

M&A Quarterly Market Report: 1Q21 Review and 2021 Outlook

Global AI Market

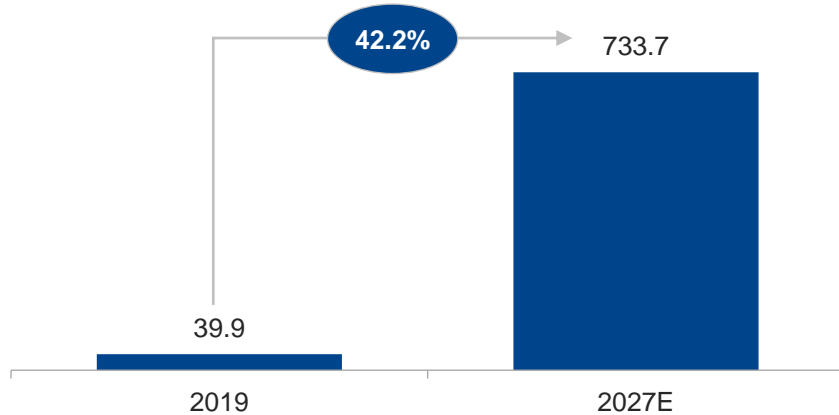


Industry Overview – AI (1/2)

Global AI market expected to register 42.2% CAGR to reach USD733.7 billion by 2027

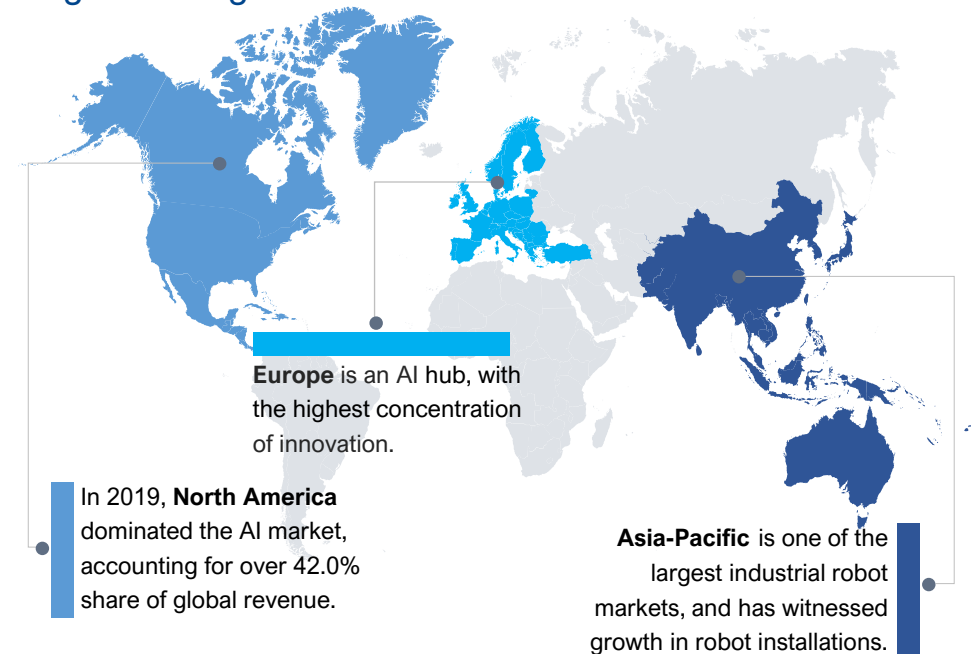
Global AI Market Size

USD billion



- The global AI market is anticipated to expand at a CAGR of 42.2% to USD733.7 billion during 2019–27.
- Significant acceleration in AI market expansion over the years was ascribed to the wide-scale adoption of digital technologies, major breakthroughs in algorithmic capabilities, increasing computing power, and access to massive amounts of data.
- Companies worldwide are adopting new applications such as chatbots, process optimization tools, assisted diagnostics, call center virtual assistants, sentiment analysis tools, opinion mining tools, and face detection and recognition software.
- Online platforms, such as Google and Amazon, depend on AI to attract users and advertisers.

Regional Insights



Sub-sectors

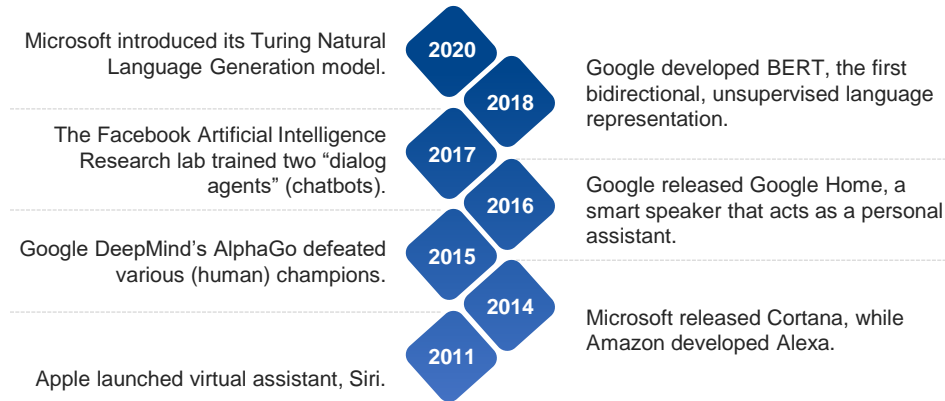
| Deep Learning | Robotics | Computer Vision | Natural Language Processing |
|--|---|---|---|
| Object recognition in images, video labeling, and activity recognition | Training a robot to interact with the world in generalizable and predictable ways | Prominent form of machine perception – automatic image and video captioning | Automatic speech recognition, text understanding, and text generation |

Source: Grand View Research, Artificial Intelligence Index Report 2021, Aranca Research

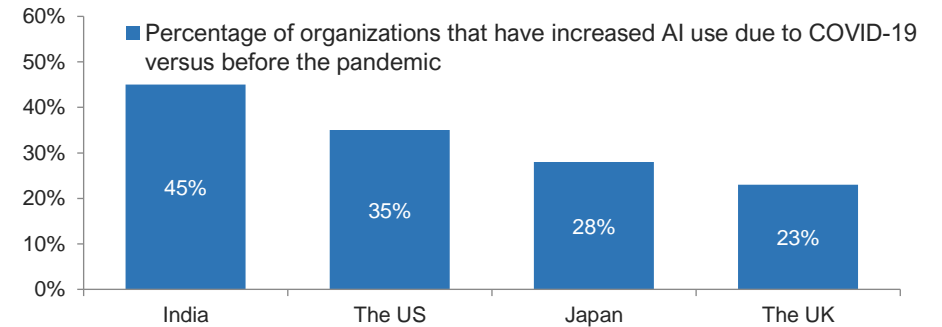
Industry Overview – AI (2/2)

Wide applications of AI across various industries

Key Developments

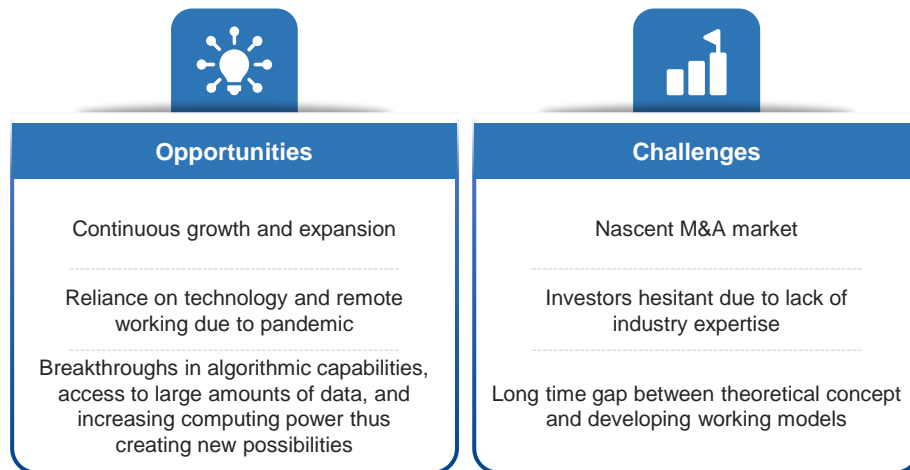


Post-pandemic AI Adoption

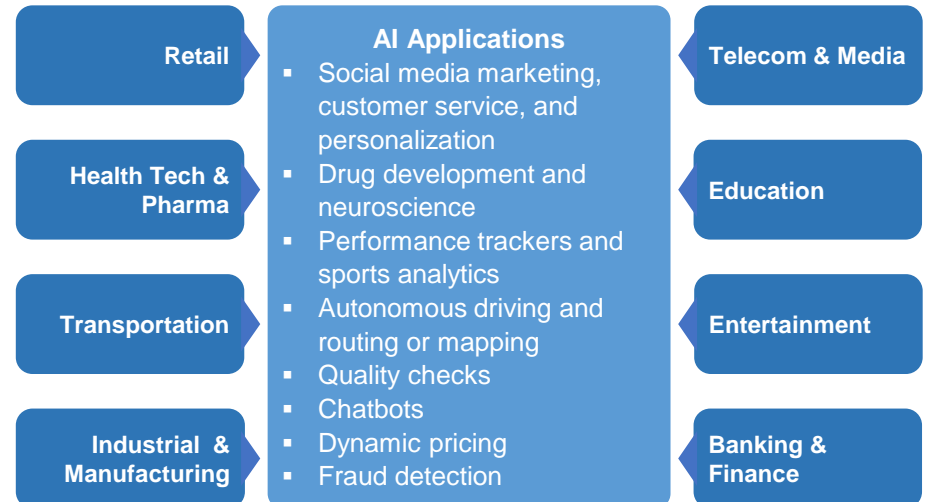


- The COVID-19 crisis has given a boost to the awareness of AI in all industries. More companies currently believe that AI can be beneficial rather than an industry threat.

Investment: Opportunities and Challenges



Intersection with Key Industries

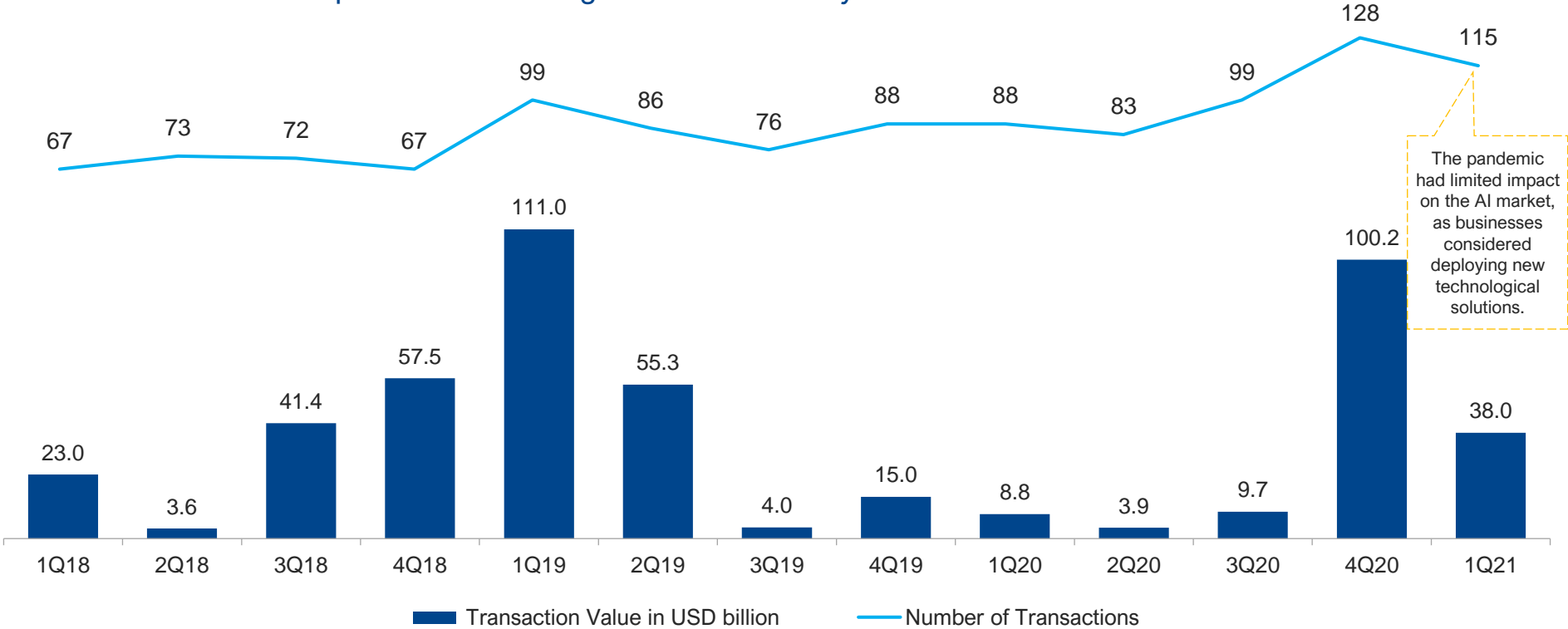


Source: Deloitte, PWC, Aranca Research

M&A Transaction Trend – Total Transaction Value and Number of Transactions

Surge in number of deals in AI market due to technological advancements and innovations

The M&A transaction volume has been growing rapidly due to breakthroughs, which have produced AI-enabled services that match or surpass human intelligence in certain key economic sectors.



Note: Volume and total transaction value might differ due to the lack of availability of undisclosed transactions.

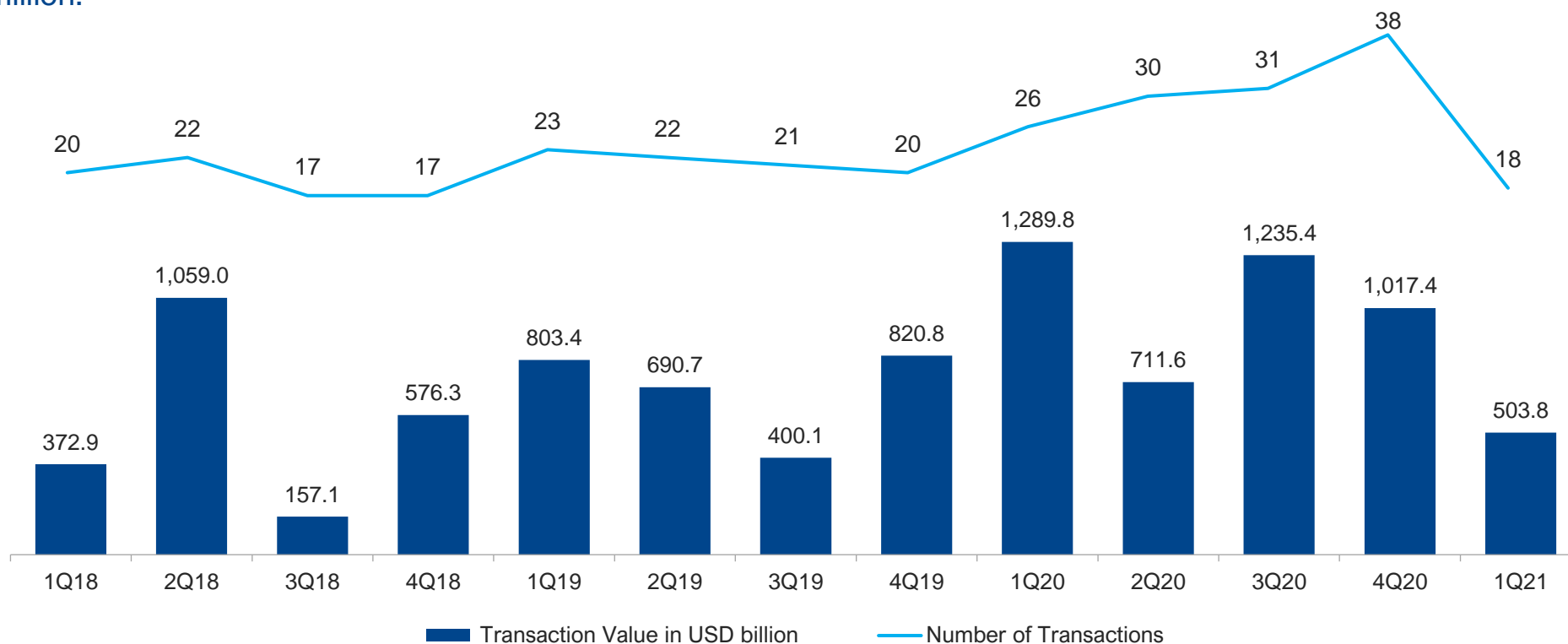
Average Valuation Multiples: EV/Revenue – 9.0x; EV/EBITDA – 30.0x

Source: S&P Capital IQ, Aranca Research

M&A Transaction Trend – Under USD200 Million

In past three years, 25–30% of total transactions (with disclosed values) were under USD200 million

The global AI market is highly fragmented; consolidation among players can be seen in deals valued under USD200 million.



Note: Volume of transactions under USD200 million might differ from the actual number due to the lack of availability of undisclosed transactions.

Average Valuation Multiples: EV/Revenue – 4.0x; EV/EBITDA – 34.0x

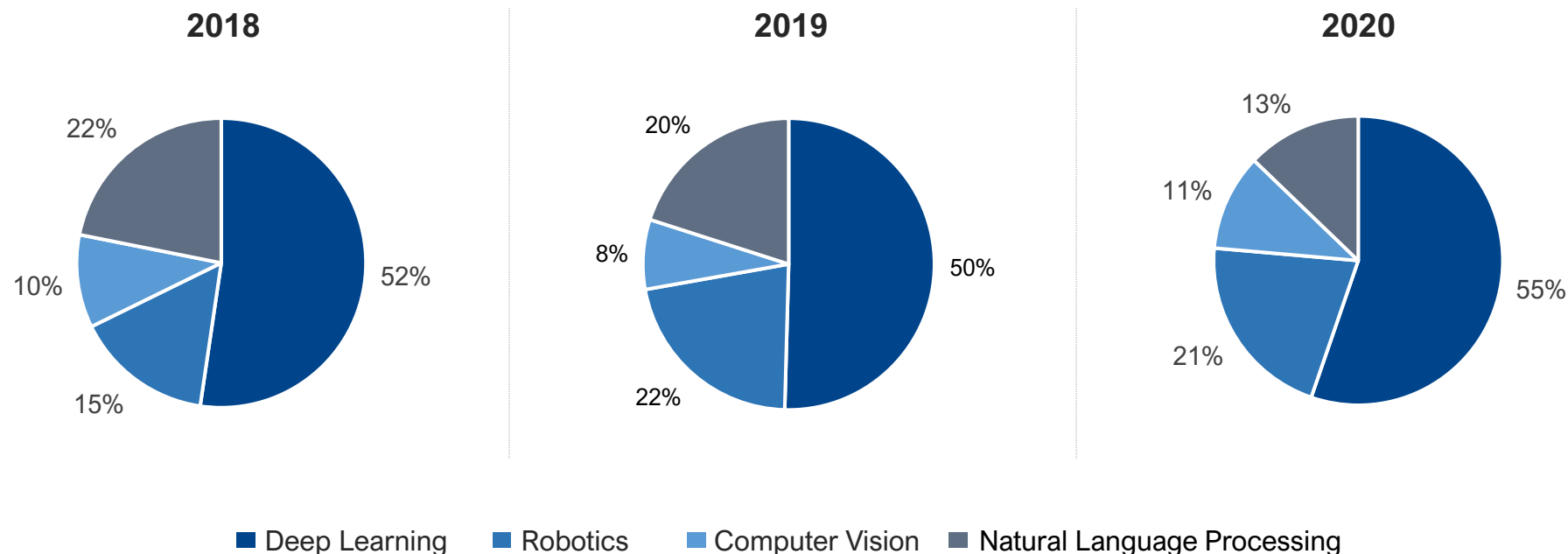
Source: S&P Capital IQ, Aranca Research

M&A Transaction Trend – By Sub-sector

Deep Learning – Leading sub-sector, recording >50% of total transactions in past three years

Current developments in Deep Learning’s scalable industry applications demonstrate its “universal” presence in all fields of AI. Deep Learning finds applications in other sub-segments of AI, such as Natural Language Processing and Computer Vision. Many companies are entering the Deep Learning market as it is being industrialized.

Share of Transactions



A similar trend can be seen in the transactions in 1Q21, with >50% of total transactions occurring in the Deep Learning sub-sector.

Source: S&P Capital IQ, Aranca Research

Select SPAC Activity in AI Market

Surge witnessed in AI-focused SPACs in 1Q21

2021 




Stem, Inc. and Star Peak Energy Transition Corp. entered into a definitive agreement that would result in Stem becoming a publicly listed company.

2021 





Berkshire Grey and Revolution Acceleration Acquisition Corp. inked a definitive agreement that would result in Berkshire Grey becoming a publicly listed company.

2021 




doc.ai and Falcon Capital Acquisition Corp. inked a definitive agreement that would result in doc.ai becoming a publicly listed company.

2021 

AEye, Inc. and CF Finance Acquisition Corp. III inked a definitive agreement that would result in AEye, Inc. becoming a publicly listed company.

2021 






Aeva, Inc. and InterPrivate Acquisition Corp. entered into a definitive agreement that would result in Aeva becoming a publicly listed company.

2021 




Ouster, Inc. and Colonnade Acquisition Corp. entered into a definitive agreement that would result in Ouster becoming a publicly listed company.

2021 

View, Inc. and CF Finance Acquisition Corp. II inked a definitive agreement that would result in View becoming a publicly listed company.

2021 




E2open Parent Holdings, Inc. and CC Neuberger Principal Holdings I entered into a definitive agreement that would result in E2open becoming a publicly listed company.

Source: S&P Capital IQ, SPAC Tracker, Aranca Research

Select SPAC Activity in AI Market

SPACs searching for targets

| SPAC | Potential Focus | IPO Size (USD million) |
|----------------------------------|---|------------------------|
| Agile Growth Corp. | Robotics, automation, software, HCIT, FinTech, EdTech | 300.0 |
| Aries I Acquisition | AI, ML, cybersecurity, blockchain | 175.0 |
| Goldenbridge Acquisition Limited | AI, other technology innovations | 50.0 |
| Jeneration Acquisition Corp | AI, robotics, mobility | 300.0 |
| LDH Growth Corp I | AI, IoT, other technology innovations | 230.0 |
| NewHold Investment II | AI, cutting-edge instrumentation, process automation | 175.0 |
| Nocturne Acquisition Corp | AI, blockchain, other technology innovations | 101.0 |
| Novus Capital Corporation II | AI, ML, smart technology | 250.0 |
| Reinvent Technology Partners Y | AI, SaaS, digital healthcare | 850.0 |
| SVF Investment Corp. | AI | 525.0 |
| TradeUP Acquisition Corp. | AI, automation | 40.0 |

Source: SPAC Tracker, Aranca Research

Top 10 M&A Transactions – Past Three Years

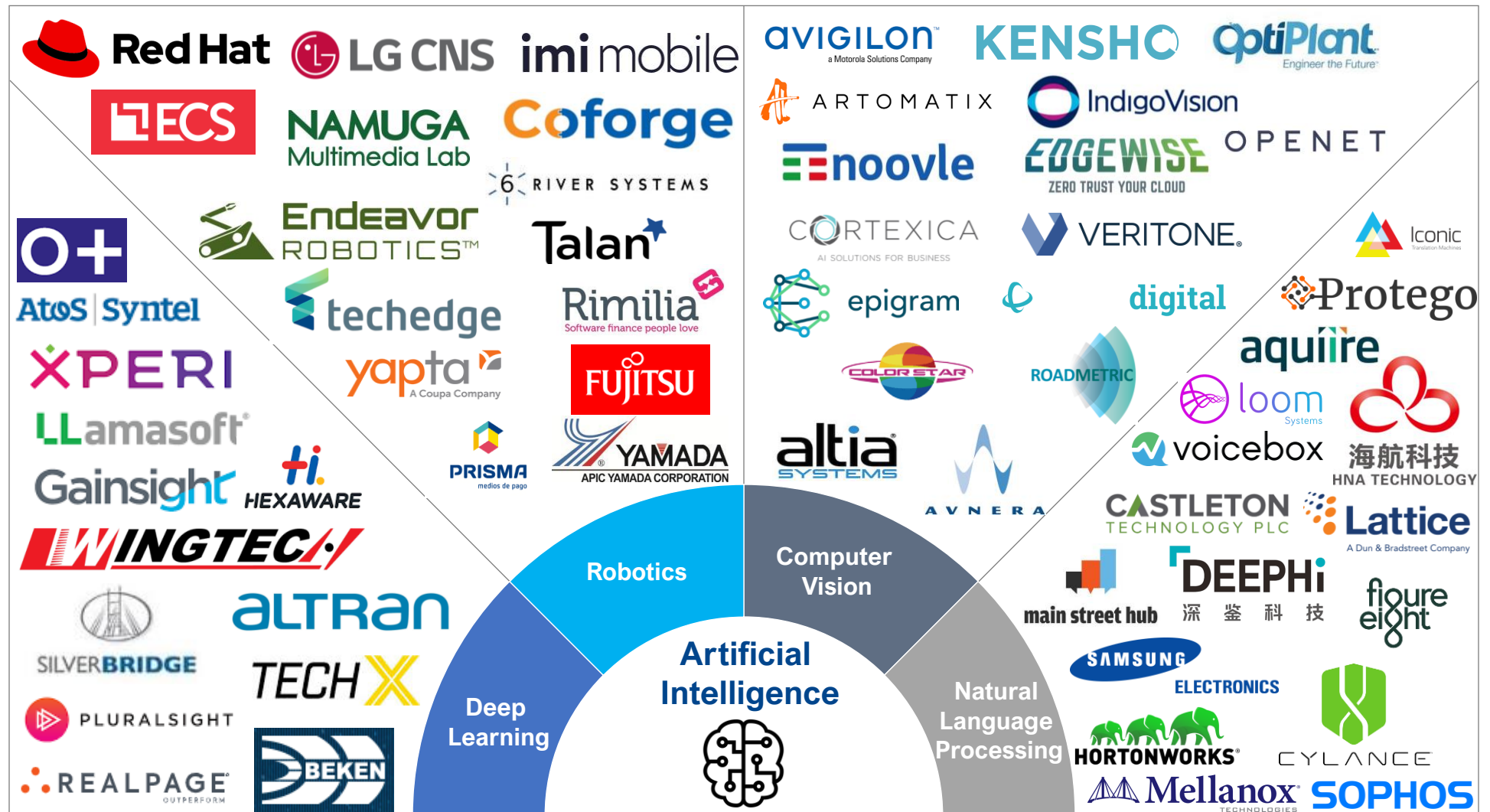
Total transaction value of over USD200 billion, primarily from strategic buyers

| Date | Target | Buyer | Transaction Value (USD billion) | Strategic/Financial Buyer |
|---------------|-----------------------------------|--|---------------------------------|---------------------------|
| January 2019 | First Data Corporation | Fiserv, Inc. | 41.7 | Strategic |
| October 2020 | Xilinx, Inc. | Advanced Micro Devices, Inc. | 36.7 | Strategic |
| October 2018 | Red Hat, Inc. | International Business Machines Corporation | 35.6 | Strategic |
| May 2019 | Total System Services, Inc. | Global Payments Inc. | 26.7 | Strategic |
| July 2018 | CA, Inc. | Broadcom Inc. | 21.7 | Strategic |
| June 2019 | Tableau Software, Inc. | Salesforce.com, Inc. | 17.3 | Strategic |
| February 2019 | The Ultimate Software Group, Inc. | Hellman & Friedman LLC; JMI Management, Inc.; The Blackstone Group Inc.; GIC Pte. Ltd.; Canada Pension Plan Investment Board; Qatar Investment Authority | 10.9 | Financial |
| December 2020 | RealPage, Inc. | Thoma Bravo, LLC | 10.6 | Financial |
| January 2021 | FLIR Systems, Inc. | Teledyne Technologies Incorporated | 8.2 | Strategic |
| November 2018 | Qualtrics International Inc. | SAP America, Inc. | 8.0 | Strategic |

Source: S&P Capital IQ, Aranca Research

Active M&A Players in AI Market

Industry Map: Deep Learning, Robotics, Computer Vision, Natural Language Processing



Source: S&P Capital IQ, Aranca Research

Outlook

Global AI market projected to witness significant deals and consolidation in 2021



Market Trends

- The COVID-19 pandemic has led to the wide adoption of AI and advanced analytics in all industries globally.
- In the coming years, companies would increasingly focus on data privacy and regulations pertaining to cybersecurity and information access. This would have a huge impact on the AI industry.
- Apart from mainstream industries such as retail and manufacturing, which have widely adopted AI, industries such as energy, agriculture, and public sector are expected to show growth in adoption of AI applications.



M&A Market

- As the scope of AI applications is increasing with proliferating commercial uses of ML and robotics, many big companies are joining the race to acquire early-stage AI startups having promising personnel and technology.
- AI investment in healthcare significantly increased, especially in the drug development, cancer, molecular biology, and drug discovery space. Investments in AI across many other industries are also expected to grow substantially.
- Niche segments such as cloud computing, cybersecurity, MLOps, and AI chip, would witness increased M&A activity.

Source: Aranca Research



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