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Investment Trends June 2021

We are Living in a Cloud First World.

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Wealth Management
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Investment Trends – *We are living in a cloud first world.*

Recap of 2020 and the Cloud.

The world economy as a whole, 2020 will go down as a pivotal year, a point in history, when COVID-19 turbocharged the economy's transition to digital, while becoming less global and more indebted. In the next 10 years, society's business innovators have a vital role to play in applying the world's growing inventory of emerging technologies to boost productivity. They must also bridge the increasingly evident environmental and social deficits.

Innovators and disruptors will expand their businesses exponentially, using emerging technologies as raw materials, eventually transporting disruption to all sectors. ***Taking data as a proxy for the magnitude of the digital revolution, the World Economic Forum forecasts that by 2025 an estimated 463 exabytes of data will be created every day – as recently as 2012, the entire digital universe contained 2,700 exabytes.*** As with any industrial revolution, there will be businesses trapped in struggling sectors.

Scientists, computer programmers and engineers are revolutionizing industries at a pace never seen before. Their sphere of activity is spreading from the tech and healthcare, Agtech, Fintech sectors to disrupt many parts of the economy. As they apply emerging technologies to drive change, some of them are becoming billionaires. During 2018, 2019 and the first seven months of 2020 total wealth rose by 42.5% to USD 1.8 trillion, supported by the surge in technology shares. Meanwhile, healthcare billionaires' total wealth increased by 50.3% to USD 658.6 billion, boosted by a new age of drug discovery and innovations in diagnostics and medical technology, as well as latterly COVID-19 treatments and equipment. The net wealth of billionaires in entertainment, financial services, materials and real estate sectors lagged the rest of the universe, with increases of 10% or less.

Exabytes –An exabyte (EB) is a unit of measurement for computers of the future. One exabyte holds 1000 petabytes (PB) or a million trillion (1,000,000,000,000,000,000) bytes. An exabyte is large enough that it would take about 10,000 to 100,000 home computers to store this amount of data.

Source: Forbes, World Economic Forum



Investment Trends – *We are living in a cloud first world.*

In this report we look at the importance of the Cloud.

The Statement – Microsoft’s CEO Nadella Satya, was the head of Microsoft Azure cloud business prior to becoming CEO. Jeff Bezos will formally step down as Amazon CEO on July 5, 2021. Amazon incoming CEO Andrew Jassy was the head of Amazon Web Services. Current worldwide market cap number 1 and number 3 CEO were both head of the cloud making this ultimate statement on the importance of cloud ahead.

Cloud First – These companies have had a juggernaut year with record breaking market cap of \$2 trillion dollars.

2020 was marked as record breaking year in both IPO and M & A activity – These public market milestones point to a powerful trend underway — cloud’s acceleration is permanent and the rate of digital transformation across different vertical industries, is impacting people’s everyday lives.

The Rise of the Citizen developer and creator – The low code/ no code movement has taken off, we are in an age of democratization. Companies are moving towards solutions to free up their engineering / expert resources or to equip their “non-technical” workers with “developer” capabilities.

The rise of Vertical SaaS - The most successful vertical software companies have followed three paths to market leadership - address a new or underserved market, unseat sleepy incumbents, or replace custom-built systems.

Cloud computing is increasingly consuming software, hardware, and services and is, therefore, the most exciting mega-trend in technology, making it one of the most compelling themes impacting global GDP over the coming years.



We’ve seen two years’ worth of digital transformation in two months. From remote teamwork and learning, to sales and customer service, to critical cloud infrastructure and security—we are working alongside customers every day to help them adapt and stay open for business in a world of remote everything.

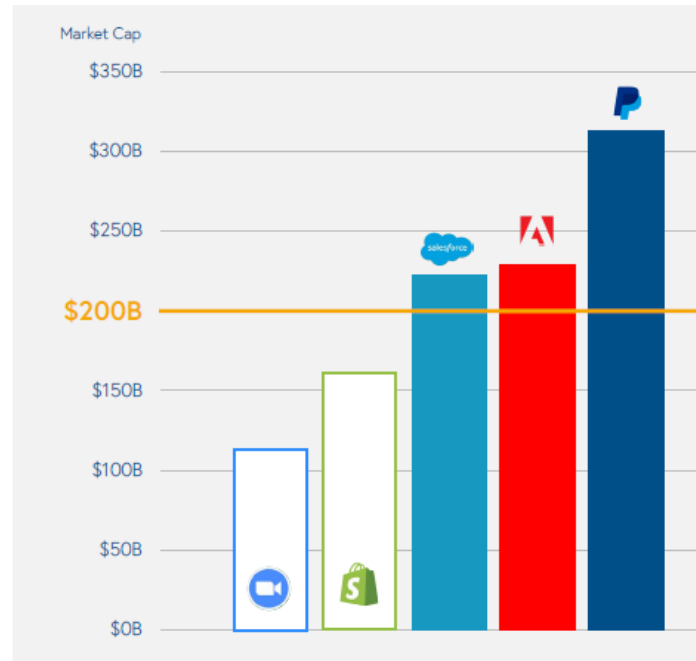
– Satya Nadella, CEO of Microsoft



Digital data. We are living in a cloud first world.

When we look at how the top five public cloud companies grew over the past year, there's a clear story of how the pandemic drove the change. In a year, the top five public cloud companies saw a total 1.7x (or 70%) increase in total market cap. PayPal, Adobe, Salesforce, Shopify and Zoom. Together, these five public companies are collectively worth more than \$1 trillion. Compared to last year when there wasn't a single company worth more than \$200 billion, today each of the top three — Salesforce, Adobe, and PayPal — are each above that mark. While the top three maintain a notable lead given their scale, Shopify and Zoom experienced dramatic revenue growth over the past year.

2021 Top 3 public cloud companies each over \$200B market cap



Paypal has shifted from third place to the largest market capitalization, which was driven by the rise in e-commerce and the increase in digital payments including a QR code system for contactless payments in physical stores.

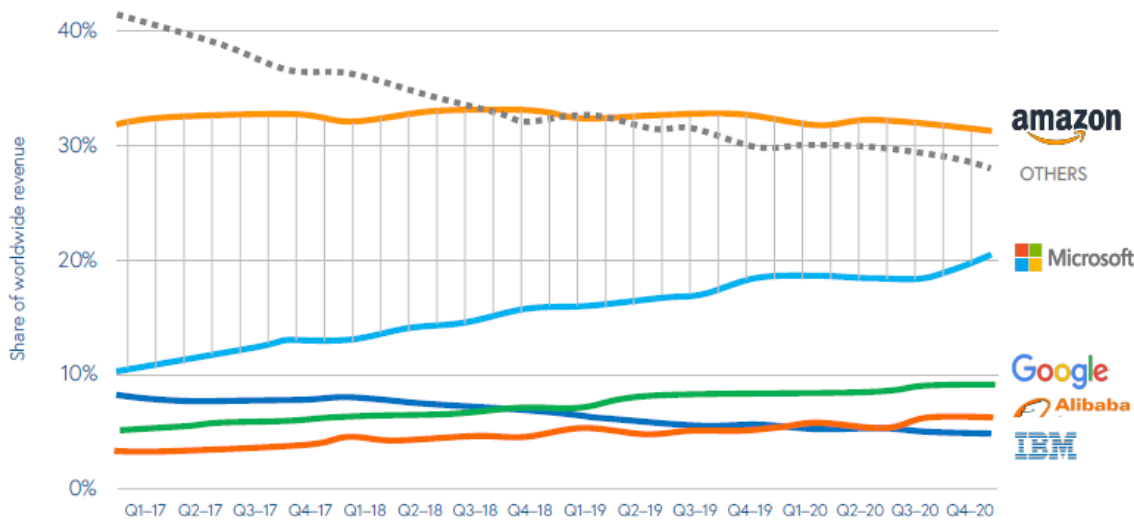
Source: Bessemer Ventures

Digital data. We are living in a cloud first world

The Infrastructure as a service (IaaS), grew 50%, crossing \$150 billion revenue run rate. AWS continues to maintain its position at the top, steadily owning around a third of the total market size. However, Microsoft's Azure platform continues to climb, and if they continue at this rate they could surpass AWS in the next three years, in terms of total market share. A recent study published by Gartner predicts that by 2025, nearly 80% of sales interactions will take place through digital channels.

IaaS crosses \$150B run rate in 2020

Amazon dominates the public cloud infrastructure market



Digital channels provide promise and cloud marketplaces are the natural option

80%

of sales interactions will happen through digital channels by 2025

50%

faster sales cycles through cloud marketplaces

\$3B

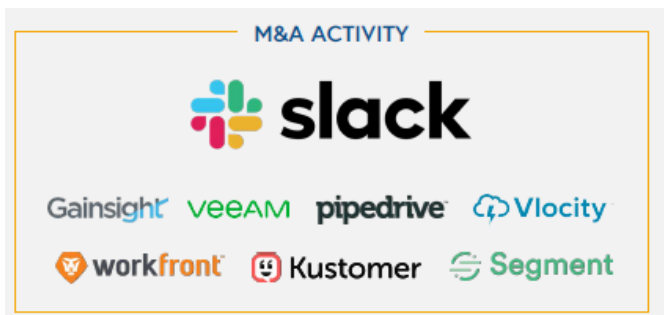
predicted revenue through cloud marketplaces in 2021

IaaS – Infrastructure as a service.

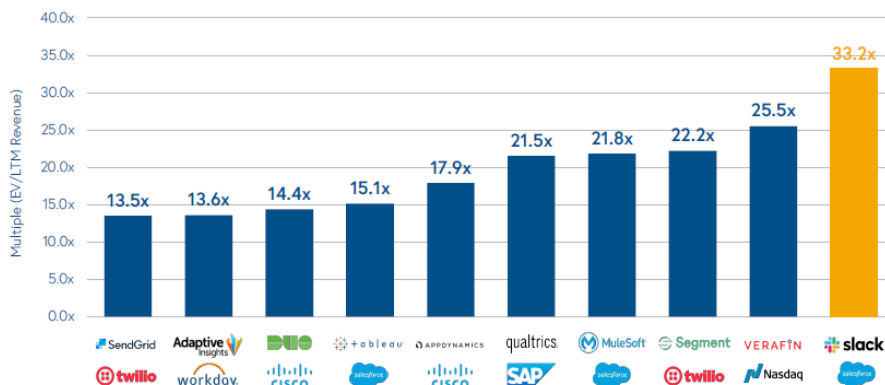
Source: Bessemer Ventures, Gartner

Digital data. We are living in a cloud first world.

2020 was a record-breaking year in the IPO & M&A environment, especially for the cloud industry. Snowflake's banner IPO points to the fundamental ways in which the data stack for companies is undergoing a significant transformation as more companies migrate to the cloud. Salesforce's purchase of Slack for \$27.7 billion receiving 33.2x revenue multiple was record-breaking in the M&A market. Their purchase of Slack was also the second-largest enterprise software acquisition only after IBM's purchase of Red Hat.



Record breaking cloud M&A activity in 2020 with Slack receiving the largest revenue multiple paid in history



Snowflake massively surpassed VMware's record as largest software IPO in history



Source: Bessemer Ventures

Digital data. We are living in a cloud first world.

The rise of the everyone can be a developer and a creator – what is Low Code / No Code ?

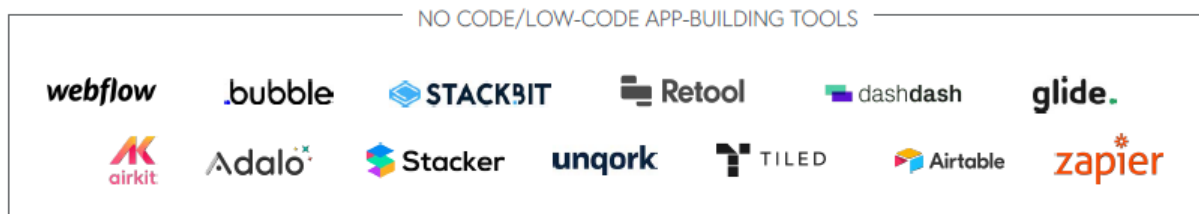
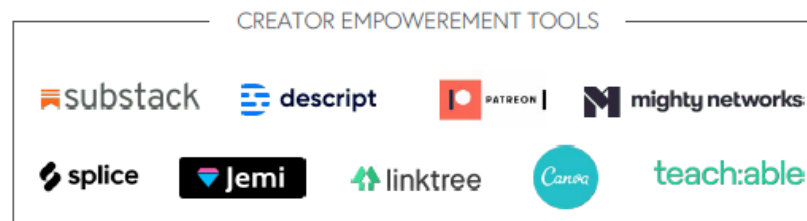
Low-Code is useful when a business finds itself in the grey area of needing software that doesn't warrant building an in-house development team. It also helps support overtaxed internal engineering resources by providing prefabricated and customizable software non-technical users can adapt to.

No-Code specializes in exactly what its name says, no code. Users can drag and drop features into preset templates to create applications. Companies that offer no-code solutions support small businesses and generic needs that would otherwise go unaddressed.

As natural language processing is an area experiencing high interest, investment, and growth. No-code or low-code systems are unlocking new use cases for businesses. Amazon Web Services, Azure, and Google Cloud's low-code and no-code offerings will trickle down to everyday people, allowing them to create their own artificial intelligence applications and deploy them as easily as they could a website. The race is on to capture AI cloud share and to become the most trusted provider of AI on remote servers. In addition, the proliferation of tools democratizing the creator economy and enabling anyone to become a creator, developing, managing, and distributing their own unique content without the help of dedicated technical resources.

The Low-code Key Value Proposition

- Fast and affordable “test and learn” software.
- Customer-centric applications with an emphasis on UI.
- Important business and user knowledge capture by placing design decisions in the hands of industry knowledge experts
- It doesn't require technical programming expertise.
- Scalable.



Source: Bessemer Ventures

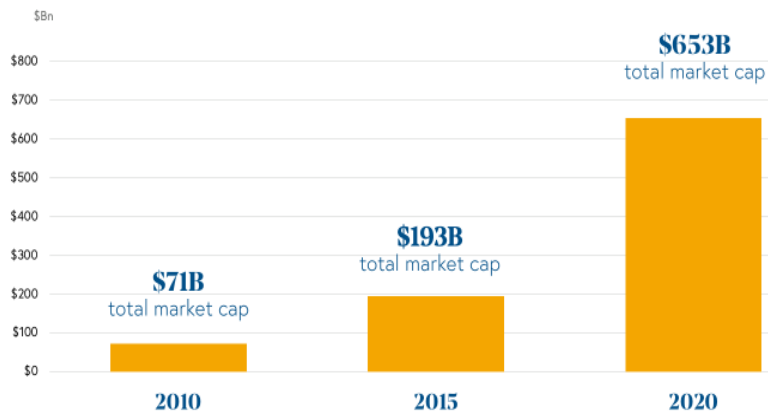
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The rise of Vertical SaaS

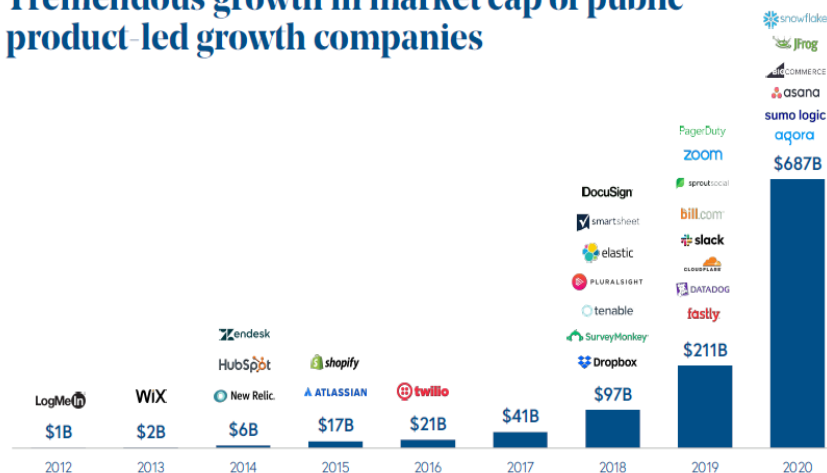
Today, every industry runs on software, making the vertical software opportunity more valuable than ever before. In the past decade, we've watched the market cap of public vertical software companies explode from \$71 billion to more than \$650 billion. Many of the most valuable vertical software companies have been built in new markets or market segments that have lacked access to software. These greenfield verticals can be goldmines of opportunity, especially when a technological, regulatory, or demographic catalyst gives new entrants an unfair advantage. Existing market leaders have big advantages. However, time and time again, we've seen exceptional founders leverage a platform shift to unseat incumbents. This is often driven by a technology catalyst that gives new entrants an unfair advantage. If you were to look under the hood of a large company in any vertical, you would find dozens of customized on - premise applications. Vertical software founders can replace these custom-built systems with modern cloud applications. With every industry hiring developers and digitizing their business, we're seeing the emergence of vertically-focused developer platforms.

Growth of public vertical software companies

Approximately 10x increase over the past decade



Tremendous growth in market cap of public product-led growth companies



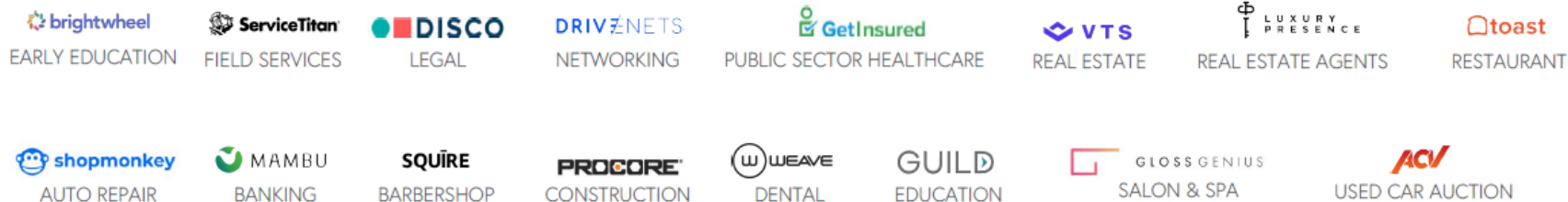
Vertical SaaS - Vertical Software as a Service

Source: Bessemer Ventures



Digital data. We are living in a cloud first world. The rise of Vertical SaaS

Great vertical software companies are powerful tools for their customers. The very best are platforms for an entire industry. Most vertical software companies are used by a single team or a single company. But, there are a small number of extraordinary companies that are used to collaborate industry-wide. These software companies become the fabric for their entire industry. They enjoy powerful network effects and grow to be the most valuable companies in vertical software.



Vertical software companies as platforms



Adobe achieved something similar in the design industry with its Creative Cloud and has grown to \$200 billion+ of value in the process. Bloomberg achieved something similar in the financial services industry and has a prominent home on the floor of every investment firm. It has become the dominant trading and messaging platform for Wall Street and is said to be worth over \$60 billion. These companies have become “table stakes” for all companies in their industry. Shopify* has taken a slightly different approach to building an industry platform. Shopify has focused on the collaboration between its customers and third-party services providers. It has built a \$100 billion+ platform by enabling an ecosystem of third-party application developers, website designers, and shipping/fulfillment providers.

Source: Bessemer Ventures

An aerial view of a city, likely New York City, with a river and numerous skyscrapers. The image is overlaid with a complex network of glowing white lines and arcs, suggesting a global or digital network. The text is centered and reads:

WE SEE INNOVATION
TECHNOLOGY AND ENTREPRENEURSHIP
AS A WAY
TO ENABLE PEOPLE
TO MAKE THE WORLD
A BETTER PLACE

LEUTNER WEALTH

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