

VALUE DRIVEN, NOT DATA DRIVEN.

EVERY DEAL IS A DATA DEAL

Data is a modern value premium in every business – fuelling solutions, innovation, and performance.

As such, data requires a fair valuation, premised on the economic value derived from data-infused opportunities.

A decade of multi-billion investment into digitalisation has radically altered business models. Coupled with COVID-led acceleration, IT systems and customer platforms have been transformed.

And what do all these digitally evolved systems and processes have in common?

Data.

They facilitate the collection and curation of more and more data. Meaning, as the volume, variety, and veracity of company data increases, so does its potential business impact and value – value that needs to be factored into all M&A investment decisions.

To validate and grasp the data opportunity, savvy investors are seeking to perform data due diligence aimed at underwriting data-specific risks and opportunities.

We partner both buy and sell-side, to help investors answer questions like:

- How real and proprietary are the data, AI, and machine learning capabilities?
- Can data and analytics further optimise/automate the business? Plus, how effectively is data being leveraged to power business & operational models?
- What more can be done with the data at hand (or supplemented with new sources) to add material value and competitive advantage?

Vitaly, assessing data is not unique to SaaS or software businesses; all businesses generate and can use their data more effectively to make better decisions, drive optimisation, or generate new revenue streams.

Therefore, every company is a data company. And every deal is a data deal!

DATA IS A RISK TO MITIGATE & OPPORTUNITY TO REALISE

'Data' goes way beyond bits and bytes, a customer list, or production line feed.

Data is an ecosystem of interdependent and interconnected activities. Which is why our data due diligence assesses a company's maturity, capabilities, and capacities across four data dimensions – Strategy, Analytics & Data, People, and Infrastructure – stress testing each to validate what exists today, and target what could be achieved tomorrow.

Over the first half of 2022, we commenced a new data due diligence engagement approximately every two weeks. Below are some of the overarching risks and opportunities those engagements unearthed:

STRATEGY

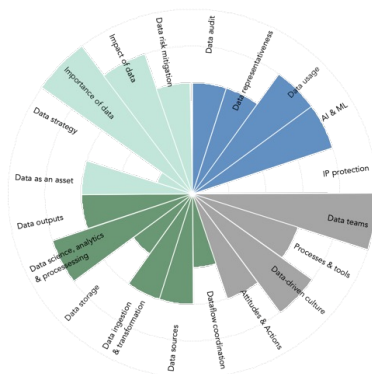
RISK: Most companies lack a formalised data strategy, meaning data outputs & outcomes are not tightly tied to the business strategy or KPIs.

OPPORTUNITY: Significant potential exist for companies to balance defensive (compliance led) data approaches with offensive, proactive value-creating solutions to drive performance.

INFRASTRUCTURE

RISK: Defensive data approaches have resulted in large data sets being stored in 'security first' data lakes, rather than modern infrastructures designed for appropriate analytical usability.

OPPORTUNITY: The introduction of data science platforms & 'sandpits' enable data scientist & engineers to develop, test & deploy solutions faster, and with greater efficiency.



ANALYTICS & DATA

RISK: Defensive data approaches have resulted in many companies having siloed data, typically being used for tactical, retrospective reporting.

OPPORTUNITY: All companies we assessed could democratise data (with fit-for-purpose security) enabling broader, more integrated problem solving & insight generation, ideally with a stronger focus on predication.

PEOPLE

RISK: Many data initiatives are 'pet projects', where outputs (and synergies) are restricted to individuals & small teams, and lack a senior champion.

OPPORTUNITY: Centralising data strategies and teams, with formal executive advocacy, typically results in wider data adoption, increased data literacy & enhanced R&D/solution innovation.

DATA DUE DILIGENCE

Q2 2022

DataDiligence has created a vital new category of due diligence: data due diligence

In Q2 2022, we concluded:

4 data DDs
4 data VDDs

across

Europe, Africa, Australia, & USA

including

Fintech, Healthcare, Hospitality, Logistics, Retail, & Software

with

Enterprise Values
US\$ 10m-1bn+

"I see a growing need for data due diligence. DataDiligence's findings enabled us to make a faster, more informed investment decision."

MANAGING PARTNER,
US-BASED PE FUND

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THE DATA PREMIUM

The data landscape is expanding. Rapidly.

In 2020, 64.2 zettabytes of data were created or replicated, which is forecast to experience a compound annual growth rate of 23% over 2020-2025, according to the International Data Corporation.

Plus, businesses demonstrating data-savvy behaviour have a ~200% greater market-to-book value than the market average, according to the same source.

Meaning, value driven, data-enabled businesses represent a valuation premium.

And, in some instances, when data is treated as an asset, it can be worth more than the market value of a company itself. For example, in 2020, American

Airlines secured a multi-billion dollar loan against its data assets, which were valued between US\$ 19.5 to 31.5 bn. Whereas, at the time the stock market valued the entire Group at US\$ 5.9 bn.

And whilst data is not accounted for on corporate balance sheets, it does fulfill the definition of an asset according to IFRS: *'an asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity'*.

Rather, due to its unique characteristics, data's worth can be calculated, based on the economic impact derived from the use cases to which it is applied. Plus, this value can be multiplied over time, because data is an asset like no other:



Never depletes



Never wears out



Can be re-used across use cases



Using it generates more data

FIRST 100 DAYS & BEYOND

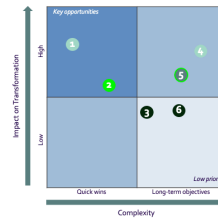
Our data due diligence normally takes 5-15 days (scope depending) and seamlessly plugs into the integrated due diligence process, alongside other advisors.

Within our findings report, we validate the existing data ecosystem maturity, and assess the data risks and opportunities, alongside our expert opinions.

Vitally, we also share recommendations for what we believe the data ecosystem could look like in the short, medium and long term. And prioritise these recommendations in terms of investment, impact, and complexity to deliver – informing the investment thesis, first 100-days and value creation over the investment period. All with the objective of delivering enhanced performance, economic impact, and superior returns.

Risk	Recommendations in order of priority	Key
Quality of Definition	Design a holistic data strategy providing an umbrella to strategic and BAU initiatives, maximising the ROI and business impact of data and analytics	1
Quality of Definition	Develop a robust methodology for evaluation of the impact of data and analytics to business outcomes	2
Capacity/Capability	Establish professional data science and data engineering functions, that will use state-of-the-art tools and industry best practices	3
Capacity/Capability	Keep building data culture – culture of experimentation and data-driven decision-making, with data fluent employees who have access to the right data at the right time through the right tools	4
Project Relevance	Currently in flight: Data Lakehouse Build a modern data infrastructure – cloud based, with central data storage for analytical purposes (data lake), automated and robust data pipelines, tools for data quality and observability	5
Additional	Build a data science platform enabling development and deployment of machine learning models, and establish ML operations to monitor and operate the AI & ML solutions in production	6

1 Strategic 2 Tactical 3 In-flight



Data due diligence recommendations excerpt.

ARE YOU READY? PRE VENDOR DUE DILIGENCE

A significant theme we experienced during H1 2022 was a shift to pre-VDD, with investors seeking to assess the data exit readiness of portfolio companies, and address any short-term gaps before commencing a sale process.

During this important preparation, we are able to identify and swiftly close vital gaps in the data ecosystem.

Plus, craft a more complete narrative to better articulate the 'as is' and paint a more compelling picture for the potential of the data assets in the hands of a new acquirer. In all instances, this process provided greater valuation confidence for the seller and improved line of sight for acquirer to plan the true investment required to realise that potential.

DATA DUE DILIGENCE

Q2 2022



Professional team of highly experienced **data scientists, consultants & M&A advisors**



Years experience **+60**



across multiple **sectors, geographies & client maturity**



Data projects successfully completed **+120**



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DATA DUE DILIGENCE

DATA STRATEGY

DATA DELIVERY

DATA SCIENCE AS A SERVICE

www.datadiligence.com

We help businesses identify, extract & monetise the consumer, product, & operational insights buried in their data. We achieve this by changing the way investors & management teams value their data assets - providing them with data validation, valuation and value creation, resulting in:

- Better investment decisions
- True insights & trend analysis
- Breakout opportunities
- Improved returns

data:diligence