



 EMERGING TECH RESEARCH

# Artificial Intelligence & Machine Learning Report

VC trends and emerging opportunities

**Q3**  
2022

## REPORT PREVIEW

The full report is available through the PitchBook Platform.





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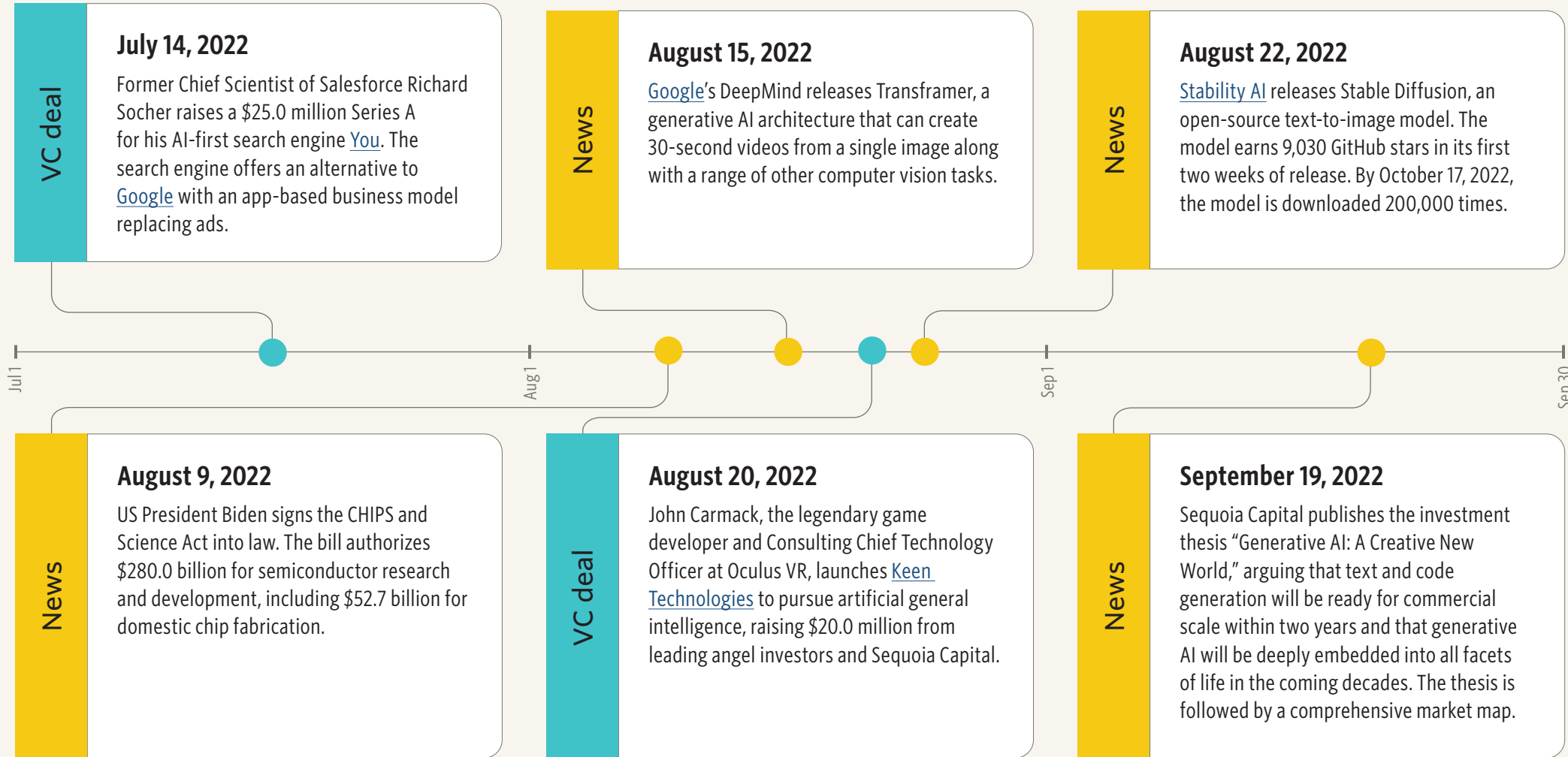
## Publishing

Report designed by **Joey Schaffer**

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# Q3 2022 timeline



### Q3 VC activity

1,260  
total deals

**\$12.2B**  
total VC raised

**-46.7%**  
deal value growth QoQ

### 2022 YTD summary

4,554  
total deals

**\$59.3B**  
total VC raised

**-13.1%**  
deal value growth YoY



# AI & ML landscape

- 1** Horizontal platforms
- 2** Vertical applications
- 3** Semiconductors
- 4** Autonomous machines



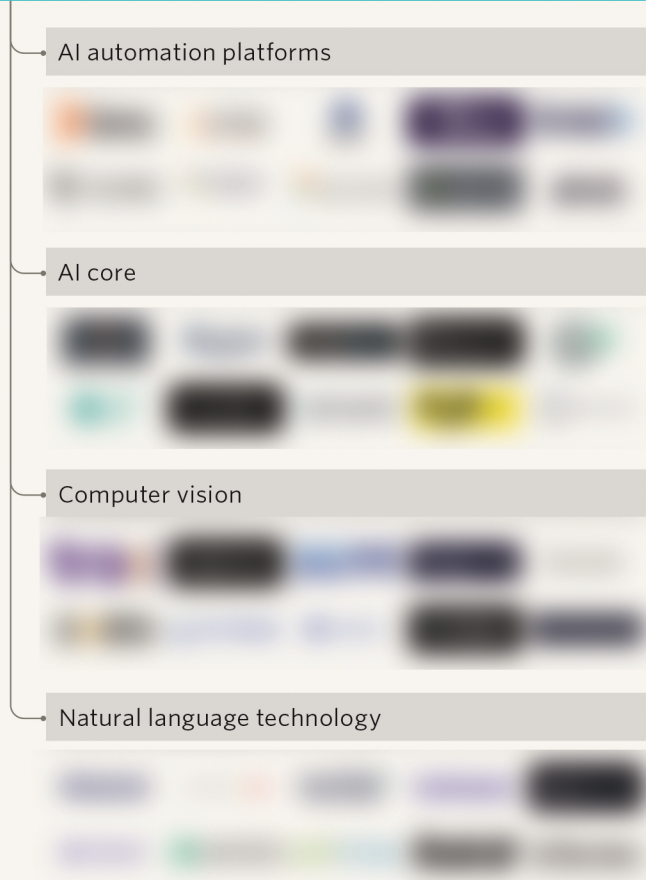


# AI & ML VC ecosystem market map

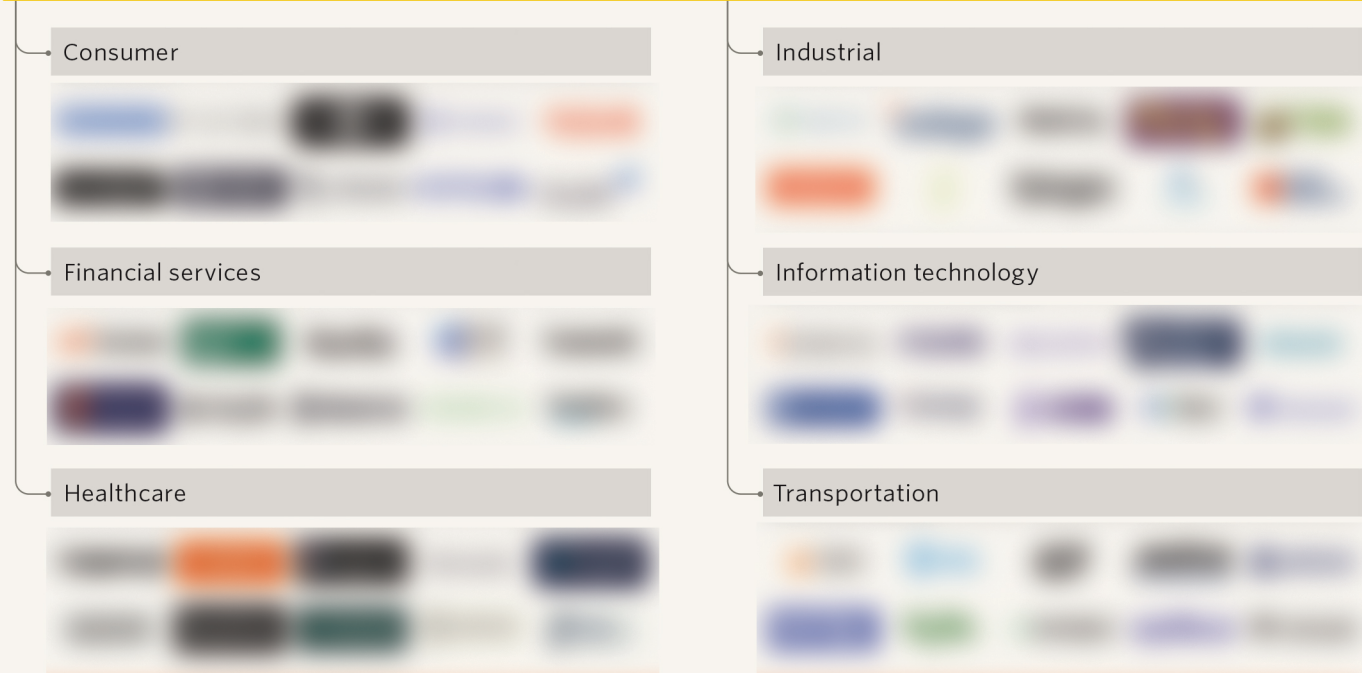
Click to view the interactive market map on the PitchBook Platform.

Market map is a representative overview of venture-backed or growth-stage providers in each segment. Companies listed have received venture capital or other notable private investments.

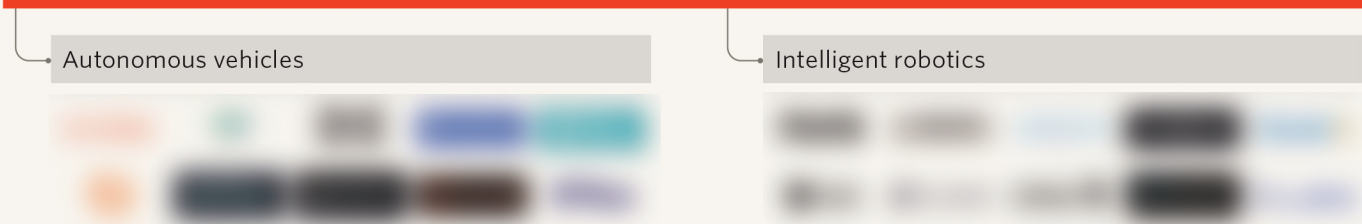
## Horizontal platforms



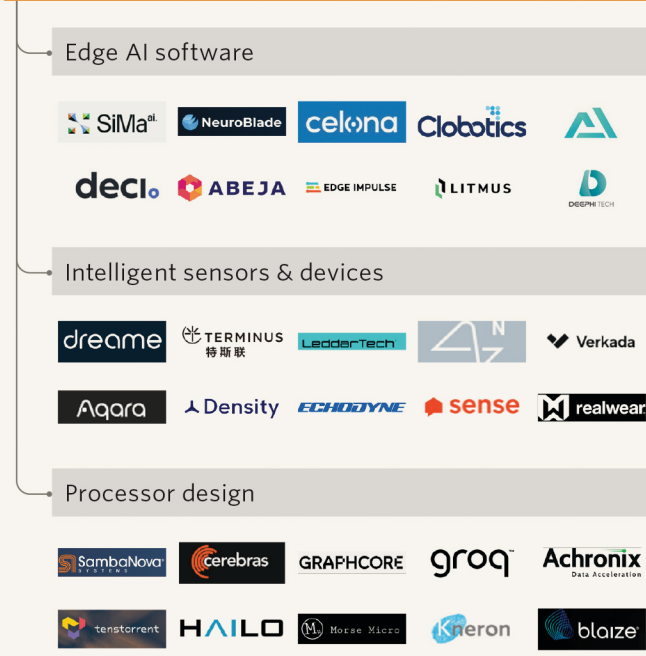
## Vertical applications



## Autonomous machines



## Semiconductors



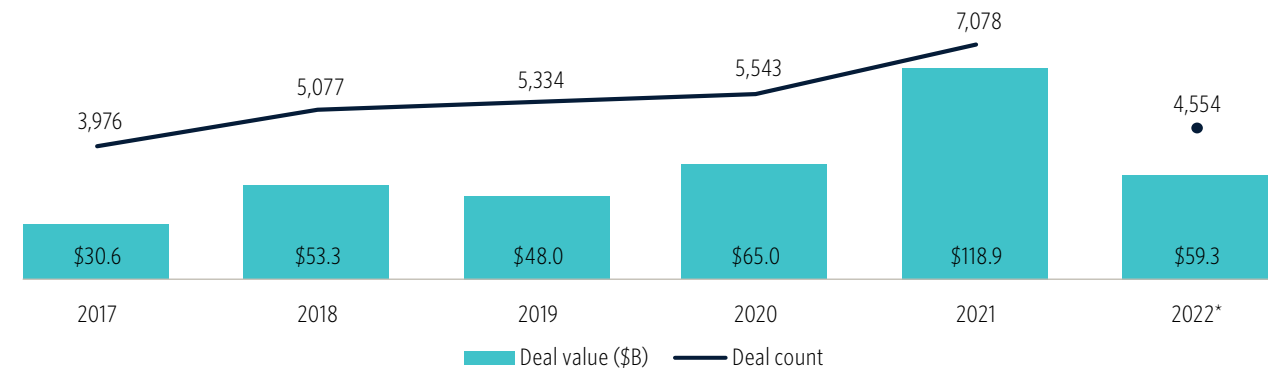


# VC activity

VC investor enthusiasm for generative AI did not fully shore up the Q3 2022 data, with deal value falling 46.7% to \$12.2 billion, close to the quarterly totals in 2019. Rapid open-source adoption continues to be a key driver for large checks, as evidenced by [Stability AI](#)'s outlier round after its open-source product caught fire in August 2022. Only 20 of the 68 product categories we track are on pace to grow in 2022, with the top three categories of clinical decision support, drug discovery, and information security all on pace to decline by more than 10% given an absence of significant mega-deals. Large categories achieving high growth include supply chain optimization, conversational AI, drones, wealth management, and AI operations. Horizontal platforms continue to suffer from buyer conservatism, with VC funding for AI-as-a-service (AlaaS) platforms on pace to decline by 82.7% this year. The chill affecting AI leaders such as Amazon, Google, and Facebook discourages investments in frontier technologies and limits large rounds to companies that have achieved commercial traction.

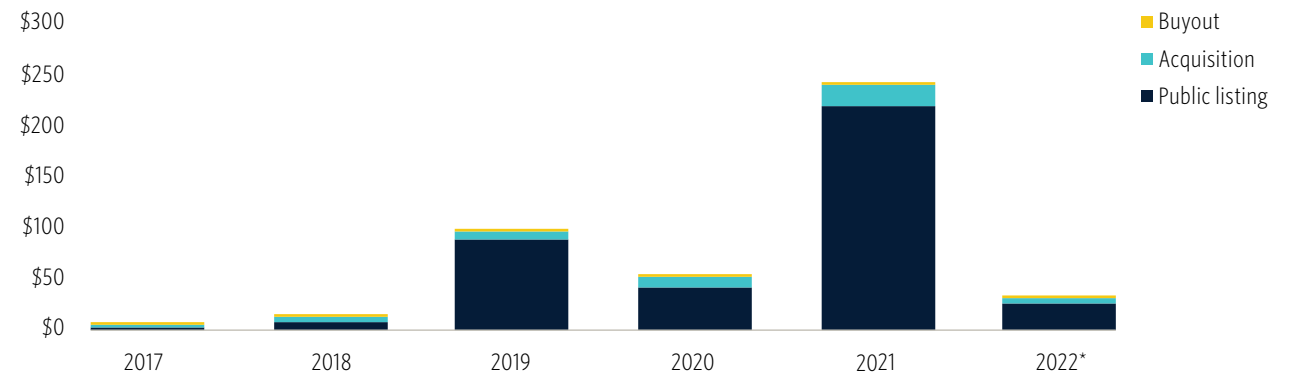
VC exit value nearly dissipated in Q3 while exit count remained strong. We tracked only \$1.9 billion in disclosed exit value, down from \$15.0 billion in Q2. While this figure should rise as we collect more data, large acquisitions did not occur in the quarter. Significant exits continued to take place across categories, including SPAC exits in autonomous machines ([Nauticus Robotics](#)) and data preparation ([Semantix](#)). Tech giants were active in M&A yet continued to grant small deal values for acquisitions. [Google](#) bought digital avatar startup [Alter](#) for an estimated \$100.0 million, and [Salesforce](#) bought sales AI startup [Troops](#) for \$25.0 million. PE is finding opportunities, as it is on track to match 2021's deal count with multiple large buyouts during the quarter.

## AI & ML VC deal activity



Source: PitchBook | Geography: Global | \*As of September 30, 2022

## AI & ML VC exit value (\$B) by type



Source: PitchBook | Geography: Global | \*As of September 30, 2022



## VC ACTIVITY

### Key AI & ML early-stage VC deals

Company	Close date (2022)	Category	Stage	Deal value (\$M)*	Lead investor(s)	Valuation step-up
<a href="#">Regie.ai</a>	September 29	Sales & marketing	Series A	\$10.0	Scale Venture Partners	4.3x
<a href="#">Soda Health</a>	September 13	Personal health	Series A	\$25.0	Lightspeed Venture Partners, Define Ventures, Qiming Venture Partners USA	5.0x
<a href="#">MarqVision</a>	August 23	Fraud prevention	Series A1	\$25.3	Atinum Investment, DST Global	1.4x
<a href="#">Sustainment Technologies</a>	August 12	Supply chain optimization	Series A	\$12.0	Unless Management	4.3x
<a href="#">Falkon AI</a>	August 8	Sales & marketing	Series A	\$15.3	OMERS Ventures	3.4x
<a href="#">Balance</a>	July 26	E-commerce recommendation engines	Series B	\$56.0	Forerunner Ventures	2.4x
<a href="#">Health Note</a>	July 22	Hospital administration	Series A1	\$17.0	SignalFire	4.6x
<a href="#">Sortera Alloys</a>	July 22	Industrial automation	Series B	\$20.0	Assembly Ventures	17.1x
<a href="#">BigHat Biosciences</a>	July 20	Drug discovery	Series B	\$80.0	Section 32	2.8x
<a href="#">You</a>	July 14	Natural language processing	Series A	\$25.0	Radical Ventures	1.6x

Source: PitchBook | Geography: Global | \*As of September 30, 2022



## VC ACTIVITY

### Key AI & ML VC exits

Company	Close date (2022)	Category	Exit value (\$M)*	Exit type	Acquirer(s)/index	MOIC
<a href="#">HyPoint</a>	September 23	Energy automation	\$80.0	Acquisition	Terra.VC, ZeroAvia	15.5x
<a href="#">Presto</a>	September 21	Sales & marketing	\$465.0	Public listing	Ventoux CCM Acquisition	N/A
<a href="#">Nauticus Robotics</a>	September 9	Autonomous vehicle software	\$561.0	Public listing	CleanTech Acquisition	24.4x
<a href="#">Semantix</a>	August 3	Cognitive computing	\$369.0	Public listing	Alpha Capital Acquisition Company	N/A
<a href="#">Alter</a>	August 1	Metaverse	\$100.0	Acquisition	Alphabet	22.3x
<a href="#">Re:infer</a>	July 29	Natural language processing	N/A	Acquisition	UiPath	N/A
<a href="#">Troops</a>	July 15	Sales & marketing	\$25.0	Acquisition	Salesforce	N/A
<a href="#">AMTD Digital</a>	July 15	Intelligent banking	\$102.1	Public listing	New York Stock Exchange	0.4x
<a href="#">Deliverr</a>	July 8	Supply chain optimization	\$2,100.0	Acquisition	Shopify	4.3x
<a href="#">Hyperlex</a>	July 4	Contract automation	\$31.6	Buyout	Cathay Capital Private Equity, DiliTrust, Eurazeo, Sagard NewGen	5.5x

Source: PitchBook | Geography: Global | \*As of September 30, 2022





## SELECT COMPANY HIGHLIGHTS



Founded  
**2013**

**4,860 employees**  
in 25 offices globally

**Total raised:**  
\$3.5B

**Last financing valuation:**  
\$38.0B

**Last financing:**  
Raised \$1.6B in a Series H

**Lead investors:**  
Counterpoint Global, Franklin Templeton  
Investments, Andreessen Horowitz, NEA

### Overview

Founded in 2013, [Databricks](#) offers a data science platform that includes AlaaS functionality with a suite of data science tools for data engineering, data warehousing, and ML algorithms. The company grew out of the open-source Apache Spark data science community and created an extensible Unified Data Analytics Platform that can ingest data from enterprise silos and prepare it for cluster-based computing. Once an effective open-source product was in place, the company moved to a closed-source model and rapidly increased revenue beginning in 2016.

[Databricks](#) now offers a product suite on top of Apache Spark that includes notebooks for ML model collaboration, a data lake, and data security. In Q3 2022, the company acquired revenue intelligence startup [DataJoy](#), which raised a seed round in 2021. [DataJoy](#) uses ML to correlate unstructured data from across revenue operations stacks, including customer relationship management, marketing automation, and spreadsheets. This acquisition demonstrates that [Databricks](#) seeks to power industry-specific ML applications on top of its data lake. [Databricks](#) is also investing in the future of machine learning operations (MLOps) through its participation in data preparation startup [Tecton](#)'s \$100.0 million Series C.

### Leadership

[Databricks](#)' management has high technical expertise capable of generating product-led growth and has increasing public company experience. The company was founded by seven early contributors to Apache Spark, and all the cofounders remain at the company. CEO and cofounder Ali Ghodsi earned a Ph.D. in distributed computing and was VP of engineering before being promoted to CEO at the start of the company's growth phase in 2016. CFO Dave Conte previously took Splunk public in the same role, which suggests [Databricks](#)' accounts will be ready for scrutiny by public markets. The board features cofounders and VC investors, including Andreessen Horowitz cofounder Ben Horowitz. In Q2 2022, [Databricks](#) hired the general counsel from DocuSign, which will provide public company experience as [Databricks](#) pursues a public listing.



## SELECT COMPANY HIGHLIGHTS

### Competitors

[Databricks](#) stands out in the AI & ML market by supporting MLOps atop its data lake, functionality that distinguishes it from legacy vendors such as [SAP](#), [Microsoft](#), and [AWS](#) while also being more AI-oriented than next-generation data warehouse vendor [Snowflake](#). Because of its ability to support batch processing for ML analytics and other high-value workloads, [Databricks](#) is capturing market share from incumbents such as [Alteryx](#), [IBM](#), [Oracle](#), and [SAS](#). [Databricks](#) runs on [Microsoft](#) Azure and [AWS](#), although those hyperscalers would likely prefer to natively support their ML workflows and may improve their offerings in the future. The company gains market credit for scaling ML model deployment and management across a variety of compute clusters—a critical problem for data scientists new to ML.

### Outlook

[Databricks](#) has achieved the necessary scale and growth to realize high performance in public markets. The company reached \$800.0 million in 2021, and in Q3 2022, the CEO disclosed \$1 billion in annual recurring revenue. The company has cut its internal valuation by 7%, according to The Information, suggesting that its valuation is staying relatively resilient as well.<sup>5</sup> The company will need to defend itself against ML-optimized challengers that can carry out more-efficient streaming data analysis and in-memory analytics within its database. Furthermore, it will benefit from analytics built on its database becoming essential to high-value industries, including IT and industrial. The company remains innovative and active in future-proofing its business, leading us to believe that, in the long run, [Databricks](#) will be valued higher than relational database incumbents based on the growth opportunities of data lake architecture for streaming data.

5: [“Databricks Is Trimming Its Valuation While Other Startups Are Slashing Theirs,” The Information, Maria Heeter and Mark Matousek, October 20, 2022.](#)



## SELECT COMPANY HIGHLIGHTS

### Financing history

#### Series A

September 24, 2013

**Total raised:**  
\$14.0M

**Pre-money valuation:**  
\$34.0M

**Lead investor:**  
Andreessen Horowitz

#### Series B

June 30, 2014

**Total raised:**  
\$33.0M

**Pre-money valuation:**  
\$214.0M

**Lead investor:**  
NEA

#### Series C

December 15, 2016

**Total raised:**  
\$60.0M

**Pre-money valuation:**  
\$453.0M

**Lead investor:**  
NEA

#### Series D

August 22, 2017

**Total raised:**  
\$140.0M

**Pre-money valuation:**  
\$800.0M

**Lead investor:**  
Andreessen Horowitz

#### Series E

February 5, 2019

**Total raised:**  
\$250.0M

**Pre-money valuation:**  
\$2.5B

**Lead investor:**  
Andreessen Horowitz

#### Series F

October 22, 2019

**Total raised:**  
\$400.0M

**Pre-money valuation:**  
\$5.8B

**Lead investor:**  
Andreessen Horowitz

#### Series G

February 1, 2021

**Total raised:**  
\$1.0B

**Pre-money valuation:**  
\$2.7B

**Lead investor:**  
Franklin Templeton Investments

#### Series H

August 31, 2021

**Total raised:**  
\$1.6B

**Pre-money valuation:**  
\$36.4B

**Lead investor:**  
Counterpoint Global

# About PitchBook Emerging Tech Research

## Independent, objective and timely market intel

As the private markets continue to grow in complexity and competition, it's essential for investors to understand the industries, sectors and companies driving the asset class.

Our Emerging Tech Research provides detailed analysis of nascent tech sectors so you can better navigate the changing markets you operate in—and pursue new opportunities with confidence.

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