



Artificial Intelligence Update

KPMG Corporate Finance LLC
June 2023 Sector Update





Table of Contents

1 AI Sector Update

2 KPMG CF: Artificial Intelligence Team

3 Artificial Intelligence Landscape Overview

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AI Sector Update





AI: Sector Update

Key Theme: AI Goes To Hollywood

- Hollywood and the broader entertainment industry involving the creative arts, such as gaming, will likely be a fast adopter of generative AI's capabilities. Activities ranging from editing background images to generating high fidelity content have the potential to be accelerated forward from a timing perspective and reduced from a cost standpoint. As production budgets decrease with the increased use of AI, more stories will be able to be told across film and television, which should, counterintuitively, heighten demand for the writers and creators of stories.
- *"Our partnership with CAA comes from focusing on using this technology in really interesting ways at the forefront of entertainment, but it's also focused on how we can empower individual people. In this case, it enables actors to own and control their data from the real world—their hyperreal identities [the biometric AI model made of photographic information captured in extremely high definition.] ... It's really going to change the way in which we create content, period, because ultimately using generative AI is a hundred times cheaper than using 3D modeling and traditional VFX and CGI and all that. Ultimately, it's going to be cheaper than setting up a camera."* – Tom Graham, (Co-Founder & CEO, Metaphysic.ai), Fast Company, "AI will destroy Hollywood as we know it," 4/19/2023

Key Theme: AutoGPT + Enterprise SaaS

- Leading investor Chamath Palihapitiya predicts that enterprise SaaS development can be executed at 1/10th the cost due to the capabilities that AI tools such as AutoGPT have unleashed. Similar to how cloud-based SaaS was a major disruptive trend for the past two decades in the world of software, a plethora of startups activity will potentially be let loose by the convergence of generative AI such as OpenAI's GPT, APIs into those state-of-the-art AI models, and apps such as Auto-GPT, which break down major large goals into sub-tasks and execute those tasks autonomously.
- *"... the real goal should be to go and disrupt existing businesses using these tools cutting out all the sales and marketing right and just delivering something. And I use the example of disrupting Stripe by going to market with an equivalent product with one-tenth the number of employees at one tenth the cost. What's incredible is that this Auto GPT is the answer to that exact problem. Why because now if you are a young industrious entrepreneur, if you look at any bloated organization that's building enterprise class software you can string together a bunch of agents that will auto construct everything you need to build a much much cheaper product that then you can deploy for other agents to consume so you don't even need a sales team anymore ..."* – Chamath Palihapitiya (Founder & CEO at Social Capital), All-In Podcast, Ep. 124, 4/14/2023

Key Theme: Enter The Regulators

- Some elite venture investors, such as Chamath Palihapitiya, are also calling for the United States government to regulate AI. Their view is that with development cycles that appear to be every few days, on a compounded basis, AI models interacting with each other will be have the potential for significant disruption in the hands of bad actors.
- *"If you invent a novel drug, you need the government to vet and approve it (FDA) before you can commercialize it. If you invent a new mode of air travel, you need the government to vet and approve it (FAA) before you can commercialize it. If you create a new security, you need the government to vet and approve it (SEC) before you can commercialize it. More generally, when you create things with broad societal impact (positive and negative) the government creates a layer of review and approval. AI will need such an oversight body. The FDA approval process seems the most credible and adaptable into a framework to understand how a model behaves AND its counterfactual. Our political leaders need to get in front of this sooner rather than later and create some oversight before the eventual/big/avoidable mistakes happen and genies are let out of the bottle."* – Chamath Palihapitiya (Founder & CEO at Social Capital), Twitter, 4/11/2023



KPMG CF: Artificial Intelligence Team



KPMG's Global Platform

KPMG Corporate Finance Credentials - Most Active Middle-Market Advisor Globally²



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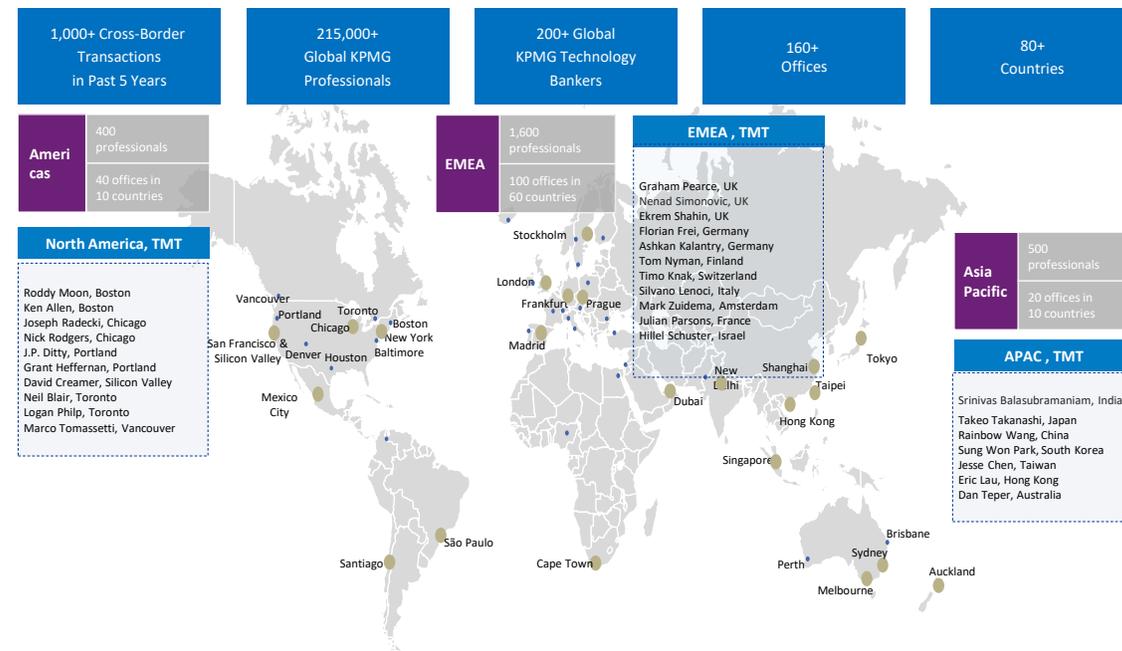


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Global Senior Technology M&A Team²



KPMG Corporate Finance LLC Representative Transactions

 ENGINE MEDIA has merged with GAMESQUARE	 PLAYAWAY* PRE-LOADED PRODUCTS a subsidiary of has been acquired by Penguin Random House	 netag has received a majority investment from WISE EQUITY	 smartbox has been acquired by a portfolio company of 424 CAPITAL HealthEdge	 Boostability a portfolio company of has received a growth investment from COHERE
 Artlogic Capital raise COVE HILL PARTNERS	 [HPS] FLAG have partnered with supported by a majority investment from FALCURIAS CAPITAL	 X-ID has been acquired by AdRoll GROUP AdRoll RotWorks	 REACHLOCAL has divested its Japanese operations to NHCC New Horizon Capital Co., Ltd.	 INNOCEAN WORLDWIDE has acquired David & Goliath

KPMG LLP Thought Leadership

Voice of the CFO

As economic uncertainty persists, CFOs are approaching forecasting with agility and, increasingly, artificial intelligence

KPMG LLP and Microsoft Establish Industry-Leading Initiative to Scale Generative AI Across Audit, Tax and Advisory

Generative AI models — the risks and potential rewards in business

KPMG U.S. survey: Executives expect generative AI to have enormous impact on business, but unprepared for immediate adoption

Building trust in AI is a shared responsibility

Breakthroughs like ChatGPT are taking off, but accuracy is a two-way street.

Notes:

1. Refinitiv - Transactions less than \$500M

2. Refers to the global Corporate Finance practices of KPMG International's network of independent member firms

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Artificial Intelligence Landscape Overview



KPMG CF: AI Innovators Spotlight

Leading Innovators in the AI Ecosystem



ANTHROPIC



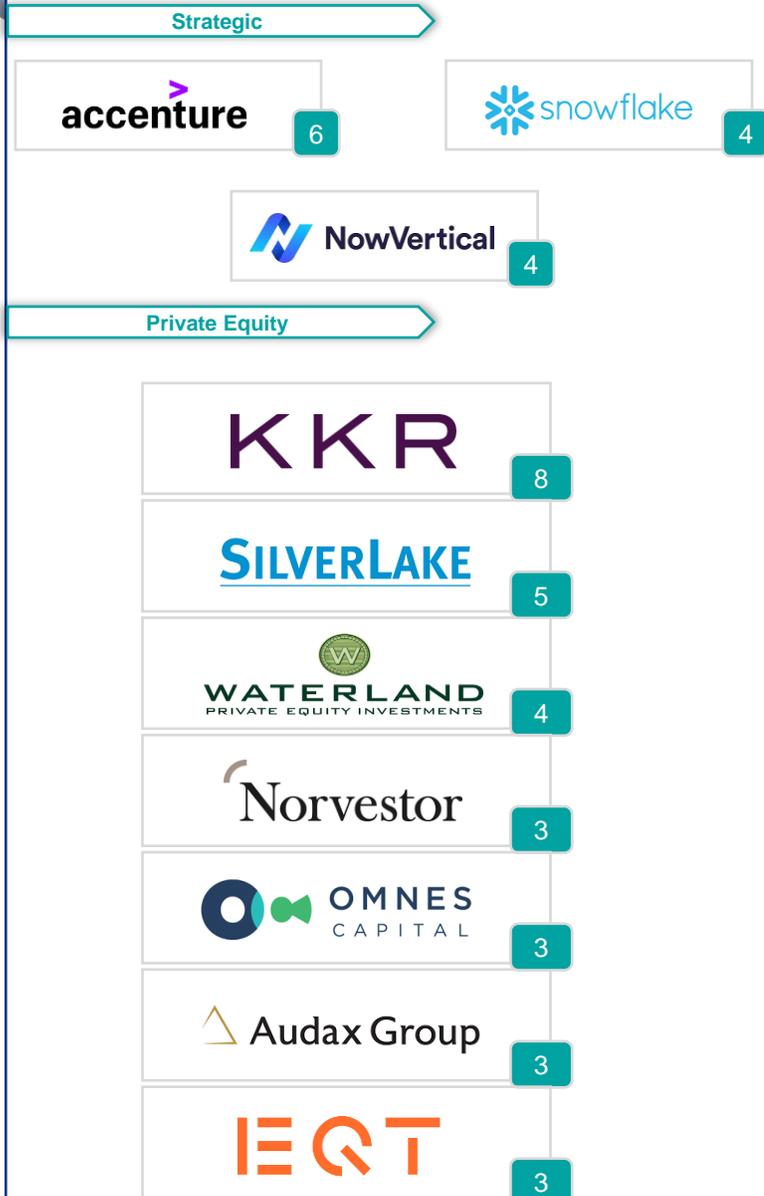
Brain Technologies





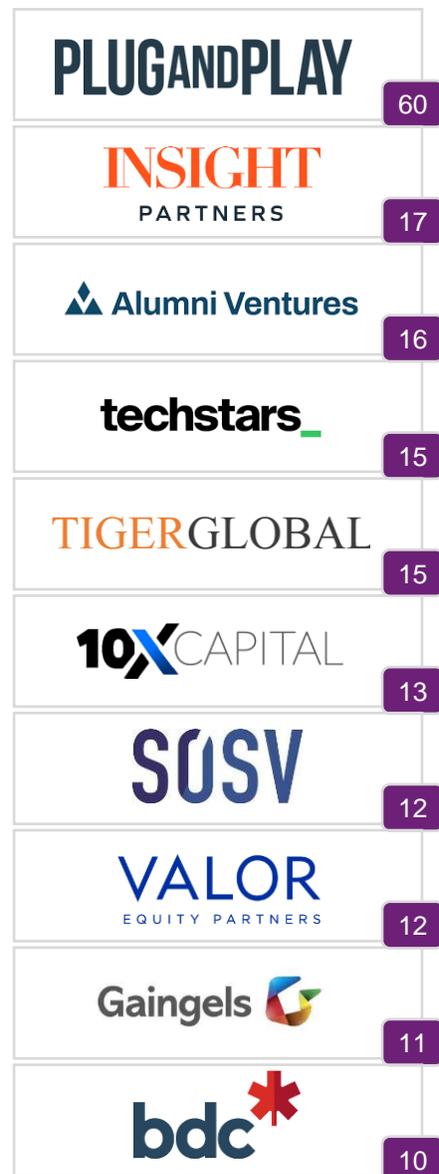
KPMG CF: Spring 2023 AI Key Players

Top AI Strategic & Private Equity Acquirers (TTM)



■ Represents number of acquisitions made by the strategic as well as private equity acquirers in Trailing Twelve Months (TTM)

Top Late Stage & Growth Investors (TTM)



■ Represents number of investments made by the Private Equity / Venture Capital Firms in Trailing Twelve Months (TTM)

Top Early-Stage Investors (TTM)



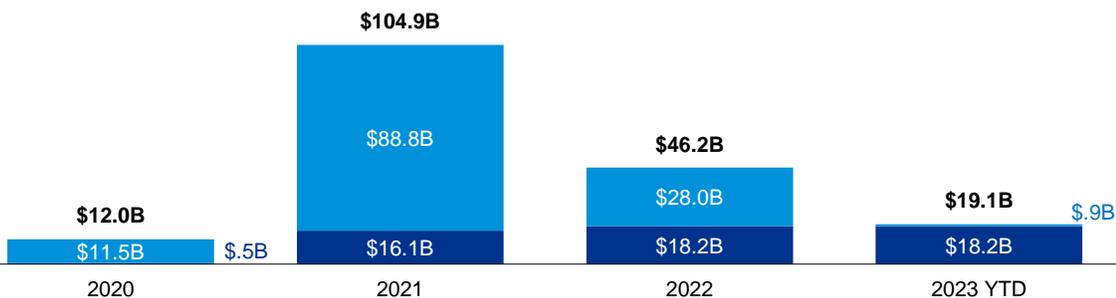
■ Represents number of investments made by the Private Equity / Venture Capital Firms in Trailing Twelve Months (TTM)



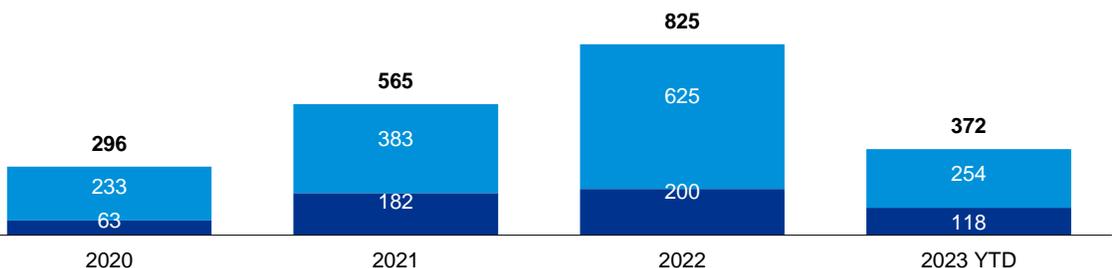
KPMG CF: Spring 2023 AI Deal Activity

Global Deal Activity: Artificial Intelligence M&A

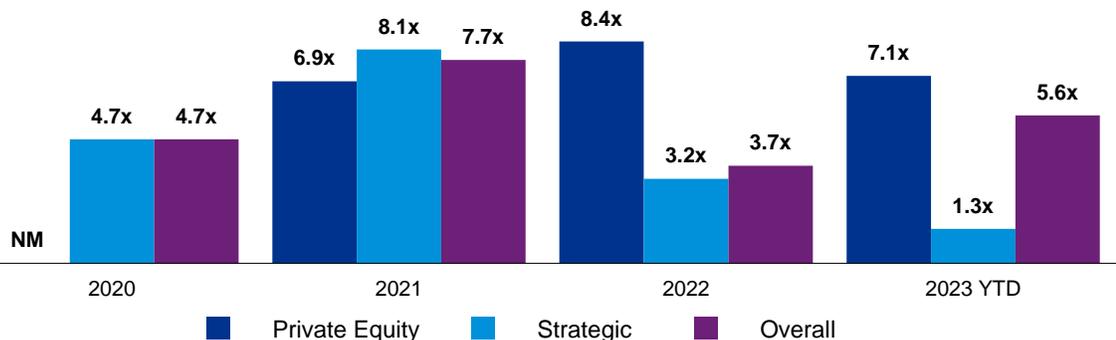
Total Deal Value



Deal Count¹



Median EV / Revenue Multiple

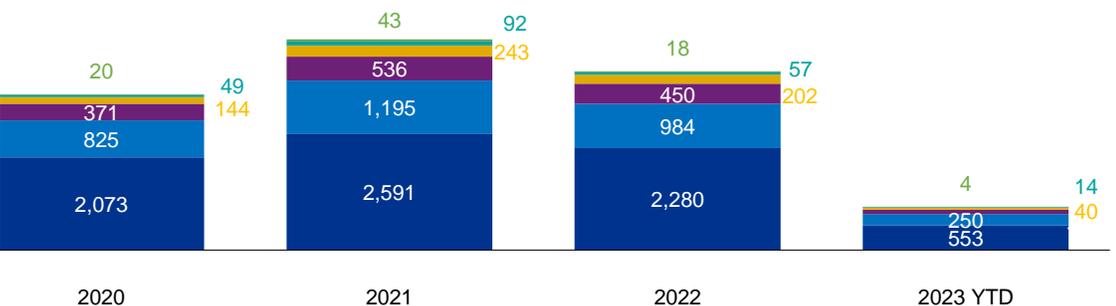


Global Deal Activity: Artificial Intelligence Private Placements

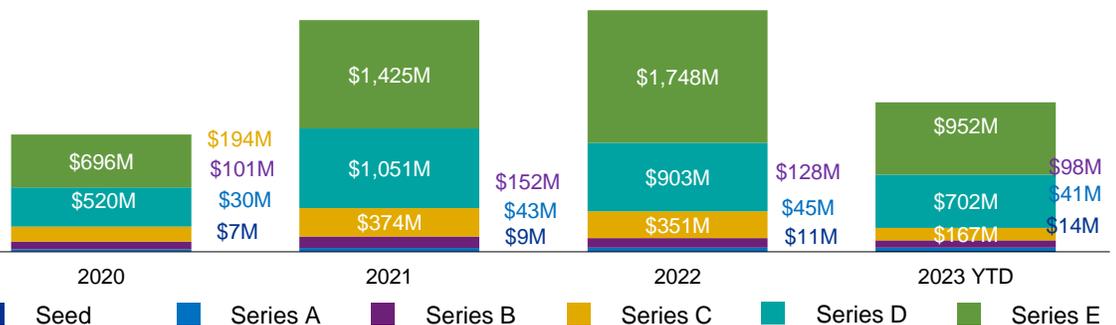
Median Round Size



Deal Count



Median Post-Valuation



Source:
Notes:

451 Research, Pitchbook
 1. Includes undisclosed multiples in deal counts
 2. Includes all category deals with multiples data within the time period with 2023 YTD referring to Jan'23-May'23

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KPMG CF: AI Valuation Overview

Valuation Overview - Publicly Traded Comparable Companies^{1,2}

\$USD in millions

AI	Country	Market Cap	Enterprise Value	Revenue	Revenue Growth 2022-23	Gross Margin %	EBITDA %	LTM EV/Revenue	LTM EV/EBITDA	CY 2023 EV/Revenue	CY 2023 EV/EBITDA	CY 2024 EV/Revenue	CY 2024 EV/EBITDA
Apple	U.S.	\$2,698,416	\$2,641,698	\$385,095	(2.2%)	43.2%	32.1%	6.9x	21.3x	6.7x	20.8x	6.2x	19.3x
Microsoft	U.S.	\$2,344,112	\$2,319,005	\$207,591	6.5%	68.5%	48.2%	11.2x	23.2x	10.5x	21.2x	9.3x	18.2x
Alphabet Inc.	U.S.	\$1,560,432	\$1,474,823	\$284,612	5.8%	55.3%	30.7%	5.2x	16.9x	4.9x	12.7x	4.4x	11.1x
Amazon.com, Inc.	U.S.	\$1,179,838	\$1,293,980	\$524,897	9.1%	44.7%	10.9%	2.5x	22.6x	2.3x	14.6x	2.1x	12.2x
NVIDIA Corporation	U.S.	\$758,954	\$757,689	\$26,974	11.9%	56.9%	26.4%	NM	NM	NM	NM	19.9x	NM
Meta	U.S.	\$632,329	\$623,152	\$117,346	8.3%	79.6%	36.2%	5.3x	14.7x	4.9x	9.9x	4.5x	8.6x
Tesla, Inc.	U.S.	\$588,799	\$573,152	\$86,035	23.0%	23.1%	19.4%	6.7x	34.4x	5.7x	31.6x	4.4x	22.0x
Intel	U.S.	\$123,086	\$146,748	\$56,416	(18.6%)	38.3%	17.5%	2.6x	14.9x	2.9x	15.1x	2.5x	8.5x
Qualcomm	U.S.	\$115,366	\$124,675	\$41,070	(18.1%)	56.5%	35.3%	3.0x	8.6x	3.4x	9.4x	3.2x	8.2x
Datadog, Inc.	U.S.	\$29,957	\$28,785	\$1,794	25.1%	79.3%	(4.1%)	16.0x	NM	13.7x	NM	10.8x	NM
Palantir Technologies	U.S.	\$26,777	\$24,212	\$1,985	15.9%	78.7%	(4.6%)	12.2x	NM	11.0x	43.6x	9.2x	35.7x
Artificial Intelligence Mean		\$914,370	\$909,811	\$157,619	6.1%	56.7%	22.5%	7.2x	19.6x	6.6x	19.9x	7.0x	16.0x
Artificial Intelligence Median		\$632,329	\$623,152	\$86,035	8.3%	56.5%	26.4%	6.0x	19.1x	5.3x	15.1x	4.5x	12.2x

Valuation Overview - Recent Precedent M&A Transactions

Date	Acquirer	Target	Target Country	EV	EV / Revenue	EV / EBITDA	Target Description
Apr-23	Charlesbank Capital Partners	Maltego Technologies	Germany	\$100	5.6x	-	Investigation & case management & analytics SaaS
Mar-23	SoftBank	Berkshire Grey	U.S.	\$306	4.0x	-	AI-based supply chain management SaaS
Mar-23	Silver Lake / CPP	Qualtrics International	U.S.	\$12,500	8.6x	-	Provides AI-based experience management SaaS, APIs, SDKs, etc.
Mar-23	Symphony Technology Group	Momentive Global Inc.	U.S.	\$1,500	3.1x	-	Provides survey SaaS for businesses
Feb-23	Francisco Partners	Sumo Logic	USA	\$1,700	4.8x	-	Log management & analytics SaaS
Feb-23	WCAS	ImageTrend	USA	\$400	8.9x	-	ERP & data management SaaS
Jan-23	Thoma Bravo	Magnet Forensics	Canada	\$1,229	12.5x	175.8x	Digital investigation SaaS
Mean				\$2,534	6.8x	175.8x	
Median				\$1,229	5.6x	175.8x	

Valuation Overview - Recent Capital Raise Transactions³

Date	Lead Investors	Target	Target Country	Round Size	Target Description
May-23	Spark Capital	Anthropic	U.S.	\$450	Operator of an AI safety and research company
Apr-23	Coatue Management	OpenAI	U.S.	\$300	Developer of an AI-based research and deployment platform
Mar-23	Addition, Greylock Partners, Root Ventures, addn'l	Adept	U.S.	\$350	Developer of machine learning model intended to interact with computer
Mar-23	Alphabet, Salesforce, Spark Capital, addn'l	Anthropic	U.S.	\$300	Operator of an AI safety and research company
Mar-23	BuildGroup, Monroe Capital	Amelia (Communication Software)	U.S.	\$175	Developer of an automation and conversational enterprise platform
Mar-23	Greylock Partners, Polaris Partners, addn'l	Inflection	U.S.	\$675	Developer of an AI-based platform designed to improve human-computer interaction

Sources: CapitalIQ and 451 Research
 Notes: 1. Market data as of May 24, 2023
 2. The EV/Revenue >20x and EV/EBITDA >50x are considered "NM" ("not meaningful") for publicly traded comparables
 3. Excludes <\$15M round size capital raise transactions

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