and more companies are moving toward a "chat first" digital strategy wherein a customer's first point of contact is a chatbot. In fact, Gartner predicts that by 2022, 70% of white-collar workers will interact with conversational AI daily.

Conversational AI development is rooted in ML and Deep Learning, Natural Language Processing and Automated Speech Recognition – particularly attractive qualities to companies seeking enterprise-ready solutions with fully implementable technology. We have seen companies with extensive internal talent and significant R&D capital lean toward the "build over buy" trend; however, the Nuance deal will change that. Nuance is a leading provider of Conversational AI and cloud-based Ambient Clinical Intelligence (ACI) solutions for the healthcare industry. Nuance also provides AI expertise across Interactive Voice Response (IVR), virtual assistants and digital biometric solutions to global companies across all industry verticals. While AI leaders have historically relied on smaller low-risk tuck-in acquisitions, the Nuance deal, which is set to close by the end of the year, may serve as a benchmark transaction for more mature intelligent AI companies in what is sure to be an active M&A market for Conversational AI.

Deal Announcements

Sellside Advisor

Qlarion

has been acquired by

gcom
EXPERIENCE.INNOVATION.

a portfolio company of

SAGEWIND CAPITAL

SUMMARY
Qlarion is an award-winning data analytics and business intelligence firm based in Reston, VA. Qlarion provides best-in-class technology solutions to state and local governments to enhance constituent engagement, reduce costs and improve efficiency and business decisions. Qlarion will serve as GCOM's data analytics practice and provide deeper data-driven capability across its current solutions portfolio. The resulting platform will be a market leader in public sector analytics at the state and local level.

COMMENTARY
Qlarion's best-in-class solutions and work with the Commonwealth of Virginia is a model for others to follow in creating positive outcomes in public health, spurred by the COVID-19 pandemic. The Company's transaction with GCOM creates a clear leader in the state and local market as public sector entities are increasingly seeking collaborative, data-driven approaches to drive policy outcomes, particularly within public health.

Sellside Advisor

CORECOMPETE
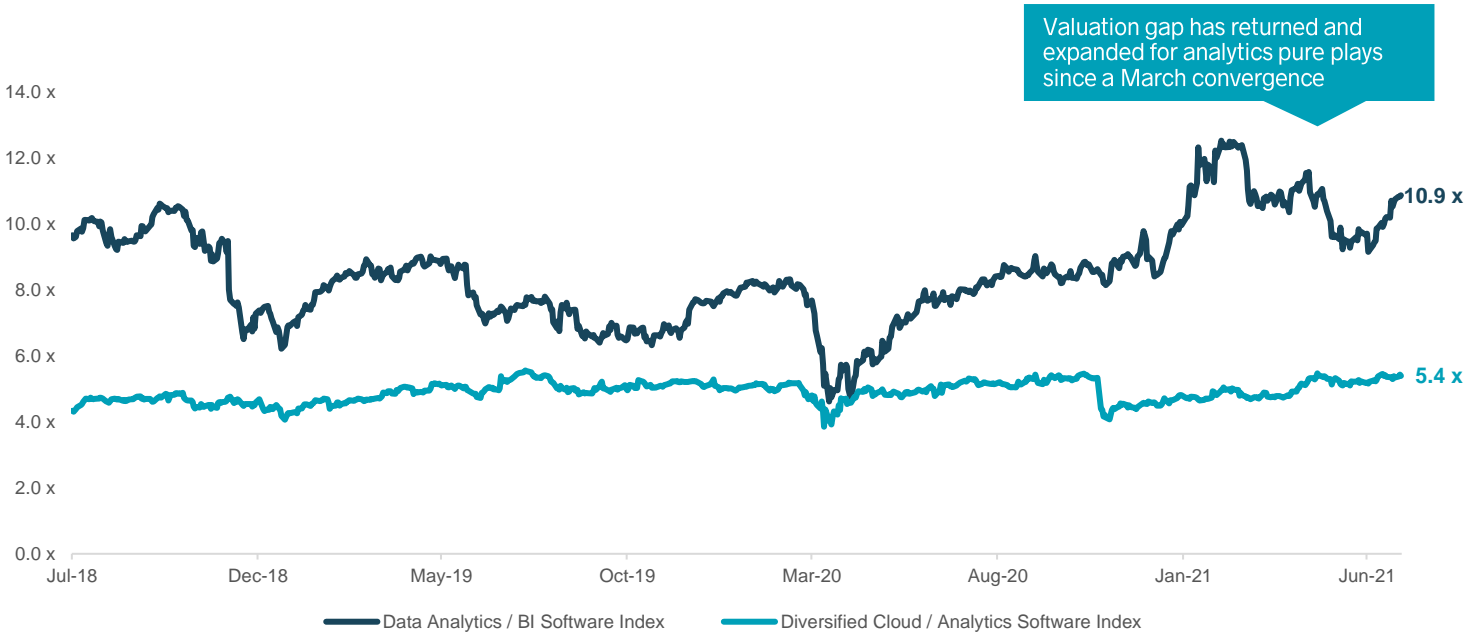
has been acquired by

accenture
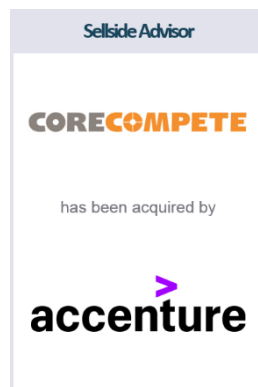
SUMMARY
Core Compete is a leading cloud analytics services firm based in Durham, NC. Core Compete's team enables digital transformation with cloud-native solutions that deliver artificial intelligence and machine learning-infused business outcomes to a diverse client base across the U.S. and UK, with particular focus on supply chain, retail and financial services. The acquisition allows Accenture to expand their Applied Intelligence business, with Core Compete serving as the anchor for their Global Analytics Cloud Practice.
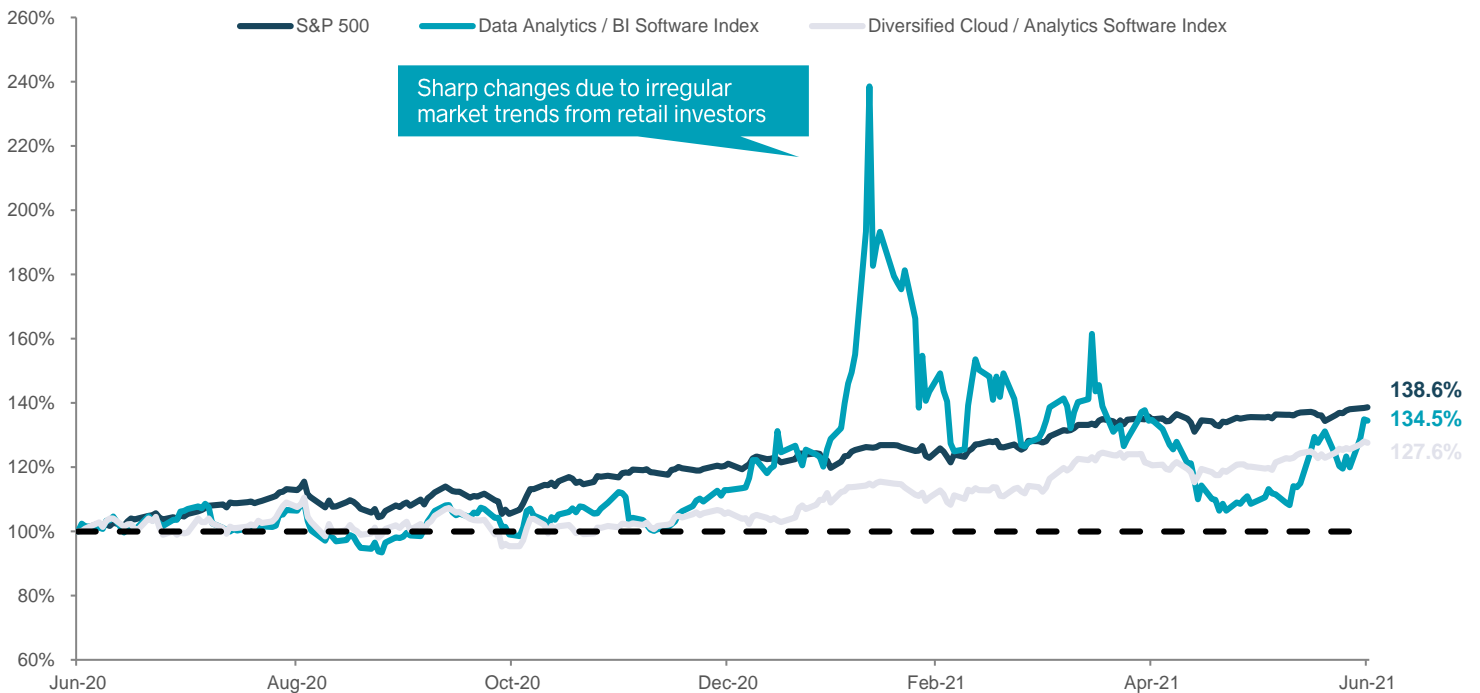
COMMENTARY
Core Compete has built a strong reputation for providing first-class cloud analytics services to their clients. Their partnership with Accenture's Applied Intelligence practice will allow them to expand into new markets and fulfill the growing need for AI and cloud-based technologies, particularly in the retail and supply chain space seeing heavy change as a result of the COVID-19 pandemic.

Source: Pitchbook, Gartner, 451 Research and company websites

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Public Market Performance

LTM EV / Revenue Multiple Trend – 3 Years

Valuation gap has returned and expanded for analytics pure plays since a March convergence

10.9 x

5.4 x

— Data Analytics / BI Software Index   — Diversified Cloud / Analytics Software Index

Cloud, Data & Analytics Market Indices Performance – 1 Year

— S&P 500   — Data Analytics / BI Software Index   — Diversified Cloud / Analytics Software Index

Sharp changes due to irregular market trends from retail investors

138.6%
134.5%
127.6%

Source: Public market data as of 30-Jun-2021, Capital IQ
Note: Indices do not include PLTR, SNOW, or SUMO as they each listed during 3Q20

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Public Market Performance

Q2 2021 Share Price Performance – 1 Quarter

Increase in Cloudera due to announcement of KKR and CD&R taking business private; Teradata increase due to strong top line performance

Company	%
Cloudera	30.3%
Teradata	29.7%
Microsoft	14.9%
SAP	14.4%
Palantir	13.2%
Oracle	10.9%
Altair	10.2%
IBM	10.0%
Sumo Logic	9.5%
Splunk	6.7%
Vmware	6.3%
Snowflake	5.5%
Alteryx	3.7%
Talend	3.1%
Verisk	(1.1)%
MicroStrategy	(2.1)%
Intel	(12.3)%
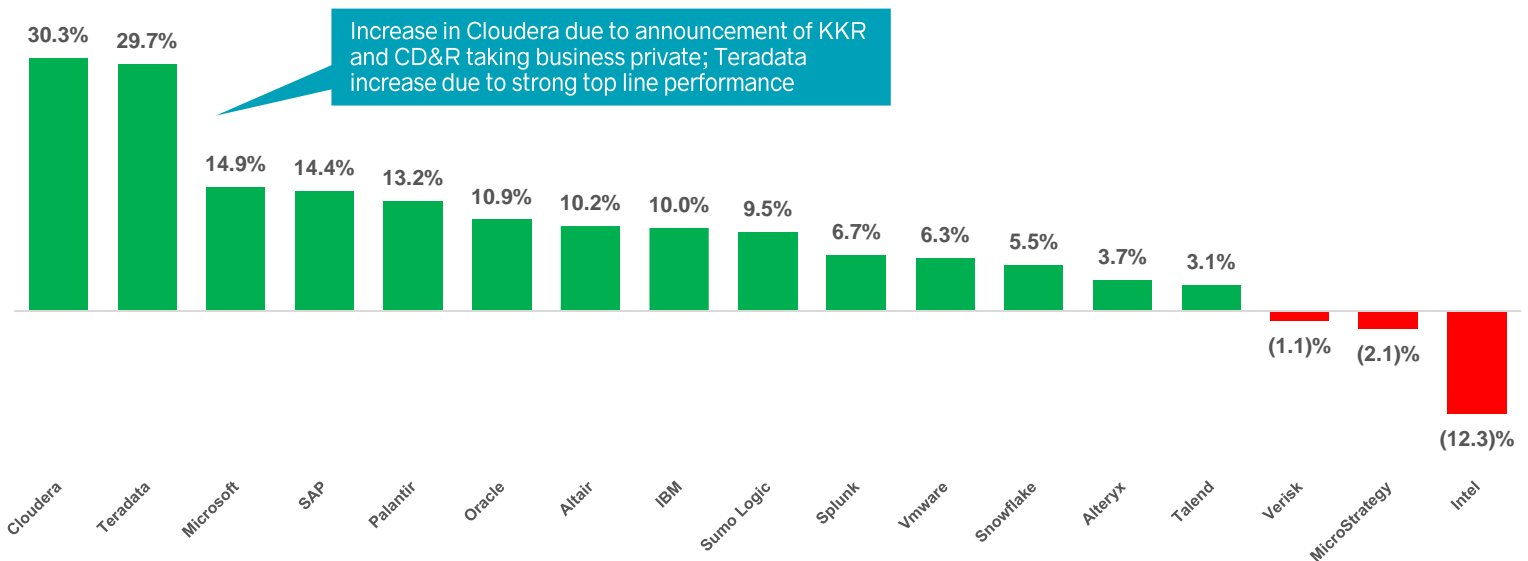
Cloud, Data & Analytics Comparable Companies Analysis

Data Analytics / BI Software Index

	Closing Price 30-Jun-2021	% of 52 Week High	Equity Market Cap ($ in M)	Enterprise Value ($ in M)	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2021	2022	LTM	2021	2022	
Data Analytics / BI Software											
Altair	$69.0	96.4%	$5,354	$5,146	10.5x	10.1x	9.2x	NMF	NMF	NMF	9.2%
Alteryx	86.0	46.3	6,038	5,989	11.9	10.5	8.6	NMF	NMF	NMF	0.1
Cloudera	15.9	82.0	5,194	5,344	6.1	5.8	5.3	NMF	20.2	17.6	(1.4)
MicroStrategy	664.5	50.5	7,052	8,739	17.2	17.4	16.6	NMF	NMF	16.6	16.9
Palantir	26.4	58.6	63,609	61,722	NMF	NMF	NMF	NMF	NMF	32.2	NMF
Snowflake	241.8	56.4	87,637	83,907	NMF	NMF	NMF	NMF	NMF	NMF	NMF
Splunk	144.6	64.0	25,824	26,576	11.6	10.5	8.6	NMF	NMF	NMF	(33.2)
Sumo Logic	20.7	44.5	2,668	2,388	11.4	10.2	8.4	NMF	NMF	NMF	(36.7)
Talend	65.6	99.5	2,343	2,359	7.6	7.2	6.2	NMF	NMF	NMF	(19.2)
Verisk	174.7	82.9	28,876	31,971	11.3	10.7	10.1	24.9	22.1	20.4	45.5
High		99.5%	$87,637	$83,907	17.2x	17.4x	16.6x	24.9x	22.1x	32.2x	45.5%
Median		61.3	6,545	7,364	11.4	10.3	8.6	24.9	21.1	19.0	(0.6)
Mean		68.1	23,459	23,414	10.9	10.3	9.1	24.9	21.1	21.7	(2.3)
Low		44.5	2,343	2,359	6.1	5.8	5.3	24.9	20.2	16.6	(36.7)

Diversified Cloud / Analytics Software Index

	Closing Price 30-Jun-2021	% of 52 Week High	Equity Market Cap ($ in M)	Enterprise Value ($ in M)	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2021	2022	LTM	2021	2022	
Diversified Analytics Software											
IBM	$146.6	95.9%	$134,231	$180,965	2.4x	2.4x	2.4x	9.5x	9.5x	9.5x	25.6%
Intel	56.1	82.0	232,403	260,052	3.4	3.6	3.6	7.5	8.0	7.8	44.6
Microsoft	270.9	99.7	2,074,437	2,016,448	12.0	11.4	10.3	25.0	23.5	20.0	48.1
Oracle	77.8	91.5	229,926	268,331	6.6	6.5	6.2	15.0	13.3	13.2	44.3
SAP	140.5	82.7	176,252	184,735	5.8	5.7	5.5	22.0	16.6	16.2	26.1
Teradata	50.0	83.9	5,852	5,979	3.2	3.1	3.0	20.4	12.8	11.8	15.5
VMware	160.0	93.0	69,750	69,571	5.8	5.4	5.0	23.8	15.2	14.0	24.3
High		99.7%	$2,074,437	$2,016,448	12.0x	11.4x	10.3x	25.0x	23.5x	20.0x	48.1%
Median		91.5	176,252	184,735	5.8	5.4	5.0	20.4	13.3	13.2	26.1
Mean		89.8	417,550	426,583	5.6	5.5	5.1	17.6	14.1	13.2	32.6
Low		82.0	5,852	5,979	2.4	2.4	2.4	7.5	8.0	7.8	15.5

Source: Public market data as of 30-Jun-2021, Capital IQ
Note: Multiples charts may differ from Comparable Company Analysis figures due to detailed adjustments made to the Comparable Company Analysis figures.

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Investment Banking

Cloud, Data & Analytics Monitor
M&A Activity

Date	Target	Buyer/Investor	Summary
L3M Featured M&A Transactions			
14-Jun-2021	umlaut	accenture	• Umlaut is an engineering consulting firm offering a variety of consulting services and engineering solutions • This acquisition will significantly scale Accenture's deep engineering capabilities
04-Jun-2021	BIGBEAR.AI DECISION DOMINANCE	GigCapital4	• BigBear.ai provides IT consulting services including data management, analytics, machine learning and cloud management • This merger will result in BigBear.ai becoming a publicly traded company on the Nasdaq
26-May-2021	Qlarion	gcom OUTCOMES. DELIVERED.	• Qlarion is the developer of business intelligence, data analytics, data warehouse and information management applications • Qlarion provides advanced analytics in GCOM's existing SaaS products, while broadly serving as GCOM's data analytics arm
15-May-2021	M3BI	ZenSar	• M3BI provides IT consulting and services specializing in niche and customized solutions such as big data initiatives and business intelligence • The acquisition gives Zensar access to Fortune 500 clients, mainly in the BFSI sector
10-May-2021	AgileThought	LIV CAPITAL ACQUISITION CORP	• AgileThought is a digital transformation and consulting firm specializing in analytics, cloud solutions, software development and UX design • This transaction will result in the combined company being listed on the Nasdaq
06-May-2021	cloud2	BCN Group Exceeding Expectations	• Cloud2 provides compliance, analytics and automation services • The acquisition strengthens BCN Group's Microsoft capabilities, given Cloud2 IT's specialization in data analytics and process automation
04-May-2021	LIBERTY IT Solutions	Booz | Allen | Hamilton	• Liberty IT Solutions offers IT services to several government agencies across a diverse portfolio of health IT projects • The acquisition complements Booz Allen's digital transformation portfolio
07-Apr-2021	CORECOMPETE	accenture	• Core Compete is the provider of cloud analytics software intended for AI and big data applications • This acquisition builds on Accenture's growing analytics, data and AI business around the world

Source: Public filings as of 30-Jun-2021, Capital IQ, Pitchbook

= Clearsight acted as exclusive advisor to Qlarion and Core Compete

Clearsight Advisors
Investment Banking

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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Select Transactions

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Qlarion has been acquired by **gcom** EXPERIENCE.INNOVATION. a portfolio company of **SAGEWIND CAPITAL**	**CORECOMPETE** has been acquired by **accenture**	**DAS42** has received a growth investment from **M|C PARTNERS**	**SYNERZIP** has merged with **PRIME** BRINGING VISIONS TO LIFE a portfolio company of **Frontenac**	**novo/scale** has merged with **evergreen** **cerna** backed by **SUNSTONE PARTNERS**

Sellside Advisor	Sellside Advisor	Sellside Advisor	Sellside Advisor	Sellside Advisor
Knowledgent has been acquired by **accenture**	**KOGENTiX** has been acquired by **accenture**	**DATASOURCE CONSULTING** has been acquired by **EXL**	**INTERSYS** has been acquired by **ASGN Incorporated**	**THINKBIG ANALYTICS** has been acquired by **TERADATA**

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