



Sectorwatch: Artificial Intelligence

June 2018

Artificial Intelligence

June 2018

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Overview

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

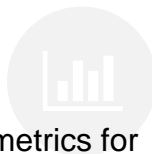
Dashboard

- Summary metrics on the sector
- 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

- Graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

- The most recently announced deals in the sector



Dashboard



Revenue Growth Momentum

↑ 0.05

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

↓ -1.5%

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

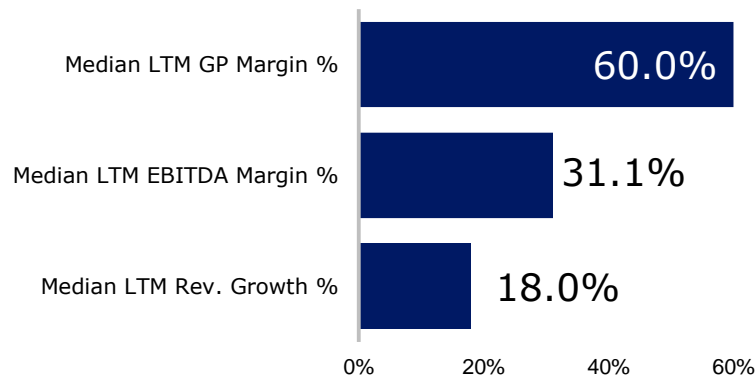
Profitability Momentum

↓ -1.7%

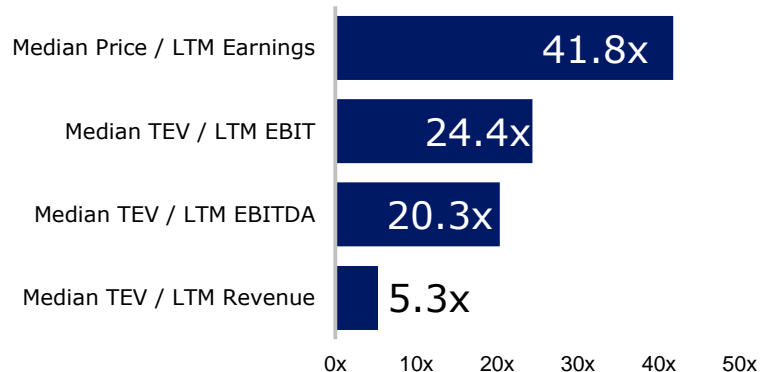
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

Operating Metrics



Valuation



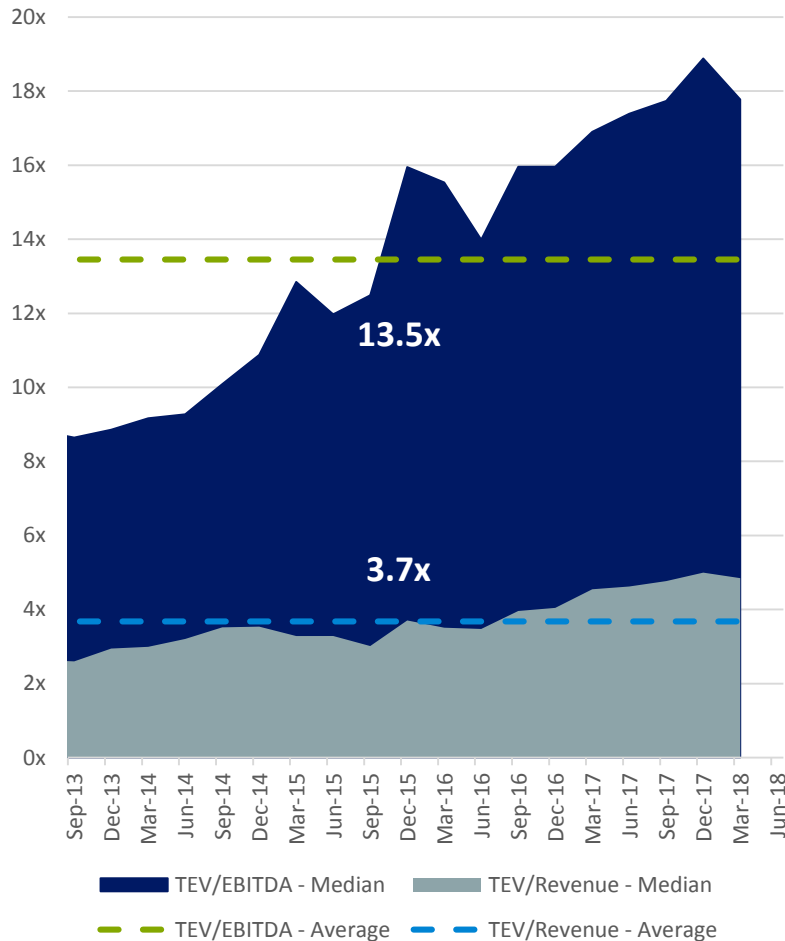
Public Basket



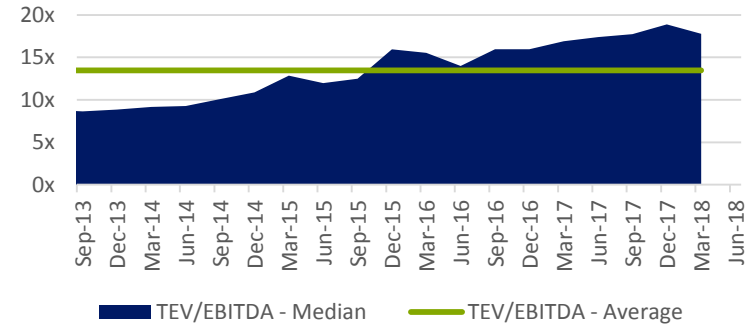
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
salesforce.com, inc.	100,049	11,089	25%	74%	9%	9.0	95.8	29,000	382
International Business Machines Corporation	164,677	80,056	1%	46%	21%	2.1	9.9	366,600	218
Intel Corporation	261,539	64,031	6%	62%	43%	4.1	9.5	102,700	623
Facebook, Inc.	540,759	44,587	47%	86%	57%	12.1	21.1	25,105	1,776
Alphabet Inc.	719,846	117,251	24%	58%	31%	6.1	19.6	80,110	1,464
Microsoft Corporation	739,035	99,259	8%	63%	35%	7.4	21.1	124,000	800
Amazon.com, Inc.	868,710	193,194	36%	38%	9%	4.5	50.4	566,000	341
Apple Inc.	950,573	247,417	12%	38%	31%	3.8	12.4	123,000	2,012
Average	543,148	107,111	20%	58%	30%	6.2	30.0	177,064	952
Median	630,302	89,658	18%	60%	31%	5.3	20.3	112,850	712

share price as of 21Jun18

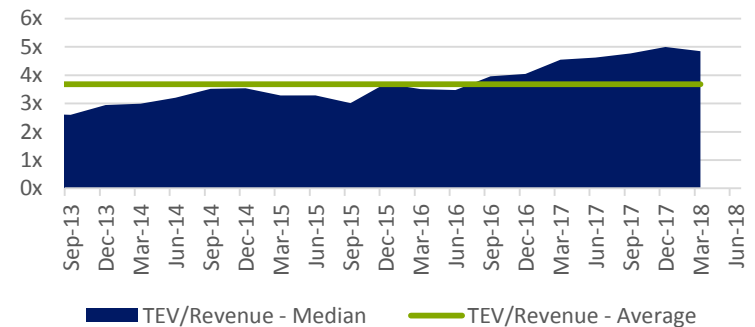
Public Basket Valuation Trends



Public EBITDA Multiples over Time



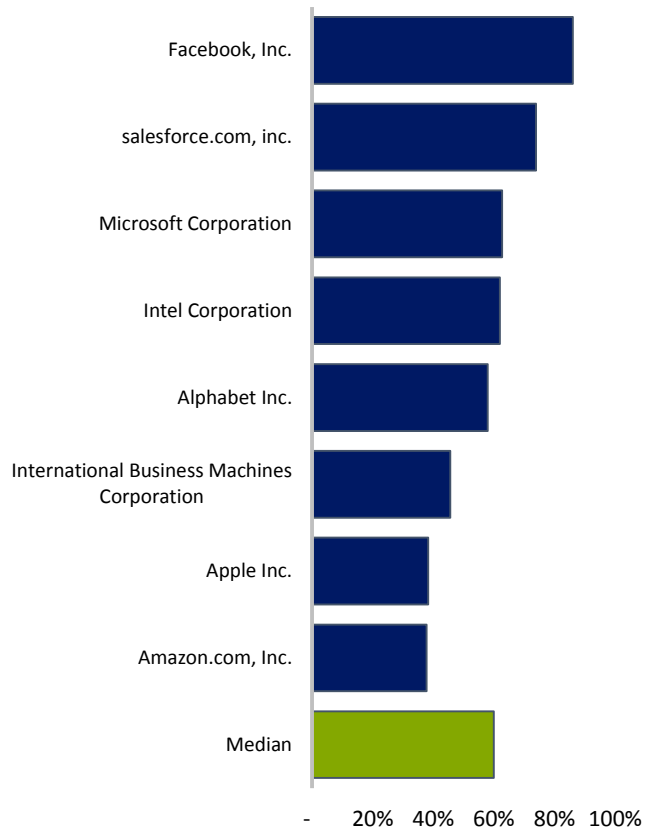
Public Revenue Multiples over Time



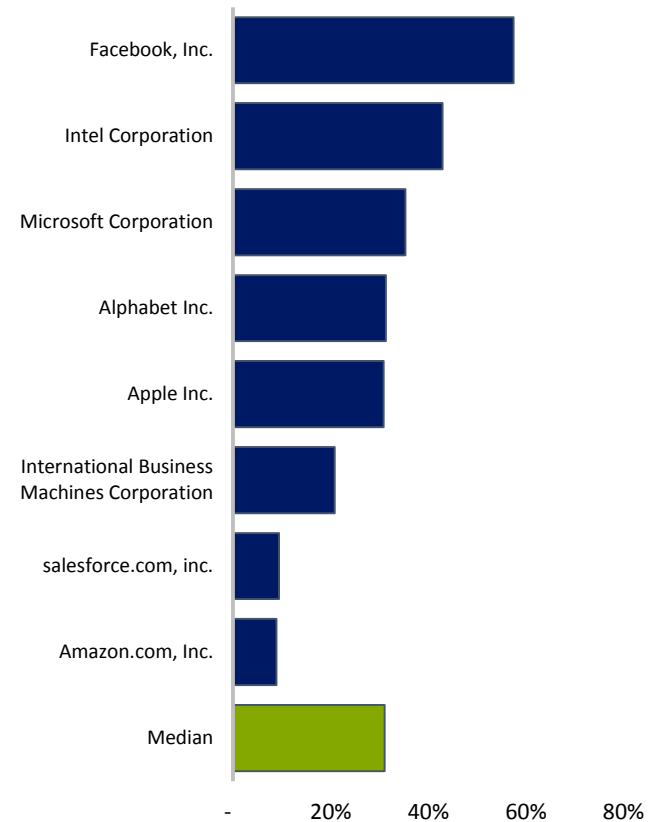
Operational Metrics



LTM Gross Profit Margin %



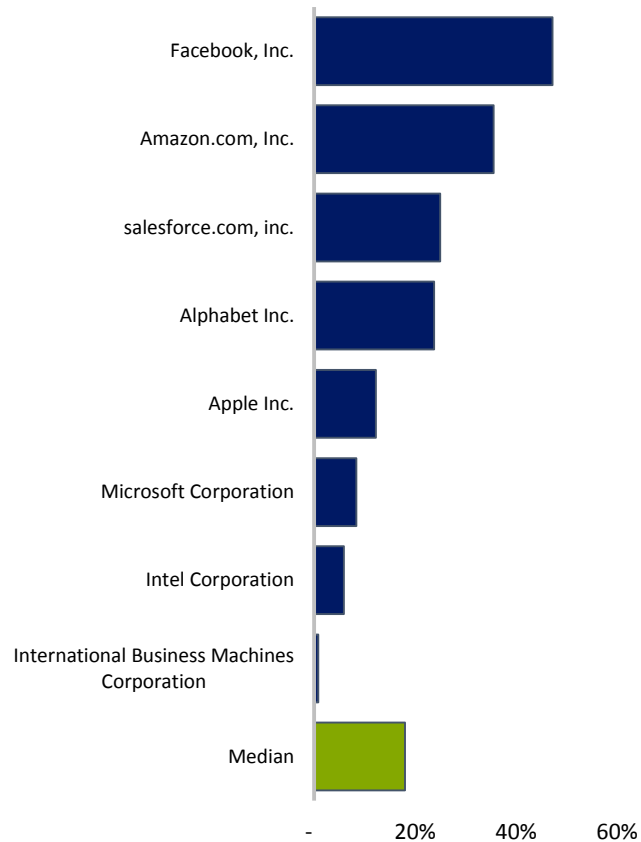
LTM EBITDA %



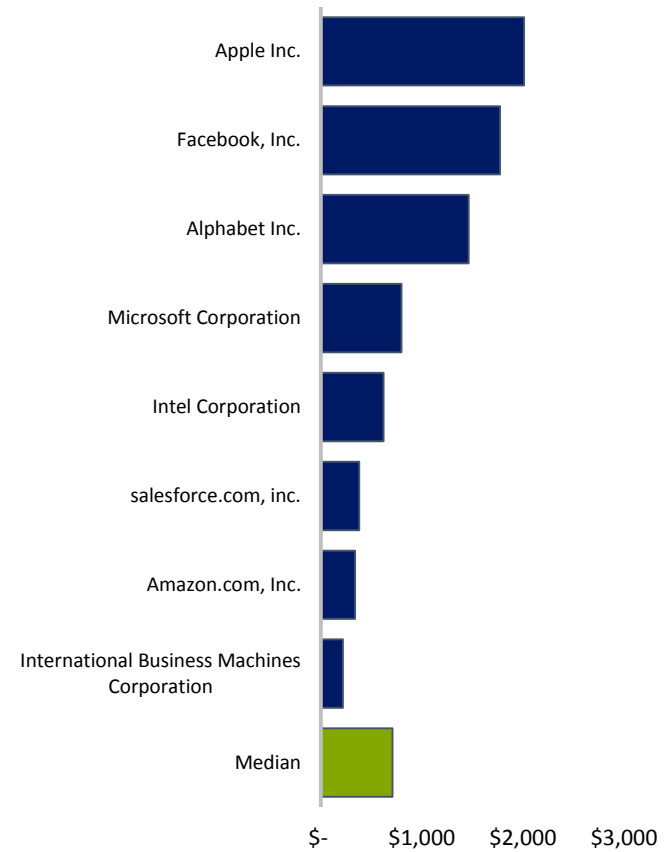
Operational Metrics



LTM Revenue Growth %



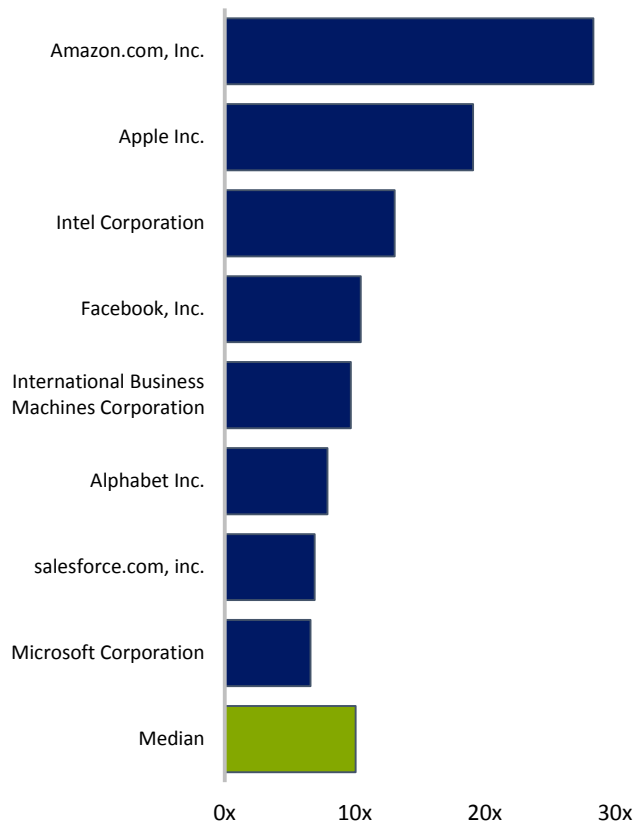
LTM Revenue per Full Time Employee x 000's



Operational Metrics



Accounts Receivable Turnover



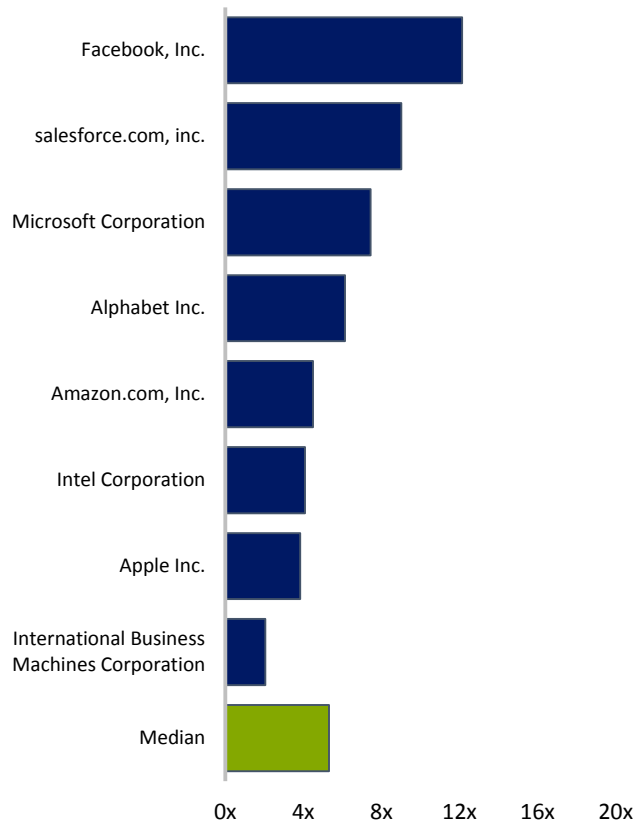
Average Days Sales Outstanding



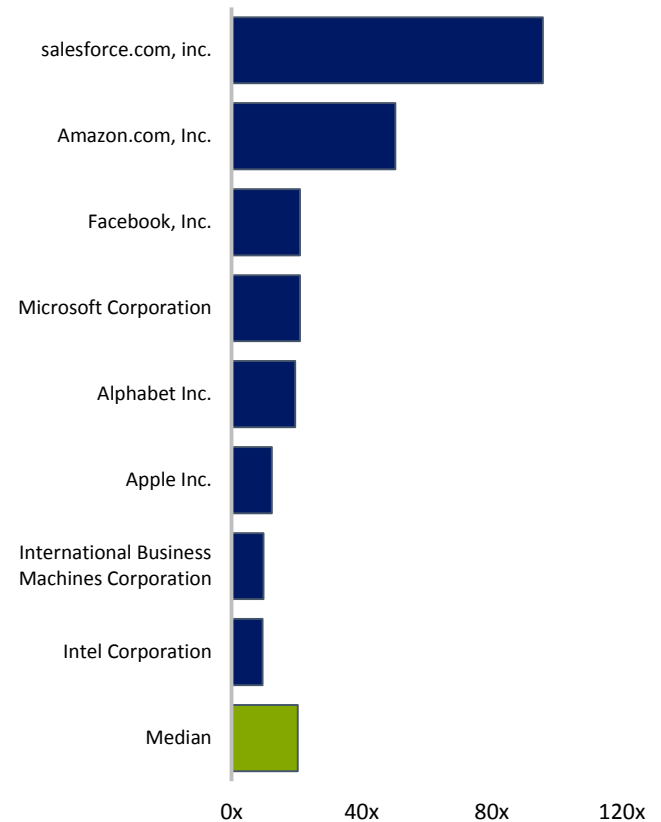
Valuation



TEV / LTM Revenue



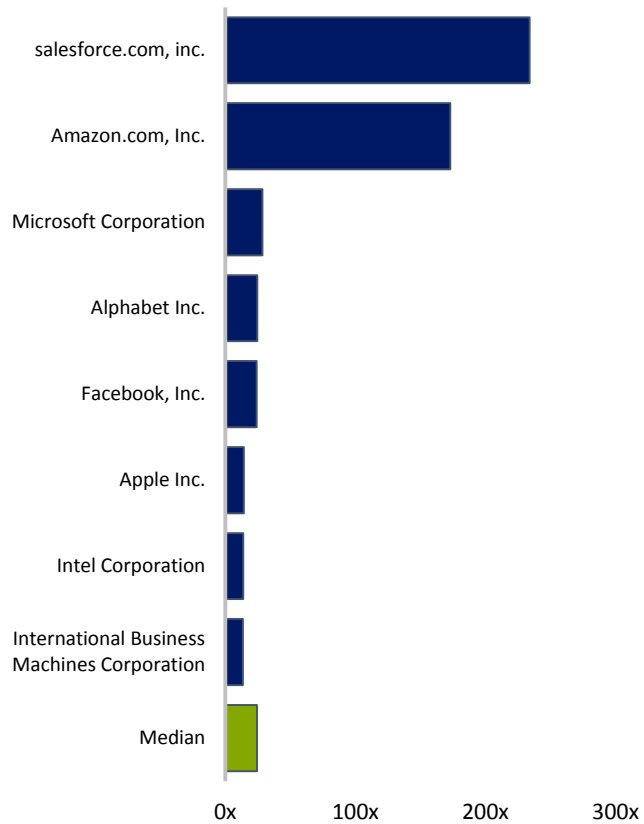
TEV / LTM EBITDA



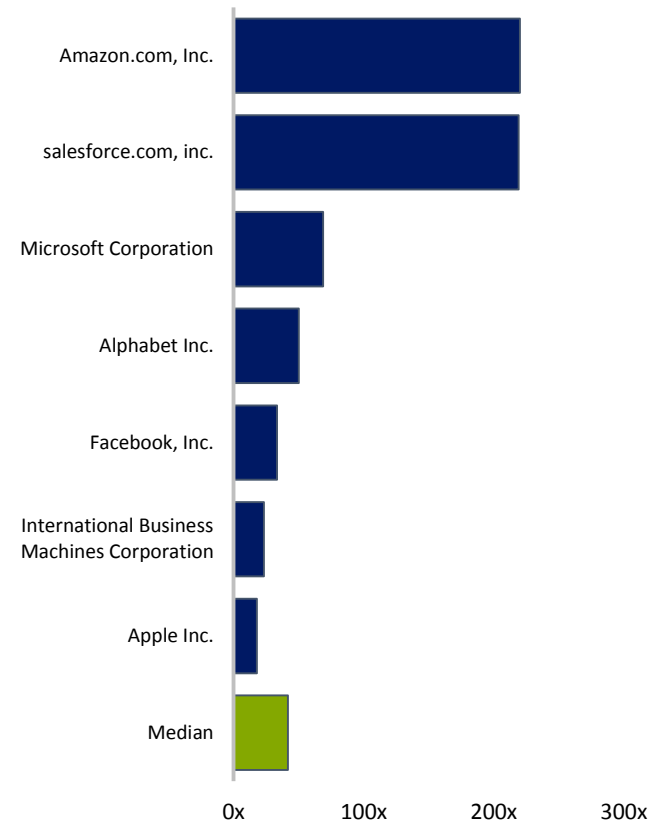
Valuation



TEV / LTM EBIT



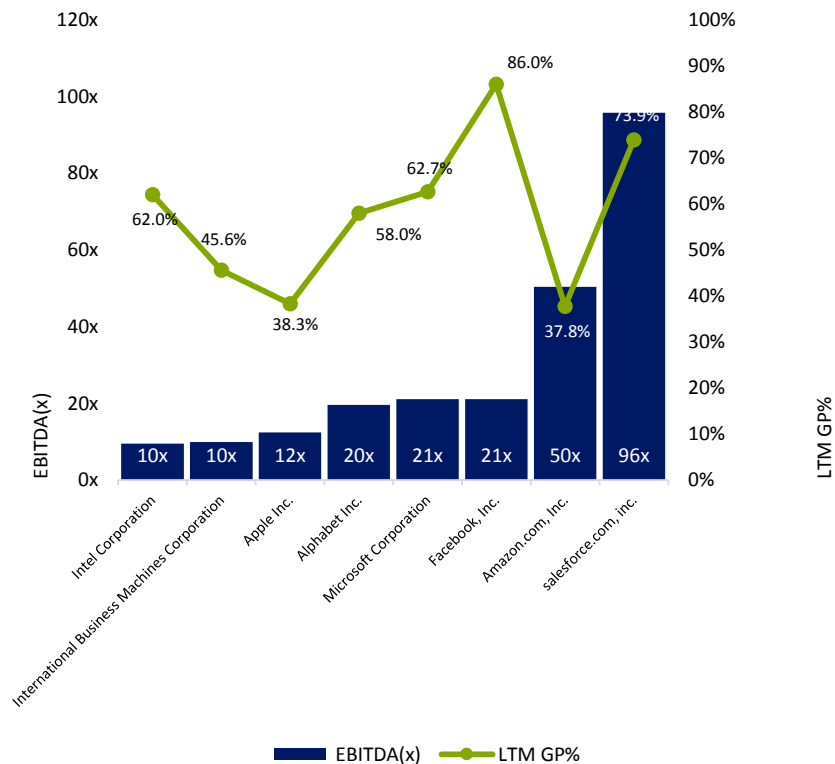
Price / LTM Earnings



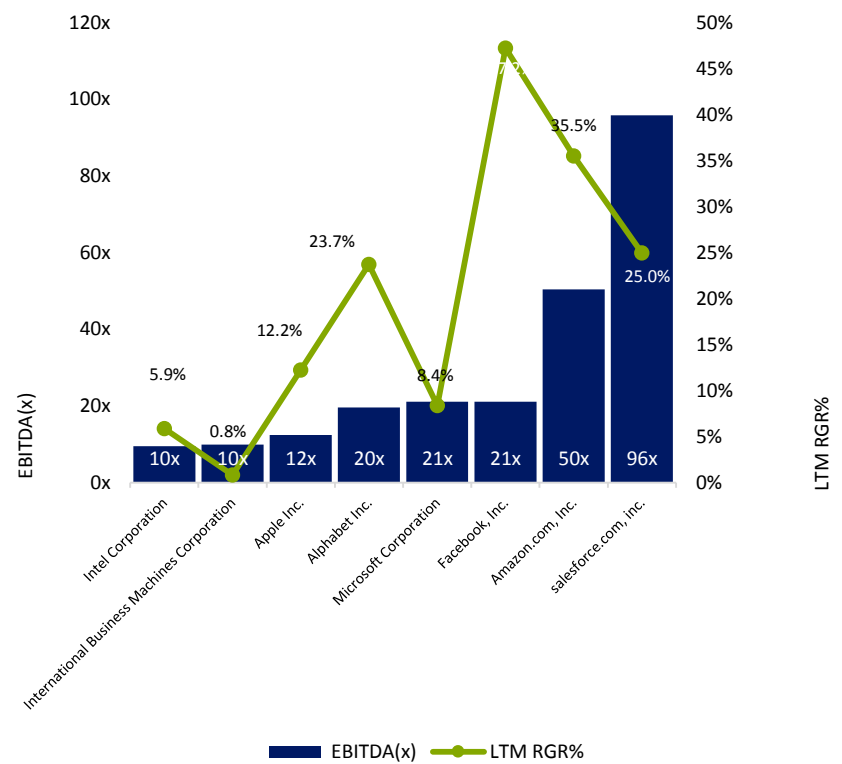
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
4Jun18	HeavyWater Solutions, Inc.	Black Knight, Inc.	-	-	-	-
4May18	ServiceNow, Inc.	-	-	2,093.48	-	-
1May18	Accompani, Inc.	Cisco Systems, Inc.	-	-	-	-
27Mar18	Asimmetric Inc.	HPE Aruba	-	-	-	-
30Jan18	Intelligens Ltda.	Conversica, Inc.	-	-	-	-
5Jan18	Niddel Corp.	Verizon Communications Inc.	-	-	-	-
19Dec17	Next IT Corporation and Next IT Innovation Labs, LLC	Verint Systems Inc.	51.00	-	-	-
28Nov17	Fluenty Inc.	Samsung Electronics Co., Ltd.	-	-	-	-
27Oct17	Princeton Lightwave, Inc.	Argo AI, LLC	-	-	-	-
16Aug17	Scyfer B.V.	Qualcomm Technologies, Inc.	-	-	-	-
8Jul17	Game Sparks Ltd	Amazon.com, 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.	-	-	-	-
9Aug16	Nervana Systems	Intel Corporation	-	-	-	-
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.	-	-	-	-

Artificial Intelligence

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APPENDIX: Public Basket Constituents

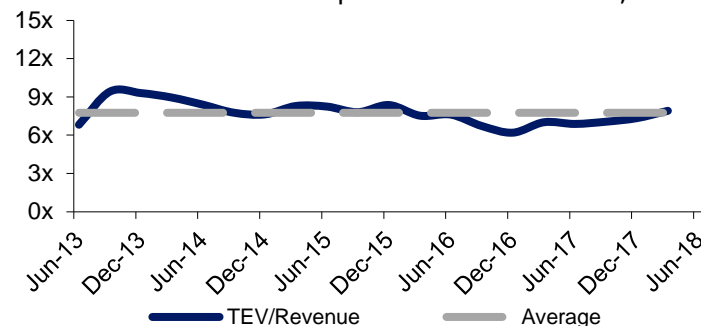
Public Basket



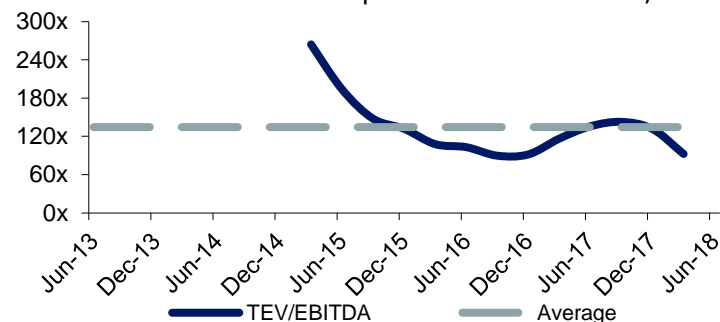
salesforce.com, inc.

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, and gain insights through analytics and relationship intelligence, as well as deliver quotes, contracts, and invoices. It also provides Service Cloud, which enables companies to deliver personalized customer service and support, as well as a field service solution that enables companies to connect agents, dispatchers, and mobile employees through a centralized platform, on which they can schedule and dispatch work, and track and manage jobs in real-time. In addition, the company offers Marketing Cloud to plan, personalize, and optimize one-to-one customer marketing interactions; Commerce Cloud, which enables companies to enhance engagement, conversion, revenue, and loyalty from their customers; and Community Cloud that enables companies to create and manage branded digital destinations for customers, partners, and employees. Further, it provides Quip collaboration platform, which combines documents, spreadsheets, apps, and chat with live CRM data; The company was founded in 1999 and is headquartered in San Francisco, California.

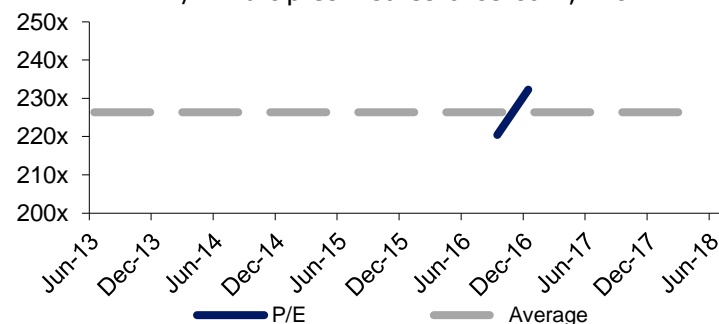
Revenue Multiples - salesforce.com, inc.



EBITDA Multiples - salesforce.com, inc.



P/E Multiples - salesforce.com, inc.



Date Key Development Headline

4/30/18 salesforce.com, inc. (NYSE:CRM) completed the acquisition of MuleSoft, Inc. (NYSE:MULE).

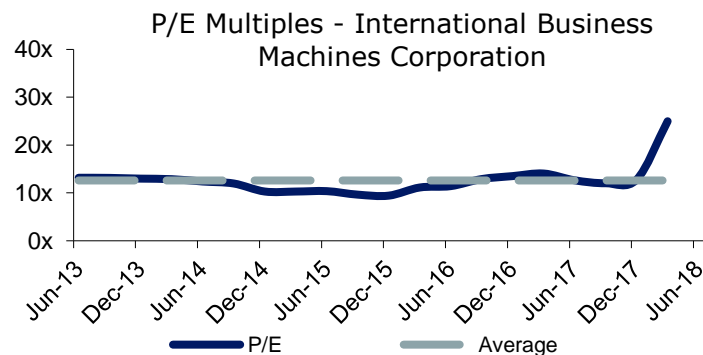
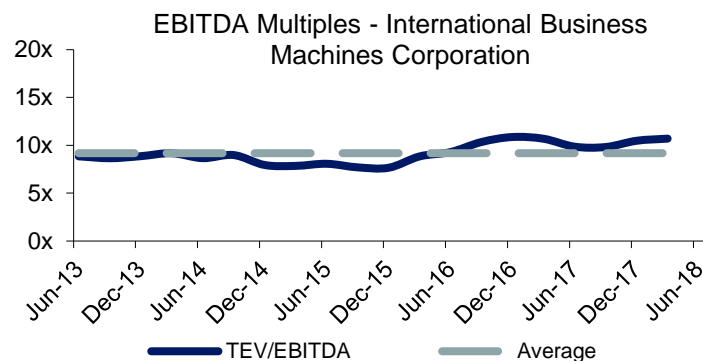
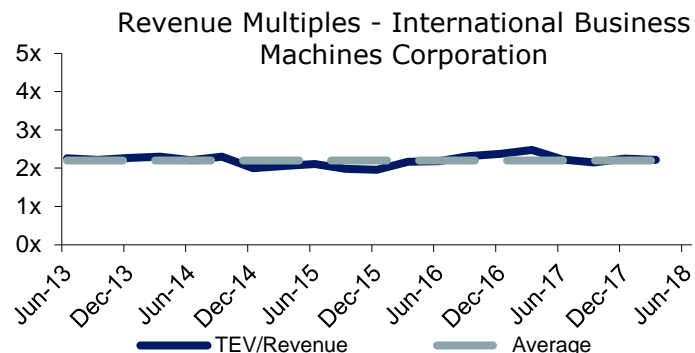
Public Basket



International Business Machines Corporation

International Business Machines Corporation operates as an integrated technology and services company worldwide. Its Cognitive Solutions segment offers Watson, a cognitive computing platform that interacts in natural language, processes big data, and learns from interactions with people and computers. This 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 finance, procurement, talent and engagement, and industry-specific business process outsourcing services.. International Business Machines Corporation was founded in 1911 and is headquartered in Armonk, New York.

Date	Key Development Headline
6/14/18	International Business Machines Corporation (NYSE:IBM) acquired Oniqua Pty Ltd. from ASCO Holdings Limited.
6/7/18	Intellect Design Arena Limited and International Business Machines Corporation to Deliver Seamless Digital Transformation to the Large Banks with IBM Cloud
4/26/18	Host Hotels & Resorts, Inc. Announces Joint Development Agreement with IBM Research



Public Basket

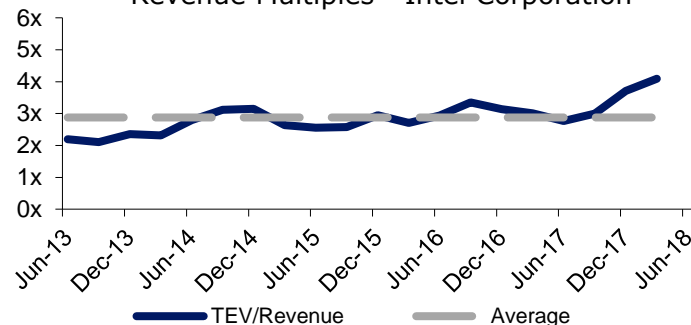


Intel Corporation

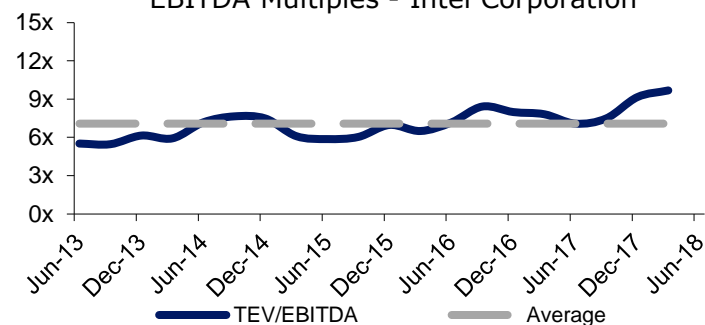
Intel Corporation designs, manufactures, and sells computer, networking, data storage, and communication platforms worldwide. The company operates through Client Computing Group, Data Center Group, Internet of Things Group, Non-Volatile Memory Solutions Group, Programmable Solutions Group, and All Other segments. Its platforms are used in notebooks, desktops, and wireless and wired connectivity products; enterprise, cloud, and communication infrastructure market segments; and retail, automotive, industrial, and various other embedded applications. The company offers microprocessors, and system-on-chip and multichip packaging products. It also provides NAND flash memory products primarily used in solid-state drives; and programmable semiconductors and related products for communications, data center, industrial, military, and automotive markets. In addition, the company develops computer vision and machine learning, data analysis, localization, and mapping for advanced driver assistance systems and autonomous driving. The company was founded in 1968 and is based in Santa Clara, California.

Date	Key Development Headline
5/23/18	Institut Curie and Intel Initiate a Collaboration to Implement High-Performance Computing and Artificial Intelligence in Accelerating Genome Sequencing and Interpretation for Oncology
4/2/18	TPG Capital, L.P. entered into an agreement to acquire Wind River Systems, Inc. from Intel Corporation (NasdaqGS:INTC).

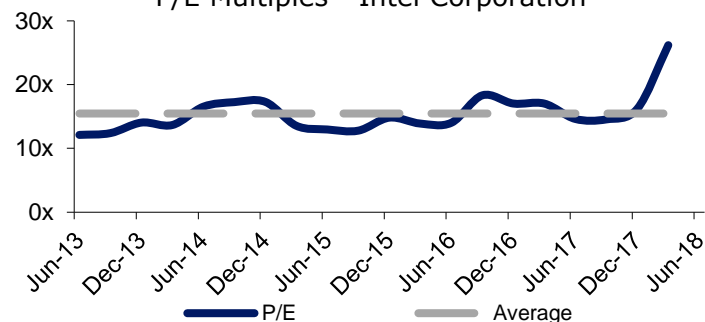
Revenue Multiples - Intel Corporation



EBITDA Multiples - Intel Corporation



P/E Multiples - Intel Corporation



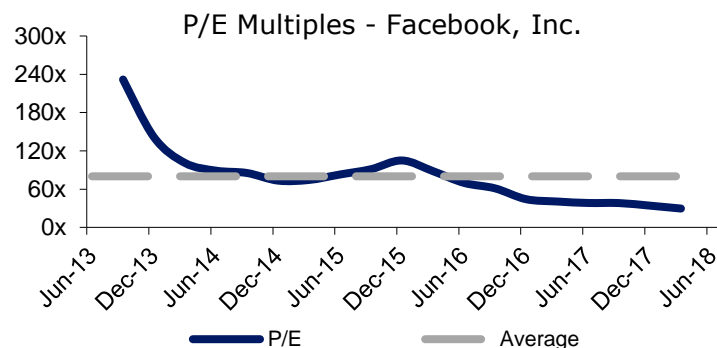
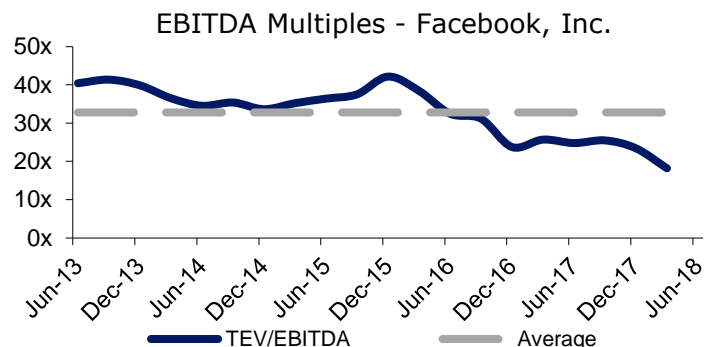
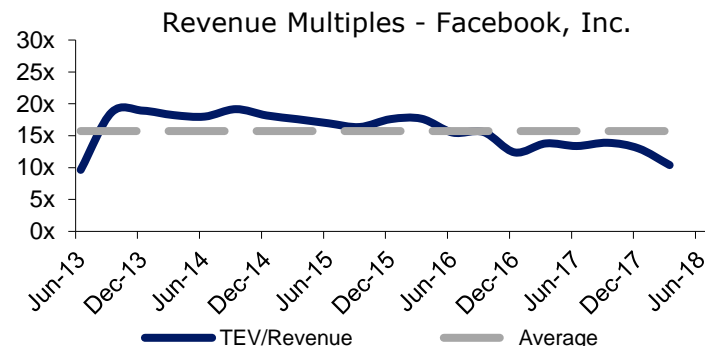
Public Basket



Facebook, Inc.

Facebook, Inc. provides various products to connect and share through mobile devices, personal computers, and other surfaces worldwide. Its products include Facebook Website and mobile application that enables people to connect, share, discover, and communicate with each other on mobile devices and personal computers; Instagram, a community for sharing visual stories through photos, videos, and direct messages; Messenger, a messaging application to communicate with other people, groups, and businesses across various platforms and devices; and WhatsApp, a mobile messaging application. The company also offers Oculus virtual reality technology and content platform, which allows people to enter an immersive and an interactive environment to train, learn, play games, consume content, and connect with others. As of December 31, 2017, it had approximately 1.40 billion daily active users. Facebook, Inc. was founded in 2004 and is headquartered in Menlo Park, California.

Date	Key Development Headline
5/1/18	Smartsheet Announces Integration with Workplace by Facebook
5/1/18	Medallia, Inc. and Facebook Define Next Generation of Collaborative Customer Experience Management
2/28/18	Facebook Seeks Acquisitions
2/14/18	An unknown buyer acquired unknown stake in Facebook, Inc. (NasdaqGS:FB) from Soros Fund Management LLC.
1/22/18	Facebook, Inc. (NasdaqGS:FB) agreed to acquire Confirm Inc.



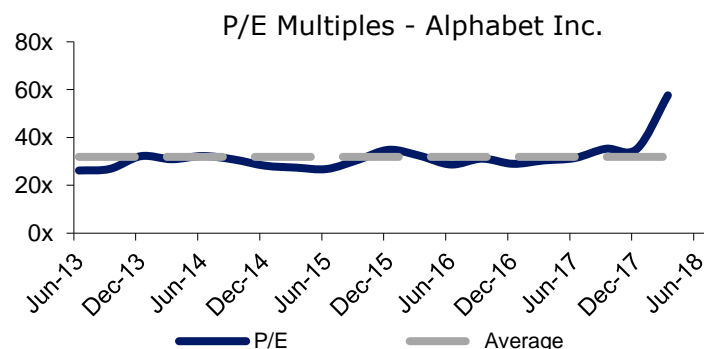
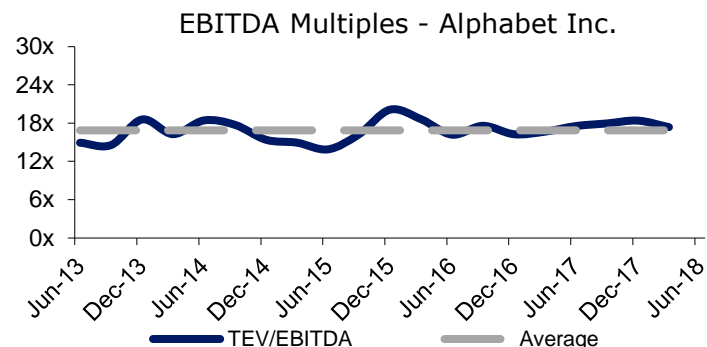
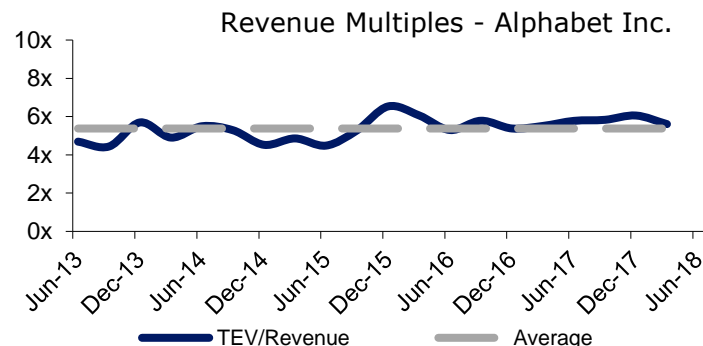
Public Basket



Alphabet Inc.

Alphabet Inc., through its subsidiaries, provides online advertising services in the United States and internationally. 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 Ads, Android, Chrome, Commerce, Google Cloud, Google Maps, Google Play, Hardware, Search, and YouTube, as well as technical infrastructure and newer efforts, including Virtual Reality. This segment also offers digital content, enterprise cloud services, and hardware products, as well as other miscellaneous products and services. The Other Bets segment includes businesses, such as Access, Calico, CapitalG, GV, Nest, Verily, Waymo, and X, as well as fiber Internet and Television services. Alphabet Inc. was founded in 1998 and is headquartered in Mountain View, California.

Date	Key Development Headline
6/19/18	Vivint Smart Home Works with Google to Give Voice Control to All New Vivint Customers
5/22/18	Blue Prism Collaborates with Google Cloud to Drive Adoption of AI and Intelligent Automation in the Enterprise
5/13/18	Alphabet Inc. (NasdaqGS:GOOGL) acquired Cask Data, Inc.
5/8/18	Alphabet Inc. (NasdaqGS:GOOGL) entered into an agreement to acquire Velostrata Ltd.
3/19/18	Alphabet Inc. (NasdaqGS:GOOGL) acquired Chelsea Market in New York from Jamestown L.P. for \$2.4 billion.



Public Basket

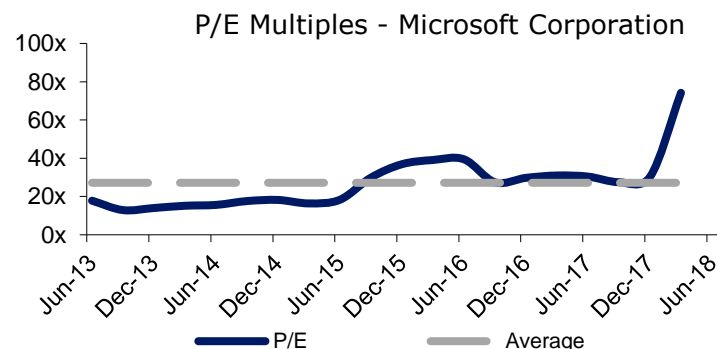
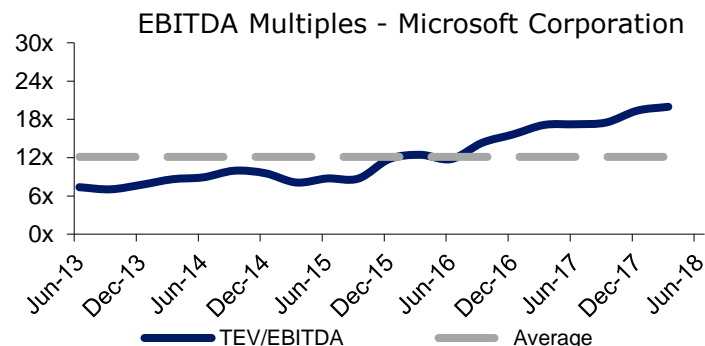
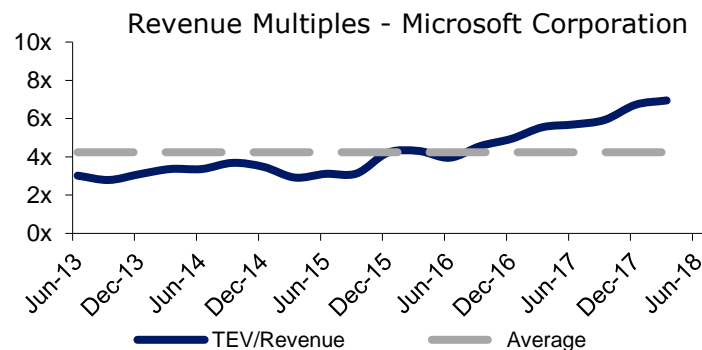


Microsoft Corporation

Microsoft Corporation develops, licenses, and supports software products, services, and devices worldwide. The company's Productivity and Business Processes segment offers Office 365 commercial products and services for businesses, including Office, Exchange, SharePoint, Skype for Business, and related Client Access Licenses (CALs); Office 365 consumer services, such as Skype, Outlook.com, and OneDrive; Dynamics business solutions, such as financial management, enterprise resource planning, customer relationship management, supply chain management, and analytics applications for small and mid-size businesses, large organizations, and divisions of enterprises; and LinkedIn online professional network. The company was founded in 1975 and is headquartered in Redmond, Washington.

Date Key Development Headline

6/19/18	Microsoft Corporation (NasdaqGS:MSFT) entered into an agreement to acquire Bonsai AI.
6/17/18	Microsoft Corporation (NasdaqGS:MSFT) acquired Flipgrid, Inc.
6/13/18	Thales Signs Preferred Partnership Deal with Microsoft for the Development of Defence Cloud Solution for Military Use
6/9/18	Microsoft Corporation (NasdaqGS:MSFT) acquired Playground Games Limited.
6/9/18	Microsoft Corporation (NasdaqGS:MSFT) signed a letter of intent to acquire Just Add Monsters Ltd.



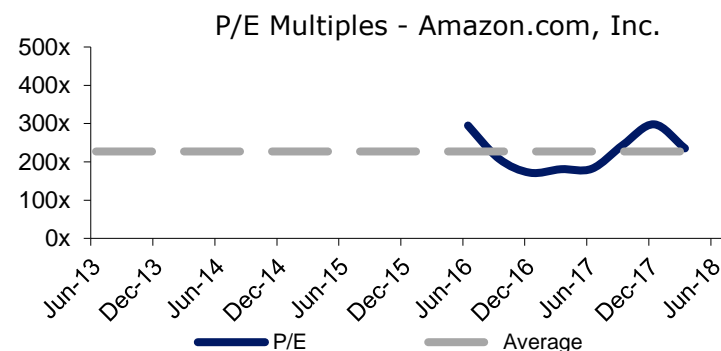
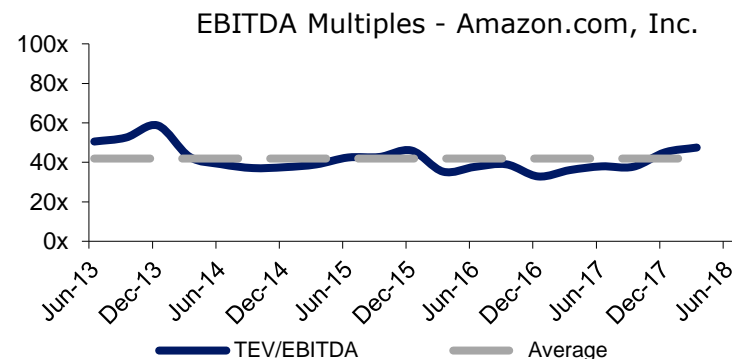
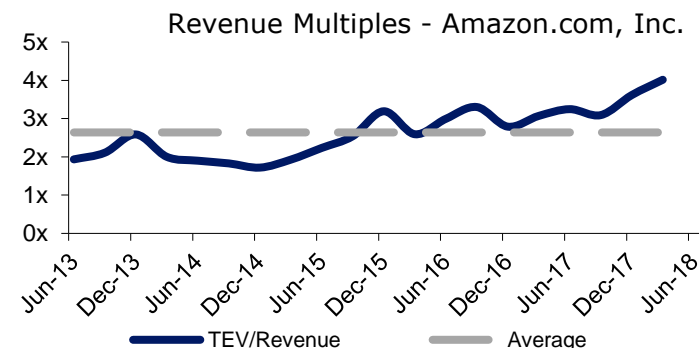
Public Basket



Amazon.com, Inc.

Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions in North America and internationally. The company operates through three segments: North America, International, and Amazon Web Services (AWS) segments. It sells merchandise and content purchased for resale from vendors, as well as those offered by third-party sellers through physical stores and 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. The company was founded in 1994 and is headquartered in Seattle, Washington.

Date	Key Development Headline
6/20/18	Amazon, Berkshire Hathaway and JPMorgan Chase Appoint Atul Gawande as Chief Executive Officer of New Company; Amazon, Berkshire Hathaway and JP Morgan Chase Announce the Formation of New Company
4/11/18	Amazon.com, Inc. (NasdaqGS:AMZN) completed the acquisition of Ring Inc. for approximately €810 million.
2/26/18	Amazon.com, Inc. (NasdaqGS:AMZN) entered into an agreement to acquire Ring Inc.
1/7/18	Viacom, Inc. (NasdaqGS:VIAB) signed a definitive agreement to acquire WhoSay Inc. from Comcast Ventures, Primary Venture Partners, Tencent Holdings Ltd., Investment Arm, Amazon.com, Inc. (NasdaqGS:AMZN), Greylock Partners, CAA Ventures and others.



Public Basket

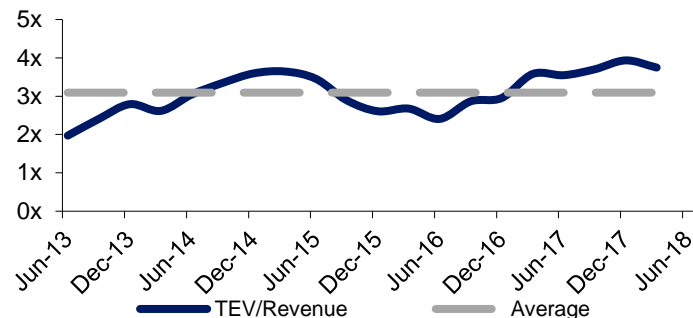


Apple Inc.

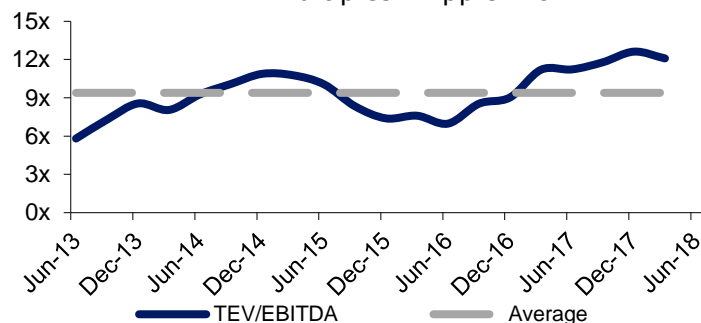
Apple Inc. designs, manufactures, and markets mobile communication and media devices, and personal computers to consumers, and small and mid-sized businesses; and education, enterprise, and government customers worldwide. The company also sells related software, services, accessories, networking solutions, 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. Apple Inc. was founded in 1977 and is headquartered in Cupertino, California.

Date	Key Development Headline
3/11/18	Apple Inc. (NasdaqGS:AAPL) signed an agreement to acquire Next Issue Media LLC from a group of shareholders.
1/1/18	Apple Inc. (NasdaqGS:AAPL) acquired buddybuild.
12/10/17	Apple Inc. (NasdaqGS:AAPL) agreed to acquire Shazam Entertainment Limited from a group of investors.
11/8/17	Apple Inc. (NasdaqGS:AAPL) acquired InVisage Technologies, Inc.
11/7/17	Apple Seeks Acquisitions

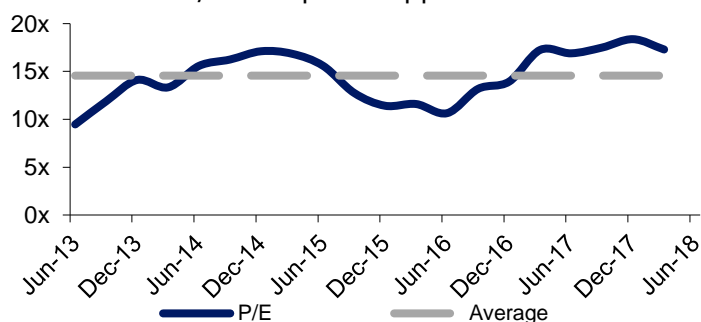
Revenue Multiples - Apple Inc.



EBITDA Multiples - Apple Inc.



P/E Multiples - Apple Inc.



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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