Clearsight Advisors
Investment Banking

Q4 2022

Cloud, Data & Analytics Market Monitor

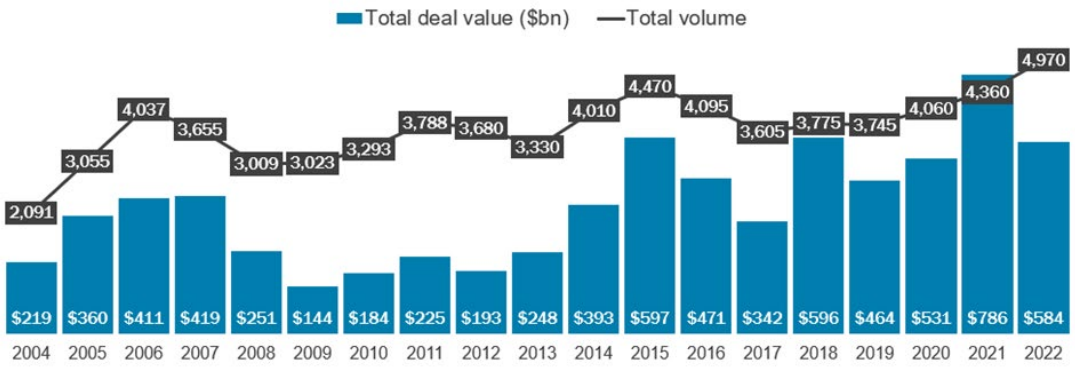
Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

If there's one word with which to describe the 2022 M&A markets, it's this: resilient. Deal professionals rightfully saw 2021 as a "hundred-year flood" water mark and expected substantially reduced volumes in 2022. Indeed, technology M&A volumes fell by 25% in total expenditure but increased 14% by number. The trajectory of 2021 was unsustainable, and a more normalized level of activity was to be expected.



Nonetheless, valuations in many segments remained above historical norms, if not quite to 2021 levels. Deals continued to print at strong multiples even amidst fairly substantial macro headwinds. Globally, we faced the first land war in Europe in half a century, an ensuing energy crisis, the strongest inflation levels in decades, and the subsequent aggressive policy response from central banks around the world. Demand never left the market as we continued to see strong interest from across the buyer landscape. Strategic acquirers and financial investors behaved aggressively in competitive auctions. Ever resilient, M&A conditions remained supportive for interested sellers.

Our clients in the Cloud, Data & Analytics world certainly benefited from resilient markets. Data intelligence consultancy USEReady raised growth capital from Abry Partners and UX research agency AnswerLab received an investment from Shamrock Capital. Digital transformation and data analytics consultancy AustinCSI was acquired by Cognizant in a deal that furthers Cognizant's ability to deliver next generation technology solutions to enterprise clients.

Turning the calendar to 2023, we at Clearsight are cautiously optimistic for a rebound year. 451 Research surveyed M&A dealmakers, 46% of whom expect an increase in M&A activity. Indeed, many of the strong tailwinds remain in place: tight labor markets, continued enterprise-level digital transformation, modernization of IT capabilities, lingering supply chain impacts, and general business agility in an uncertain market.

Source: 451 Research

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Sector Spotlight

AWS Overhaul: Take-Aways from re:Invent 2022

The Clearsight team recently attended AWS' signature re:Invent conference to meet with entrepreneurs and investors at the forefront of the hyperscale cloud. The AWS partner ecosystem has noticeably matured since we last attended the event in 2019 (*i.e.* before COVID moved the event to virtual). Cloud migration and enablement has become largely commoditized in the interim, and AWS itself has pivoted away from raw infrastructure (*i.e.* IaaS) to cloud-native capabilities and services more aligned to a platform (*i.e.* PaaS) model. For partners, there is a stronger focus on providing value to customers in the form of solutions and better collaboration with AWS itself as the conversation moves up the value chain into the business organization. Carving out differentiated offerings is now top of mind for partners who must navigate a maturing market, exhibiting verticalization, consolidation via M&A, and culling as AWS itself seeks to drive more value from fewer partners.

Recent commentary from 451 Research corroborates our observations, reporting that AWS aims to streamline its go-to-market strategy across all partner segments. In recent years, AWS has made moves in this direction by establishing a partner development team to create better partner capabilities and services. AWS then backed this up through its financial investments in accelerating go-to-market opportunities and its development of a dedicated sales unit to work directly with the partner ecosystem. The AWS Partner Profitability Framework, introduced at re:Invent, aims to provide even more assistance to the partner ecosystem by maximizing partners' business value based on their activities, cloud maturity, and business models. While the program has been successful thus far in attracting "long tail" partners for co-development opportunities, it remains to be seen how efficiently it can get a diverse group of partners up to speed with a common value selling proposition.

Nevertheless, the ability to deliver an integrated set of products and programs from multiple partners as one company will heighten AWS' competition with other hyperscale cloud providers, particularly Google and Microsoft Azure, who have also undergone major changes to their partner networks. The result: continued demand for partners in these ecosystems and subsequent interest from the M&A community as we head into 2023.

On the Horizon: Intelligent Automation (IA)

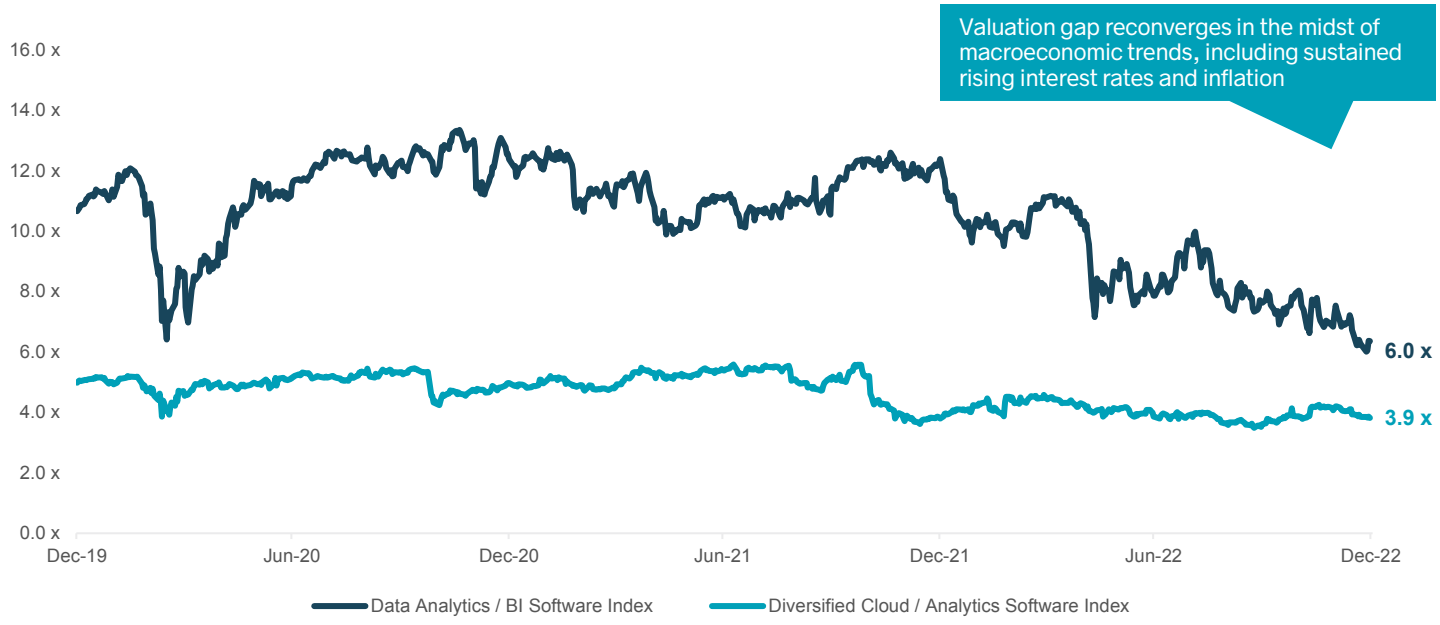
For years we have championed modern data capability as the precursor to business insight and agility. Massive data volumes offer promise but are hardly useful in isolation. Enter intelligent automation, a theme we expect to gain more mindshare in 2023. Intelligent automation (IA) leverages three key disciplines: artificial intelligence (AI), business process management (BPM), and robotic process automation (RPA). The introduction of AI to the IA toolkit further elevates human roles to higher value tasks as IA-enabled end-to-end processes become more flexible and resilient to shifting data streams.

It's our view that intelligent automation will emerge as the barometer of success in data-related initiatives. Scaling the capacity and flexibility of data-driven decision making across the enterprise and into higher value tasks will continue to elevate employees into more productive roles. In a tight labor market, IA drives greater productivity from employees and provides for more engaging working conditions. Services firms that specialize in this domain remain highly fragmented and somewhat scarce, particularly those focused on higher order decision automation. We expect to see IA as a force driving acquisitions in adjacent spaces, particularly in AI solutions and services. Strategic acquirers in particular will seek to blend specialized skillsets into this interdisciplinary capability that can be sold to enterprise scale clients.

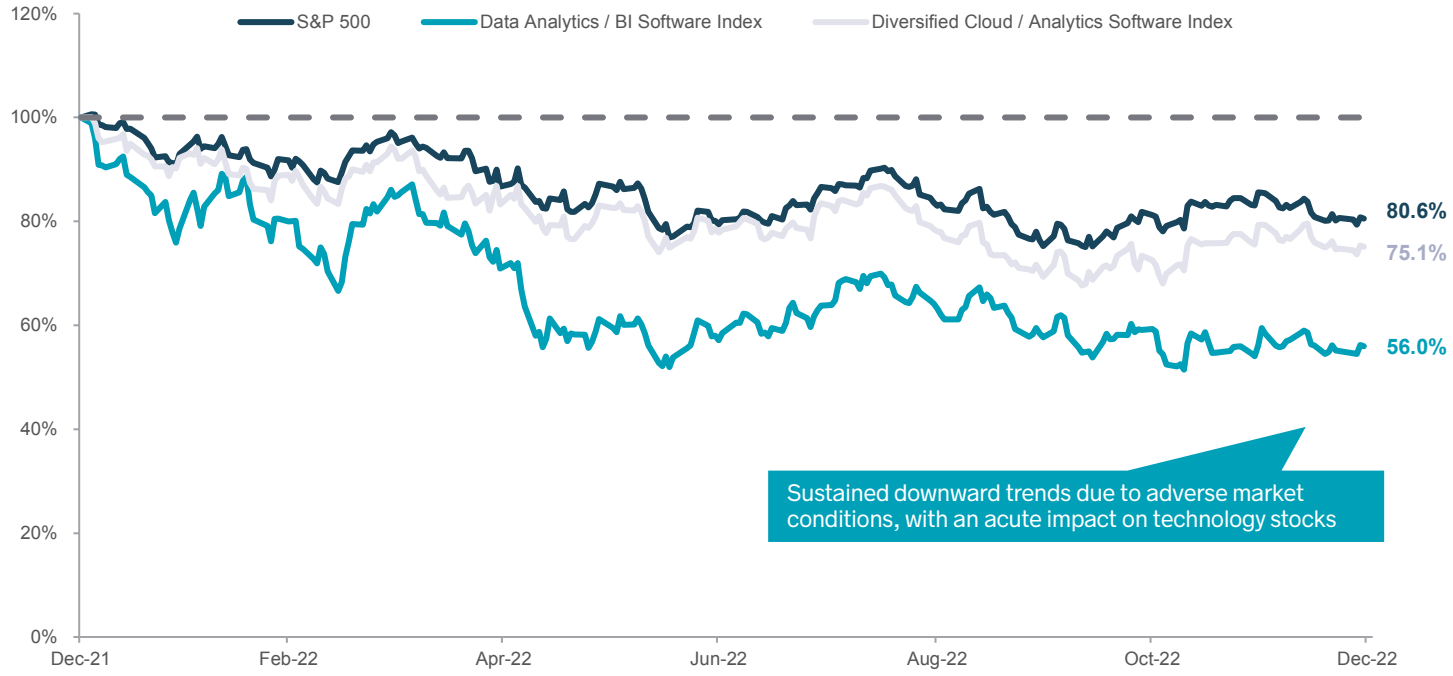
Sources: 451 Research, Market Research

Public Market Performance

LTM EV / Revenue Multiple Trend – 3 Years



Cloud, Data & Analytics Market Indices Performance – 1 Year



Source: Public market data as of 31-Dec-2022, Capital IQ

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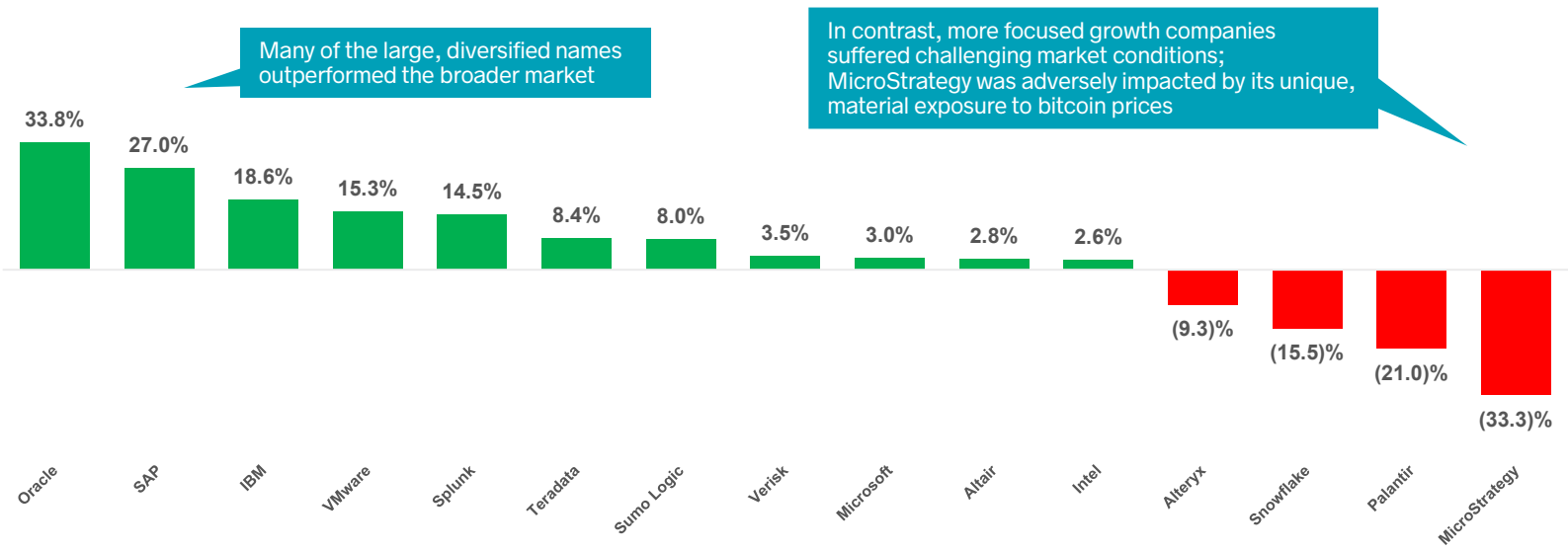
Public Market Performance

Q4 2022 Share Price Performance – 1 Quarter



Cloud, Data & Analytics Comparable Companies Analysis

Data Analytics / BI Software Index

	Closing Price 31-Dec-2022	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples LTM	EV / Revenue Multiples 2021	EV / Revenue Multiples 2022	EV / EBITDA Multiples LTM	EV / EBITDA Multiples 2021	EV / EBITDA Multiples 2022	LTM EBITDA Margin
Data Analytics / BI Software											
Altair	$45.5	58.0%	$3,704	$3,731	6.8x	7.0x	6.7x	NMF	NMF	NMF	3.8%
Alteryx	50.7	66.4	4,034	4,596	6.3	8.6	5.5	NMF	NMF	NMF	(32.0)
MicroStrategy	141.6	24.6	1,621	3,937	7.9	7.7	7.9	NMF	NMF	7.9	5.1
Palantir	6.4	34.1	14,196	11,973	6.5	7.8	6.3	NMF	NMF	6.3	(10.0%)
Snowflake	143.5	41.7	53,308	49,632	NMF	NMF	24.2	NMF	NMF	NMF	(37.9%)
Splunk	86.1	57.1	15,184	17,498	5.3	6.5	5.0	NMF	NMF	NMF	(12.9)
Sumo Logic	8.1	58.0	1,150	826	2.9	3.4	2.8	NMF	NMF	NMF	(42.3)
Verisk	176.4	77.4	27,877	31,282	10.3	10.4	10.9	22.4	22.6	21.6	46.1
High		**77.4%**	**$53,308**	**$49,632**	**10.3x**	**10.4x**	**24.2x**	**22.4x**	**22.6x**	**21.6x**	**46.1%**
Median		**57.6**	**9,115**	**8,284**	**6.5**	**7.7**	**6.5**	**22.4**	**22.6**	**7.9**	**(11.5)**
Mean		**52.2**	**15,134**	**15,434**	**6.6**	**7.4**	**8.7**	**22.4**	**22.6**	**11.9**	**(10.0)**
Low		**24.6**	**1,150**	**826**	**2.9**	**3.4**	**2.8**	**22.4**	**22.6**	**6.3**	**(42.3)**

Diversified Cloud / Analytics Software Index

	Closing Price 31-Dec-2022	% of 52 Week High	Equity Market Cap ($ in M)	Enterprise Value ($ in M)	EV / Revenue Multiples LTM	EV / Revenue Multiples 2021	EV / Revenue Multiples 2022	EV / EBITDA Multiples LTM	EV / EBITDA Multiples 2021	EV / EBITDA Multiples 2022	LTM EBITDA Margin
Diversified Analytics Software											
IBM	$140.9	92.0%	$130,635	$174,963	3.1x	3.1x	2.9x	14.4x	14.4x	11.9x	21.2%
Intel	26.4	47.0	109,080	126,044	1.8	1.6	2.0	6.0	3.7	6.7	30.0
Microsoft	239.8	71.0	1,810,035	1,751,395	8.6	8.8	8.2	17.7	17.9	17.1	48.7
Oracle	81.7	91.2	234,835	318,874	6.9	7.5	6.4	17.4	17.3	13.7	39.9
SAP	103.0	76.9	122,717	135,988	4.2	4.6	4.1	20.0	19.7	13.2	20.9
Teradata	33.7	64.1	3,675	3,797	2.1	2.0	2.1	13.0	9.9	9.1	16.1
VMware	122.8	89.7	55,101	62,664	4.8	5.0	4.7	22.9	20.6	12.3	20.8
High		**92.0%**	**$1,810,035**	**$1,751,395**	**8.6x**	**8.8x**	**8.2x**	**22.9x**	**20.6x**	**17.1x**	**48.7%**
Median		**76.9**	**122,717**	**135,988**	**4.2**	**4.6**	**4.1**	**17.4**	**17.3**	**12.3**	**21.2**
Mean		**76.0**	**352,297**	**367,675**	**4.5**	**4.6**	**4.4**	**15.9**	**14.8**	**12.0**	**28.2**
Low		**47.0**	**3,675**	**3,797**	**1.8**	**1.6**	**2.0**	**6.0**	**3.7**	**6.7**	**16.1**

Source: Public market data as of 31-Dec-2022, Capital IQ
Note: Multiples charts may differ from Comparable Company Analysis figures due to detailed adjustments made to the Comparable Company Analysis.

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M&A Activity

L3M Featured M&A Transactions (1 of 2)

Date	Target	Buyer/Investor	Summary
15-Dec-2022	**AustinCSI**	**Cognizant**	• AustinCSI is a premier digital transformation consultancy specializing in enterprise cloud and data analytics advisory services • The transaction furthers Cognizant's ability to deliver next generation technology solutions to enterprise clients
07-Dec-2022	**Octo**	**IBM**	• Octo is a US-based IT modernization and digital transformation services provider exclusively serving the US federal government, including defense, health, and civilian agencies • This transaction will add-on to IBM's IT modernization and digital transformation capabilities
21-Nov-2022	**Bridge Business Consulting**	**EY**	• Bridge Business Consulting is a Sydney-based data and analytics services provider • Bridge Business Consulting will help EY's Business Solutions teams enhance their ability to help clients transform their businesses through data and analytics
15-Nov-2022	**Codete**	**Exadel**	• Codete is a Poland-based software development and consulting firm • Exadel will leverage Codete's skills in engineering and HR services to grow their current engineering capabilities and expand into the European market
15-Nov-2022	**Caylent**	**Gryphon Investors**	• Caylent is a cloud-native services business focused on helping AWS optimization • Gryphon's investment will support Caylent's continued expansion of its capabilities and partnerships with AWS
08-Nov-2022	**Sagence**	**PwC**	• Sagence is a consulting firm focused on data management and analytics • This acquisition positions PwC as a leading player in data strategy and data cloud transformation capabilities, further establishing the firm as a digital business partner
03-Nov-2022	**Wovenware**	**Maxar Technologies**	• Wovenware is a Puerto Rico-based firm specializing in software development, service design, artificial intelligence, and geospatial production • Wovenware will significantly bolster Maxar's current talent as well as its software engineering and AI capabilities
28-Oct-2022	**Quantmetry**	**Capgemini**	• Quantmetry offers a wide range of IT consultancy services along with data analytics, data science, online learning, and managed data services • This acquisition will strengthen Capgemini's ability to deliver data transformation at scale and in the development of innovative products and services powered by trusted AI

= Clearsight acted as advisor to AustinCSI

Source: Public filings as of 31-Dec-2022, Capital IQ, Pitchbook, Press Releases

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M&A Activity

L3M Featured M&A Transactions (2 of 2)

Date	Target	Buyer/Investor	Summary
27-Oct-2022	**Ness Digital Engineering**	**KKR**	• Ness' engineering services include enterprise applications, business services, enterprise packaged applications, content management, web portal, and customer management • Ness adds to KKR's global portfolio of technology investments
18-Oct-2022	**Cape AI**	**Spatialedge**	• Cape AI offers advanced analytics, data engineering, AI modeling, and software development services • This transaction will allow Spatialedge to scale its offering and solutions to large enterprises across Africa
18-Oct-2022	**Bit Quill Technologies**	**Improving**	• Bit Quill offers cloud development, data development, staff augmentation, team management, and cloud integration services • The acquisition increases Improving's annualized revenue to exceed $250 million and will further expand its geographic reach within the Canadian market
12-Oct-2022	**QVine**	**SilverEdge**	• QVine offers a broad array of capabilities including DevOps engineering, SysOps administration, and solutions architecture • The transaction accelerates SilverEdge's ability to offer a greater depth and breadth of product and capability to core customers in the intelligence community
07-Oct-2022	**Braincourt**	**Capgemini**	• Braincourt designs and implements business intelligence solutions with the help of data mining, data analytics, machine learning, and cognitive computing • The acquisition will enable Capgemini to expand its range of services in Germany and Northern Europe

Source: Public filings as of 31-Dec-2022, Capital IQ, Pitchbook, Press Releases

Clearsight Advisors
Investment Banking

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Select Transactions

Sellside Advisor Некаста has been acquired by GlobalLogic A Hitachi Group Company (pending)	Sellside Advisor austincsi has been acquired by cognizant	Financial Advisor AnswerLab has received a strategic investment from SHAMROCK CAPITAL ADVISORS	Buyside Advisor CIVC PARTNERS has made an investment in ALLATA	Financial Advisor USERREADY has received a growth investment from abry partners
Sellside Advisor RCG Global Services *a portfolio company of* EOS has been recapitalized by Frontenac	Sellside Advisor Qlarion has been acquired by gcom *a portfolio company of* SAGEWIND CAPITAL	Sellside Advisor CORECOMPETE has been acquired by accenture	Financial Advisor DAS42 has received a growth investment from MC PARTNERS	Sellside Advisor Knowledgent has been acquired by accenture

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