

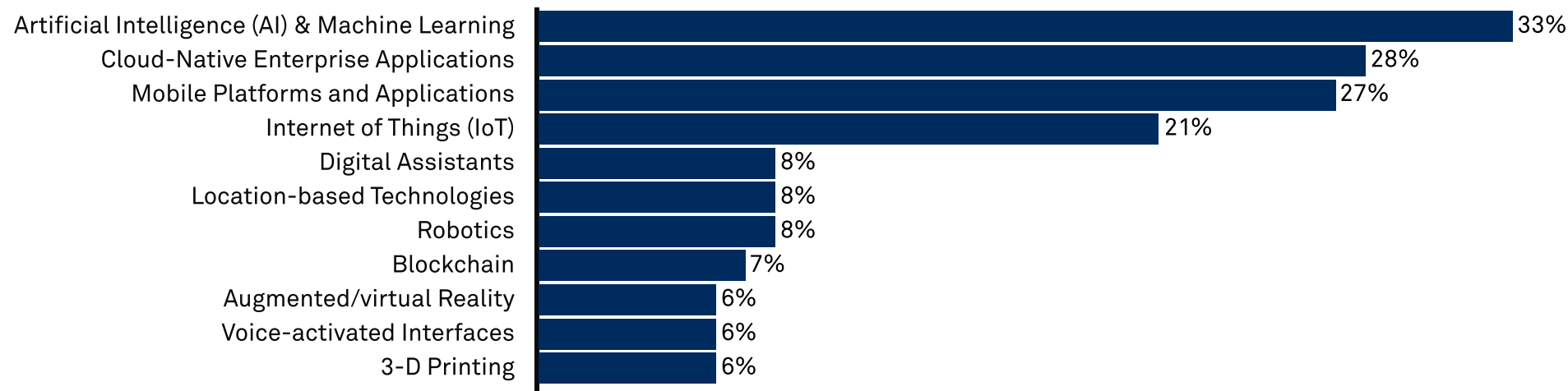
As Enterprises Embrace Artificial Intelligence and Machine Learning Technology the M&A Market Responds

IT buyers see machine learning and artificial intelligence as the most transformative technologies to affect their enterprises over the coming years. Businesses are responding by adopting AI/ML rapidly and across a wide variety of uses cases. The M&A marketplace has responded accordingly. Bankers cite AI/ML as the leading driver of deals and acquirers have obliged, driving AI/ML deal making to new heights even as a global pandemic depresses the overall M&A marketplace.

AI surpasses cloud computing as the most transformational technology

In our recent Voice of the Customer survey, IT buyers named AI/ML as the technology most like to transform their business operations over the next three to five years. Healthcare and technology companies were among the verticals expecting the greatest impact from AI.

Which technology will transform your business the most over the next 3-5 years?



Source: Q. Which of the following technologies do you expect to have the most transformational impact on your organization's business operations in the next three to five years? (Choose no more than three) 451 Research's Macroeconomic Outlook: Corporate IT Spending, Q3 2019.

Published in: Macroeconomic Outlook, Corporate IT Spending Q3 2019 - Advisory Report.

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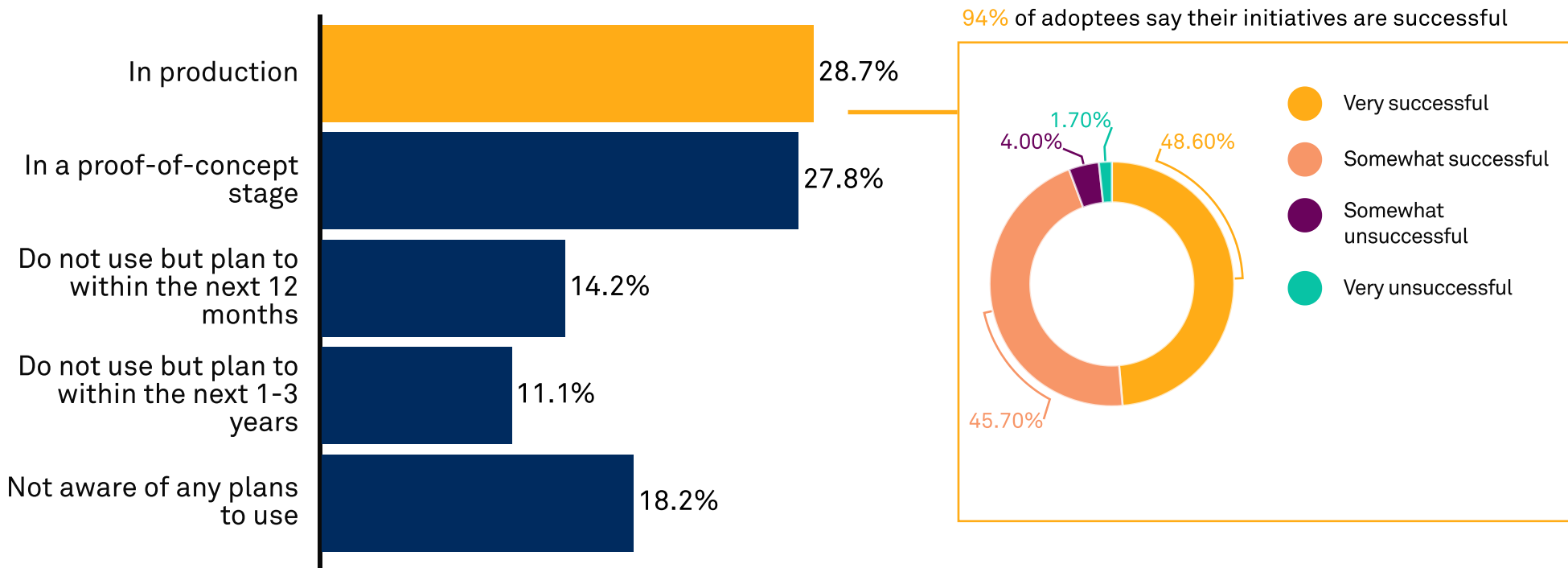
Enterprises rush to adopt AI

Businesses are increasingly acting upon their expectation that AI/ML will be transformative. In early 2020, fifty-seven percent of surveyed enterprises have AI initiatives either in production or in proof of concept, a substantial increase from the 40% that were at these stages of adoption one year ago.

Further, ninety-four percent of adopters say their deployed AI initiatives are successful and there appears to be a greater depth of understanding of what is possible using machine learning.

COVID-19 appears to have shifted, rather than slowed, AI adoption. Three-quarters (75%) of organizations say COVID-19 is leading to investments in new AI initiatives.

Status of Enterprise AI and Success of AI Initiatives

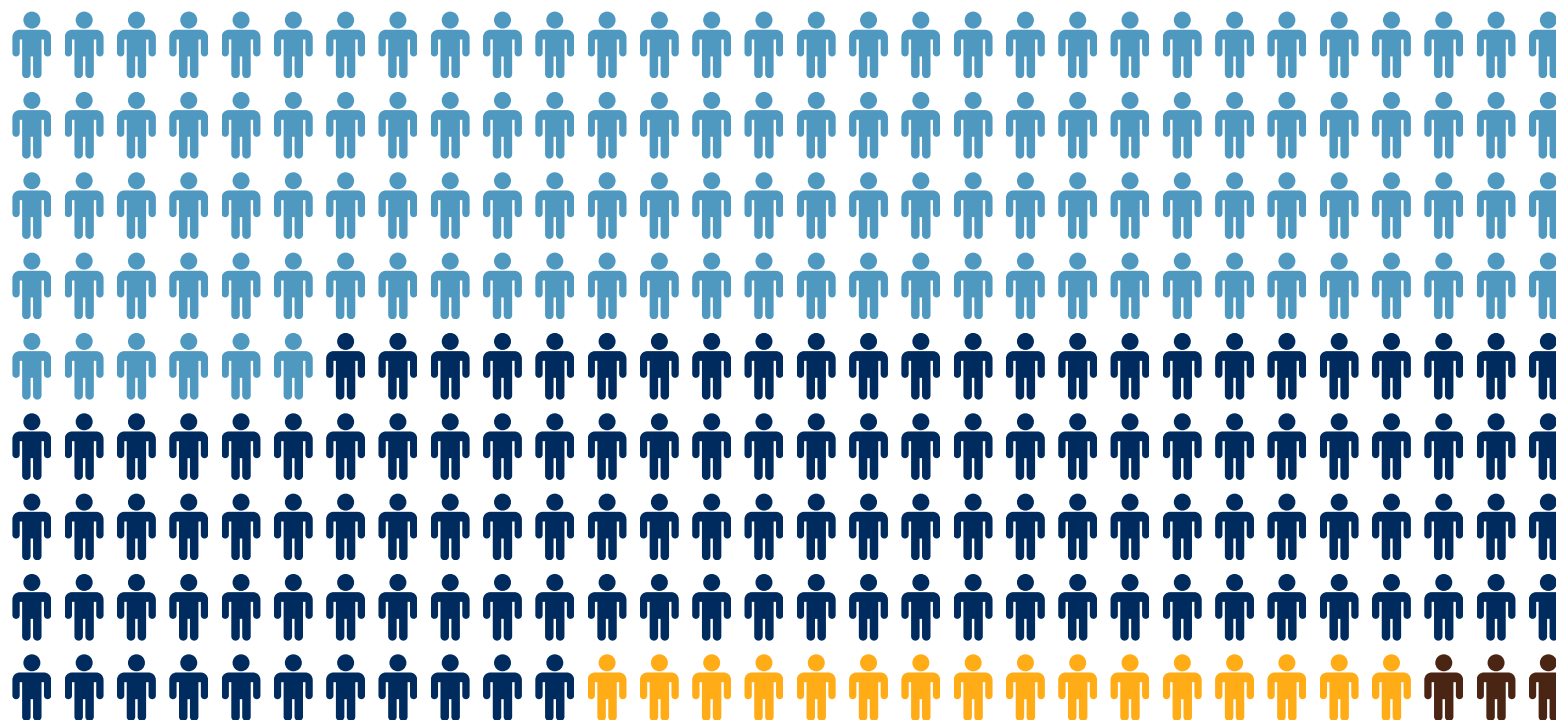


Source: Q. Which of the following best describes your organization's current machine learning adoption status? Base: All respondents (n=1,479) Q. How would you rate the performance of your organization's machine learning initiative(s) to date? Base: All respondents (n=403).
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AI is critical to digital transformation

In fact, many organizations view AI/ML initiatives as integral to digital transformation with 94% of respondents saying artificial intelligence and machine learning are somewhat (47%) or very (47%) important to their transformation efforts.

Importance of AI to Digital Transformation



94% of companies say AI is important to their digital transformation efforts

● Very important ● Somewhat important ● Not very important ● Not at all important

Source: Q. How important is machine learning technology to your organization's overall digital transformation efforts? Base: Organizations using or planning to use machine learning within one year (n=998).

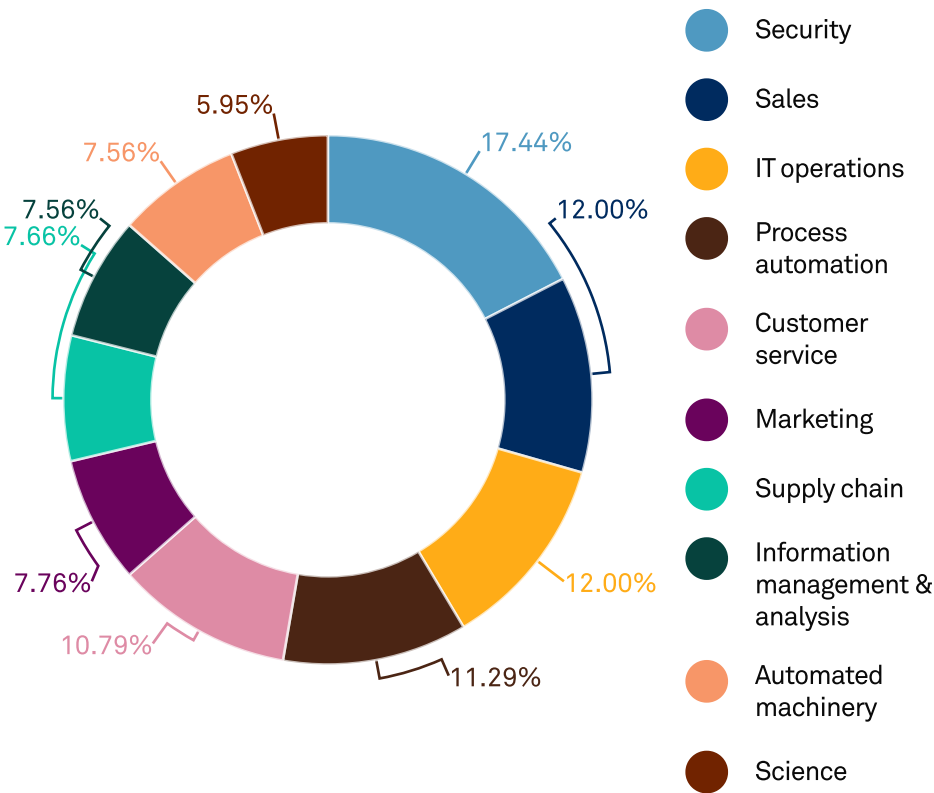
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Companies are finding myriad use cases for AI

AI is bringing automation and optimization to many different enterprise processes. Improving digital/data security is the leading use case, followed by network optimization, marketing analysis, sales forecasting, and customer experience optimization.

Primary AI Use Case by Category Today



Top Use Cases by Industry Vertical

Industry	#1 Use Case	#2 Use Case
Energy	Digital Security	Energy demand response
Finance	Digital Security	Fraud Detection
Healthcare	Workflow Optimization	Patient Data Analysis
Manufacturing	Quality Assurance	Smart Robotics
Media & Entertainment	Trend Identification	Network Optimization

Top use cases vary widely by industry, illustrating the broad applicability of AI/ML technologies.

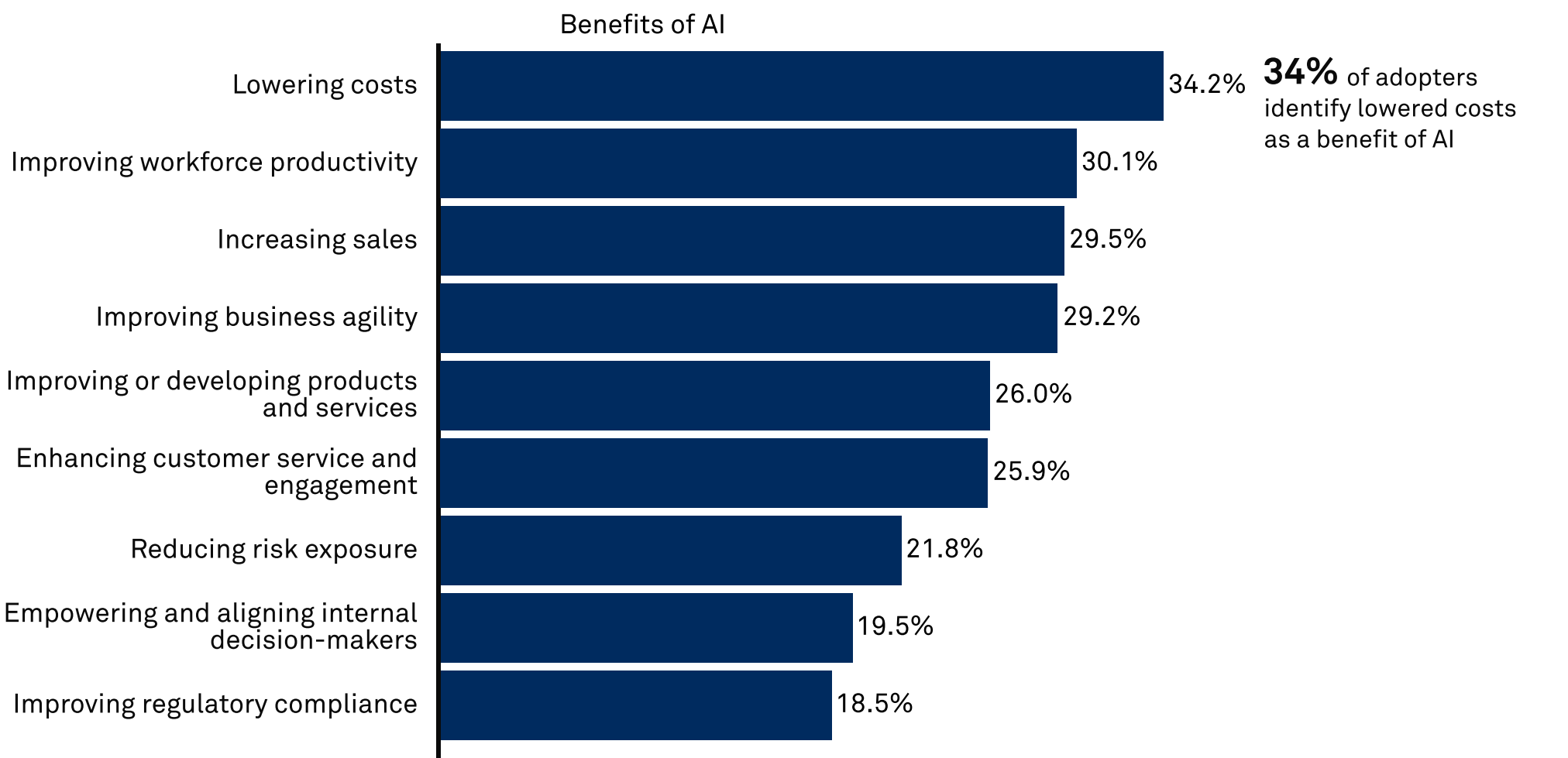
Source: Q. And what is your organization's single most important business reason for using machine learning? Q. And looking ahead 2-3 years, what does your organization most want to use machine learning for? Base: All respondents (n=992).
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Users are seeing significant benefits

Lowering of costs has for the first time in our early 2020 survey risen to the list of benefits that enterprises realize from AI/ML technologies. Improving productivity, sales and business agility all belong to the top tier of positive benefits we see coming from machine learning projects, a testament to the diversity of impacts AI can have on business processes.

Enterprises identify reduced costs, improved productivity as significant benefits of AI

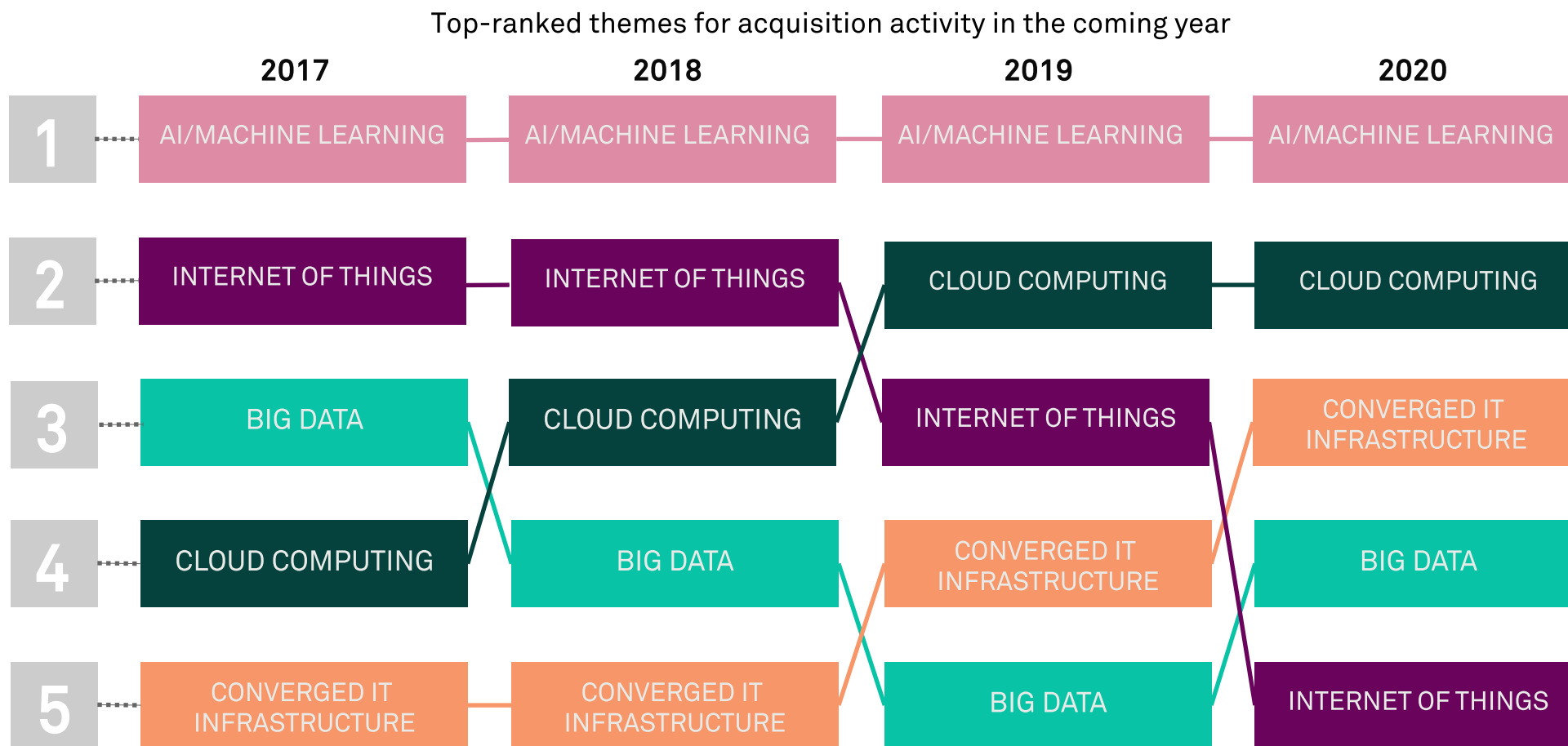


Source: Q. What are the most significant benefits your organization has realized or expects to realize from its use of machine learning? Please select up to 3. Base: All respondents (n=991).
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The M&A market responds to AI demand

Given the steady increase in AI/ML adoption and demonstrated benefits to enterprises, the action not surprisingly flows through to the M&A marketplace. For the past four years, technology M&A bankers have named AI-related technologies as the top theme driving tech M&A activity.

M&A activity outlook, by tech theme



Source: Q. What are the most significant benefits your organization has realized or expects to realize from its use of machine learning? Please select up to 3. Base: All respondents (n=991).

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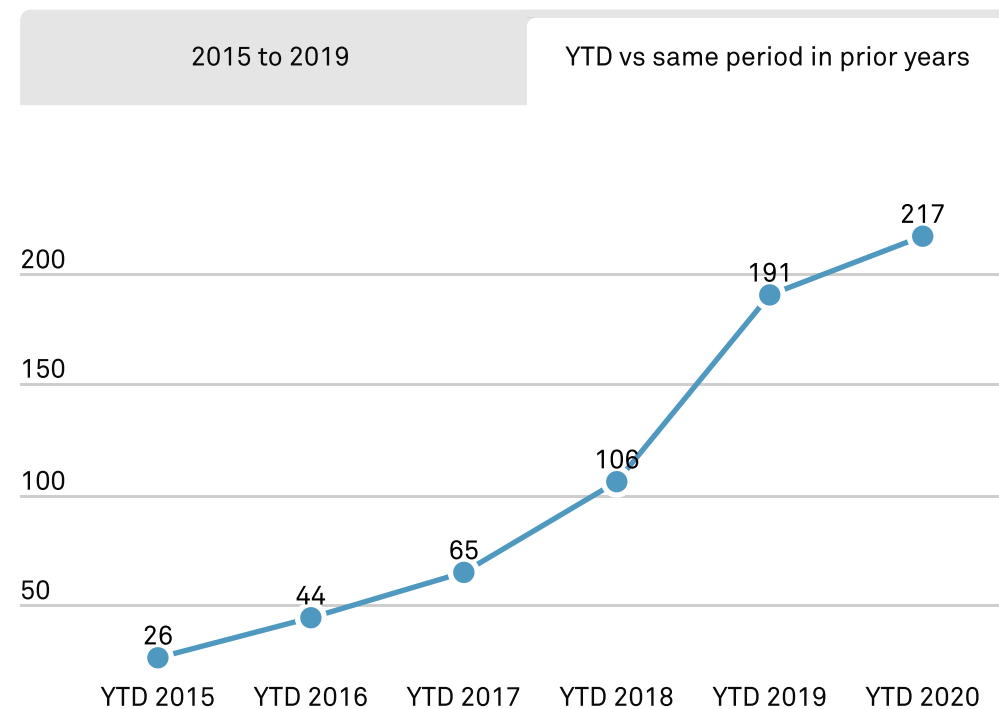
Buyers increase AI acquisitions, even in the pandemic

In tune with banker's expectations, acquirers increasingly are stepping up to the plate to acquire AI/ML-related companies. The number of transactions increased more than sixfold from 2015 to 2019. IT providers are using inorganic growth to add new products or beef up current offerings and some non-technology companies like McDonald's Corp and Walmart Inc. are acquiring AI/ML companies to leverage across their businesses.

Even amid the economic crisis caused by the COVID-19 pandemic that has caused a decline in overall tech M&A, buyers have increased their AI acquisitions. The number of such deals is up by a double digit percentage year-to-date 2020 compared with the same period in 2019.

Among the IT vendors leading the M&A frenzy, Apple, Microsoft and Salesforce have tallied 40 transactions since 2015.

Number of AI/ML transactions



Source: M&A KnowledgeBase, August 2020
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Most active acquirers of AI/ML companies - 2015 to present

