Databricks

Lakehouse infrastructure for enterprise data and AI

Valuation benchmark	Financing	Investor posture
$38B post-money equity	Series H / August 2021	Proceed to diligence; price-sensitive

Historical reconstruction for investor discussion. This is not an original February 2023 offering document. Actual Vantage purchase price, security class and SPV economics were not supplied.

Executive recommendation

Proceed to confirmatory diligence and negotiate entry price. The product and enterprise adoption support a serious investment review. The evidence available by March 2023 does not justify treating the 2021 financing mark as an automatically attractive secondary purchase price. The announcement set a $38 billion post-money equity benchmark after a $1.6 billion financing. [S1]

At that entry, our illustrative base case produces **1.52x gross MOIC and 8.7% gross annualized return** over five years. After assumed SPV charges, the same case returns **1.39x net MOIC and 6.8% net annualized return**. That falls below the model's 20% net screening hurdle. The upside case clears it, but requires much stronger growth and a premium exit multiple. [M1]

Investment thesis

• **A shared enterprise data layer:** a lakehouse can combine data engineering, analytics and machine learning around governed data. Fewer handoffs may improve deployment speed and operating efficiency. This is the commercial hypothesis to test with customers. [S3; analyst assessment]

• **Embedded workflows:** production pipelines, permissions and model operations may create switching costs. Open formats can help adoption while limiting proprietary lock-in, so retention must come from execution and value. [S3; analyst assessment]

• **Enterprise distribution:** the company reported more than 9,000 organizations and over half the Fortune 500 by March 7, 2023. Breadth supports relevance, but does not establish revenue concentration or cohort profitability. [S4]

• **AI expansion:** March product news broadens the opportunity. It does not establish a separate, proven generative-AI earnings stream. [S4–S6; analyst assessment]

The decision hinge

Can verified revenue quality, durable growth and the security's actual rights support attractive LP returns after dilution, fees and a long hold? If not, reduce the price or pass. Company quality alone cannot resolve entry-price risk.

1. Company and product

Databricks positions the lakehouse as one environment for enterprise data and AI workloads. By late 2022, its public product review described Unity Catalog for centralized governance and Delta Live Tables for managed data pipelines. [S3]

Capability at the cutoff	Potential customer value	Evidence to request
Governance and pipelines	Shared controls and more reliable data preparation	Deployment effort, incident history and renewal reasons
Analytics and model workflows	More workloads on the same data foundation	Cross-sell by cohort and workload-level gross profit
Managed Model Serving	Simpler operation of real-time ML endpoints	Production utilization, inference costs and paid adoption

Capability descriptions draw on S3 and S4. Customer value and requested evidence are analyst assessments, not audited performance claims.

2. Evidence available at the time

Date / type	Reported signal	Underwriting interpretation
Aug 2021 / financing	Series H benchmark: $38B [S1]	A dated preferred financing reference, not a March secondary bid
Aug 2022 / media report	Annual revenue run-rate >$1B [S2]	A dated annualized metric, not fiscal-year revenue
Mar 7 / company release	Model Serving general availability [S4]	Product breadth merits customer diligence
Mar 8 / partner release	SAP Datasphere partnership [S5]	Potential access to valuable business data
Mar 24 / company research	Original Dolly release [S6]	Early technical optionality, not proven monetization

3. Competitive position

Snowflake: a direct benchmark for enterprise analytics demand, expansion and consumption sensitivity. Its March 1 release guided fiscal 2024 product revenue growth of 40%. That supports a large opportunity while warning against extrapolating early hypergrowth indefinitely. [S7]

Cloud platforms and internal stacks: distribution, bundled infrastructure and existing procurement relationships can pressure economics. Databricks needs to demonstrate workload performance, governance and developer productivity that justify incremental spend. [Analyst competitive assessment]

No point-in-time trading-comp valuation is asserted. A reliable March 2023 price, diluted share count and net-cash bridge would be needed to build one. The exit multiples in this package are explicit scenario assumptions.

4. Illustrative investment economics

The model assumes a secondary purchase at an equity valuation equivalent to $38B. A secondary transfer adds no cash to Databricks. The $100,000 illustrative underlying investment is separate from a 2% upfront fee paid at inception. Carry is 20% of positive profit above the original $100,000 principal, paid at exit. These are modeling assumptions, not Vantage's terms. [M1]

A $1.0B starting annualized run-rate is a conservative reference anchored to the dated disclosure, **not an estimate of March 2023 revenue**. Each case compounds that reference for five years. Forecasts are annualized run-rate scenarios rather than GAAP revenue projections. Terminal enterprise value equals modeled run-rate times the assumed exit multiple. Terminal net cash is assumed zero, making exit equity value equal enterprise value. [S2; M1]

Assumption / result	Downside	Base	Upside
Run-rate CAGR	30%	45%	60%
Exit EV / run-rate	8.0x	12.0x	16.0x
Cumulative dilution	35%	25%	20%
Year-five run-rate	$3.71B	$6.41B	$10.49B
Exit equity value	$29.70B	$76.92B	$167.77B
Gross MOIC / IRR	0.51x / -12.7%	1.52x / 8.7%	3.53x / 28.7%
Net LP MOIC / IRR	0.50x / -13.0%	1.39x / 6.8%	2.97x / 24.3%

All scenarios are analyst assumptions. Net results include only the modeled upfront fee and carry, before tax. No probabilities assigned. Actual security rights, annual expenses and future financing could materially change returns. [M1]

Price discipline and the stale starting metric

With the base operating assumptions fixed, an entry valuation of approximately **$19.74B** meets the assumed 20% net hurdle. This is a conditional price ceiling from a scenario, **not a fair-value appraisal or an executable quote**. At a $38B entry, the base case requires roughly **$51.93B** of exit equity value just to return the LP's principal and upfront fee after modeled carry. [M1]

The starting metric is a major limitation. Raising the assumed initial run-rate to $1.5B increases the same 20%-hurdle price ceiling to approximately $29.61B; at $2.0B, it rises to $39.48B. Those figures are sensitivities, not claims about contemporaneous revenue. Obtain current financial evidence before relying on the price conclusion. [M1]

Scenario rationale: 30%–60% compound growth tests sustained expansion at scale. The 8x–16x terminal range tests contraction from an expensive entry benchmark. Neither range is a management forecast or an observed peer-multiple range. [Analyst assumptions]

5. Principal risks and required diligence

Risk	What could impair the investment	Evidence required before commitment
Entry price and share class	A preferred financing mark may overstate common-share economics	Transfer price per share, fully diluted capitalization, liquidation preferences and approvals
Growth and consumption	Optimization or slower adoption can reduce workload spend	Monthly revenue bridge, bookings, cohort expansion, NRR/GRR and top-customer exposure
Margins and capital needs	Infrastructure costs and sales investment can delay cash generation	Gross margin by workload, cloud commitments, burn, cash, debt and funding plan
Competitive intensity	Cloud bundling or competing platforms can pressure pricing	Win/loss records, customer calls and price/performance tests
AI commercialization	Research interest may not translate into paid production demand	Production users, incremental spend, inference margins and licensing controls
Illiquidity and dilution	A longer hold or new issuance can reduce LP returns	Transfer rights, option pool, expected financing needs and exit restrictions

6. What would change the recommendation

• **Improve the case:** verified current financials support a higher starting base; cohort retention remains strong; customer references establish value beyond existing tools; an executable entry price meets the agreed return hurdle.

• **Weaken the case:** growth depends on a few customers or discounts; infrastructure economics deteriorate; the security sits behind a large preference stack; transfer restrictions or fees materially reduce realizable value.

7. Investor decision

Continue diligence on the business and the available security. Treat a $38B-equivalent purchase as a demanding underwriting case. The model favors price negotiation unless verified fundamentals support a materially stronger operating path than the default base assumptions.

Before this becomes an actual offering presentation, replace illustrative inputs with the SPV's subscription terms, acquisition price, underlying share class, expenses, carry waterfall and transfer documentation. This research package does not certify those terms or claim historical investment performance.

Vantage context

Paul Carram identifies Databricks as Vantage Legacy Capital's first SPV in February 2023. That context is user-provided. March announcements belong to a subsequent research update and must not be described as evidence available for the original February decision. No actual Vantage return or transaction amount is asserted. [U1]

8. Sources and historical controls

Public evidence cutoff: March 31, 2023. Research prepared October 7, 2026. Only the historically dated body of each source informs the investment thesis. Current navigation, related stories and later update banners are excluded. Company statements remain company-reported unless independently established.

S1. Databricks — Aug 31, 2021. Series H financing announcement. Open source

https://www.databricks.com/company/newsroom/press-releases/databricks-raises-1-6-billion-series-h-investment-at-38-billion-valuation

S2. TechCrunch — Aug 5, 2022. Contemporary revenue run-rate reporting. Open source

https://techcrunch.com/2022/08/05/squaring-databricks-2021-valuation-as-it-crosses-a-1b-annual-run-rate/

S3. Databricks — Dec 16, 2022. Lakehouse product and governance review. Open source

https://www.databricks.com/blog/2022/12/16/databricks-named-leader-2022-gartner-magic-quadrant-cloud-database-management

S4. Databricks / PR Newswire — Mar 7, 2023. Model Serving release and enterprise footprint. Open source

https://www.prnewswire.com/news-releases/databricks-launches-simplified-real-time-machine-learning-for-the-lakehouse-301763926.html

S5. SAP — Mar 8, 2023. Datasphere launch and partnerships. Open source

https://news.sap.com/2023/03/sap-datasphere-simplify-data-landscape-partnerships-collibra-confluent-databricks-datarobot/

S6. Databricks — Mar 24, 2023. Original Dolly announcement. Open source

https://www.databricks.com/blog/2023/03/24/hello-dolly-democratizing-magic-chatgpt-open-models.html

S7. Snowflake — Mar 1, 2023. Fiscal 2023 results and fiscal 2024 guidance. Open source

https://www.snowflake.com/en/news/press-releases/snowflake-reports-financial-results-for-the-fourth-quarter-and-full-year-of-fiscal-2023/

Model and provenance

M1. Databricks_March_2023_Returns_Model.xlsx, companion illustrative model. Inputs and scenario calculations govern all economic outputs in this memo and presentation. No audited financial statements, cap table or SPV documents were supplied.

U1. Paul Carram, information provided October 7, 2026: Databricks was Vantage's first SPV in February 2023. Not independently verified.

Calculation definitions

Year-five run-rate = starting run-rate × $(1 + \text{CAGR})^5$. Exit EV = terminal run-rate × terminal multiple. Exit equity = EV + net cash. Gross MOIC = exit equity ÷ entry equity × (1 – dilution). Net distribution = gross proceeds – 20% × max(gross proceeds – invested principal, 0). Net MOIC = net distribution ÷ (principal × 1.02). Annualized return = $\text{MOIC}^{1/5} - 1$.

Base 20% net hurdle: required gross MOIC = $((1.20^5 \times 1.02) - 0.20) \div 0.80$. Maximum entry = base exit equity × 75% ÷ required gross MOIC. This formula applies in the positive-profit carry branch. Zero recovery implies a total loss, including fees.

Excluded from this reconstruction

No post-March revenue results, later financing rounds, subsequent acquisitions or hindsight about investment outcomes inform the recommendation. The April 12 update to the Dolly page is outside the cutoff. We do not attribute commercial-use claims from that update to the original March release.