

Cloud, Data & Analytics Market Monitor

Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

The M&A market witnessed a continued surge in deal activity this past quarter. Valuations and deal volume continue to reach new highs, reflecting strong buyer demand and a particularly insatiable appetite for companies with next-gen technology skillsets and capabilities. Within the Cloud, Data & Analytics sector, a demand-supply imbalance continues to drive interest in our clients and their peer group. To paraphrase, buyers are requesting “more of everything”, a sentiment that underscores the depth of the capability shortfall across all layers of the analytics, data and infrastructure tech stack. Below, we highlight some of the quarter’s most interesting trends we are now seeing continue into Q4.

Proliferation of Cloud Analytics: Despite the sector’s relative novelty in comparison to big data, cloud analytics firms continue to gain popularity among strategic acquirers, financial investors and consumers alike. As more companies migrate heavier data sets to the cloud, the need for scalable and cost-efficient analytics becomes crucial to extracting actionable business insights – two areas wherein cloud analytics excels. We at Clearsight are proud to be at the forefront of this convergence with our recent transactions in the space, including [Core Compete](#) and [DAS42](#), with more to slated to close in the coming months.

Opportunities for Alternative Cloud Providers: Speaking of cloud, hyperscale giants AWS, Google Cloud and Microsoft Azure continue to dominate the space. But a few pure-play alternative cloud offerings, such as DigitalOcean and Linode, are demonstrating sizeable revenue growth. While deal volume in the space is still limited at this time, the attraction to alternative cloud providers lies in their ability to remedy overspending and serve as additional components of the multicloud portfolios utilized by many businesses today.

Emergence of MLOps: As enterprises struggle to integrate an expanding array of hyperscaler and/or alternative cloud providers with software products and AI, the most forward-thinking companies have begun to develop and provide a set of best practices known as Machine Learning Operations, or MLOps. From an M&A perspective, firms specializing in MLOps – among other sought-after analytics capabilities – are likely to attract attention from a variety of acquirers due to MLOps’ flexibility in comparison to more traditional forms of data science. **Head to our Sector Spotlight on page 2 to learn more.**

As with many of Clearsight’s key focus areas, the Cloud, Data & Analytics market is thriving in the race to keep up with the demand for everything digital. With niche expertise and global capabilities, our clients in this sector continue to garner high interest from key industry acquirers looking to expand their services. For entrepreneurs in the space, we welcome the opportunity to discuss next steps for your business as we head towards the end of 2021.

Sector Leadership



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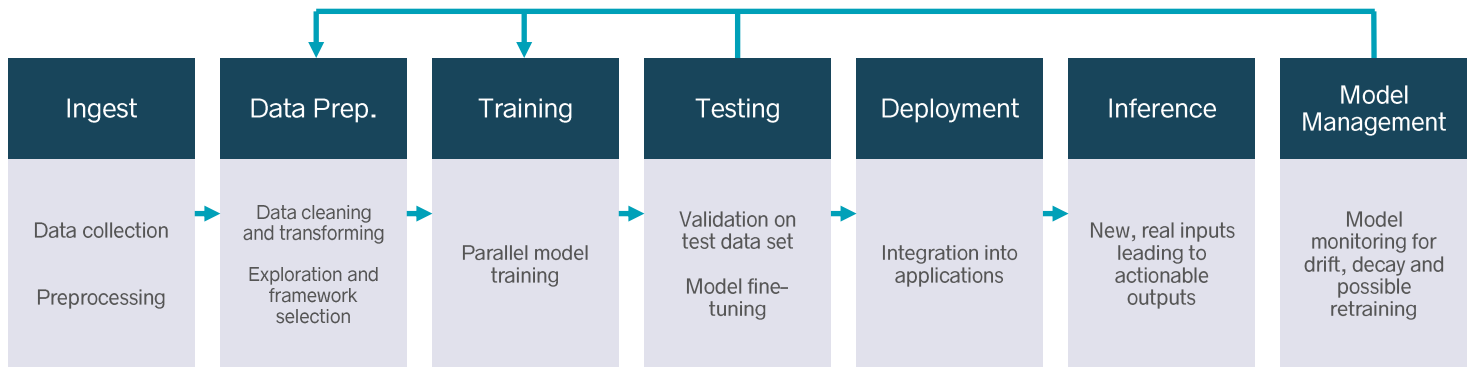
Sector Spotlight

The New Analytics Maturity Curve

Any grandparent will tell you maturity is an endless pursuit. Our clients developed strong businesses by guiding their enterprise customers up the data analytics maturity curve. In the processes, capabilities advanced from reporting to analysis to real time and finally predictive. Use cases featuring advanced analytical models have become pervasive, but does that mean they've achieved full maturity? Hardly.

Success in integrating more advanced models, particularly machine learning “ML” models, into production now creates a problem of scalability. Monitoring, retraining and refining many production ML models across a broad portfolio invites enormous complexity – the management of which is critical to operationalizing the promise of advanced analytics at scale. This domain has a name, MLOps, and has seen its scope expand to include earlier stages of data preparation, integration and initial model development. Anything static or manual, requiring ongoing attention from a data scientist, presents a limitation to scale. Ongoing interplay between ML model development and the operations of such models in production is the next challenge in analytics maturity that sophisticated enterprises are facing today.

The Machine Learning Model Development Process

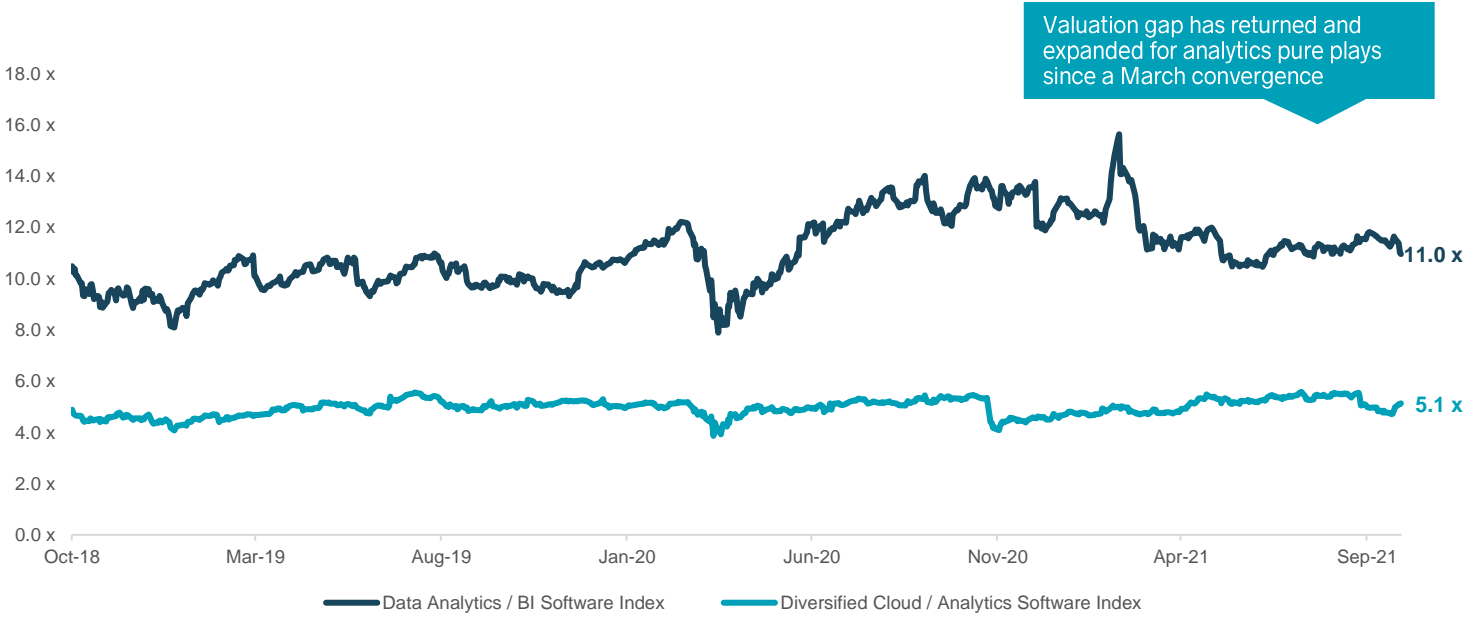


Source: 451 Research

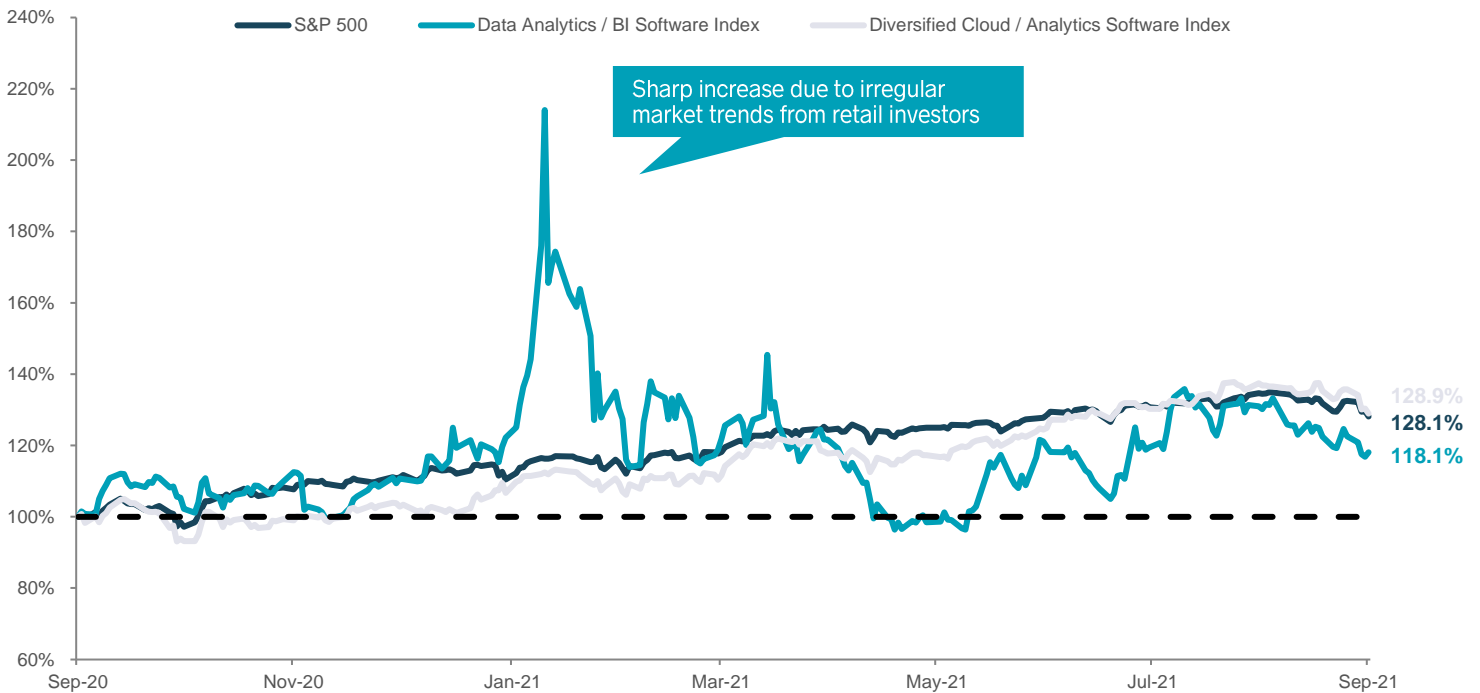
A burgeoning ecosystem of MLOps tools exist and feature offerings from specialists, data science platforms and hyperscale cloud providers. At this time, the third group is interesting yet problematic. While the hyperscalers (AWS, Google Cloud, Microsoft Azure) have the resources and DevOps expertise to release truly innovative tools, such tools are only optimized for data in their respective clouds, suggesting the sort of vendor lock enterprises are loath to embrace. For services companies in the Knowledge Economy, the opportunity is in premium managed services models that incorporate elements of MLOps with the bespoke front-end consulting focus on earlier lifecycle stages such as business case definition, model design and broader data strategy. We have seen this play out successfully in two of our clients, Kogentix and Core Compete, both acquired by Accenture (in July 2018 and April 2021, respectively), and integrated into the firm's Applied Intelligence segment. Such offerings keep pace with industry evolution and build a base of recurring revenue, a key element in attracting financial investor and M&A interest.

Public Market Performance

LTM EV / Revenue Multiple Trend – 3 Years



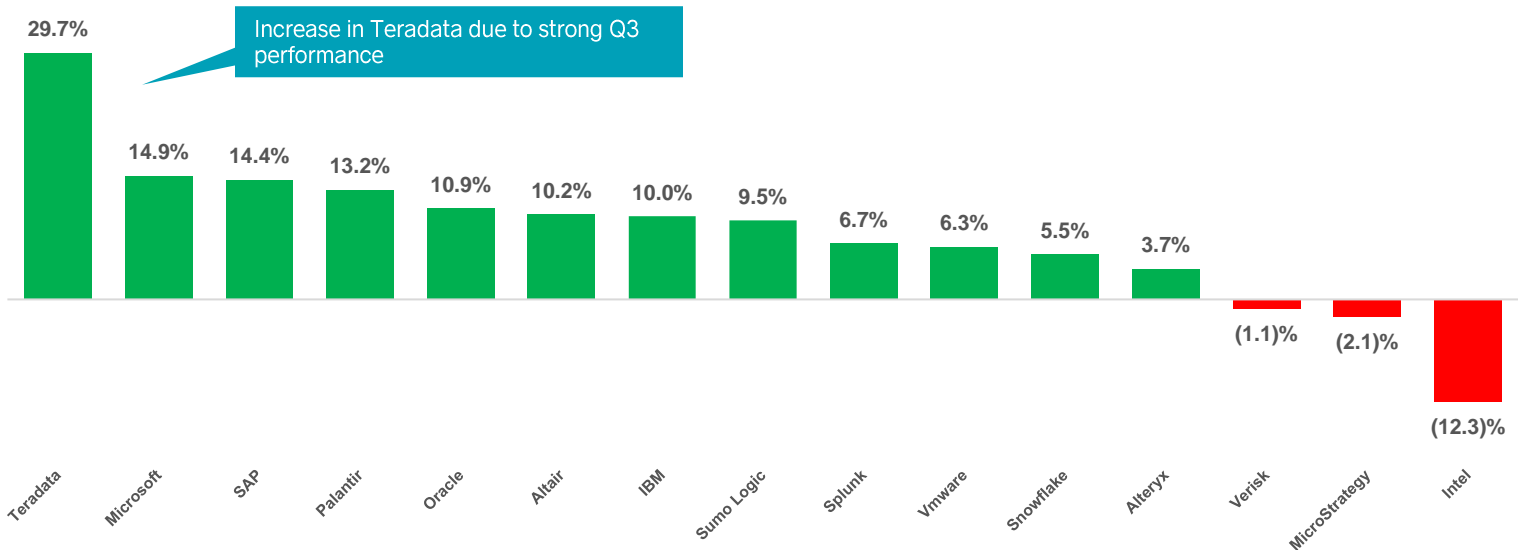
Cloud, Data & Analytics Market Indices Performance – 1 Year



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

Public Market Performance

Q3 2021 Share Price Performance – 1 Quarter



Cloud, Data & Analytics Comparable Companies Analysis

Data Analytics / BI Software Index

	Closing Price 30-Sep-2021	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	
					LTM	2021	2022	LTM	2021	2022		
Data Analytics / BI Software												
Altair	\$68.9	89.6%	\$5,377	\$5,151	10.1x	10.0x	9.0x	NMF	NMF	NMF	8.5%	
Alteryx	73.1	47.2	5,140	5,299	10.0	10.1	8.5	NMF	NMF	NMF	(3.0)	
MicroStrategy	578.4	44.0	6,094	8,311	16.4	16.3	15.6	NMF	NMF	15.6	16.9	
Palantir	24.0	53.4	57,976	55,884	NMF	NMF	NMF	NMF	NMF	28.7	(94.1%)	
Snowflake	302.4	70.5	109,678	105,737	NMF	NMF	NMF	NMF	NMF	NMF	(89.2%)	
Splunk	144.7	65.1	25,695	26,471	11.0	10.3	8.6	NMF	NMF	NMF	(35.8)	
Sumo Logic	16.1	34.8	2,109	1,829	8.3	7.7	6.5	NMF	NMF	NMF	(43.5)	
Verisk	200.3	95.1	32,960	36,105	12.5	12.0	11.3	NMF	NMF	24.9	23.1	45.2
High		95.1%	\$109,678	\$105,737	16.4x	16.3x	15.6x	NMF	24.9x	28.7x	45.2%	
Median		59.3	15,895	17,391	10.5	10.2	8.8	NMF	24.9	23.1	(19.4)	
Mean		62.5	30,629	30,598	11.4	11.1	9.9	NMF	24.9	22.5	(24.4)	
Low		34.8	2,109	1,829	8.3	7.7	6.5	NMF	24.9	15.6	(94.1)	

















Diversified Cloud / Analytics Software Index

	Closing Price 30-Sep-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	\$138.9	90.9%	\$127,595	\$176,281	2.3x	2.3x	2.3x	9.3x	9.3x	9.2x	25.2%
Intel	53.3	77.8	220,563	248,212	3.2	3.4	3.4	7.2	7.8	7.7	44.6
Microsoft	281.9	92.2	2,146,790	2,084,231	12.4	11.5	10.2	25.8	23.5	20.0	48.1
Oracle	87.1	94.4	253,190	297,009	7.3	7.2	6.9	16.4	14.2	13.8	44.4
SAP	135.2	86.2	163,027	173,086	5.4	5.4	5.2	20.6	15.7	15.3	26.1
Teradata	57.4	96.3	6,688	6,633	3.4	3.5	3.4	18.4	13.4	14.1	18.7
VMware	148.7	86.5	65,419	65,385	5.3	5.1	4.7	22.5	14.4	13.3	23.7
High		96.3%	\$2,146,790	\$2,084,231	12.4x	11.5x	10.2x	25.8x	23.5x	20.0x	48.1%
Median		90.9	163,027	176,281	5.3	5.1	4.7	18.4	14.2	13.8	26.1
Mean		89.2	426,182	435,834	5.6	5.5	5.2	17.2	14.0	13.3	33.0
Low		77.8	6,688	6,633	2.3	2.3	2.3	7.2	7.8	7.7	18.7

Source: Public market data as of 30-Sep-2021, Capital IQ

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






M&A Activity

Date	Target	Buyer/Investor	Summary
L3M Featured M&A Transactions			
14-Sep-2021			<ul style="list-style-type: none"> • Coppei Partners is a Seattle-based digital strategy and technology consultancy with advanced data insight expertise • With Coppei's advanced data insight expertise, Exadel can offer full-service technology solutions
08-Sep-2021			<ul style="list-style-type: none"> • PSC advises on cloud strategy and modernizing business applications by providing businesses with data analytics insights • The acquisition adds significant scale to Netrix's cloud application development practice
01-Sep-2021			<ul style="list-style-type: none"> • G-company provides Google Cloud-based systems integration, application development, ML, infrastructure and hosting services to businesses • The merger increases Xebia's GCP capabilities and expands its services with other Google solutions
23-Aug-2021			<ul style="list-style-type: none"> • Satalia is a technology company offering market-leading AI solutions to clients including BT, DFS, DS Smith, PwC, Gigaclear, Tesco and Unilever • With this acquisition, WPP will greatly improve its AI offerings and optimization expertise
19-Jul-2021			<ul style="list-style-type: none"> • Cloudworks provides Oracle Cloud integration and consulting services for businesses in North America, specializing in Oracle Cloud RPA and AI • This deal further enhances Accenture's capabilities to deliver Oracle solutions to their client base
15-Jul-2021			<ul style="list-style-type: none"> • Integress provides data management and analytics consulting and integration services with offerings including BI analytics and data pipeline integration • This acquisition will extend AllCloud's expertise across cloud data and analytics
14-Jul-2021			<ul style="list-style-type: none"> • Wabion provides Google Cloud-based systems integration and IT consulting services for businesses in the DACH region • Acquiring Wabion will strengthen Accenture's Cloud First platform and add expert human-centric design
06-Jul-2021			<ul style="list-style-type: none"> • Foghorn Consulting provides AWS, Azure Gold and Google Cloud consulting, software development and integration services • Evoque's acquisition of Foghorn will improve their cloud consulting, specifically within DevOps

Source: Public filings as of 30-Sep-2021, Capital IQ, Pitchbook, Company Websites

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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