



SECTORWATCH:
Artificial Intelligence
January 2018

7 MILE 
ADVISORS

SECTORWATCH: Artificial Intelligence

January 2018

- Sector Dashboard
- Public Basket Performance
- Operational Metrics
- Valuation Comparison
- Recent Deals
- Appendix

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OVERVIEW



Dashboard

summary metrics on the sector, with commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages



Public Basket Performance

summary valuation and operating metrics for a basket of comparable public companies



Valuation Comparison

a more graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

the most recently announced sector deals

About Us

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally.

We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets.

Sectorwatch

We publish sectorwatch, a review of M&A and operational trends in the industries we focus.

Let us know if we can help

Contact us if there are ways we can assist your M&A or financing strategy.

DASHBOARD

Revenue Growth Momentum

↑4.7%

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

Pricing / Gross Margin Momentum

↓-1.9%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

Profitability Momentum

↓-1.5%

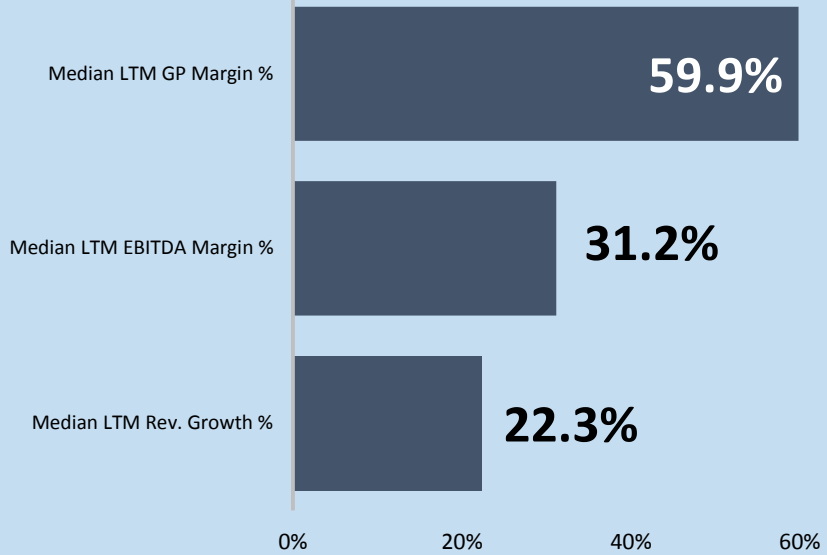
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

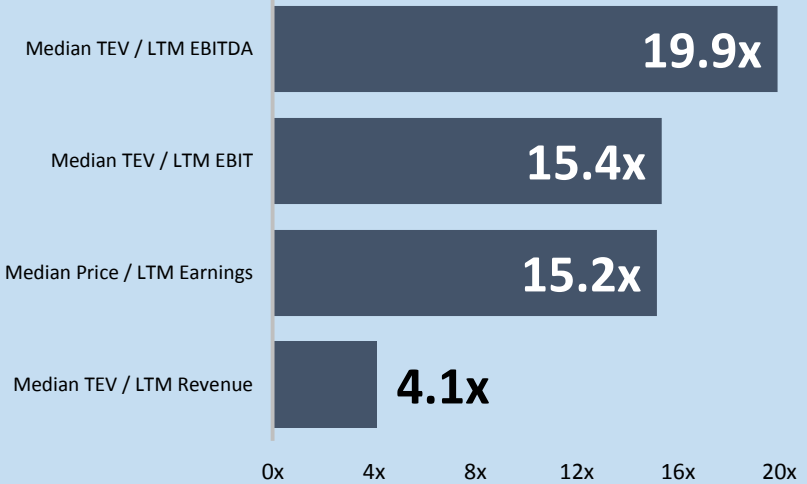
PUBLIC BASKET CONSTITUENTS

- NYSE:CRM
- NYSE:IBM
- NasdaqGS:INTC
- NasdaqGS:FB
- NasdaqGS:AMZN
- NasdaqGS:GOOGL
- NasdaqGS:AAPL

Operating Metrics



Valuation



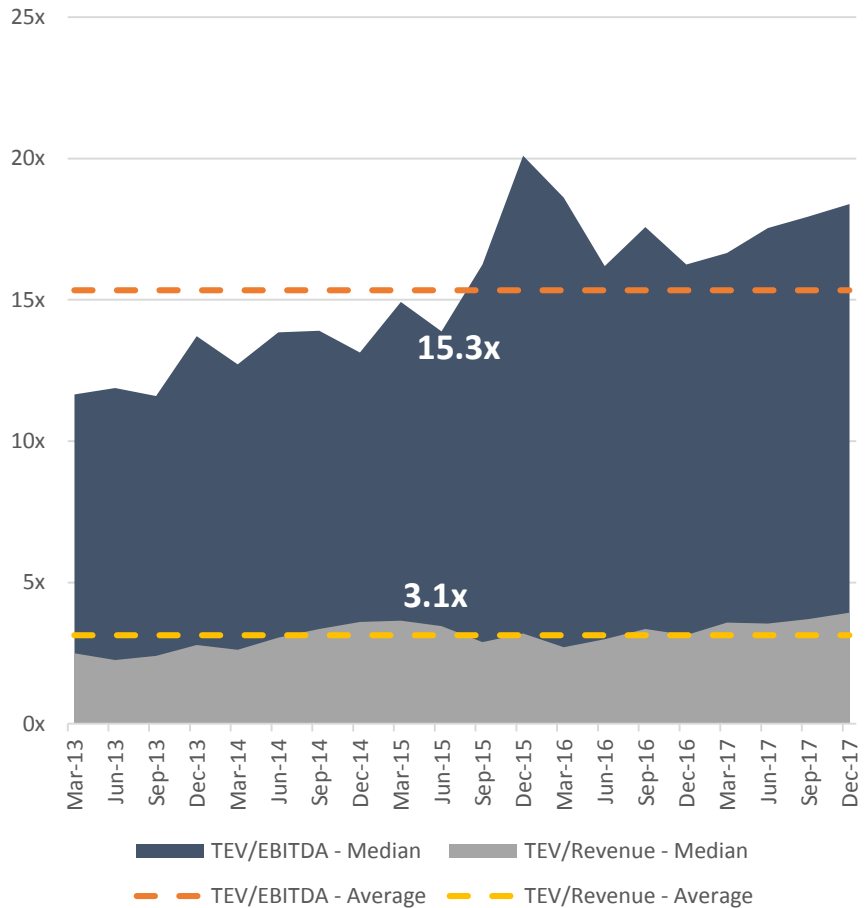
PUBLIC BASKET PERFORMANCE

| Company | TEV \$m | LTM Rev \$m | Rev Growth YoY | GP % | EBITDA % | TEV / Rev X | TEV / EBITDA X | # FTEs | Rev / FTE \$k |
|---|---------|-------------|----------------|------|----------|-------------|----------------|---------|---------------|
| Salesforce.com, inc. | 78,586 | 9,923 | 25% | 73% | 6% | 7.9 | 142.0 | 25,000 | 397 |
| International Business Machines Corporation | 185,291 | 78,366 | -2% | 46% | 21% | 2.4 | 11.0 | 380,300 | 206 |
| Intel Corporation | 216,499 | 62,082 | 7% | 62% | 40% | 3.5 | 8.6 | 106,000 | 586 |
| Facebook, Inc. | 482,926 | 36,490 | 48% | 87% | 56% | 13.2 | 23.8 | 17,048 | 2,140 |
| Amazon.com, Inc. | 647,816 | 161,154 | 26% | 36% | 8% | 4.0 | 50.1 | 341,400 | 472 |
| Alphabet Inc. | 686,467 | 104,596 | 22% | 60% | 33% | 6.6 | 19.9 | 72,053 | 1,452 |
| Apple Inc. | 942,148 | 229,234 | 6% | 38% | 31% | 4.1 | 13.2 | 123,000 | 1,864 |

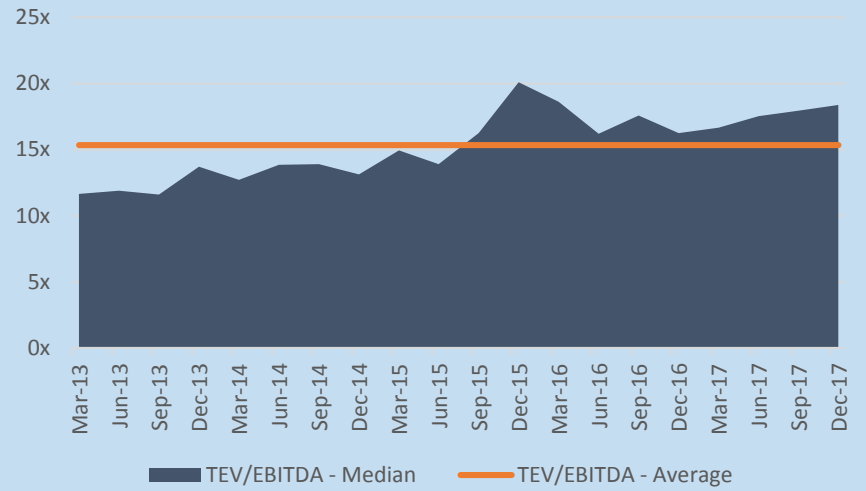
| | | | | | | | | | |
|----------------|---------|--------|-----|-----|-----|-----|------|---------|-------|
| Average | 462,819 | 97,406 | 19% | 58% | 28% | 6.0 | 38.4 | 152,114 | 1,017 |
| Median | 482,926 | 78,366 | 22% | 60% | 31% | 4.1 | 19.9 | 106,000 | 586 |

share price as of 12Jan18

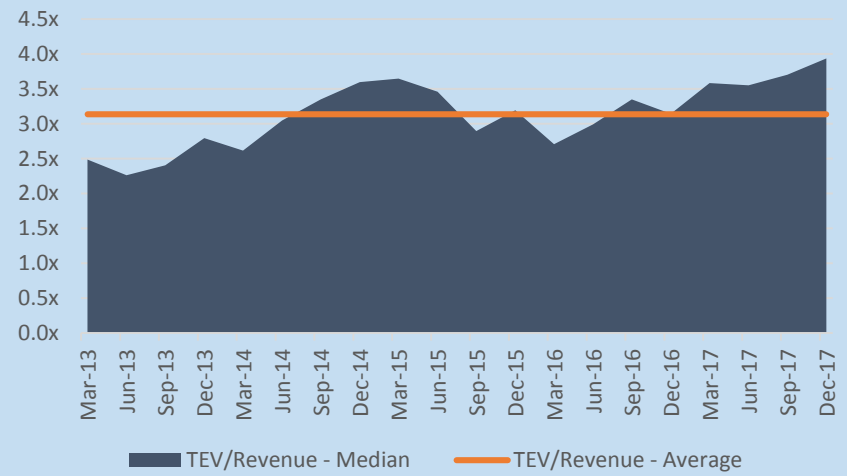
PUBLIC BASKET VALUATION TRENDS



Public EBITDA Multiples Over Time



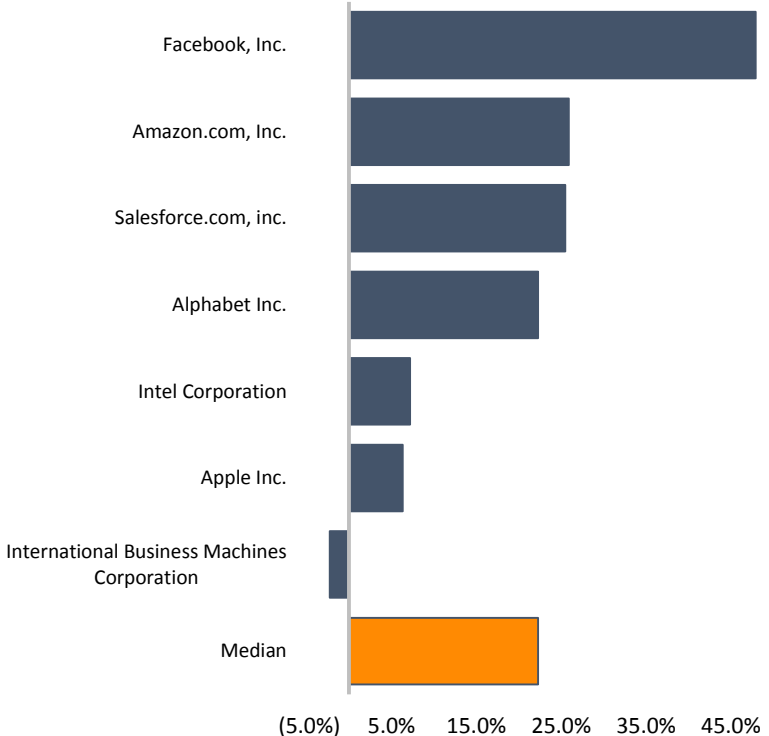
Public Revenue Multiples Over Time



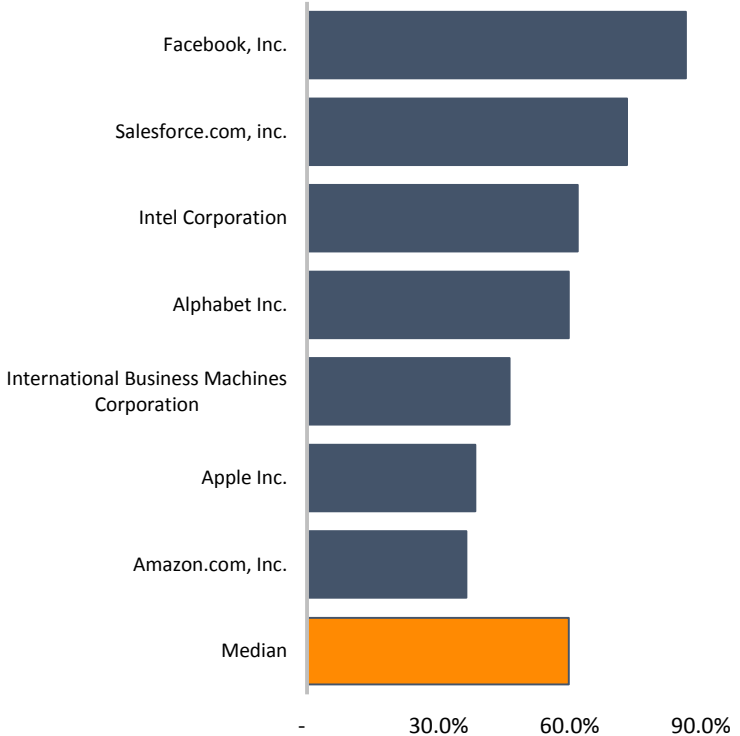
OPERATIONAL METRICS



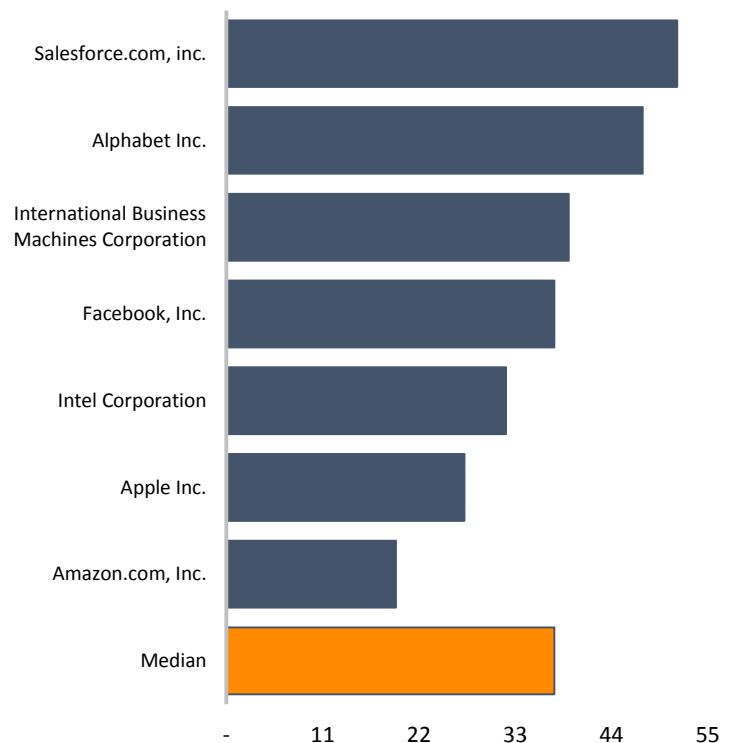
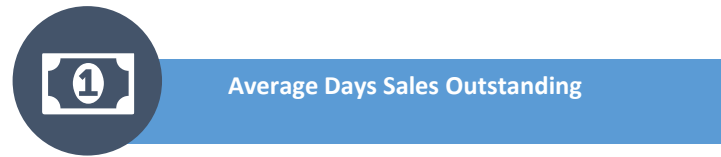
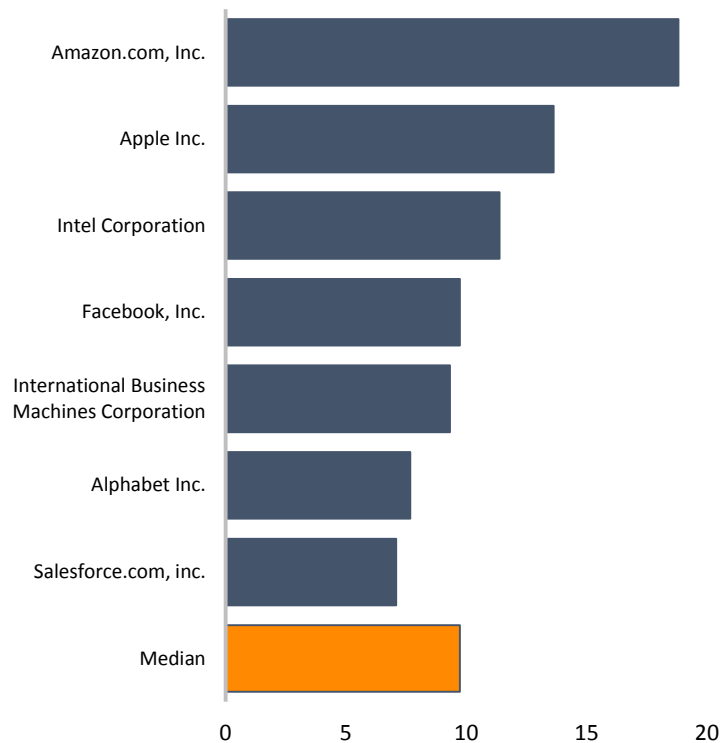
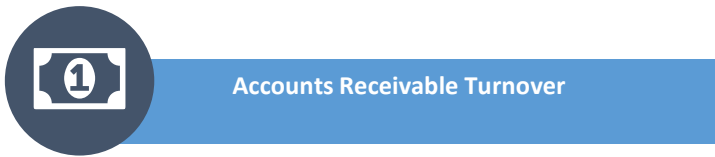
LTM Revenue Growth %



LTM Gross Profit Margin %



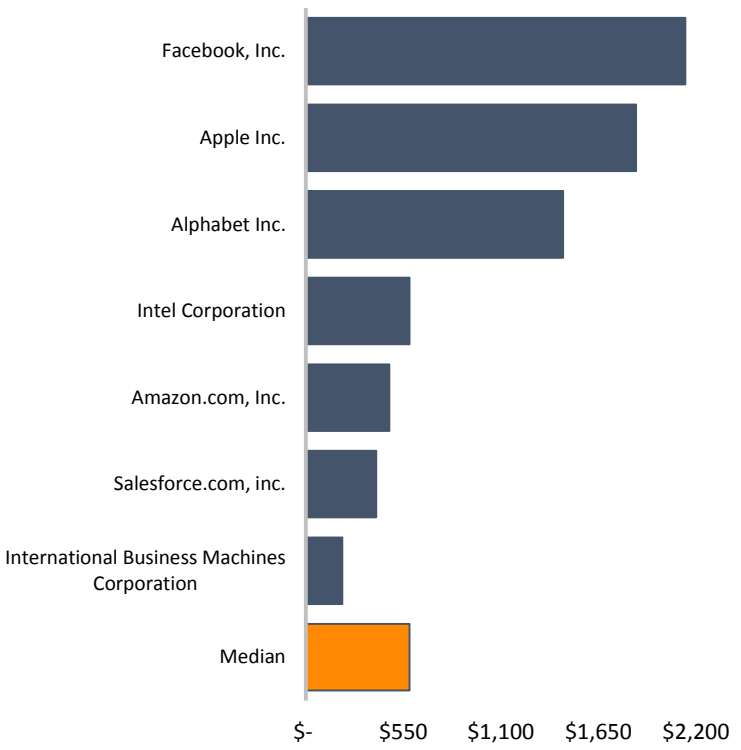
OPERATIONAL METRICS



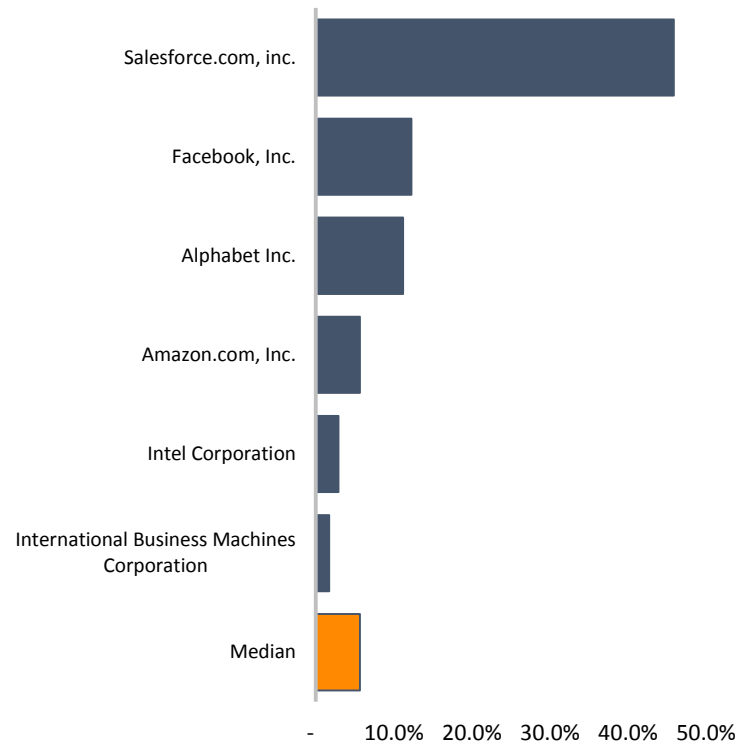
OPERATIONAL METRICS



LTM Revenue per Full Time Employee x 000's



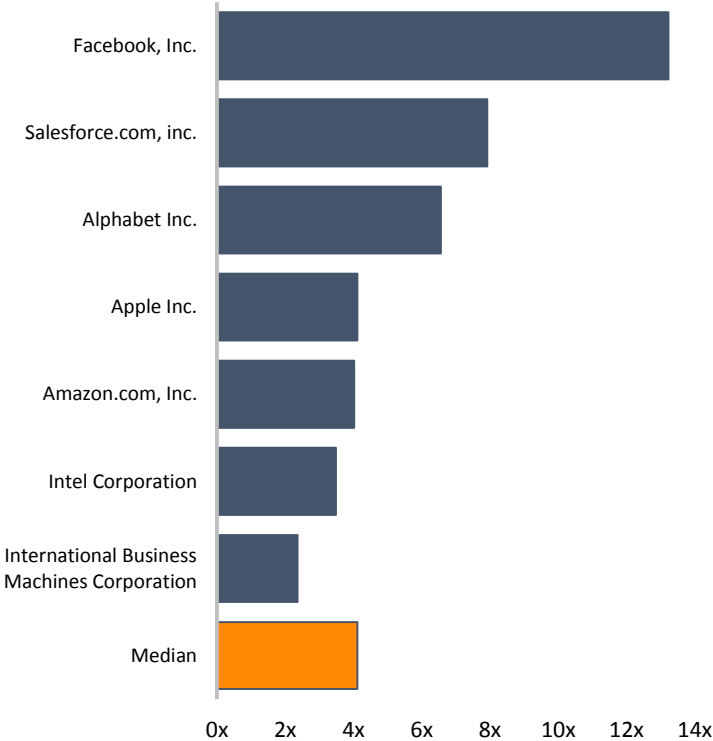
Sales & Marketing Expense as a % of Revenue



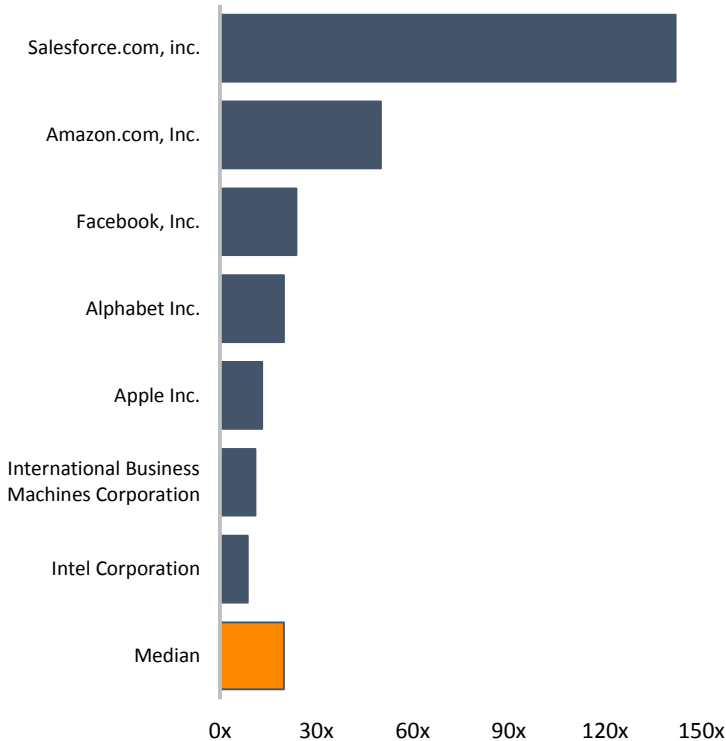
VALUATION



TEV / LTM Revenue



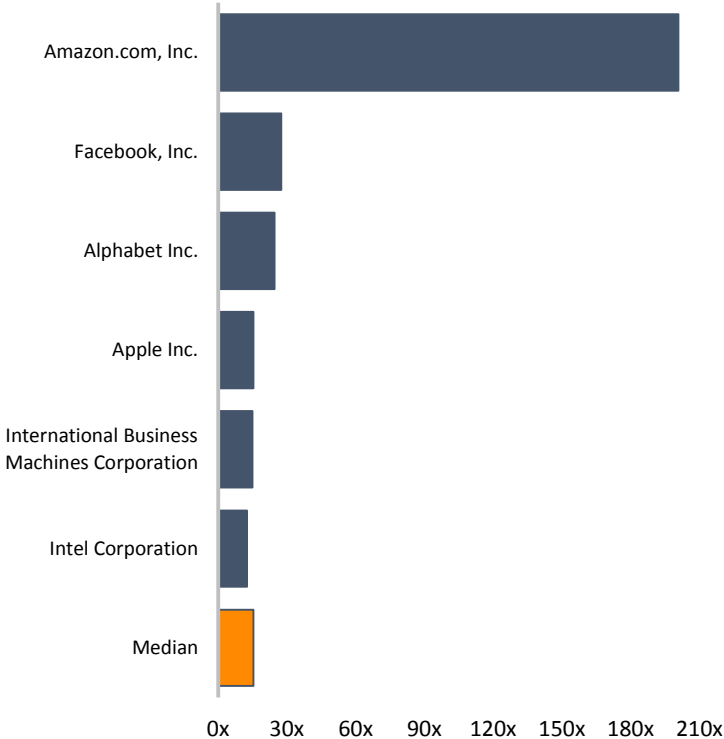
TEV / LTM EBITDA



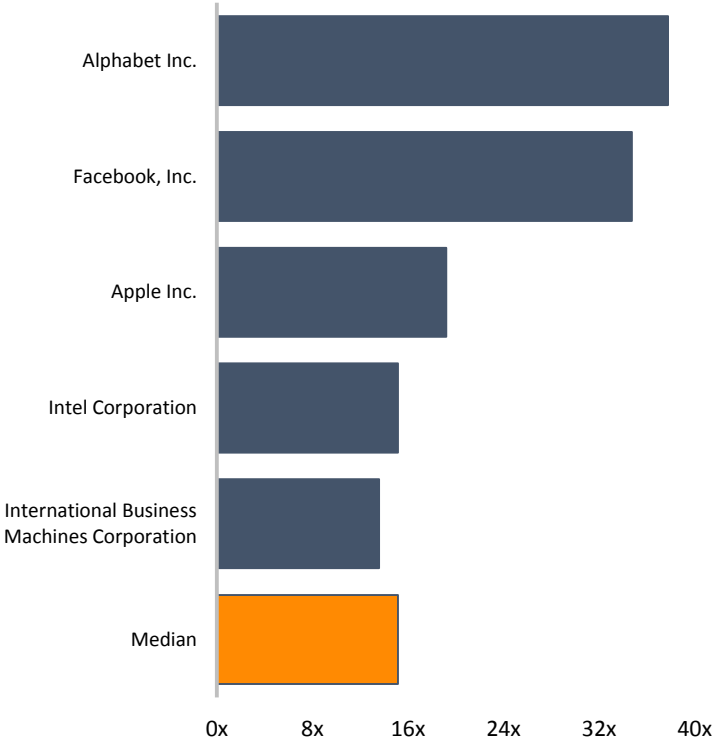
VALUATION



TEV / LTM EBIT



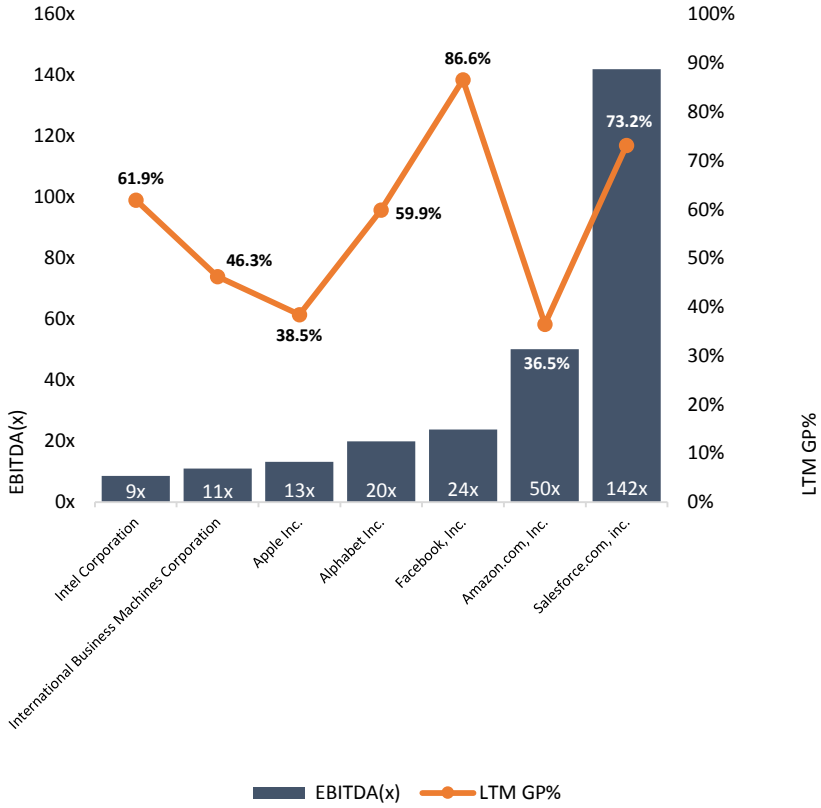
Price / LTM Earnings



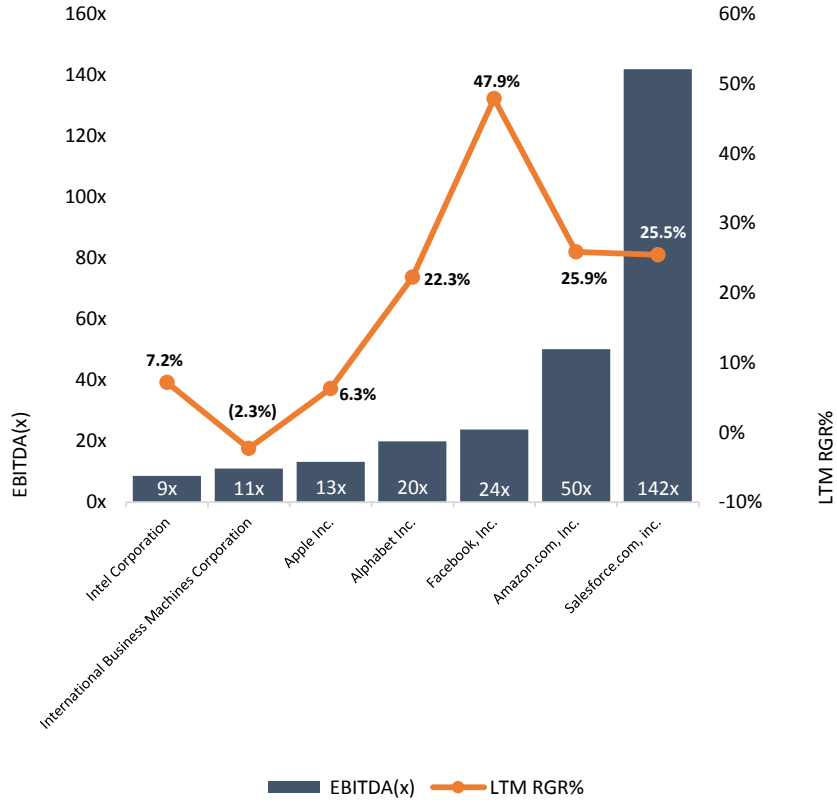
VALUATION



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



RECENT TRANSACTIONS

| <u>Date</u> | <u>Target</u> | <u>Buyer</u> | <u>Total Transaction Value</u> | <u>Target Revenue</u> | <u>TEV / Revenue</u> | <u>TEV / EBITDA</u> |
|-------------|------------------------------------|--|--------------------------------|-----------------------|----------------------|---------------------|
| 28Nov17 | Fluenty Inc. | Samsung Electronics Co., Ltd. | - | - | - | - |
| 16Aug17 | Scyfer B.V. | Qualcomm Technologies, Inc. | - | - | - | - |
| 4Jul17 | KITT.AI | Baidu, Inc. | - | - | - | - |
| 11May17 | MindMeld, Inc. | Cisco Systems, Inc. | 125.00 | - | - | - |
| 13Apr17 | Skytree, Inc. | Infosys Limited | - | - | - | - |
| 14Mar17 | Meerchant Inc. | ShopKeep.com Inc. | - | - | - | - |
| 12Mar17 | Mobileye N.V. | Intel Corporation | 15,426.38 | 358.16 | 42.0x | 108.1x |
| 15Feb17 | Do, Inc. | Amazon Web Services, Inc. | - | - | - | - |
| 20Feb17 | RealFace | Apple Inc. | - | - | - | - |
| 23Jan17 | Meta | Chan Zuckerberg Initiative | - | - | - | - |
| 18Jan17 | Intelligentsia.ai | Quartz Media LLC | - | - | - | - |
| 13Jan17 | Maluuba Inc | Microsoft Corporation | - | - | - | - |
| 5Dec16 | Geometric Intelligence Inc. | Uber Technologies, Inc. | - | - | - | - |
| 6Oct16 | Viv Labs, Inc. | Samsung Electronics Co., Ltd. | 211.55 | - | - | - |
| 31May16 | Tuplejump Software Private Limited | Apple Inc. | - | - | - | - |
| 5Aug16 | Turi Inc. | Apple Inc. | 200.00 | - | - | - |
| 11Jul16 | SalesPredict Ltd. | eBay Inc. | 40.00 | - | - | - |
| 22Apr16 | ReD Associates U.S., Inc. | Cognizant Technology Solutions Corporation | - | - | - | - |
| 11Apr16 | OpenSpan, Inc. | Pegasystems, Inc. | 52.30 | - | - | - |
| 4Apr16 | MetaMind Inc. | Salesforce.com, inc. | 48.00 | - | - | - |
| 19Feb16 | TappingStone Inc. | Salesforce.com, inc. | - | - | - | - |
| 11Jan16 | Nexidia Inc. | NICE Systems Ltd. (nka:NICE Ltd.) | 135.00 | - | - | - |
| 7Jan16 | Emotient, Inc. | Apple Inc. | - | - | - | - |

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Appendix: Public Basket
Constituents

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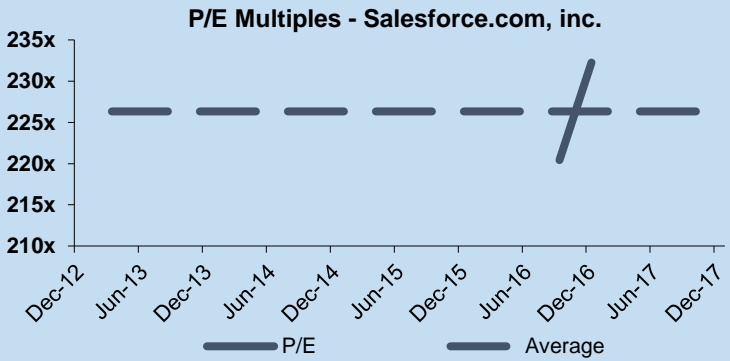
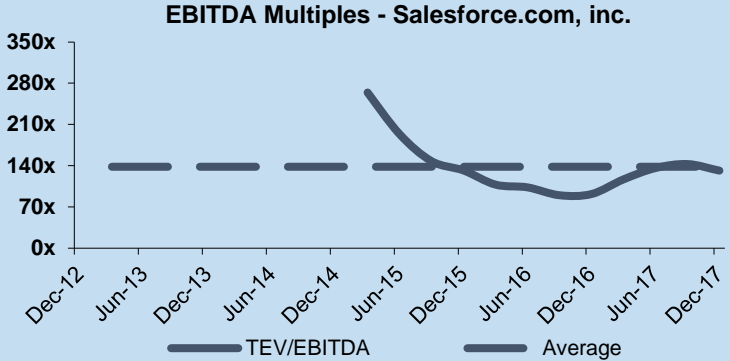
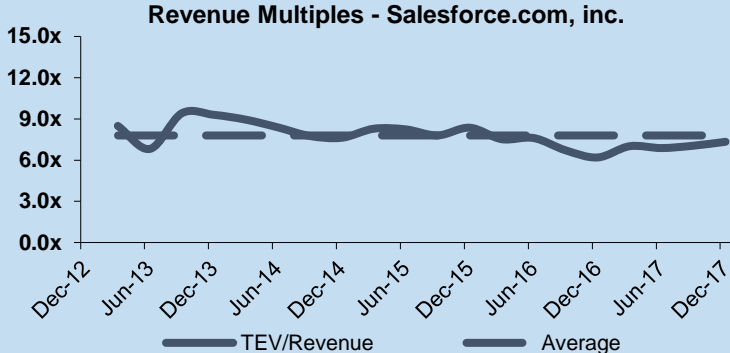


PUBLIC BASKET CONSTITUENTS

Salesforce.com, inc.

Salesforce.com, inc. develops enterprise cloud computing solutions with a focus on customer relationship management. The company offers Sales Cloud to store data, monitor leads and progress, forecast opportunities, gain insights through relationship intelligence, and collaborate around sales on desktop and mobile devices, as well as solutions for partner relationship management. It also provides Service Cloud, which enables companies to deliver personalized customer service and support, as well as connects their service agents with customers on various devices; and Marketing Cloud to plan, personalize, and optimize one-to-one customer interactions. In addition, the company offers Commerce Cloud to deliver a digital commerce experience; Community Cloud to create and manage branded digital destinations for customers, partners, and employees; Internet of Things Cloud that provides insights to companies enabling them to sell, service, and market to their customers in personalized ways, as well as engage with them in real time; and Analytics Cloud that enables employees across an organization to explore business data, uncover new insights, make decisions, and take action from various devices. Additionally, the company offers professional cloud services, such as consulting, deployment, training, user-centric design, and integration to facilitate the adoption of its solutions; and architects and innovation program teams, as well as various education services comprising introductory online courses and advanced architecture certifications. The company was founded in 1999 and is headquartered in San Francisco, California.

| Date | Key Development Headline |
|---------|----------------------------------|
| 11/7/17 | Salesforce.com Seeks Acquisition |

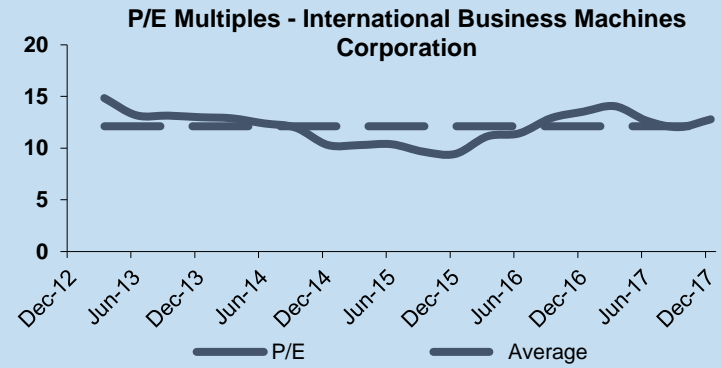
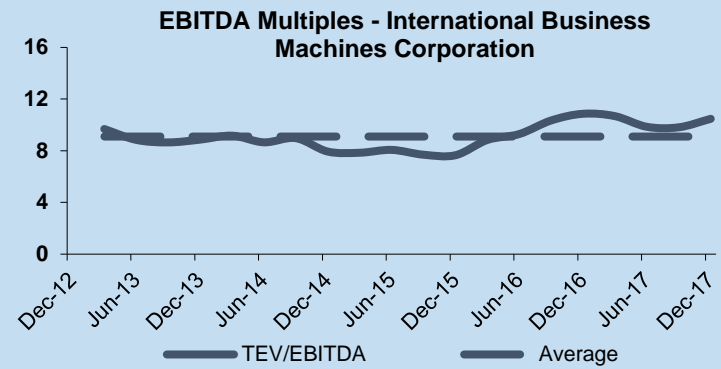
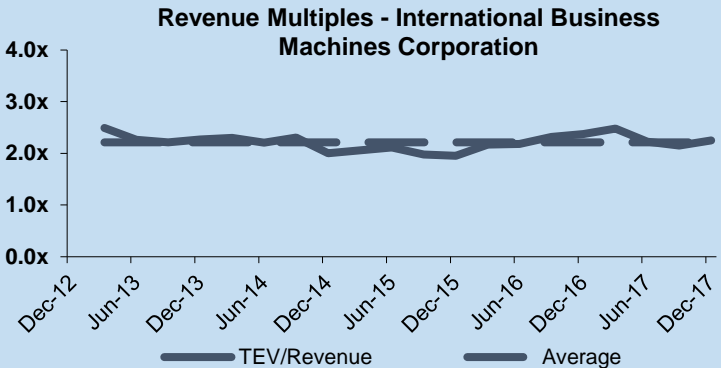


PUBLIC BASKET CONSTITUENTS

International Business Machines Corporation

International Business Machines Corporation provides information technology (IT) products and services worldwide. Its Cognitive Solutions segment includes Watson, a cognitive computing platform that interacts in natural language, processes big data, and learns from interactions with people and computers. The company's Cognitive Solutions segment also offers data and analytics solutions, including analytics and data management platforms, cloud data services, enterprise social software, talent management solutions, and solutions tailored by industry; and transaction processing software that runs mission-critical systems in banking, airlines, and retail industries. The company's Global Business Services segment offers business consulting services; delivers system integration, application management, maintenance, and support services for packaged software applications; and business process outsourcing services. Its Technology Services & Cloud Platforms segment provides cloud, project-based, outsourcing, and other managed services for enterprise IT infrastructure environments. This segment also offers technical support, and software and solution support; and integration software solutions. The company was formerly known as Computing-Tabulating-Recording Co. and changed its name to International Business Machines Corporation in 1924. The company was founded in 1910 and is headquartered in Armonk, New York.

| Date | Key Development Headline |
|---------|---|
| 10/3/17 | Forensic Logic, Inc. acquired COPLINK Suite of Products from International Business Machines Corporation (NYSE:IBM). |
| 9/28/17 | IBM and University of California San Diego Collaborate to Advance the Use of Artificial Intelligence for Healthy Living |
| 9/13/17 | IBM, ZF, UBS to Develop Open Automotive Transaction Platform |

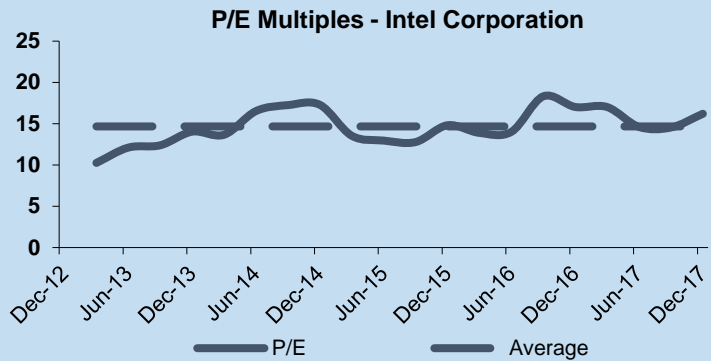
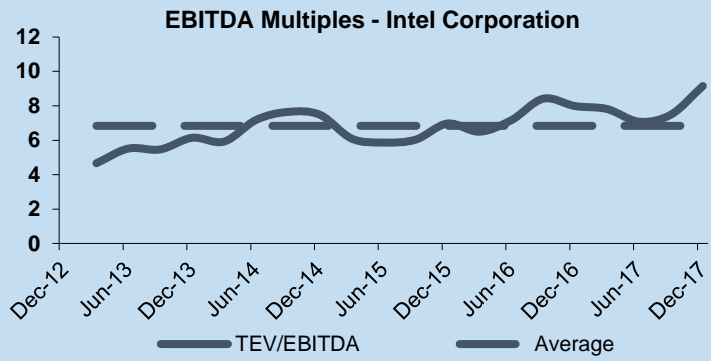
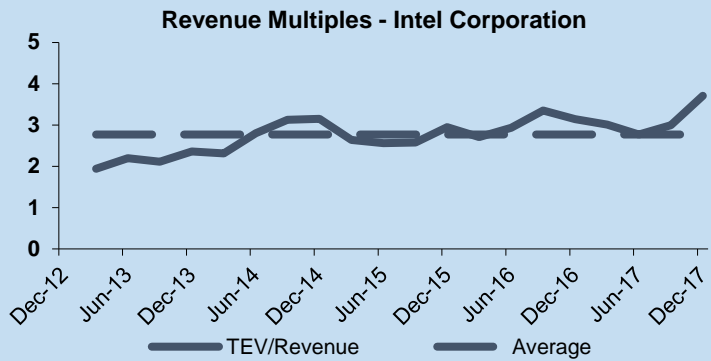


PUBLIC BASKET CONSTITUENTS

Intel Corporation

Intel Corporation designs, manufactures, and sells computer, networking, and communications platforms worldwide. Its platforms are used in notebooks, 2 in 1 systems, desktops, servers, tablets, smartphones, wireless and wired connectivity products, and mobile communication components; enterprise, cloud, and communication infrastructure; and retail, transportation, industrial, video, buildings, and other market segments. The company offers microprocessors that processes system data and controls other devices in the system; chipsets, which send data between the microprocessor and input, display, and storage devices, such as keyboard, mouse, monitor, hard drive or solid-state drive, and optical disc drives; and system-on-chip and multichip packaging products that integrate its central processing units with other system components onto a single chip. It also offers NAND flash memory products primarily used in solid-state drives; security software products that secure computers, mobile devices, and networks; programmable semiconductors and related products for communications, data center, industrial, military, and automotive market segments. In addition, the company develops computer vision and machine learning-based sensing products, mapping and driving policy technology solutions for advanced driver assistance systems, and autonomous driving technologies. The company was founded in 1968 and is based in Santa Clara, California.

| Date | Key Development Headline |
|---------|---|
| 8/20/17 | Intel Corporation (NasdaqGS:INTC) completed the acquisition of Mobileye N.V. (NYSE:MBLY) from Ziv Aviram, Amnon Shashua, Sailing Capital International of Sailing Capital Advisors (HK) Limited and other shareholders. |
| 8/8/17 | Intel Corporation, Mobileye N.V. - M&A Call |

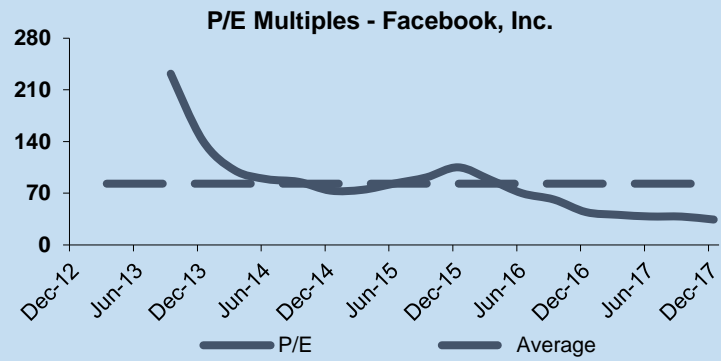
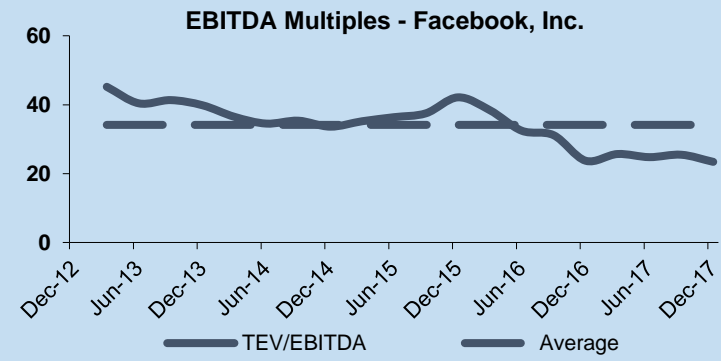
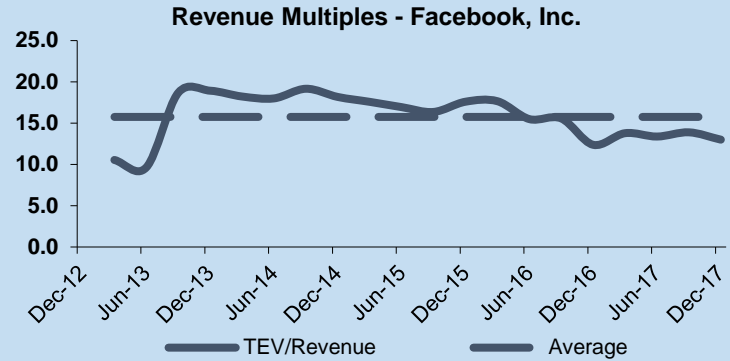


PUBLIC BASKET CONSTITUENTS

Facebook, Inc.

Facebook, Inc. provides various products to connect and share through mobile devices, personal computers, and other surfaces worldwide. Its solutions include Facebook Website and mobile application that enables people to connect, share, discover, and communicate each other on mobile devices and personal computers; Instagram, a mobile application that enables people to take photos or videos, customize them with filter effects, and share them with friends and followers in a photo feed or send them directly to friends; Messenger, a messaging application to communicate with people and businesses across platforms and devices; and WhatsApp Messenger, a mobile messaging application. The company also offers Oculus virtual reality technology and content platform, which allow people to enter an immersive and interactive environment to play games, consume content, and connect with others. As of December 31, 2016, it had approximately 1.23 billion daily active users. Facebook, Inc. was founded in 2004 and is headquartered in Menlo Park, California.

| Date | Key Development Headline |
|----------|--|
| 10/15/17 | Facebook Inc. (NasdaqGS:FB) acquired the tbh mobile application. |
| 9/24/17 | Mark Zuckerberg To Sell 35 million to 75 million shares For Charity Efforts |
| 8/10/17 | Facebook, Inc. (NasdaqGS:FB) acquired fayteq GmbH. |
| 7/30/17 | Facebook, Inc. (NasdaqGS:FB) acquired Ozlo Inc. from AME Cloud Ventures and Greylock Partners. |
| 7/23/17 | Facebook, Inc. (NasdaqGS:FB) acquired Source3, Inc. |

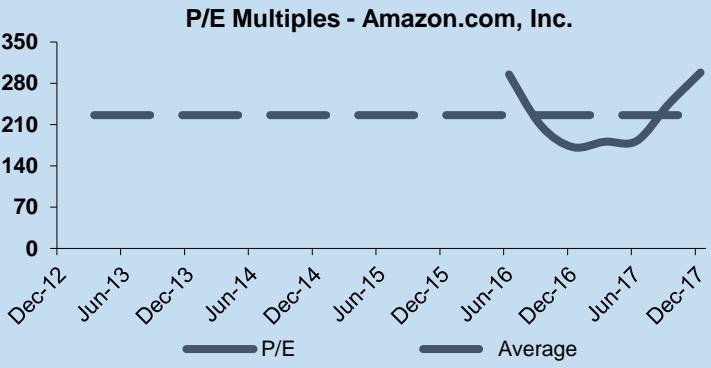
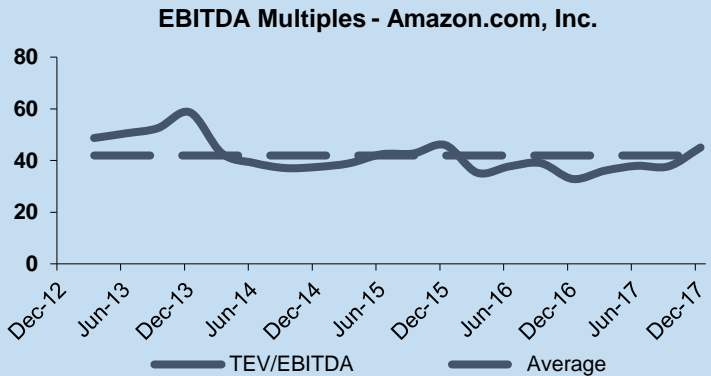
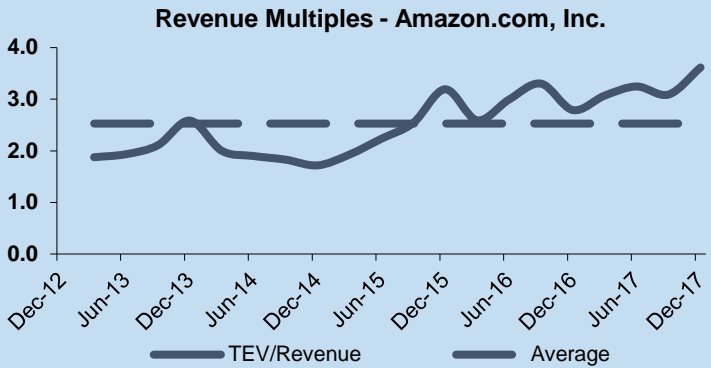


PUBLIC BASKET CONSTITUENTS

Amazon.com, Inc.

Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions in North America and internationally. It operates through the North America, International, and Amazon Web Services (AWS) segments. The company sells merchandise and content purchased for resale from vendors, as well as those offered by third-party sellers through retail Websites, such as amazon.com, amazon.ca, amazon.com.mx, amazon.com.au, amazon.com.br, amazon.cn, amazon.fr, amazon.de, amazon.in, amazon.it, amazon.co.jp, amazon.nl, amazon.es, and amazon.co.uk. It also manufactures and sells electronic devices, including kindle e-readers, fire tablets, fire TVs, and echo; and provides Kindle Direct Publishing, an online service that allows independent authors and publishers to make their books available in the Kindle Store. In addition, the company offers programs that enable sellers to sell their products on its Websites, as well as their own branded Websites; and programs that allow authors, musicians, filmmakers, app developers, and others to publish and sell content. The company was founded in 1994 and is headquartered in Seattle, Washington.

| Date | Key Development Headline |
|----------|--|
| 12/21/17 | Amazon.com, Inc. (NasdaqGS:AMZN) acquired BLINK. |
| 11/12/17 | Amazon.com, Inc. (NasdaqGS:AMZN) acquired the global television rights to The Lord of the Rings. |
| 10/25/17 | Amazon.com, Inc. Mulls Acquisition In Prescription Dispensing Field |
| 10/5/17 | Amazon.com Seeks Acquisition in France |
| 10/3/17 | Amazon.com, Inc. (NasdaqGS:AMZN) acquired Body Labs, Inc. |

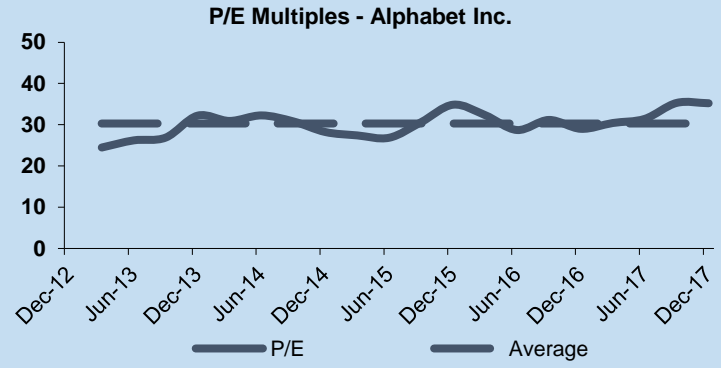
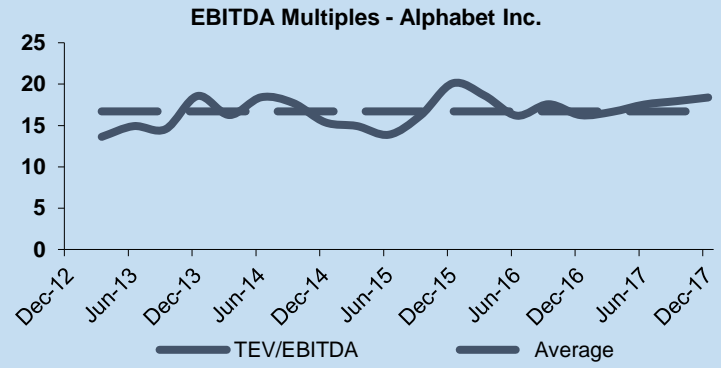
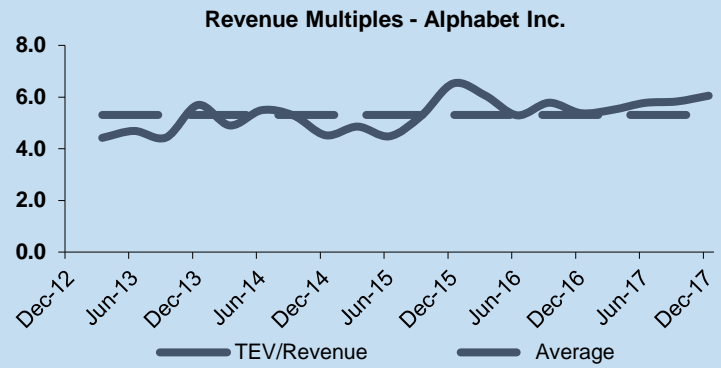


PUBLIC BASKET CONSTITUENTS

Alphabet Inc.

Alphabet Inc., through its subsidiaries, provides online advertising services in the United States, the United Kingdom, and rest of the world. The company offers performance and brand advertising services. It operates through Google and Other Bets segments. The Google segment includes principal Internet products, such as Search, Ads, Commerce, Maps, YouTube, Google Cloud, Android, Chrome, and Google Play, as well as technical infrastructure and newer efforts, including Virtual Reality. This segment also sells digital contents, apps and cloud offerings, and hardware products. The Other Bets segment includes businesses, such as Access, Calico, CapitalG, GV, Nest, Verily, Waymo, X, and Google Fiber. Alphabet Inc. was founded in 1998 and is headquartered in Mountain View, California.

| Date | Key Development Headline |
|---------|---|
| 10/8/17 | Alphabet Inc. (NasdaqGS:GOOGL) acquired Relay Media, Inc. |
| 9/7/17 | Alphabet Seeks Acquisitions |
| 8/15/17 | Alphabet Inc. (NasdaqGS:GOOGL) acquired AIMATTER OOO from Haxus and others. |
| 8/13/17 | Alphabet Inc. (NasdaqGS:GOOGL) acquired Senosis Health. |
| 7/11/17 | Alphabet Inc. (NasdaqGS:GOOGL) acquired Halli Labs. |

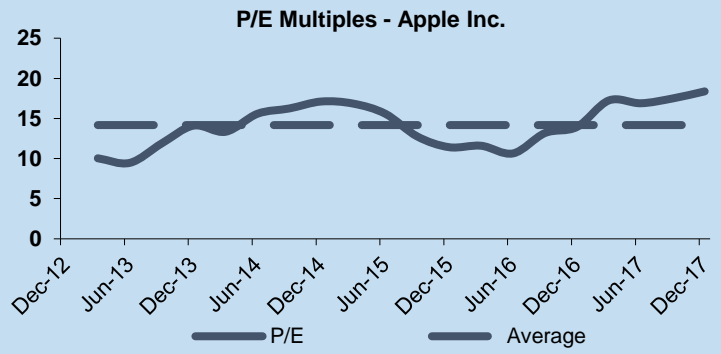
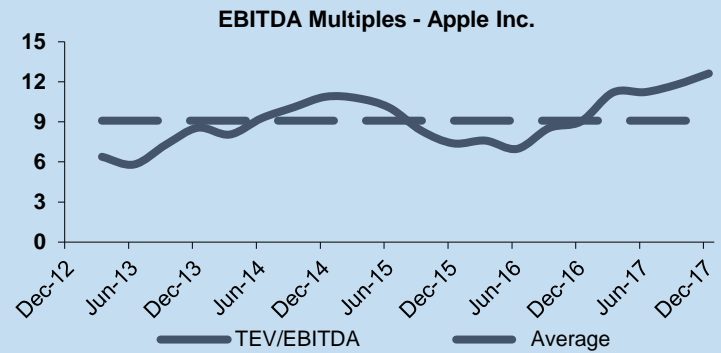
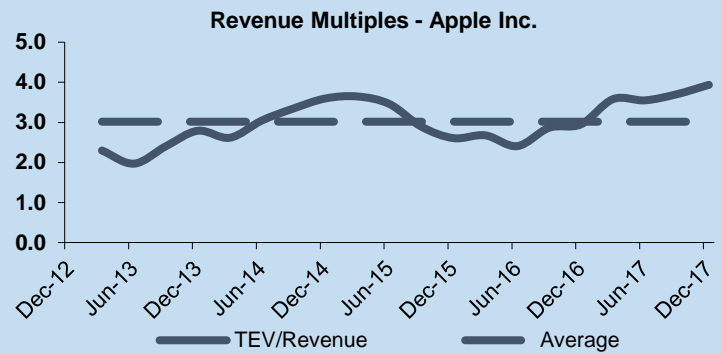


PUBLIC BASKET CONSTITUENTS

Apple Inc.

Apple Inc. designs, manufactures, and markets mobile communication and media devices, and personal computers to consumers, and small and mid-sized businesses; and education, enterprise, and government customers worldwide. The company also sells related software, services, accessories, networking solutions, and third-party digital content and applications. It offers iPhone, a line of smartphones; iPad, a line of multi-purpose tablets; and Mac, a line of desktop and portable personal computers, as well as operating systems comprising iOS, macOS, watchOS, and tvOS. The company also provides iWork, an integrated productivity suite that helps users create, present, and publish documents, presentations, and spreadsheets; and other application software, such as Final Cut Pro, Logic Pro X, and FileMaker Pro. In addition, it offers Apple TV that connects to consumers' TV and enables them to access digital content directly for streaming high definition video, playing music and games, and viewing photos. Apple Inc. was founded in 1977 and is headquartered in Cupertino, California.

| Date | Key Development Headline |
|----------|---|
| 12/10/17 | Apple Inc. (NasdaqGS:AAPL) acquired Shazam Entertainment Limited from a group of investors. |
| 11/8/17 | Apple Inc. (NasdaqGS:AAPL) acquired InVisage Technologies, Inc. |
| 11/1/17 | Canyon Bridge Fund I, LP of Canyon Bridge Capital Partners, Inc. completed the acquisition of Imagination Technologies Group plc (LSE:IMG). |
| 10/24/17 | Apple Inc. (NasdaqGS:AAPL) acquired PowerbyProxi Limited. |
| 9/28/17 | Apple Inc. (NasdaqGS:AAPL) acquired Regaind, SAS from Side Capital and others. |



CONTACT INFORMATION

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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