

**DevOps:**  
*“The need for  
(software release)  
speed”*

MAY 2022



# Foreword

The global DevOps market is expected to grow at a 20% CAGR from 2020-2026 with an estimated total market size of \$18 billion by 2026

Organisations are under increasing pressure to drive innovation and deliver new digital experiences to their customers, partners and employees. As organisations seek to respond to these challenges, they are realising that automation across the software development lifecycle and breaking down team silos are key to meeting the demand for faster innovation. DevOps aims to solve these issues, bridging the gap between software development and IT operations to deliver applications and services at high velocity

While the adoption of DevOps practices has increased in recent years, companies that are yet to adopt them are feeling the pressure to do so, creating a rise in demand for both DevOps software and services expertise. The global pandemic served as a further catalyst in the rise in demand, as a result of increased adoption of cloud-based solutions across all industry verticals. The next wave of growth presents an exciting opportunity for those vendors able to modernise and automate the software development lifecycle, and those service providers able to implement and support such practices

Investec's Technology team sees massive opportunities open to DevOps companies, across both software and services, and the investors backing them. This presentation aims to provide a market overview and an insight into the M&A environment of the fast-paced DevOps market

## Come and talk to us



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*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  
solution



Treasury risk  
solution



Private banking  
& wealth  
management



## 5 core sectors

TMT  
Business Services  
Financial Services  
Healthcare  
Industrials

# >50

transactions closed with a  
total value of >£10bn in the  
last 3 years

**+85** professionals

**6** European offices  
and global footprint

## Global buyer access strategic and PE

65% of our deals are cross-  
border



# >130

retained listed corporate  
broking clients on the  
London Stock Exchange

## Our clients

Entrepreneurs  
Private equity investors  
Large corporates  
Listed companies

# >£13bn

loan book

**Reliable, senior-led  
deal team**





































Access to decision makers





# Selected TMT credentials

Sector expertise and access to a global buyer and investor landscape

## M&A transactions

<p><b>RPA</b></p>  <p>Sold to</p>  <p>March 2022</p>	<p><b>HealthTech</b></p>  <p>Sold to</p>  <p>December 2021</p>	<p><b>ERP</b></p>  <p>Acquired</p>  <p>October 2021</p>	<p><b>HealthTech</b></p>  <p>Acquired</p>  <p>September 2021</p>	<p><b>Digital transformation</b></p>  <p>Acquired</p>  <p>April 2021</p>	<p><b>CPaaS</b></p>  <p>Sold to</p>  <p>February 2021</p>
<p><b>Managed service</b></p>  <p>Sold to</p>  <p>January 2021</p>	<p><b>DevOps</b></p>  <p>Sold to</p>  <p>Portfolio company of TA ASSOCIATES</p> <p>October 2020</p>	<p><b>HealthTech</b></p>  <p>Sold to</p>  <p>October 2020</p>	<p><b>Digital transformation</b></p>  <p>Sold to</p>  <p>Portfolio company of ARDIAN</p> <p>March 2020</p>	<p><b>RPA</b></p>  <p>Acquired</p>  <p>July 2019</p>	<p><b>RegTech</b></p>  <p>Sold to</p>  <p>June 2019</p>
<p><b>Software development</b></p>  <p>Sold to</p>  <p>October 2018</p>	<p><b>LegalTech</b></p>  <p>Sold to</p>  <p>January 2016</p>	<p><b>Insurance software</b></p>  <p>Sold to</p>  <p>November 2015</p>	<p><b>Capital markets</b></p>  <p>Sold to</p>  <p>December 2014</p>	<p><b>HCM</b></p>  <p>Acquired</p>  <p>December 2014</p>	<p><b>LegalTech</b></p>  <p>Sold to</p>  <p>November 2012</p>

## IPO and PLC credentials

 <p><b>£164m</b> <b>Main Market IPO</b> Sponsor, financial adviser, sole bookrunner &amp; broker</p>	 <p><b>£120m</b> <b>AIM IPO</b> NOMAD, financial adviser, bookrunner &amp; sole broker</p>
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In the board rooms of **17** listed clients



# Overview of the DevOps market



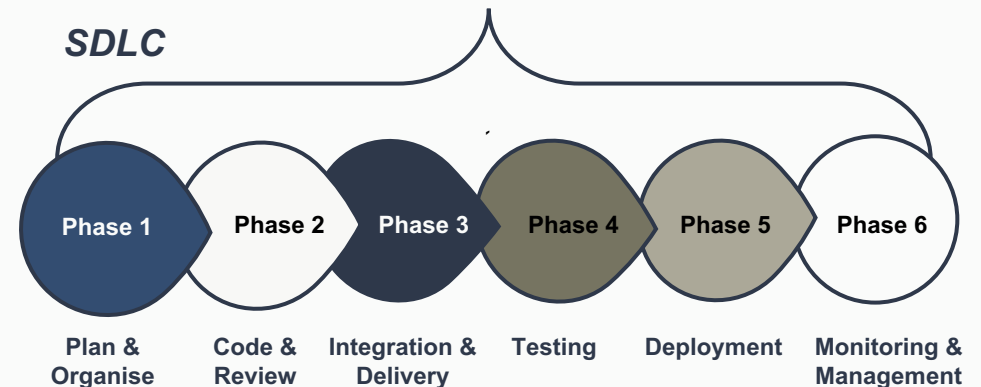
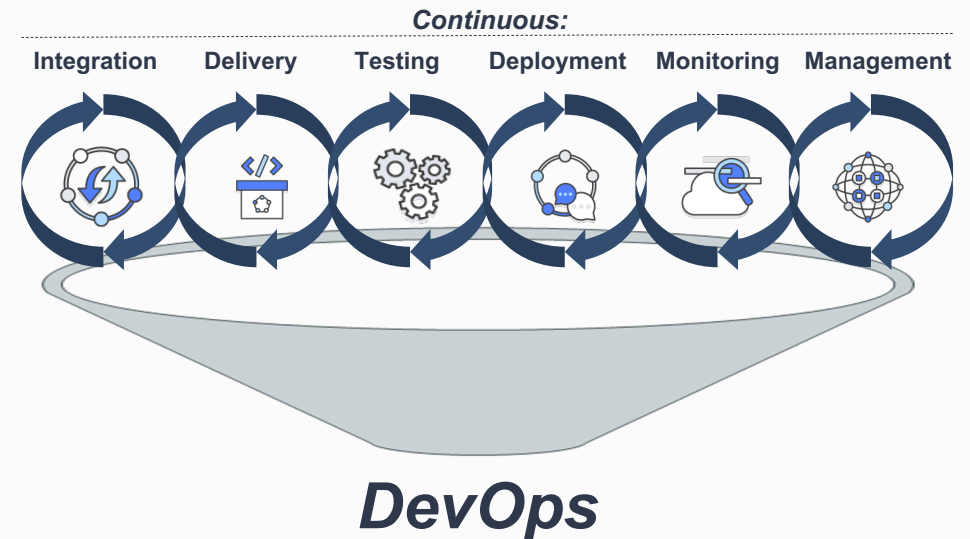
# The evolution of the DevOps methodology

What is DevOps? Is it simply a buzzword?

## A new approach to software deployment

- DevOps is a combination of practices, tools and philosophies that increases an organisations' ability to deliver and deploy applications and services at high velocity
- You can visualise a DevOps process as an infinite loop, comprising six phases: initial process planning, software code creation, integration & delivery, testing, deployment and monitoring & management (the software development lifecycle or SDLC), adopting iterative or continuous workflows throughout the process
- A DevOps approach removes the barriers between development and operations divisions. These formerly siloed teams, often merge into a single team where the engineers work across the entire software development lifecycle and have multidisciplinary skills
- Enterprises are looking to DevOps as the chosen methodology to enable them to exploit modern technologies across their application lifecycle. The result of this is shorter release cycles and time-to-value, higher-quality, better consistency, reliable deployments and increased agility
- By automating the software development pipeline, it becomes possible to ensure the reliability and stability of an application after every new release. When the applications perform correctly in production, companies reap the benefit of greater customer satisfaction
- According to IDC, over 500 million new digital applications and services will be developed and deployed using cloud native approaches by 2023 – the same number of apps that have been developed over the last 40 years

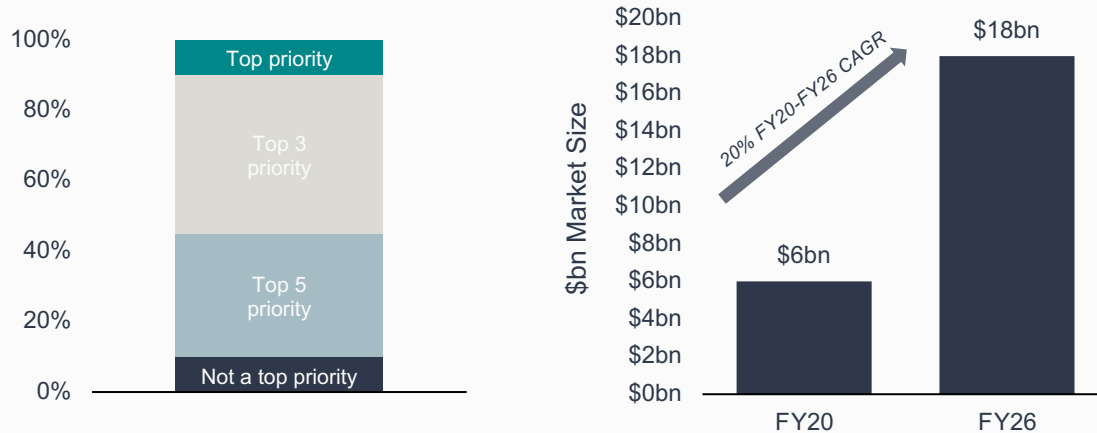
DevOps enables continuous workflows across the entire SDLC



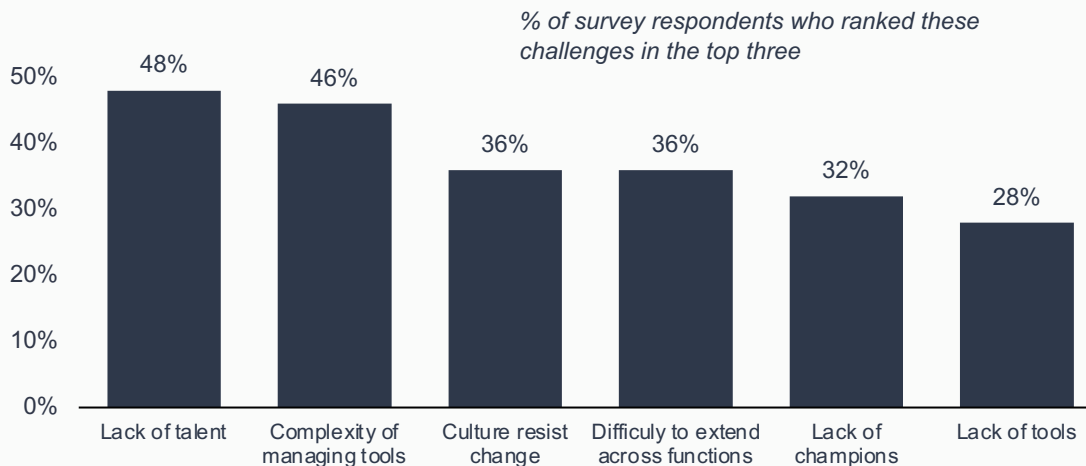
# DevOps is a high-priority for businesses

Demand is accelerating, however scarcity of talent remains the single biggest challenge

90% of companies say DevOps is a high priority... ..leading to a significant market growth opportunity



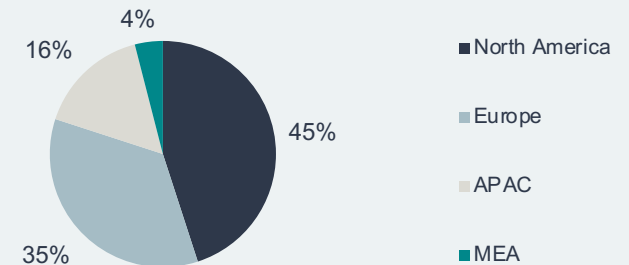
## Top challenges in scaling DevOps



## Adoption of cloud-based solutions is fuelling demand

- The global DevOps market is expected to grow at 20% CAGR from 2020-2026 with an estimated total market size of \$18 billion by 2026
- Key drivers include:
  - Implementation of cloud-based applications
  - Dynamic innovation cycles and business models
  - The growing use of automation across industries
  - Increasing need for software security
- Market growth is substantiated by early adopters. Organisations with highly evolved DevOps capabilities like Amazon and Netflix deploy code thousands of times a day
- While broad adoption is linked to the software market, the DevOps services providers that partner with these vendors are also seeing significant growth e.g. Atlassian partners

## DevOps market share



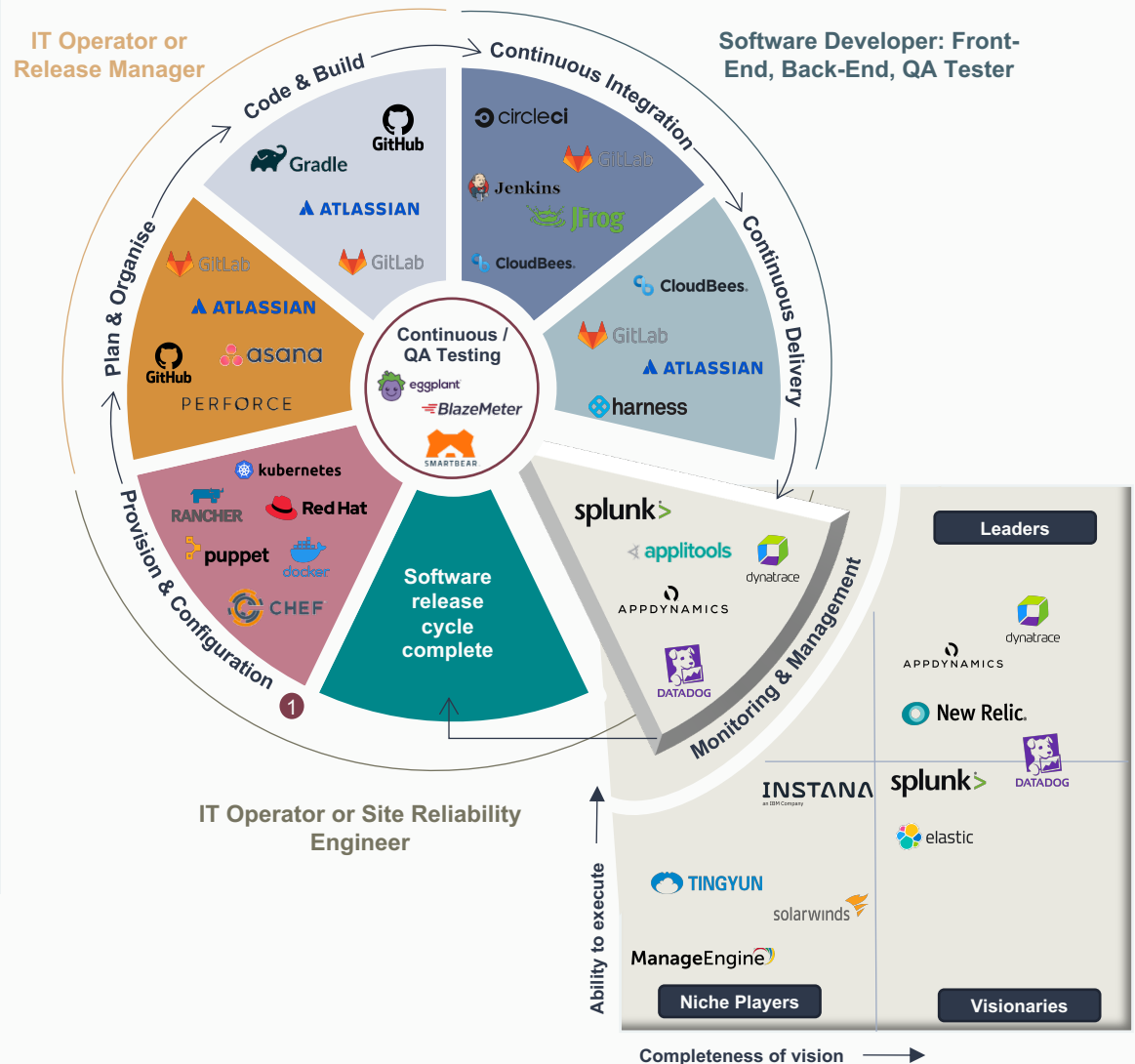
# A complex and evolving landscape

Multiple opportunities for innovation across the entire software development lifecycle

## High levels of fragmentation and competition

- The DevOps software landscape is extensive and no single product sits across the entire landscape. The simplest approach to visualising the market is to segment the companies based on what is known as the software development lifecycle
- Many DevOps software platforms have chosen to focus on becoming a “best-in-class” tool. As a result, it is difficult to make direct comparisons of the different platforms as they often solve individual, though related, problems across the software development lifecycle
- Research providers, such as Gartner, analyse the sub-capabilities of the DevOps landscape and allow us to analyse the category leaders and the niche players
- The leading DevOps software players have focused on their go-to-market strategy, product development and responsiveness to customer demand
- Newer, or more niche, vendors are successfully challenging the leaders, offering differentiated products and services; although they are limited in their use-case coverage and market reach
- As the DevOps market continues to rapidly expand in an already fragmented and competitive market, we expect this to drive increasing sector consolidation as large and better funded acquirers look to increase their capabilities – we anticipate this M&A trend to continue throughout 2022 and beyond

## Visualising the DevOps landscape









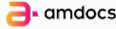








# A high degree of M&A activity in DevOps

A highly fragmented ecosystem primed for further consolidation driven by industry trends

## M&A activity continues to gain momentum

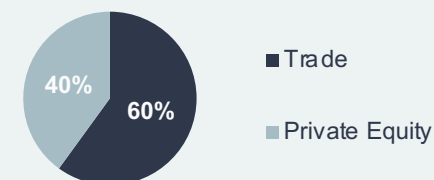
- The last 12 months have seen a notable increase in M&A activity amongst DevOps software and services players – the software segment saw an 150%+ increase in M&A activity 2020-2021
- The activity is driven by the key industry trends such as AI/ML/IoTops, DevSecOps and the increasing market prevalence of applications
  - Progress' acquisition of Chef for \$220m in cash, further expanded its capabilities in DevSecOps, infrastructure, application and compliance automation
- Large corporate consolidators, including IBM, Cisco and Microsoft, are competing for scale and capability with buy-and-build approaches superseding internal development as enterprises race for market share in a highly fragmented ecosystem
- While the race for software superiority is evident, the services segment of the market is also experiencing stellar growth and attracting significant buyer interest — DevOpsGroup, a UK-based consultancy firm, was reportedly acquired for a 3x+ revenue multiple
- With a few core providers dominating individual segments of the SDLC, companies with differentiated offerings are attracting the attention of investors. DevOps tools focused on ERP solutions has become one area of interest – SEP invested \$25m growth equity in Basis Technologies

### Selected transactions:

Date	Target	Target description	Acquirer
Apr-22	 puppet	DevOps infrastructure automation	PERFORCE
Feb-22 <sup>(1)</sup>	 splunk	Security, monitoring and management	 CISCO
Dec-21	 DevOpsGroup	DevOps and cloud consultancy	 amdocs
Jul-21	 boxboat	Container services consultancy	IBM
Jun-21	 basis	DevOps and test automation for SAP systems	 SEP
Sep-20	 CHEF	DevSecOps infrastructure automation	 Progress
Jul-19	 Red Hat	Open source hybrid cloud software	IBM
Jun-18	 GitHub	Open source repository hosting service tool	 Microsoft

## Private equity involvement and deal volume is increasing




- While M&A activity has been dominated by trade buyers, interest from the private equity community is increasing



- Private equity demand from both US (ThomaBravo – Appltools; Vista Equity Partners – SmartBear) and UK (Kennet Partners – Provar; SEP – Basis Technologies) remains strong and is expected to increase in 2022

## Valuation underpinned by demand for innovative solutions

- Selected transactions include:

 <p>Acquired Eggplant for c.9x LTM revenue to add test capabilities</p> 	 <p>Acquired Red Hat for c.10x LTM revenue to accelerate IBM's hybrid multi-cloud offering</p> 
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# Growing prevalence of the DevOps services sector

Demand for technical expertise is driving consolidation among the services partners

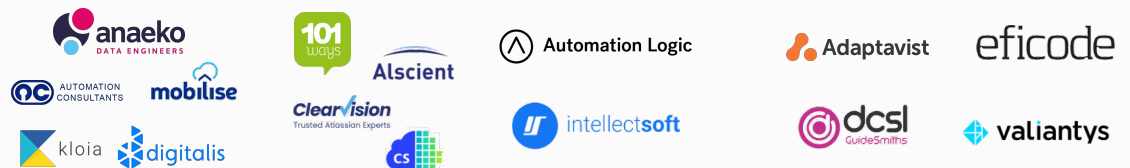
## Services market is poised for growth

- With DevOps software expected to grow 20% CAGR, we expect the services providers to be net beneficiaries of this market growth and adoption of these modern technologies
- Business leaders are increasingly reliant on services players to implement solutions into their existing methodologies and request continuous support to maintain software efficiencies
- Large IT services companies have historically captured the share of wallet. However, given the market growth and the acceptance of DevOps practices, increased technical expertise has been sought after beyond the status quo. This has resulted in a growing number of niche, independent specialist DevOps services providers forming and capturing market share
- Services vendors that have demonstrated significant technical expertise have achieved stellar growth due to high client demand. Both trade and PE-backed assets recognise the need for talent, resulting in increased M&A consolidation for scaled, high-end consultancy assets in the market
- There is significant room for further services businesses to enter the market, particularly as the software landscape is continually evolving. We, therefore, expect further M&A consolidation to occur in 2022

## Key consolidators across the services landscape

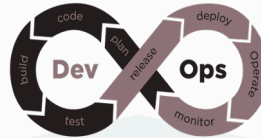


## Growing pool of independent providers developing DevOps expertise<sup>(1)</sup>



# The key 2022 trends – our predictions

DevOps is critical to meet the rising pressure to innovate faster



## DevSecOps – “Shifting Left with Code”

- The shift left phenomena is accelerating – promoting security and compliance requirements from the beginning of the SDLC
- Developers take more ownership related to infrastructure, security and other critical production issues
- M&A within DevSecOps will increase and also the investment into firms supporting this shift



## AI/ML/IoT Ops

- “By 2023, 40% of DevOps teams will augment application and infrastructure monitoring with artificial intelligence for IT Operations capabilities.” – Gartner
- While DevOps is still in “growth mode”, the integration of machine learning practices will further expand as software capabilities becoming increasingly sophisticated



## Increased level of M&A activity

- There has been significant growth in M&A across software and services
- We anticipate this will continue in 2022. The interest from the private equity community will support this thesis
- We have already seen PE-backed assets beginning a buy-and-build journey to add additional DevOps capabilities to their existing offerings



## DevOps for ERP

- Given the proliferation and adoption of ERP solutions e.g. Salesforce, SAP in recent years, platforms that support the delivery of these software solutions at scale will increase
- Attaching yourself to the industry leader will be key in determining the success of these DevOps platforms



## Low-Code / No-Code

- Customisable low-code tools (such as drag-and-drop editors and pre-written code components) will enable less experienced developers to be productive without the required coding expertise.
- “65% of application development will be low code by 2024” – Gartner

# Come and talk to us



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