

DevOps:

Transforming Software
Development and Operations -
Market Update

JULY 2023



Foreword

Macroeconomic tailwinds continue to accelerate adoption; fragmentation of software tools remains, driving further consolidation in the market

The DevOps market has witnessed a surge in demand with organisations increasingly focused on streamlining software development, improving collaboration, and enhancing overall operational efficiency. Organisations across various sectors have recognised the value of DevOps practices and have been investing in implementing and scaling DevOps methodology within their software development processes

The increasing adoption of cloud computing has also played a significant role in the expansion of the DevOps market. Cloud platforms provide the necessary infrastructure and resources for organisations to implement DevOps practices effectively. Automation has also been a critical aspect of the DevOps market. Organisations have been leveraging automation tools and technologies to streamline the software development lifecycle, including code integration, testing, deployment, and monitoring. Automation helps eliminate manual errors, reduces time-to-market, and improves productivity

The DevOps ecosystem is vast and in recent years there has been a large rise in the availability of various tools and platforms. This diverse landscape of tools provides organisations with the flexibility to choose the most suitable options for their specific requirements. This fragmentation is resulting in a rise in consolidation as incumbent providers seek to add capability and scale in a race for market share

Looking ahead, the DevOps market is expected to continue its growth trajectory as more organisations recognise the benefits of adopting DevOps and aim to become more agile, efficient, and customer-focused. Factors such as the increasing demand for faster software delivery, the rising popularity of cloud-native applications, and the continuous evolution of technology are likely to shape the future of the DevOps market

Come and talk to us...



Sebastian Lawrence
Head of Technology Investment
Banking

E: sebastian.lawrence@investec.co.uk



Henry Barnes
Associate, Technology Investment
Banking

E: henry.barnes@investec.co.uk

Whether you are a DevOps company looking to explore strategic options for your business, or an investor / strategic buyer looking for advice on evaluating and financing an acquisition in the DevOps market, Investec can help by providing buy-side or sell-side advice, raising investment from private equity / venture capital or via an IPO

Introduction to Investec



A leading full-service investment bank

We have a global reach and full range of skills, capabilities and experience

Our expertise:

M&A
advisory



IPO
advisory



Lending
solutions



Treasury risk
solutions



Private banking
& wealth
management



6 core sectors

TMT

Business Services
Financial Services
Healthcare
Industrials
Energy

>50

UK transactions closed with
a total value of >£20bn in
the last 3 years

+250 private equity & M&A
professionals

across +10 US and
European offices

65%

of our UK deals are cross-
border; global PE and
strategic buyer access

 Investec

>130

retained listed corporate
broking clients on the
London Stock Exchange

Our clients

Entrepreneurs
Private equity investors
Large corporates
Listed companies

>£13bn

loan book

Senior-led deal team

Access to decision makers

Sector expertise with significant global presence

A leading mid-market investment bank, with access to global buyers and investors

Strong international network driving deal activity and value

UK & Continental Europe 

US 

Other Geographies 

>150

M&A Professionals

10

European offices



>160

M&A Professionals

8

US offices



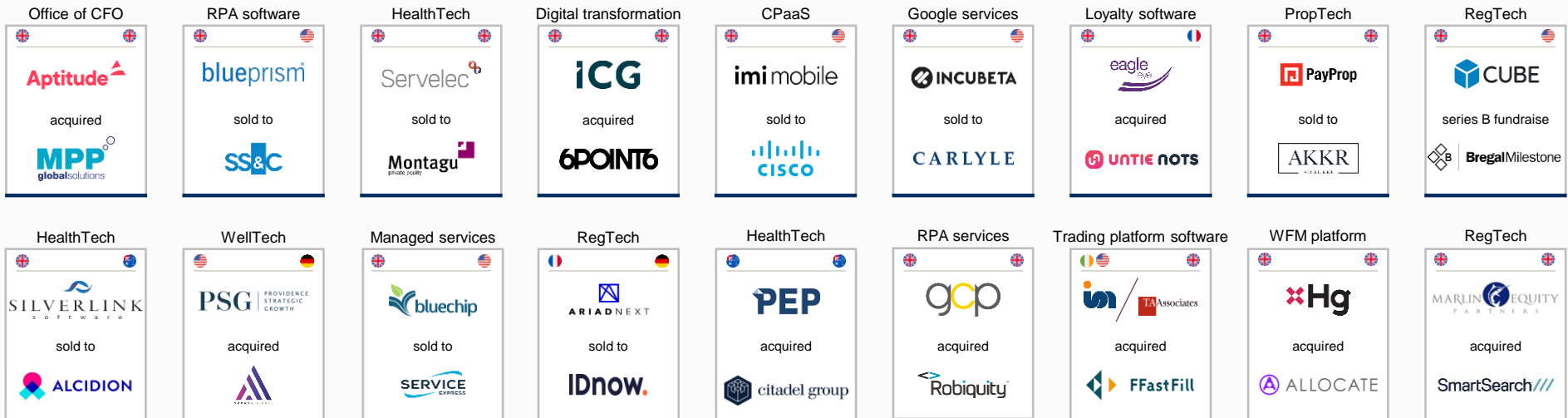
South Africa



Australia



India

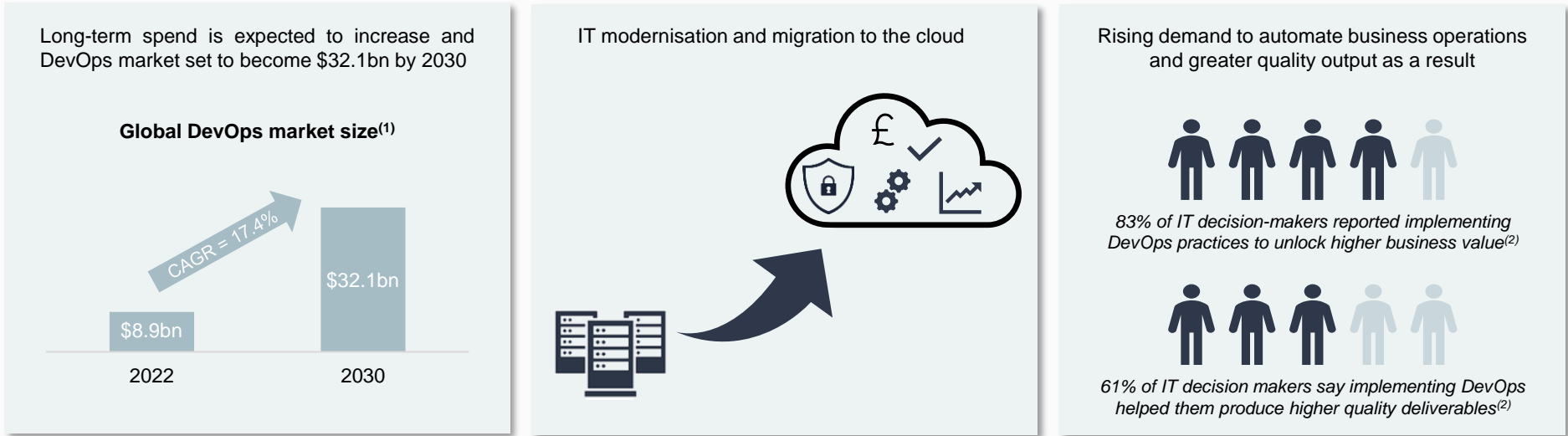


DevOps market update

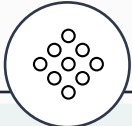






Adopting DevOps practices remains a key long-term strategy

The DevOps market is forecast to reach +\$30bn by 2030, despite IT budget pressures



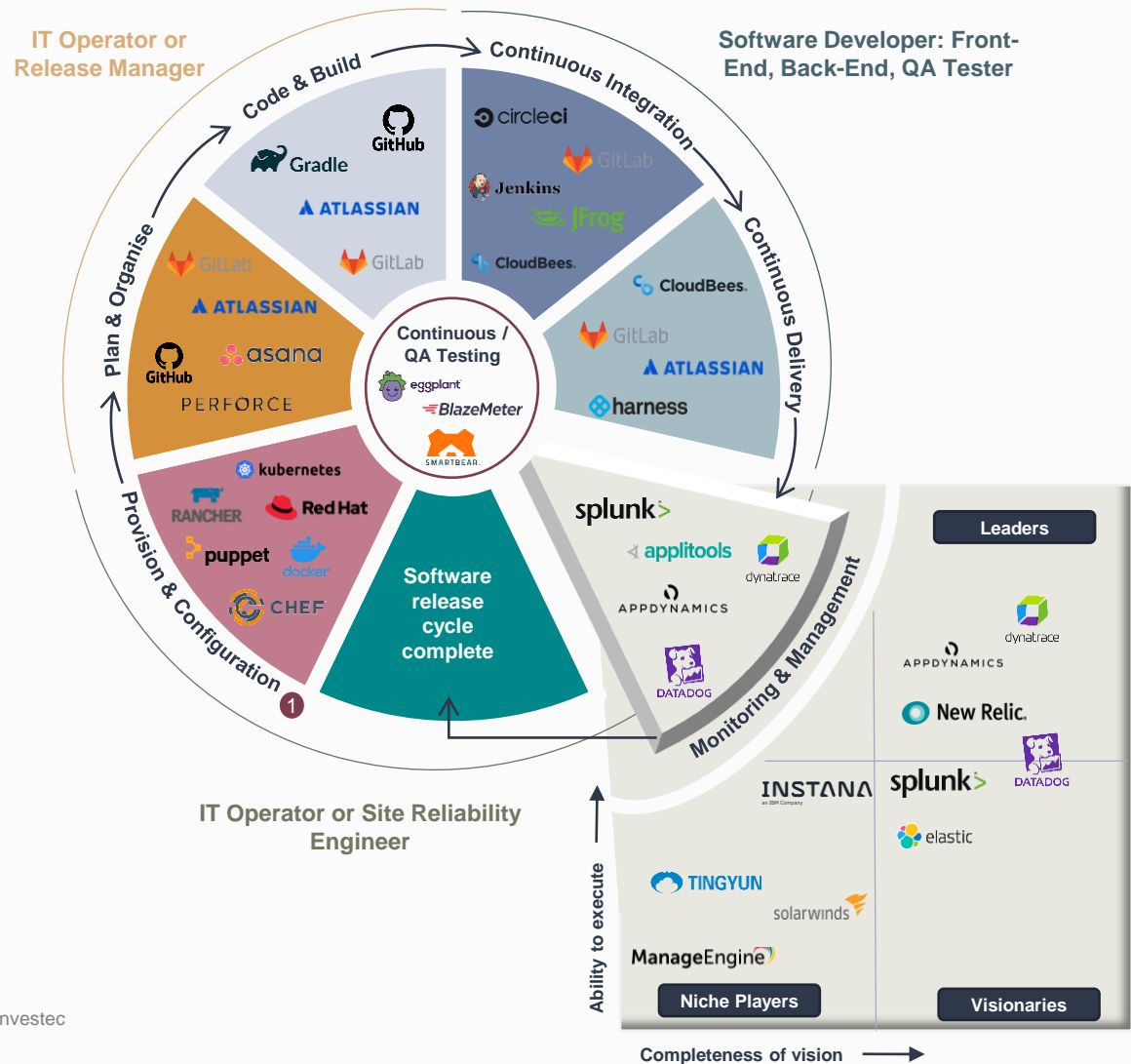
Key challenges faced by the market

 <p>Current IT budgets under pressure</p> <p>Rising IT costs putting budgets under increased pressure, reducing demand for short-term innovation expense</p> 	 <p>Integration of DevOps tool</p> <p>There has been a proliferation of software tools innovating the SDLC. Apple alone is using 74 different DevOps tools – the requirement for succinct integration and orchestration is necessary</p>	 <p>Hiring DevOps talent</p> <p>By 2030, the global talent shortage of Software Developers is predicted to reach 85.2m</p>	 <p>Disconnect between DevOps and ITSM</p> <p>Organisations are increasingly adopting ITSM software solutions e.g. ServiceNow to gather R&D requests, integration with CI / CD to assist speed of delivery</p>
---	---	--	---

Mapping the market: a complex and evolving landscape

Multiple opportunities for innovation across the entire software development lifecycle

Visualising the DevOps landscape



Investec insights



Innovation widening fragmentation

The market is still evolving with new solutions continuing to innovate and automate the SDLC – enterprise customers are often adopting 50+ DevOps solutions



VC dominate certain sub-sectors

CI / CD has seen a mass influx of Venture Capital investment – Gitlab raised \$414m over 6 funding round pre-IPO



Integration through M&A

Global software players are aiming to consolidate the market – Atlassian has made 9 acquisitions since 2019



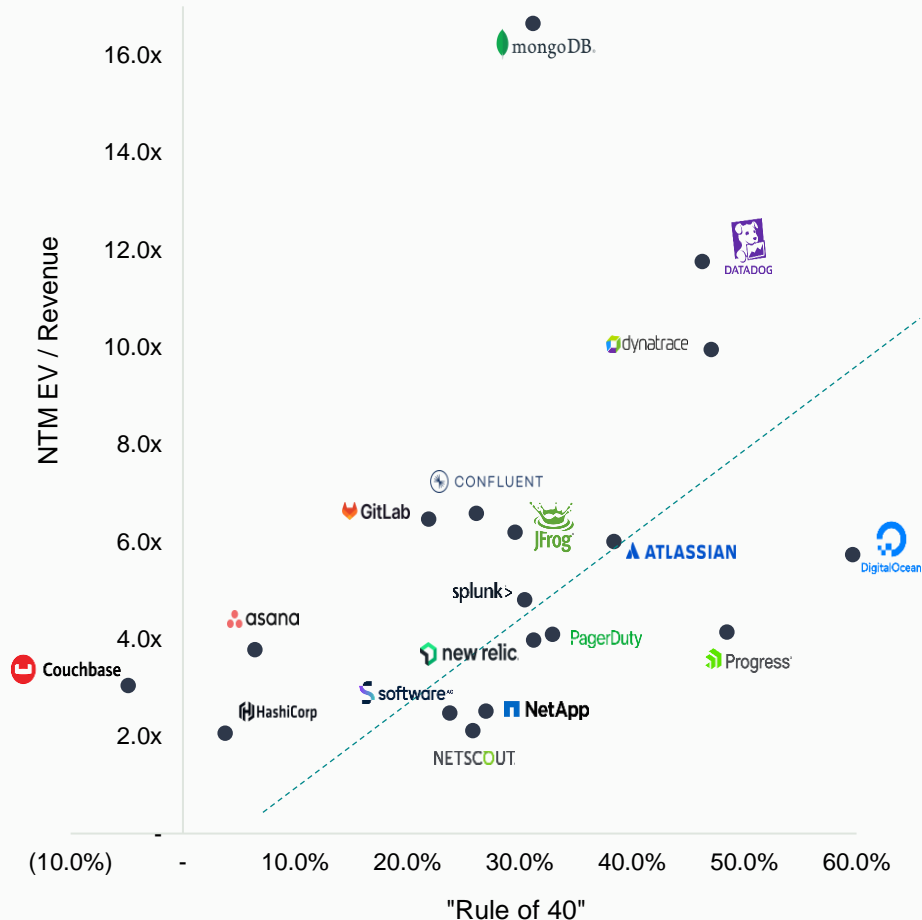
Investment opportunities exist

Supplementary or adjacent solutions remain primed for growth e.g. software delivery / testing solutions for ERP vendors or orchestration tools

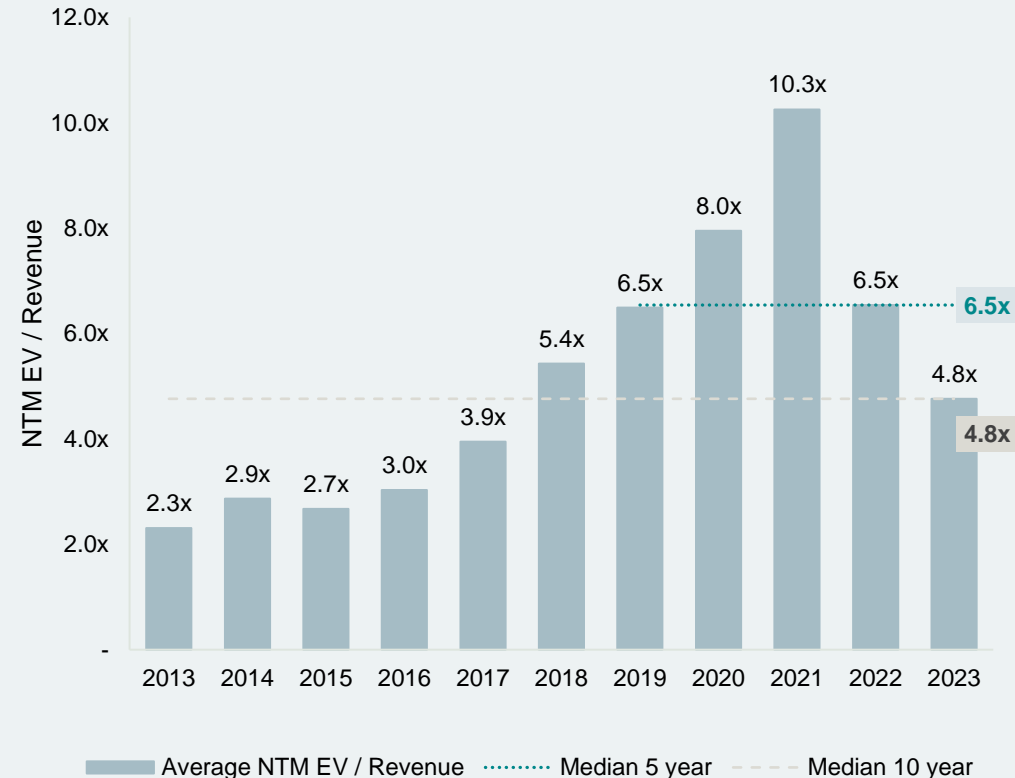
Looking through-the-cycle supports long-term valuations

Significant shift in sentiment away from heavily loss-making software; “Rule of 40” metric increasingly requiring breakeven EBITDA

Selected publicly-listed “Rule of 40” valuation



Average NTM EV / Revenue valuation through-the-cycle



M&A market overview

M&A activity remains strong with Trade and PE-backed buyers continuing to dominate the market

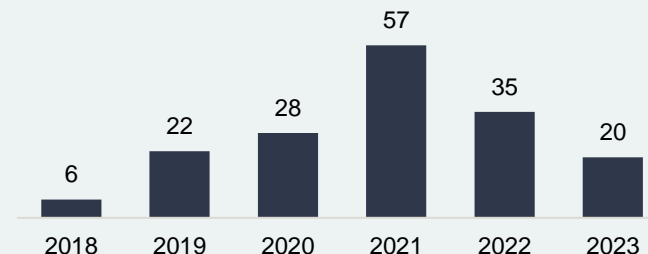
Commentary

- The M&A market has seen a slowdown in deal activity, with a 39% reduction in deal count from 2021's peak to 2022
- 2023 activity is expected to fall again from 2022; however, H2-23 activity is likely to show signs of improvement
- Following on from 2021, Trade and PE-backed trade transactions dominate the buyer landscape which is an indicator of how the market is maturing from its VC foundations – albeit still a long way to go

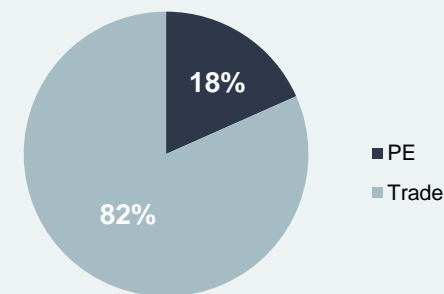
Selected recent M&A transactions

Date	Target	HQ	Target description	Acquirer
Jun-23	BLUBRACKET		Code security management	HashiCorp
Mar-23	ondat		Enterprise Kubernetes platform for containers	Akamai
Sep-22	ReleaseIQ		Software delivery and DevSecOps platform	CloudBees
Jan-22	opsani		Machine Learning technology to optimise Kubernetes environments	CISCO
Dec-21	opstrace		Open source observability solution	GitLab
Dec-21	FogLogic		Application performance monitoring	AVANTRA
Sep-21	kemp		Cloud application optimisation and security	Progress
Sep-21	UPSWIFT		Connected device management platform	JFrog
Jun-21	Qentinel		AI-powered software testing automation	COPADO
Apr-21	basis		DevOps and test automation software for SAP systems	SEI
Mar-21	applictools		Functional and visual testing platform	THOMABRAVO
Mar-21	SauceLabs		Continuous testing for web and mobile applications	TPG
Oct-20	SMARTBEAR		Application performance monitoring and management	VISTA
Jun-20	eggplant		Test automation solution	KEYSIGHT

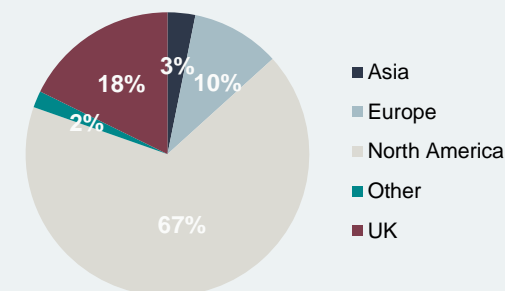
Transaction volume⁽¹⁾



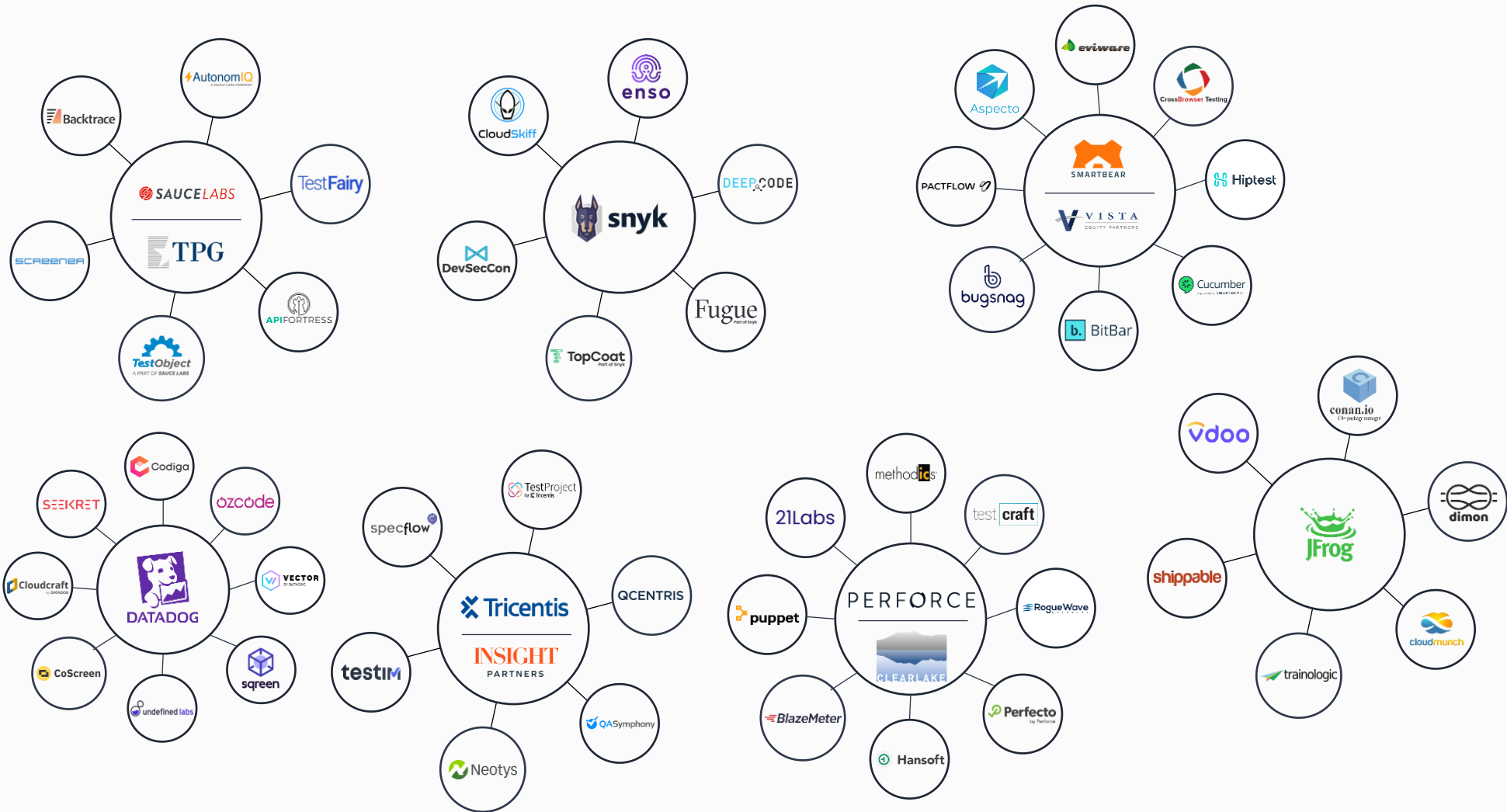
Trade vs. Private Equity buyers⁽²⁾



Bidder geography split⁽²⁾

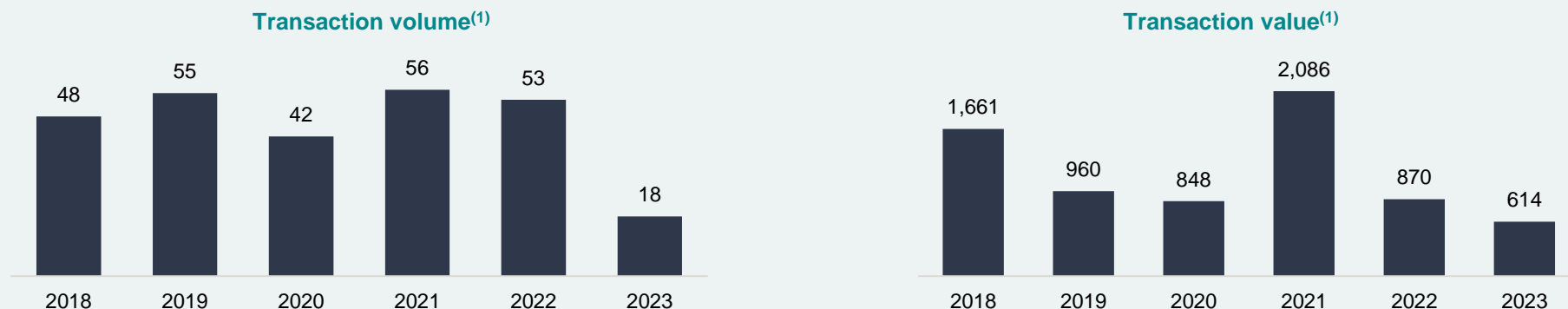


Consolidating the ecosystem: examples of buy and build cases



Fundraising market overview

A significant drop off in transaction volume and disclosed values in 2023 as seen across the wider fundraising markets



Commentary

- 2021 was a record year for VC funding in the UK and globally. This trend was also reflected in the DevOps market with funding totalling £2bn+
- Recent wider macro instability, coupled with rising interest rates and inflation, has resulted in a sharp drop in VC activity in 2023. Wider VC mindset has shifted away from “growth at all costs” to sustainable profitability
- In Q1-23, VCs held a record \$580bn of “dry powder”, cash they have raised but not yet invested, but are hesitant to deploy given the market uncertainty
- The IPO market remains frozen, removing a key source of funding for late-stage companies, with valuations falling across all capital markets

Selected recent fundraises

Date	Company	HQ	Company description	Stage	Funds raised
May-23	SELDON		MLOps and monitoring solution	Series B	£17m
Jan-23	snyk		Proprietary code, open source and container security platform	Growth	£20m
Jan-23	MORPHEUS		Cloud management and orchestration platform	Series B	£18m
Jan-23	AutomatePro		ServiceNow test automation and delivery	Series A	£5m
Oct-22	Plandek		End-to-end software delivery analytics and insights	Series A	£5m
Jun-22	Gearset		Salesforce delivery, deployment and testing	Growth	£45m
Mar-22	docker		Software containerisation enablement platform	Series C	£80m
Nov-21	bitrise		Mobile application CI / CD platform	Series C	£71m

Most active investors:



Come and talk to us



Sebastian Lawrence
Head of Technology Investment
Banking

E: sebastian.lawrence@investec.co.uk



Henry Barnes
Associate, Technology Investment
Banking

E: henry.barnes@investec.co.uk



This document and any attachments (including any e-mail that accompanies it) (together, "this document") is for general information only and is the property of Investec Bank plc ("Investec"). Investec is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Investec is registered in England and Wales (Reg. no. 489604) with its registered office at 30 Gresham Street, London EC2V 7QP. Whilst all reasonable care has been taken to ensure that the information stated herein is accurate and opinions fair and reasonable, neither Investec nor any of its affiliates or subsidiaries or any of its or their directors, officers, employees or agents ("Affiliates") shall be held responsible in any way for the contents of this document. This document is produced solely for your information and may not be copied, reproduced, further distributed (in whole or in part) to any other person or published (in whole or in part) for any purpose without the prior written consent of Investec. Making this document available in no circumstances whatsoever implies the existence of an offer or commitment or contract with Investec or any of its Affiliates for any purpose.

No representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by Investec or its Affiliates in relation to the accuracy, reliability, suitability or completeness of any information contained in this document and any such liability is expressly disclaimed. This document does not purport to be all inclusive or to contain all the information that you may need. Investec gives no undertaking to provide the recipient with access to any additional information or to update this document or any additional information, or to correct any inaccuracies in it which may become apparent.

This document does not take into account the specific investment objectives, financial circumstances or particular needs of any recipient and it should not be regarded as a substitute for the exercise of the recipient's own judgement and due diligence. Investec does not offer investment advice or make any investment recommendations. Recipients of this document should seek independent financial advice regarding the appropriateness or otherwise of investing in any investment strategies discussed or recommended in this document and should understand that past performance is not a guide to future performance, and the value of any investments may fall as well as rise.

Investec expressly reserves the right, without giving reasons therefore, at any time and in any respect, to amend or terminate discussions with the recipient of this document without prior notice and hereby expressly disclaims any liability for any losses, costs or expenses incurred by such recipient.

