DRAKE STAR

GLOBAL DEVOPS REPORT

Q2 2024

NEW YORK | LONDON | PARIS | MUNICH | SAN FRANCISCO
LOS ANGELES | BERLIN | DUBAI

DRAKE STAR

DRAKE STAR'S VALUE PROPOSITION

WHY OUR CLIENTS CHOOSE US

100% TECH-FOCUSED

Deep sector expertise in 7 core tech verticals

LEADER IN MID-MARKET TECH INVESTMENT BANKING

Only boutique in global top 10

INDEPENDENT AND PARTNER-LED

Partner-owned investment bank with an entrepreneurial team

EXTENSIVE M&A AND CORPORATE FINANCE EXECUTION SKILLS

Executing wide range of transactions including Strategic M&A, PE Buyouts, Private Placements, Buy Side, and Carve Outs deals

GLOBAL REACH COMBINED WITH LOCAL PRESENCE

One of the largest tech teams with senior professionals in the US, Europe and Middle East

STRONG TRANSACTION TRACK RECORD

Over 500 transactions completed incl. numerous tech landmark deals

RECOGNISED BY THE INDUSTRY

8x investment bank of the year,
33x deal of the year,
5x leadership awards

GLOBAL REACH COMBINED WITH LOCAL PRESENCE

ONE OF THE LARGEST TECH TEAMS ACROSS NORTH AMERICA, EUROPE AND ASIA

5
countries

8
offices

500+
transactions

+35
Deal of the Year Awards

+70%
cross-border transactions

+30
Partners & Senior Advisors

STRONG TRANSACTION TRACK RECORD IN TECH M&A AND ADVISORY

OVER 500 TRANSACTIONS COMPLETED

DRAKE STAR PROVEN TRACK RECORD IN DEVOPS

SELECT DEALS

iccs — TRANSACTS WITH — nexustek, a portfolio company of abry partners	Lobster — MAJORITY SALE TO — FSN CAPITAL	SysEleven — SALE TO — secunet Security Networks AG	INNOVATIVE — RECEIVED INVESTMENT FROM — Guidepost Growth Equity	FEDEROS, a portfolio company of EVOLUTION — SALE TO — ORACLE	sourced cloud at scale — SALE TO — amdocs	SUNSTONE PARTNERS, a portfolio company of cloudbakers — INVESTMENT IN & MERGER WITH — qwinix
THRIVE, a portfolio company of MC PARTNERS — SALE TO — COURT SQUARE	Avira — SALE TO — INVESTCORP TECHNOLOGY PARTNERS	clearscale — SALE TO — COHERE CAPITAL	]init[— SALE OF SHARES — EMERAM CAPITAL PARTNERS	LeftShift — GROWTH CAPITAL — Riverside	coretelligent, a portfolio company of VSS — HAS ACQUIRED — SOUNDSHORE TECHNOLOGY GROUP	blue-infinity — SALE TO — dentsu AEGIS network
RUNBOOK — SALE TO — BLACKLINE	DATALYTICS TECHNOLOGIES LLC — SALE TO — MAGNITUDE SOFTWARE	eggplant — MAJORITY SALE TO — THE CARLYLE GROUP	IDMLOGIC — SALE TO — ca technologies	Corente — SALE TO — ORACLE	iris capital — SALE OF 25% STAKE IN — oodrive TO KEENSIGHT CAPITAL	Great Bay Software Inc. — SALE TO — GrowthFire, Achieving the Possibilities
mendix, NO CODE, JUST GLORY. — PRIVATE PLACEMENT — PRIME VENTURES, henQ	WALLIX — PRIVATE PLACEMENT — AURIGA	OpenERP — PRIVATE PLACEMENT — SOFINNOVA PARTNERS	mValent — SALE TO — ORACLE	QOSMOS, Your Network is Information — PRIVATE PLACEMENT — GfK, Alvencapital	RealOps — SALE TO — bmc software	Meetinghouse, Network Access Security — SALE TO — CISCO

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DEVOPS MARKET UPDATE[1]

CONSOLIDATION CONTINUES WITH MULTIPLE ‘MEGA DEALS’ OVER $1B

$81.1bn
Disclosed M&A Volume

$2.0bn
Invested Private Capital

MARKET HIGHLIGHTS

- Sector continues to consolidate with multiple M&A deals over $1 billion
- AI is a major driver of growth and M&A activity
- Private placement dollar volume of $1.3bn up sharply in Q2 2024 with average deal size of $169m

Notes: 1) Aggregation of disclosed deal volume; 12 months ended June 30, 2024

DEVOPS SECTOR TAXONOMY

MULTIPLE DISCIPLINES HAVE CREATED A FRAGMENTED MARKET RIPE FOR CONSOLIDATION

Platform / Workflow

- Agile development
- PaaS and IaaS
- Continuous Integration/ Continuous Delivery (CI/CD) platforms
- Collaboration and workflow orchestration
- Container management

AI Applications

- AI used to create applications
- Integration of AI-generated data

API Management

- API development, management and integration
- API testing

Low- and No-Code

- Application and GUI development platforms
- Automated testing and integration
- Focus on workflow-based applications and web/ mobile apps

Testing / QA

- Quality assurance
- Functional testing
- Performance and load testing
- Test data management
- API testing

Infrastructure Management

- Network and infrastructure monitoring
- Root cause analysis
- IT asset management

DevSecOps

- Static Applications Security Testing (SAST)
- Software Composition Analysis (SCA)
- Code governance

Blockchain Apps

- Transaction or rules-based apps
- Provides high levels of security and auditability

Service Management

- Change management
- Trouble ticketing
- Incident response

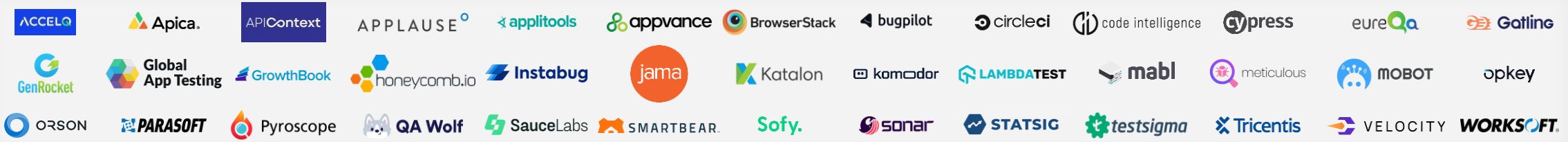
Performance Management

- Log management
- Load management
- Performance analytics

DEVOPS SELECT PRIVATE COMPANIES

Platform / Workflow

Testing / QA



DEVOPS SELECT PRIVATE COMPANIES

Low/No-Code

8base, Abstra, appbrew, appdome, appsmith_, appypie, Beesion, Betty Blocks, blink, blobr, BRYTER, bubble, directus, DOCOVA, DWKIT, Flatlogic, FlutterFlow, kissflow, flycode, Genie, Genus, Glide, Landbot, Memberstack, NCAMEO, Ninox, Pillir, Princeton Blue, Retool, Sofy., ToolJet, umso, unqork, VIKTOR, Voiceflow, Webflow, workato, XANO, zapier, zinier

Infrastructure Management

balena, BetterCloud, boomi, doit, Fivetran, flexera | revenera, IDERA, influxdb, ITRS, NetBrain, logz.io, mezmo, ninjaOne, Productiv, ProsperOps, SCALR, Sysdig, zenoss

API Management

APOLLO, OpenLegacy, POSTMAN, RapidAPI, strapi, treblle, WSO2

Service Management

4me, appfire, ATERA, BigPanda, ivanti, RESOLVE, Shoreline

DevSecOps

apiiro, BACKSLASH, Checkmarx, CODACY, CODESECURE, cycode, datatheorem, {deepfactor}, Nucleus, privado, sonatype, SECURE CODE WARRIOR

Blockchain Apps

APTOS, AXELAR, bepro, blockapps, enya labs, onfinality, POKT, QuickNode, SettleMint, TATUM

AI Applications

AI DYNAMICS, anyscale, baseten, BENTOML, codeplay, equality ai, FAROS, Synthesis.ai, SYNTHESIZED, tabnine

Performance Management

control up, headspin, honeycomb.io, Lightrun, LogicMonitor, LogRocket, MUX, primaryio, StormForge

6 KEY TRENDS DRIVING INNOVATION AND CONSOLIDATION

LEVERAGING AI AND OTHER TECHNOLOGIES TO AUTOMATE DEVOPS

Growing Role of AI in DevOps

- In the quest for faster release cycles, more automation and less human error, AI is being applied to the development and deployment of software applications.
- AI is being used across the entire DevOps chain including CI/CD, test automation, security, anomaly detection and documentation.

Increasing Reliance on Open-Source Code

- While the proliferation of open-source code offers software engineers substantial savings in time and expense, security can be compromised by incorporating unknown vulnerabilities into otherwise secure applications.
- Licensing and documentation risks may also arise requiring additional resources to manage.

DevSecOps Becomes Mainstream

- Traditionally, engineering teams automated nearly all their software development pipelines while security was often neglected.
- Integrating development, operations, and security is now common practice and reflects corporate requirements to enhance security throughout the development cycle.

Low / No-Code Development

- Democratization of writing code combined with DevOps enhances the flexibility to augment features without extensive coding processes – facilitating corporate competitive advantage.
- Gartner projects this year that low/no-code will account for more than 65 percent of application development operations.

Deployment via Serverless Computing

- Traditional application deployments incur fixed recurring costs, irrespective of the processing activity – whilst in serverless deployments, customers only pay for consumed services.
- DevOps teams are adopting serverless architectures to reduce costs and streamline pipelines.

K8

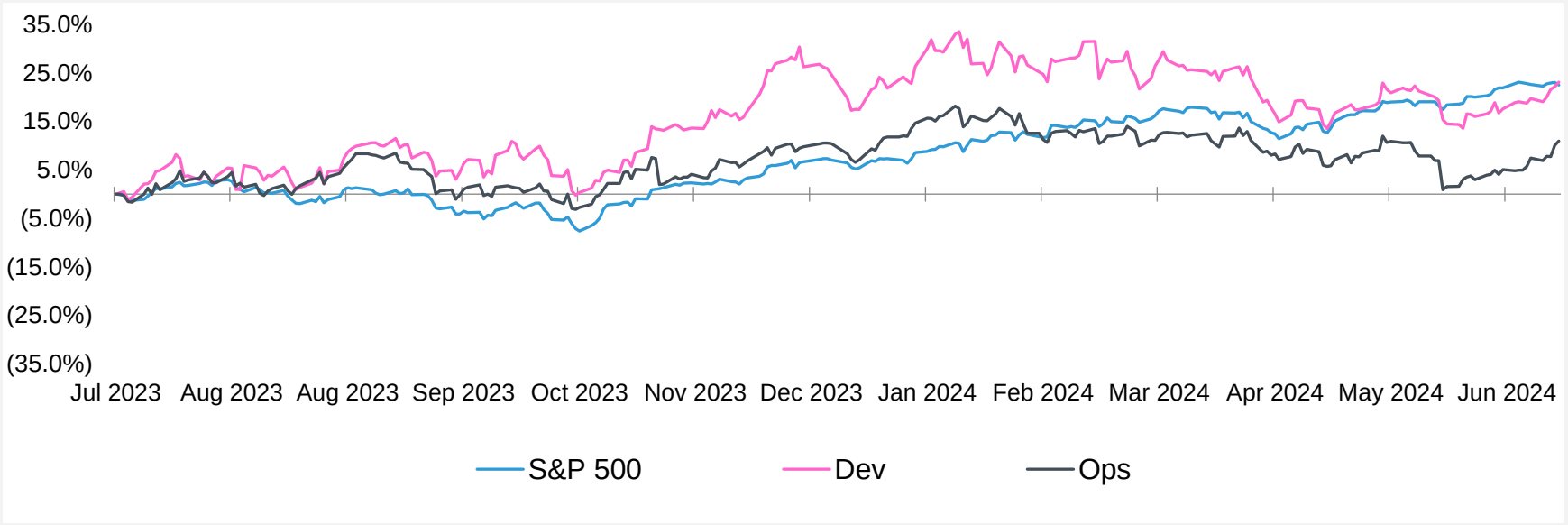
Integration of DevOps and IT

- DevOps teams have inherently similar needs to IT Departments, including workload management, monitoring and testing, and cybersecurity.
- These disciplines are increasingly being adopted in the software development cycle, making the transition to general availability more seamless, predictable and secure.

Sources: GlobalNewswire, Gartner, ReportLinker, Devops.com, DS research

CAPITAL MARKETS PERFORMANCE

DEV COMPANIES HAVE OUTPERFORMED THE S&P 500 AND OPS SECTOR OVER THE LAST 9 MONTHS



Dev leads sector in performance over last 4 quarters

- 23.1%
- 22.6%
- 11.0%

- Dev group has generally tracked S&P 500
- Up 23% over last 4 quarters

Ops underperforming the S&P 500, up 11%

- Dev companies growing faster on average than Ops companies: 25% vs 19%.(see pages 13-14)

Dev

JFrog, SYNOPSYS, appian, Progress, monday.com, GitLab, ATLASSIAN, ptc

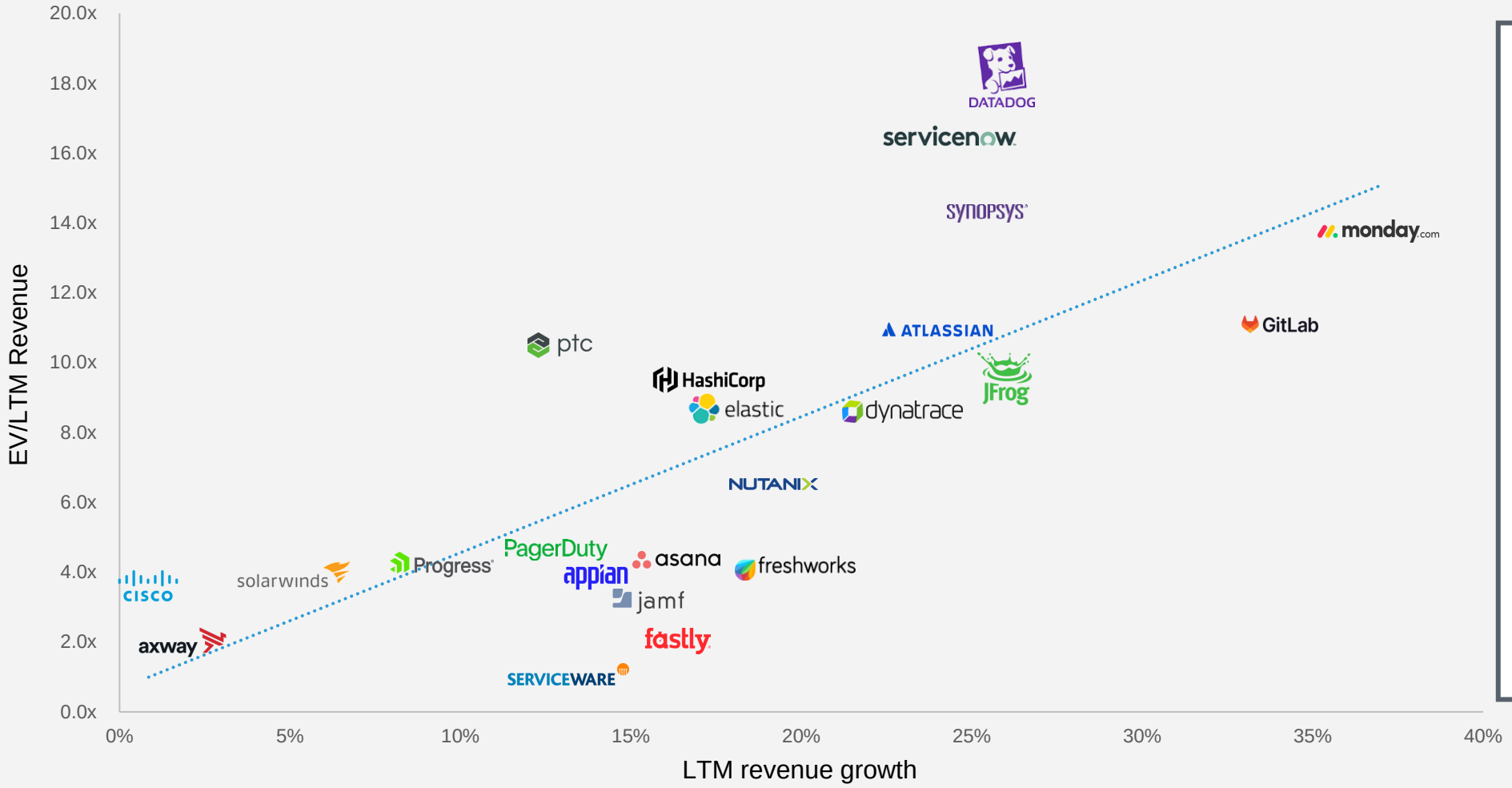
Ops

jamf, NUTANIX, dynatrace, servicenow, PagerDuty, axway, CISCO, elastic, solarwinds, DATADOG, HashiCorp, asana, fastly, SERVICEWARE, freshworks

Source: Capital IQ as of June 30, 2024

PUBLIC COMPANY VALUATION TRENDS

INVESTORS PLACING PREMIUMS ON HIGH GROWTH AND CATEGORY LEADERSHIP



Strong correlation between revenue growth and valuation multiple

Dev companies as a group growing faster than their Ops counterparts

- 4 of the 8 Dev companies growing more than 20% annually and 2 of them more than 40%

Category leaders commanding premiums

- Companies above regression line commanding premium (e.g. Atlassian, DataDog, PTC, ServiceNow and Synopsys)

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Source: Capital IQ as of June 30, 2024

PUBLIC COMPANY ANALYSIS: DEV COMPANIES

VALUATION MULTIPLES CORRELATE MORE TO GROWTH THAN PROFITABILITY

Company	HQ	Market Cap ($m)	Enterprise Value ($m)	Revenue CAGR LTM-26e	EBITDA Margin (%) LTM	EV / Revenue LTM	EV / EBITDA LTM
SYNOPSYS		91,173	90,194	15.2%	25.7%	14.3x	51.8x
ATLASSIAN		46,042	45,148	26.5%	(0.7%)	10.8x	n.m.
ptc		21,754	23,695	9.2%	27.1%	10.6x	36.4x
monday.com		11,985	10,818	48.1%	(1.8%)	13.8x	n.m.
GitLab		7,901	6,886	46.4%	(28.3%)	11.1x	n.m.
JFrog		4,071	3,511	28.2%	(13.1%)	9.5x	n.m.
Progress		2,345	2,968	10.7%	33.2%	4.2x	12.0x
appian		2,229	2,384	19.1%	(13.7%)	4.3x	n.m.
			Mean	**25.4%**	**3.6%**	**9.8x**	**33.4x**
			Median	**22.8%**	**(1.2%)**	**10.7x**	**36.4x**

- **Mean annual growth for this group 25%**
  - vs Ops at less than 20%
- **GitLab fastest growing at 46% annually**
- **Synopsys leads in valuation metrics: 14x revenue and 52x EBITDA**
- **Mean EV/Revenue multiple 10.7x**
  - despite 5 of the 8 companies with EBITDA losses

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Source: Capital IQ as of June 30, 2024

PUBLIC COMPANY ANALYSIS: OPS COMPANIES

STRONGER CORRELATION BETWEEN PROFITABILITY AND VALUATION

Company	HQ	Market Cap ($m)	Enterprise Value ($m)	Revenue CAGR LTM-26e	EBITDA Margin (%) LTM	EV / Revenue LTM	EV / EBITDA LTM
CISCO		191,409	205,103	3.6%	30.1%	3.7x	11.8x
servicenow		161,568	155,065	23.1%	16.0%	16.4x	94.1x
DATADOG		43,381	41,557	37.6%	2.3%	18.4x	n.m.
NUTANIX		14,022	13,757	14.9%	2.4%	6.6x	154.4x
dynatrace		13,303	12,536	24.1%	12.0%	8.8x	66.4x
elastic		11,586	11,096	21.2%	(8.2%)	8.8x	n.m.
HashiCorp		6,774	5,466	30.7%	(40.2%)	9.0x	n.m.
freshworks		3,792	2,611	24.1%	(23.7%)	4.2x	n.m.
			Mean	**22.4%**	**(1.1%)**	**9.5x**	**81.7x**
			Median	**23.6%**	**2.3%**	**8.9x**	**80.3x**

- **Mean annual growth for the group 19%**
  - Strong growth among many of the larger market cap companies
- **DataDog leads group in revenue growth (38%) and revenue multiple (18x revenue)**
- **ServiceNow continues to command premium as leader in Service Management, at 15x revenue and 94x EBITDA**

Source: Capital IQ as of June 30, 2024

PUBLIC COMPANY ANALYSIS: OPS COMPANIES

GOOD GROWTH OPPORTUNITIES AMONG SMALLER PLAYERS

Company	HQ	Market Cap ($m)	Enterprise Value ($m)	Revenue CAGR LTM-26e	EBITDA Margin (%) LTM	EV / Revenue LTM	EV / EBITDA LTM
asana		3,191	2,948	26.2%	(37.7%)	4.4x	n.m.
PagerDuty		2,192	2,074	20.3%	(18.6%)	4.7x	n.m.
jamf		2,120	2,284	21.4%	(7.2%)	3.9x	n.m.
solarwinds		2,027	2,980	3.0%	32.2%	3.9x	11.4x
fastly		1,007	1,101	18.5%	(25.1%)	2.1x	n.m.
axway		594	701	5.7%	19.6%	2.0x	9.5x
SERVICEWARE		138	117	7.2%	(1.3%)	1.1x	135.3x
			Mean	18.8%	(3.2%)	6.5x	69.0x
			Median	21.2%	(1.3%)	4.4x	66.4x

- **Majority of Ops companies generating EBITDA losses, with just 7 of the 15 companies in positive EBITDA territory.**

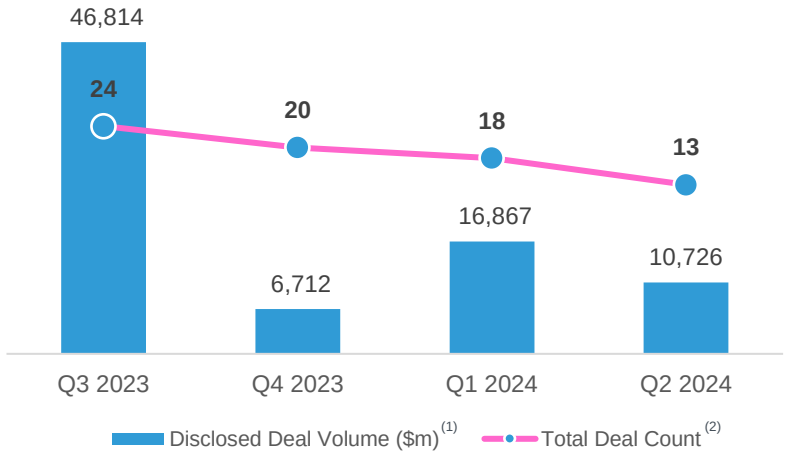
Source: Capital IQ as of June 30, 2024

M&A AND PRIVATE PLACEMENT ACTIVITY

GROWTH IN H1 2024 – DOLLAR VOLUMES FROM DIP IN Q4 2023

M&A

(in $m)

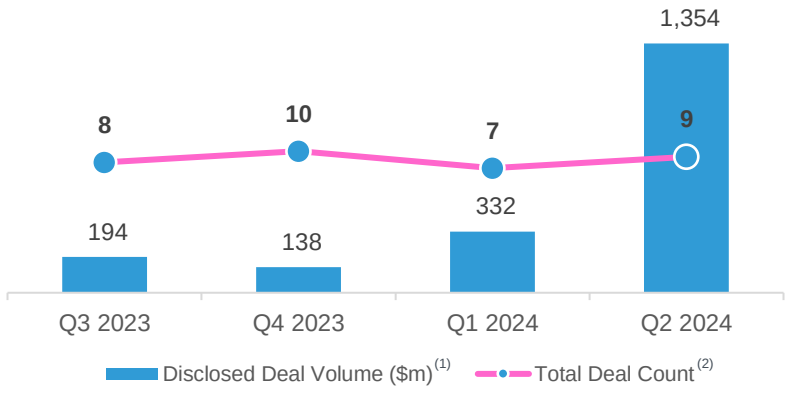


74 transactions last 4 quarters

$81.1bn disclosed dollar volume (largest deal Cisco – Splunk for $31bn)

PRIVATE PLACEMENTS

(in $m)



33 private placements last 4 quarters

$2.0b private placements in sector

M&A

- **Disclosed dollar volume back up in Q1/Q2 2024 to $27.6b after major drop in Q4 2023**
- **Large deals in Q3 2023 include:**
  - Cisco – Splunk: $31.0b
  - Francisco Partners - New Relic: $7.1b
  - IBM – Apptio: $5.0b
- **Higher dollar volume in H1 2024 despite fewer deals**
  - HP Enterprise - Juniper: $15.4b
  - IBM – HashiCorp: $7.7b

Private placements

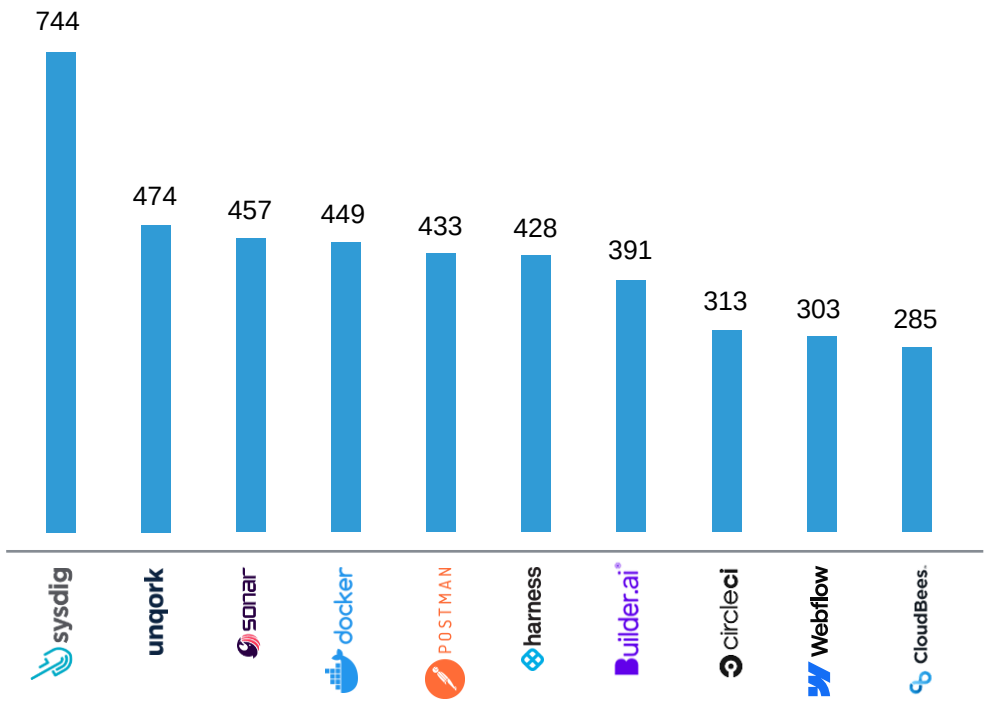
- **Deal count holding steady**
  - Between 7-10 deals per quarter
  - Lower volume than in previous years.
- **Dollar volume in Q2 2024 up more than 4x from 3 prior quarters**
  - Average deal size increasing 6x, from $27 million to $169 million.

Source: Pitchbook
Note: (1) Includes deal volumes for announced transactions, (2) Accounts for all transactions, including undisclosed deal volume

INSTITUTIONALLY FUNDED COMPANIES AND ACTIVE INVESTORS

CONCENTRATION OF OWNERSHIP AMONG A HANDFUL OF ACTIVE PRIVATE EQUITY GROUPS

Top 10 Best Funded Private DevOps Companies (in US$m)[1]



The top 10 funded private companies have raised a total of **$4.3bn** to date.

Ten Most Active Financial Investors in DevOps[2]

Investor	Number of Investments	Selected Investments
INSIGHT PARTNERS	40	BrowserStack, Builder.ai, honeycomb.io, Octopus Deploy, sonar, Tricentis
Accel	19	BetterCloud, Instabug, Linear, strapi, testsigma, zinier
GENERAL CATALYST	8	apiiro, Buildkite, Fivetran, TIDELIFT
Battery	6	cypress, CODESECURE, harness
VISTA	6	APPLAUSE, mabl, SMARTBEAR
OPENVIEW	5	Voiceflow
K1	4	ATERA, control up
TPG	4	digital.ai, SauceLabs
ICONIQ	3	Fivetran, headspin
TA ASSOCIATES	3	IDERA, ITRS

1) Numbers display total funding as of May 15, 2024 2) By number of active investments
Source: CapitalIQ

SELECTED M&A DEALS

MULTI-BILLION-DOLLAR ($) DEALS MAKING A COMEBACK AMID CONTINUED CONSOLIDATION

September, 2023

splunk> CISCO

EV: $31.0b

Cisco acquires Splunk

- Founded in 2003, Splunk is a leading provider of security and observability providing data-driven application, infrastructure & user monitoring solutions
- Deal broadens Cisco security portfolio and positions Cisco to more effectively compete in AI environments
- Announced September 21, 2023, representing a 31% premium over prior day closing price of Splunk shares
- Deal closed March 18, 2024

April, 2024

HashiCorp IBM

EV: $7.7b

IBM to acquire HashiCorp

- Founded in 2012,HashiCorp provides multi-cloud infrastructure automation solutions
- The deal accelerates growth across key areas within IBM including Red Hat, Watson and other strategic areas of growth
- Announced April 24, 2024 the deal is priced at a 43% premium to Hashi's previous closing price
- The deal is anticipated to close before year end 2024

July, 2023

new relic FP FRANCISCO PARTNERS TPG

EV: $7.1b

Francisco Partners and TPG acquire New Relic

- Founded in 2007, New Relic is a leading provider of monitoring and observability software primarily for web applications
- Deal is an example of private equity appetite for take-private transactions, especially following the stock sell-off in 2022
- Announced July 31, 2023 at a 26% premium to the 30-day weighted average price ending the prior day
- Deal closed November 8, 2023

September, 2023

LeanIX SAP

EV: $1.3b

SAP acquires LeanIX

- Founded in 2012, LeanIX provides enterprise architecture software documenting and managing changes to a company's IT landscape
- The acquisition expands SAP's ability to support digital transformation, modernization and other changes to enterprise IT
- Deal announced September 7, 2023 and closed November 7, 2023

January 24, 2023

Delphix PERFORCE

EV: n.a.

Perforce acquires Delphix

- Founded in 2008, Delphix provides enterprise data management solutions, helping to streamline and automate the application lifecycle
- This is the 6th acquisition by Perforce since Clearlake and Francisco Partners completed a buyout in 2019
- Deal announced and closed February 13,2024

SELECTED PRIVATE PLACEMENTS

CAPITAL FORMATION BEING CHANNELLED TO THE STRONGEST PERFORMING COMPANIES

May, 2024

Vercel, Accel, TIGERGLOBAL

Deal Size: $250m

Vercel raises $250m Series E funding

- Based in California, Vercel provides a platform and tools for web development.
- With this round the company has raised a total of $563 million in capital with the post-money valuation at $2.5 billion.
- The transaction closed on May 16, 2024.

February, 2024

ninjaOne, ICONIQ

Deal Size: $232m

NinjaOne raises Series C funding

- NinjaOne provides endpoint management software for MSPs and SMBs.
- The investment brings to total invested in NinjaOne to $262 million at a post-money valuation of $1.9b.
- Deal closed February 6, 2024

July, 2023

MENLO VENTURES, kv

Deal Size: $46m

Neon Software raises Series B funding

- Neon provides serverless Postgres database management software.
- Total invested capital in Neon after this transaction is $76 million.

September, 2023

MIRANTIS

Deal Size: $20m

Mirantis raises debt financing

- Mirantis provides cloud infrastructure and container management software.
- The company raised $20.0m in debt financing from Horizon technology Finance, bringing total capital invested to $241 million.
- The transaction closed September 15, 2023.

March, 2024

baseten, ivp, SPARK CAPITAL

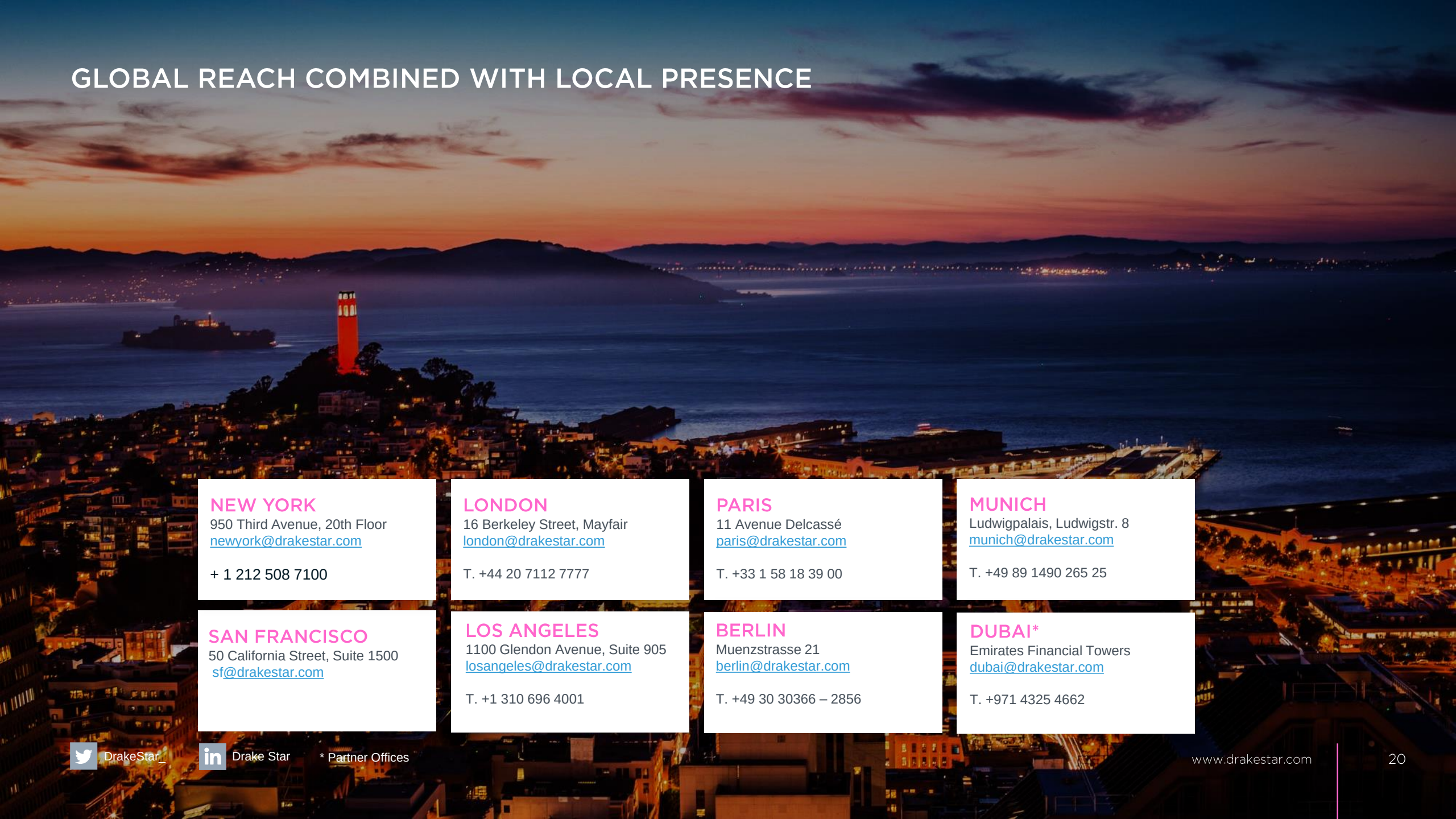
Deal Size: $40m

Baseten Labs raises $40m Series B funding

- Baseten provides an ML-powered platform for application development.
- The funding brings the total capital raised to $69m and the post-money valuation to $200 million.
- The transaction was announced on December 21, 2023 and closed on March 4, 2024.

Sources: Pitchbook, Mergermarket, Capital IQ, DS Research

GLOBAL REACH COMBINED WITH LOCAL PRESENCE



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DRAKE STAR

GLOBAL DEVOPS REPORT

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