



GLOBAL IT TECH REPORT

H1 2023

IT TECH MARKET UPDATE

21

Global IT Tech M&A Transactions
in H1 2023

77

Global IT Tech Private Placements
in H1 2023

\$12.2bn

Global IT Tech M&A Volume
in H1 2023⁽¹⁾

\$852m

Global Invested Capital in IT Tech
in H1 2023⁽¹⁾

AGENDA

4 ▶ OVERALL IT TECH MARKET UPDATE

14 ▶ DEVOPS

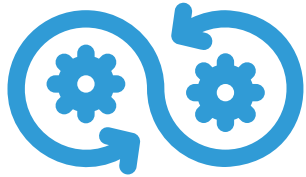
21 ▶ INFRASTRUCTURE MANAGEMENT

28 ▶ SERVICE MANAGEMENT

34 ▶ ABOUT DRAKE STAR

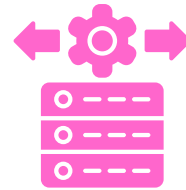
DRAKE STAR'S IT TECH UNIVERSE

DEVOPS, INFRASTRUCTURE MANAGEMENT, AND
SERVICE MANAGEMENT



DevOps

Software products that enable software developers to accelerate and automate the creation, testing, deployment and upgrading of applications. These include tools for collaboration, continuous integration and delivery, testing automation and infrastructure provisioning



Infrastructure Management

Software that monitors IT infrastructure and manages network and application performance across the enterprise, flagging performance issues as well as identifying underlying root cause problems



Service Management

Technologies enabling IT departments to communicate with the end users of IT resources, including the automation of trouble ticketing, change management and incident response workflows

REPRESENTATIVE IT TECH MARKET LANDSCAPE

SELECTED COMPANIES

DevOps



Infrastructure Management

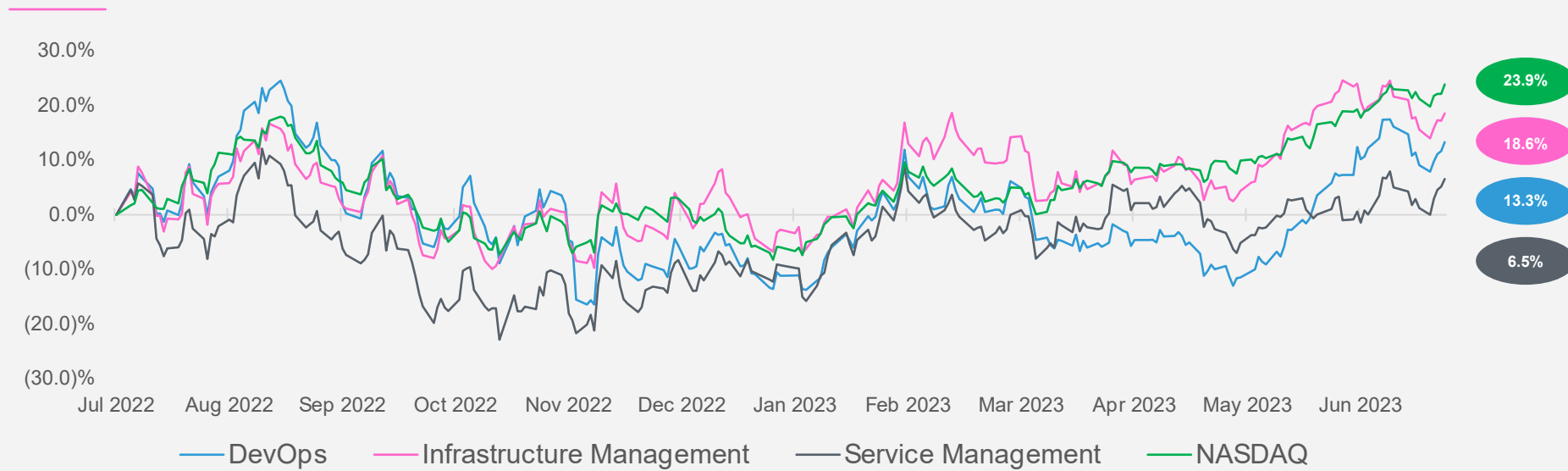


Service Management



CAPITAL MARKETS ENVIRONMENT

LAST 12 MONTHS SHARE PRICE PERFORMANCE



- Infrastructure Management and DevOps have performed well over the previous year, but their performance lags the overall NASDAQ index.
- Service Management remains relatively flat.
- All three sectors declined in Q3 2022 due to fears of recession, but all have performed well since then.
- Sharp decline in March 2023 due to bank failures in the US.

DevOps

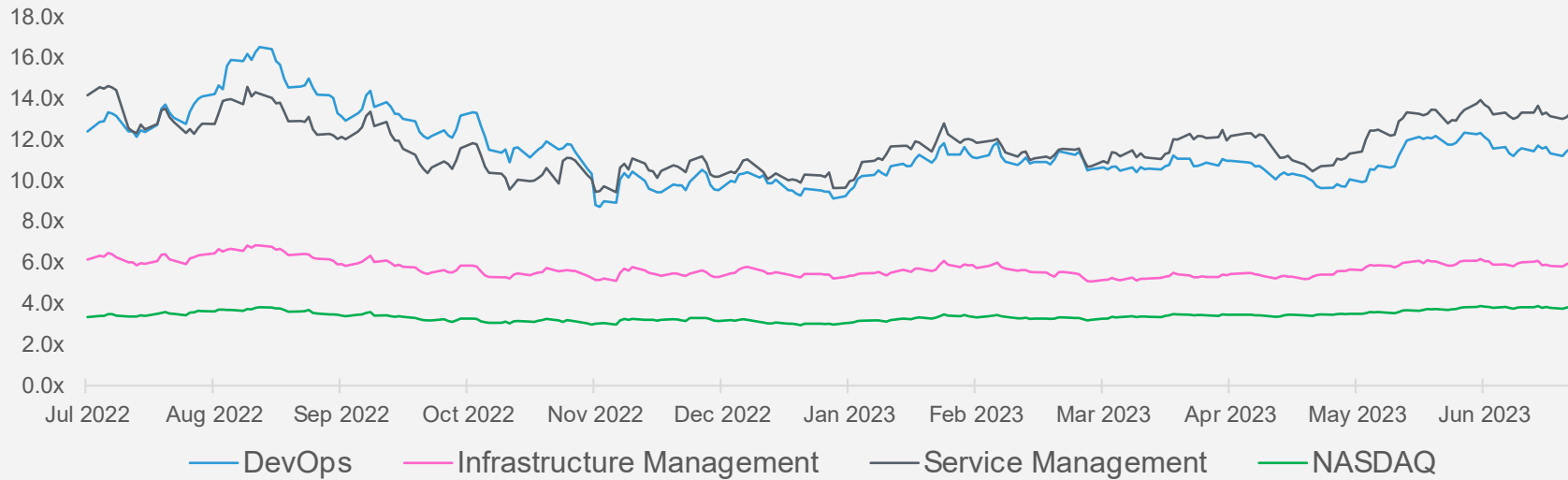
Infrastructure Management

Service Management

Source: Capital IQ as of June 30, 2023

CAPITAL MARKETS ENVIRONMENT

LAST 12 MONTHS EV/LTM REVENUE



- Despite the difference in performance compared to the NASDAQ, all subsectors are trading at substantial premiums to the index.
- All subsectors at slightly lower multiples compared to one year ago.

DevOps

Infrastructure Management

Service Management

Source: Capital IQ as of June 30, 2023

QUARTERLY PERFORMANCE OF DRAKE STAR IT TECH INDICES

CAPTURING THE LAST NINE QUARTERS

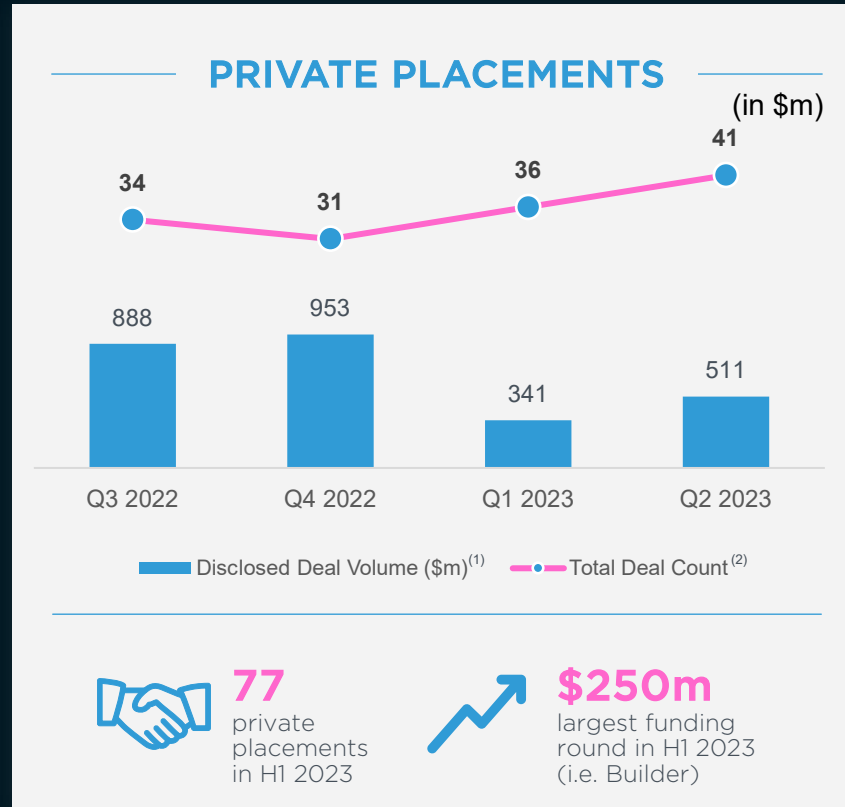
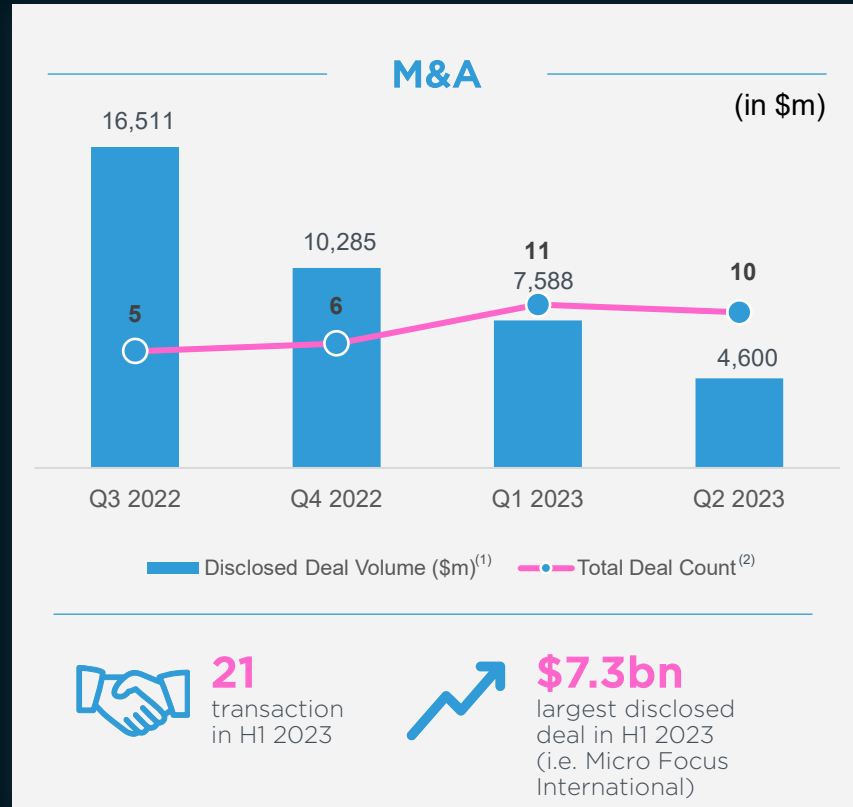
		Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
DevOps Index	Share ⁽¹⁾ Price	9%	3%	(4%)	(16%)	(17%)	-	(7%)	13%	12%
	INDEX	109	113	108	91	76	76	71	80	90
Infrastructure Management Index	Share ⁽¹⁾ Price	14%	(1%)	(1%)	(21%)	(30%)	-	1%	11%	9%
	INDEX	114	114	113	89	62	62	63	69	76
Service Management Index	Share ⁽¹⁾ Price	7%	(4%)	(6%)	(19%)	(22%)	(19%)	9%	19%	1%
	INDEX	107	103	96	78	61	49	54	64	65

1) Performance today vs end of previous quarter 2) Indexed to 100 in End of Q1 2021
Source: Capital IQ as of June 30, 2023

- IT Tech share prices have been under pressure throughout 2022 due to macroeconomic headwinds.
- H1 2023 offers evidence for initial signs of a recovery across all verticals.
- The announced IPO of BMC Software Inc. (refer to p. 12) can be interpreted as a positive signal for a recovering market.

IT TECH M&A AND PRIVATE PLACEMENT ACTIVITY

DEVELOPMENT OVER THE LAST FOUR QUARTERS




- M&A activity increased in H1 2023 vs. H2 2022 in terms of transaction count.
- Total disclosed deal volume in H1 2023 is mainly driven by the acquisition of Micro Focus by OpenText.
- IT Tech fundraising activity increases slightly in terms of deal count and is mainly driven by transactions in a highly fragmented DevOps market.
- The \$250m Series D fundraising round of Builder in Q2 2023 could not counteract declining total disclosed deal volumes in H1 2023 vs. H2 2022.

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

SELECTED IT TECH M&A DEALS IN H1 2023

OVERVIEW

 Announced
 June 26, 2023
 
 EV: \$4.6bn

Apptio has agreed to be acquired by IBM

- Apptio develops a SaaS application that revolutionizes IT business management and decision-making processes.
- IBM's acquisition of the company will expedite the growth of its IT automation capabilities, empowering enterprise leaders to maximize business value from their technology investments.

 June 21, 2023
 
 EV: n.a.

Accedian Networks was acquired by Cisco Systems

- Accedian is a provider which offers an array of services dedicated to network performance monitoring and assurance, tailored specifically to cater to the needs of businesses.
- Cisco wants to tackle the rising need for strict performance requirements along the increasing number of expected subscribers.

 Announced
 April 26, 2023
 
 EV: n.a.




Kaseya has agreed to be acquired by TPG through a leveraged buyout

- Kaseya specializes in developing cutting-edge software solutions specifically tailored for managed service providers as well as small to medium-sized businesses, providing them with robust IT management and monitoring capabilities.
- The investment by TPG will fuel Kaseya's future growth through strategic acquisitions, International market expansion, and increased R&D for customer-centric products.

 April 18, 2023
 
 EV: n.a.

Thundra was acquired by Catchpoint

- Thundra's platform offers developers an all-encompassing software solution for remote application debugging, specifically tailored for Cloud applications.
- The acquisition is envisioned to enhance Catchpoint's Performance Monitoring Platform (IPM) with advanced microservices and API monitoring capabilities.

 January 19, 2023
 
 EV: \$100m




Cloudify was acquired by Dell Technologies for an estimated \$100m

- The Cloudify platform serves as a pivotal tool for DevOps engineers, enabling them to effectively oversee a wide range of tasks, including container management, workload distribution, and beyond, all within hybrid environments.
- The acquisition is envisioned to enhance Dell's edge offerings.

Sources: Pitchbook, Mergermarket, Capital IQ, DS Research

SELECTED IT TECH PRIVATE PLACEMENTS IN H1 2023

OVERVIEW

 May 23, 2023
 
 Deal Size: \$250m

Builder raised \$250m in Series D venture funding

- Builder specializes in delivering top-notch, tailor-made software solutions of exceptional quality to its clients.
- The Investment will further fuel their industry leadership and innovation pipeline, with a key focus being to revolutionize the no-code/low-code space.

 May 22, 2023
 
 
 Deal Size: \$22m

IP Fabric raised \$22m of Series B venture funding







- IP Fabric specializes in developing advanced software solutions for IP network infrastructure management, offering a comprehensive platform that enables secure visualization and efficient control of enterprise networks.
- The company has raised \$28m thus far.

 April 06, 2023
 

 Deal Size: \$50m







Honeycomb raised \$50m in Series E venture funding

- Honeycomb is a leading provider of an observability platform that serves as a crucial tool for high-performing engineering teams, enabling them to deeply investigate and analyze the intricate behavior of Cloud applications.
- The Investment will be used to accelerate its global expansion and its contributions to OpenTelemetry, and to build a cohesive integration strategy.

 January 24, 2023
   

 Deal Size: \$60m

QuickNode raised \$60m in Series B venture funding

- QuickNode serves as a prominent provider of a comprehensive development platform catering to the needs of Web3 builders, offering a seamless end-to-end solution for their development endeavors.
- The funds will be used for global expansion and for recruitment of talent across the globe, as well as for developing Web3 offerings.

 January 24, 2023
  
 
 Deal Size: \$24m

Memfault raised \$24m of Series B venture funding

- Memfault specializes in creating a Cloud-native monitoring platform designed to provide embedded systems with comprehensive firmware delivery, monitoring, and diagnostics capabilities.
- Memfault will use the funds to finance the upcoming expansion, alongside supporting the company's product roadmap and partner development.

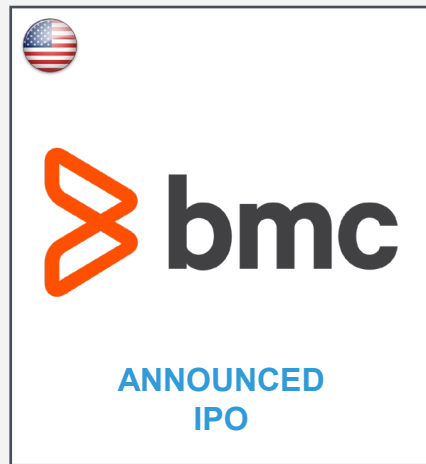
DevOps

Infrastructure Management

Sources: Pitchbook, Mergermarket, Capital IQ, DS Research

CASE STUDY

ANTICIPATED IPO OF BMC SOFTWARE INC.



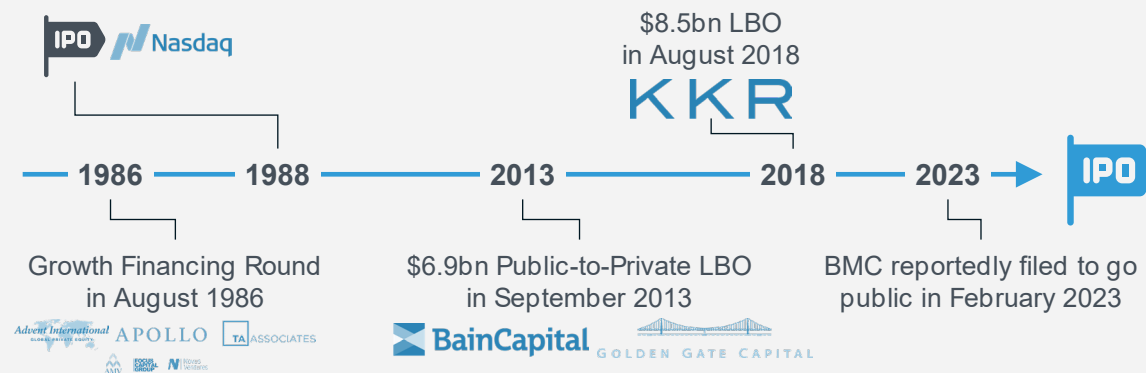
About BMC

Founded in 1980, BMC Software Inc. is a global software company specializing in providing IT solutions and services. They offer a wide range of products and solutions for areas such as IT service management, IT operations management, Cloud management, security and compliance, and mainframe systems. BMC's offerings help organizations streamline their IT processes, improve efficiency, and enhance digital experiences. The company serves customers across various industries, including enterprises, government agencies, and service providers.

Transaction Background

BMC has filed for an initial public offering in the United States and is expected to be valued at \$14-15bn. Following its going private at a time when it was facing disruptive forces (i.e. Cloud computing, transformation in the IT industry) the company was able to realign its business model and innovate its product offering. The anticipated IPO can be considered a sign that BMC has successfully conducted a strategic transformation and, if successful, could pave the way for an IPO market rebound.

Deal History



- Following its IPO in 1988, BMC Software was acquired by a consortium led by Bain Capital and Golden Gate Capital within the scope of a \$6.9bn public-to-private LBO in 2013. The acquisition was intended to shield the company from public scrutiny and give BMC a strategic chance to further grow and solidify its position in the IT solutions industry.
- In 2018, the company was acquired by a consortium led by KKR through a \$8.5bn LBO making it the largest deal since the 2008 Financial Crisis. KKR utilized BMC as a platform for further acquisitions (i.e. CorreLog, RSM Partners, Compuware, ComAround, Alderstone Consulting, SreamWeaver, Model9).
- In February 2023, BMC reportedly filed for another IPO that could value the company at \$14-15bn.

Sources: Pitchbook, Bloomberg, DS research

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MARKET TRENDS 2023

DEVOPS



Growth of Microservices Architectures

- Microservices enable developers to allow changes to be implemented across a network without affecting systems.
- Consequently, they enable DevOps teams to reduce time-to-deployment – driving scalability and agile infrastructures.



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.



Security Automation Gains Momentum

- Engineering teams have automated nearly all their software development pipelines while security has often been neglected.
- Integrating development, operations, and security gains popularity from increasing corporate requirements to enhance security throughout development.



Low Code Applications

- Democratization of writing code combined with DevOps enhances the flexibility to augment features without extensive coding processes – facilitating corporate competitive advantage.
- Gartner project a 20% increase in the global market for low-code technologies in 2023.



Integration of MLOps and AIOps Services

- MLOps and AIOps can be considered as two of the most popular DevOps tools.
- Machine learning (ML) and artificial intelligence (AI) integration enables the automation of routine DevOps pipeline tasks – enabling developers to focus on strategic tasks.

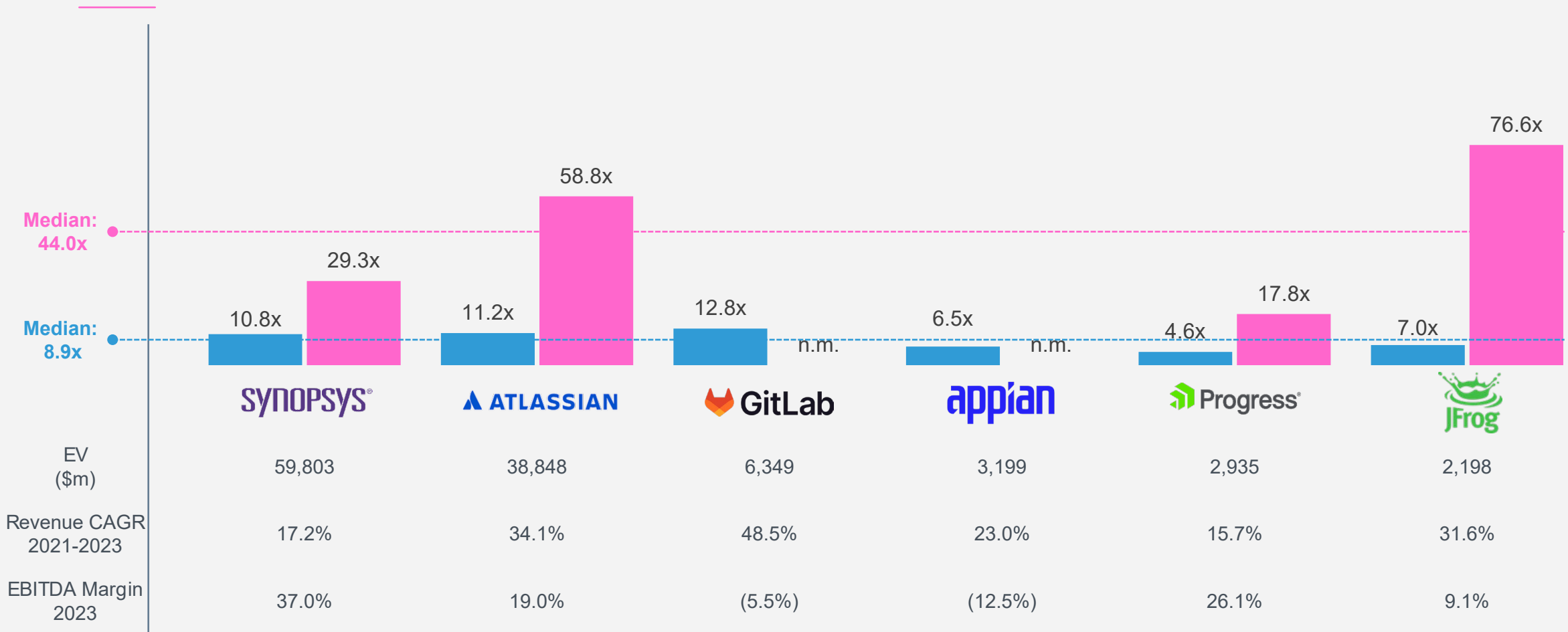
K8

Increasing Adoption of Kubernetes

- Kubernetes (“K8”) has become the industry standard for container orchestration - enabling effective management of applications at scale.
- K8 is projected to further penetrate the software development landscape driven by the growth of microservices.

CAPITAL MARKETS ENVIRONMENT













DEVOPS - TRADING MULTIPLES



Source: Capital IQ as of June 30, 2023

PUBLIC COMPANY TRADING ANALYSIS

DEVOPS

Company	HQ	Share Price (\$)	Market Cap (\$m)	Enterprise Value (\$m)	Revenue CAGR 21a-23e	EBITDA Margin (%)			EV / Revenue			EV / EBITDA		
						2022a	2023e	2024e	2022a	2023e	2024e	2022a	2023e	2024e
 SYNOPSYS®		435.41	60,687	59,803	17.2%	24.4%	37.0%	36.8%	12.6x	10.8x	9.8x	51.4x	29.3x	26.6x
 ATlassian		167.81	39,506	38,848	34.1%	(9.6%)	19.0%	18.1%	14.0x	11.2x	9.3x	n.m.	58.8x	51.1x
 GitLab		51.11	7,161	6,349	48.5%	(49.1%)	(5.5%)	(1.7%)	16.3x	12.8x	9.9x	n.m.	n.m.	n.m.
 appian		47.60	3,181	3,199	23.0%	(29.4%)	(12.5%)	(5.1%)	7.3x	6.5x	5.6x	n.m.	n.m.	n.m.
 Progress®		58.10	2,305	2,935	15.7%	33.6%	26.1%	33.4%	5.0x	4.6x	4.4x	15.0x	17.8x	13.2x
 Jfrog		27.70	2,585	2,198	31.6%	(22.9%)	9.1%	11.5%	8.4x	7.0x	5.7x	n.m.	76.6x	49.8x
				Mean	28.4%	(8.8%)	12.2%	15.5%	10.6x	8.8x	7.4x	33.2x	45.6x	35.2x
				Median	27.3%	(16.3%)	14.1%	14.8%	10.5x	8.9x	7.5x	33.2x	44.0x	38.2x

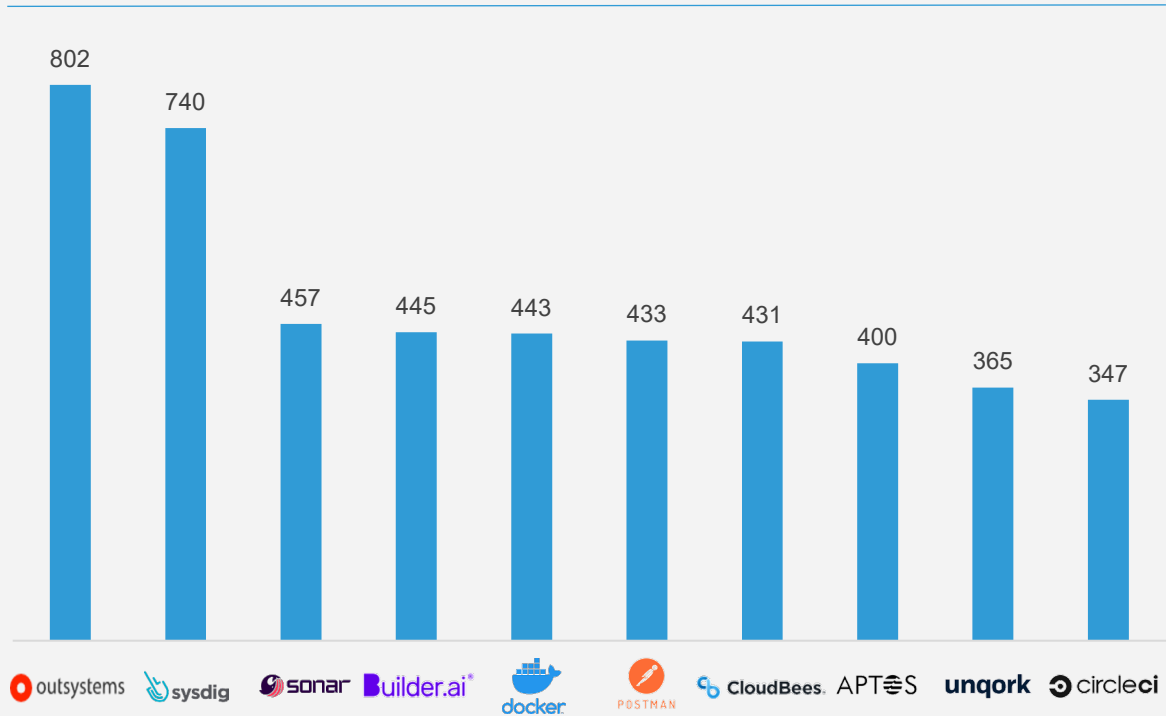
Source: Capital IQ as of June 30, 2023



INSTITUTIONALLY BACKED PRIVATE COMPANIES & INVESTORS

DEVOPS

Top 10 Best Funded Private DevOps Companies (in \$m)⁽¹⁾



- The **top 10** funded private companies have raised **\$4.9bn** during their lifespan.

1) Numbers display total funding as of June 30, 2023 2) By number of investments since January 2022
Source: Pitchbook

Top 10 Most Active Financial Investors in DevOps⁽²⁾

Investor	Number of Investments	Selected Investments
INSIGHT PARTNERS	6	ambassador, honeycomb.io, FERMYON, ATOMICJAR, Builder.ai*
PIONEER FUND	5	NuMind, Nucleus, diversion, flycode
andreesen.horowitz	4	Nx Cloud, anyscale, APTES
GENERAL CATALYST	4	NEON, apiiro, TIDELIFT, Buildkite
nexus venture partners	4	Nx Cloud, ToolJet, JIFFY.ai
BINANCE LABS	3	APTES,
peak xv PARTNERS	3	DOZ R, HORIZON
Tencent 腾讯	3	HADEAN, HORIZON
CIRCLE VENTURES	3	APTES, TATUM
TIGERGLOBAL	3	APTES, ionic, QuickNode

SELECTED M&A DEALS IN H1 2023

DEVOPS


 April 18, 2023

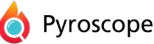

 

EV: n.a.

Thundra was acquired by Catchpoint

- Thundra's platform offers developers an all-encompassing software solution for remote application debugging, specifically tailored for Cloud applications.
- The acquisition is envisioned to enhance Catchpoint's Performance Monitoring Platform (IPM) with advanced microservices and API monitoring capabilities.


 March 15, 2023



 

EV: n.a.

Pyroscope was acquired by Grafana Labs

- Pyroscope is a provider of an open-source profiling program that plays a crucial role in assisting developers with the essential tasks of monitoring and debugging applications as well as APIs.
- Grafana Labs intends to enhance the fully managed Grafana Cloud observability platform by incorporating Pyroscope's profiling capabilities.

 January 30, 2023

EV: n.a.

Gatsby was acquired by Netlify

- Gatsby specializes in delivering a robust suite of website development tools specifically tailored to meet the needs of professional developers who are engaged in creating online businesses and eCommerce sites.
- Netlify intends to expand the capabilities of its platform by incorporating Gatsby's Cloud innovations.


 January 24, 2023



 

EV: n.a.

propelo was acquired by harness

- Propelo offers an advanced engineering optimization platform that seeks to cultivate a data-centric and streamlined methodology to engineering processes, emphasizing automation as a core component.
- The acquisition enables Harness to offer an eight module (i.e. "Harness Software Engineering Insights") providing solutions for the entire software delivery lifecycle.

 January 19, 2023

EV: \$100m


Cloudify was acquired by Dell Technologies for an estimated \$100m


- The Cloudify platform serves as a pivotal tool for DevOps engineers, enabling them to effectively oversee a wide range of tasks, including container management, workload distribution, and beyond, all within hybrid environments.
- The acquisition is envisioned to enhance Dell's edge offerings.



SELECTED PRIVATE PLACEMENTS IN H1 2023

DEVOPS


 May 23, 2023




Builder.ai 

Deal Size: \$250m

Builder raised \$250m in Series D venture funding

- Builder specializes in delivering top-notch, tailor-made software solutions of exceptional quality to its clients.
- The Investment will further fuel their industry leadership and innovation pipeline, with a key focus being to revolutionize the no-code/low-code space.

 April 06, 2023

Deal Size: \$50m

Honeycomb raised \$50m in Series E venture funding

- Honeycomb is a leading provider of an observability platform that serves as a crucial tool for high-performing engineering teams, enabling them to deeply investigate and analyze the intricate behavior of Cloud applications.
- The Investment will be used to accelerate its global expansion and its contributions to OpenTelemetry, and to build a cohesive integration strategy.

 March 29, 2023

Deal Size: \$33m

env0 raised \$33m in Series A venture funding

- env0 is a provider of advanced software solutions for automating and managing Infrastructure as Code (IaC) workflows with precision and efficiency.
- The new funds will be used to accelerate research and development of new products to scale customer Cloud operations safely.


 February 15, 2023




  

Deal Size: \$53m

Descope raised \$53m in venture funding

- Descope is a developer of an authentication platform designed to enhance application security
- The funds will fuel Descope's product growth, research, and open-source support in authentication, authorization, and user management

 January 24, 2023

Deal Size: \$60m

QuickNode raised \$60m in Series B venture funding

- QuickNode serves as a prominent provider of a comprehensive development platform catering to the needs of Web3 builders, offering a seamless end-to-end solution for their development endeavors.
- The funds will be used for global expansion and for recruitment of talent across the globe, as well as for developing Web3 offerings.

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MARKET TRENDS 2023

INFRASTRUCTURE MANAGEMENT



Rising Security & Compliance Concerns

- Evidence of an increasing rise in the number of cyber threats and data breaches across multiple industries.
- This is coupled with the increase in the number of data privacy and GDPR laws which demand respectively compliant operations and management of infrastructure.



Surge in Demand for AI & Automation

- The exponential increase in data output from Infrastructure Management platforms requires AI to automate data intelligence and response workflows.
- This drives a vast increase in efficiency enabling improvements to performance through intelligent automation, improving feedback and managing alerts.



High R&D Investments

- The proliferation of data creation and consumption, an ever-increasing number of connected devices, growth of Cloud computing drives investment into infrastructure management tools.
- This supports the effective management of digital infrastructures, drives efficiency, and supports profitability through unique value-adding synergies.



Alignment with DevOps Practices

- Facilitates and enables the synergy between infrastructure management and core DevOps processes.
- This consequentially streamlines application development processes radically and bolsters the level of infrastructure agility with respect to internal and external dynamics.



Deployment of Cloud-based Solutions

- Increasing adoption of Cloud services for better organizational workflow.
- This enables organizations to deploy just the capacity they need, process data and conduct real-time analytics locally, and deliver personalized experiences.



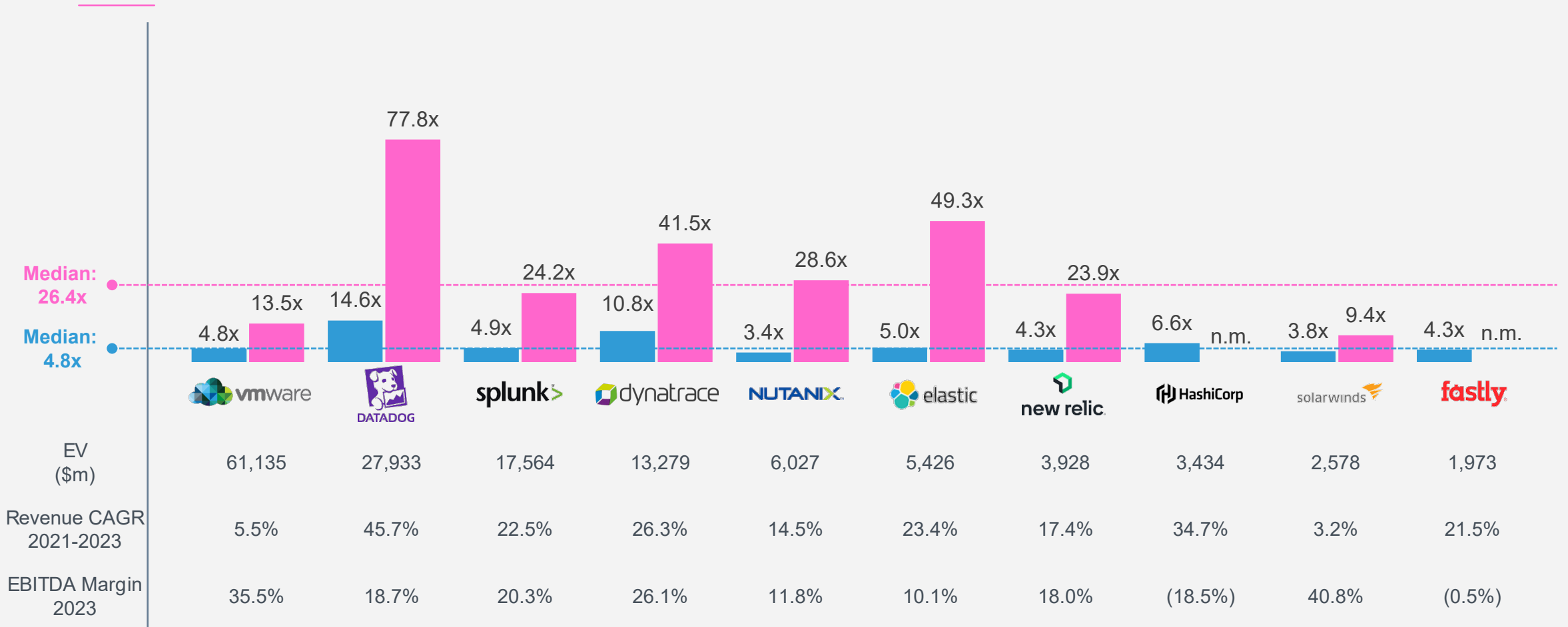
Traction in Edge Computing Management

- Evidence of a surge in the number of solutions that are adapting to support edge environments and respective capabilities.
- This encompasses the integration of digital frameworks to handle data storage which enhances efficiency and radically minimizes the reliance on development teams.



CAPITAL MARKETS ENVIRONMENT

INFRASTRUCTURE MANAGEMENT - TRADING MULTIPLES



Source: Capital IQ as of June 30, 2023



PUBLIC COMPANY TRADING ANALYSIS

INFRASTRUCTURE MANAGEMENT

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						2022a	2023e	2024e	2022a	2023e	2024e	2022a	2023e	2024e	
vmware		143.69	56,643	61,135	5.5%	20.3%	35.5%	35.2%	5.0x	4.8x	4.4x	24.5x	13.5x	12.5x	
DATA DOG		98.38	29,006	27,933	45.7%	(1.8%)	18.7%	20.0%	17.8x	14.6x	11.5x	n.m.	77.8x	57.5x	
splunk >		106.09	16,089	17,564	22.5%	(3.4%)	20.3%	21.3%	5.2x	4.9x	4.3x	n.m.	24.2x	20.4x	
dynatrace		51.47	13,718	13,279	26.3%	11.8%	26.1%	26.2%	12.9x	10.8x	9.1x	n.m.	41.5x	34.7x	
NUTANIX		28.05	6,058	6,027	14.5%	(16.1%)	11.8%	12.3%	3.8x	3.4x	2.9x	n.m.	28.6x	23.8x	
elastic		64.12	5,720	5,426	23.4%	(17.5%)	10.1%	12.4%	5.7x	5.0x	4.2x	n.m.	49.3x	33.9x	
new relic.		65.44	4,209	3,928	17.4%	(17.9%)	18.0%	20.8%	4.7x	4.3x	3.8x	n.m.	23.9x	18.3x	
HashiCorp		26.18	4,602	3,434	34.7%	(61.5%)	(18.5%)	(4.7%)	7.8x	6.6x	5.5x	n.m.	n.m.	n.m.	
solarwinds		10.26	1,538	2,578	3.2%	26.7%	40.8%	41.6%	3.8x	3.8x	3.7x	14.3x	9.4x	8.8x	
fastly		15.77	1,832	1,973	21.5%	(44.0%)	(0.5%)	5.4%	4.9x	4.3x	3.7x	n.m.	n.m.	69.1x	
					Mean	21.5%	(10.3%)	16.2%	19.0%	7.2x	6.2x	5.3x	19.4x	33.5x	31.0x
					Median	22.0%	(9.8%)	18.3%	20.4%	5.1x	4.8x	4.3x	19.4x	26.4x	23.8x

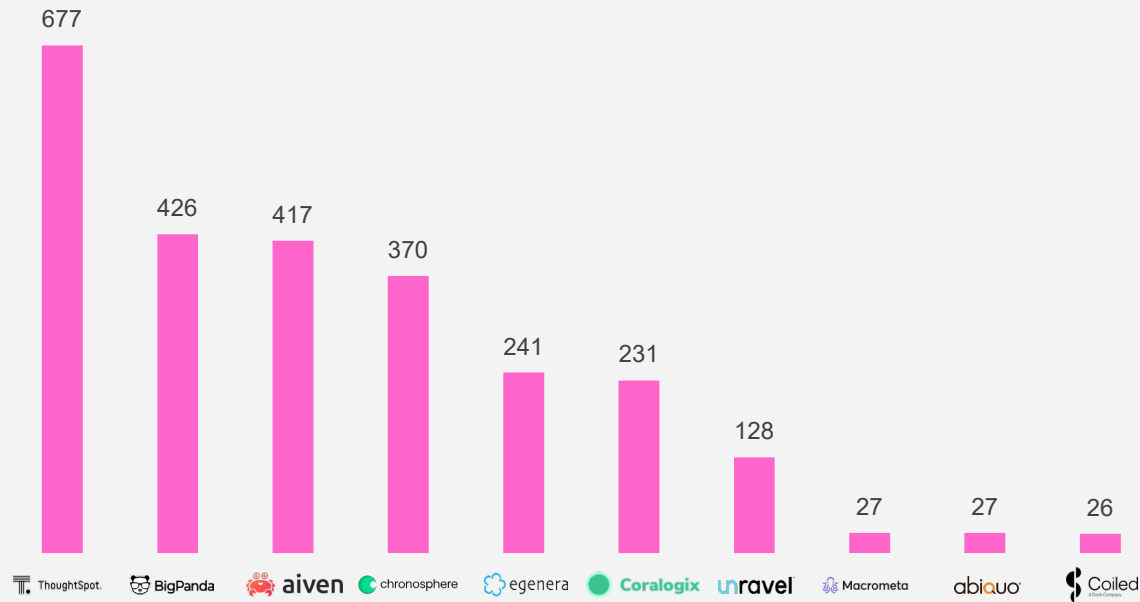
Source: Capital IQ as of June 30, 2023



INSTITUTIONALLY BACKED PRIVATE COMPANIES & INVESTORS

INFRASTRUCTURE MANAGEMENT

Top 10 Best Funded Private Infrastructure Management Companies (in \$m)⁽¹⁾



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Source: Pitchbook

Top 10 Most Active Financial Investors in Infrastructure Management⁽²⁾

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5G OPEN INNOVATION LAB	2	Memfault
Advent International GLOBAL PRIVATE EQUITY	2	BigPanda Coralogix
PANTHEON INTERNATIONAL PLC	2	Kaseya LogicMonitor
SEQUOIA	2	BigPanda KITTYCAD
FOUNDERS FUND	1	chronosphere
Alumni Ventures	1	KITTYCAD
EURAZEO	1	aiven
G/	1	chronosphere
CREANDUM	1	cast
GGVCAPITAL	1	unravel



SELECTED M&A DEALS IN H1 2023

INFRASTRUCTURE MANAGEMENT

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- Cisco wants to tackle the rising need for strict performance requirements along the increasing number of expected subscribers.


 Announced
May 30, 2023



 

EV: n.a.

Riverbed Technology entered an agreement to be acquired via LBO by Vector Capital

- Riverbed's comprehensive platform encompasses a wide array of features aimed at visualizing, optimizing, remediating, and accelerating network performance across diverse applications.
- Riverbed will gain the capability to enhance the speed of groundbreaking solutions such as Aternity and Alluvio IQ.


 January 31, 2023



 

EV: \$7bn

Micro Focus International was acquired by OpenText

- Micro Focus stands as a colossal software enterprise, ranking among the largest worldwide, and it extends its services to numerous organizations on a global scale, encompassing prominent entities found within the Fortune Global 500.
- The acquisition aims towards enhancing operational security and provides valuable insights to enterprise professionals.

 January 9, 2023

EV: \$190m

Fungible was acquired by Microsoft

- Fungible is a developer of a full-stack infrastructure software designed to leverage the standard components, protocols, and interfaces of data centers.
- The acquisition will enable Microsoft to deliver multiple DPU solutions, network innovation and hardware systems advancements.



SELECTED PRIVATE PLACEMENTS IN H1 2023

INFRASTRUCTURE MANAGEMENT


 May 22, 2023



   

Deal Size: \$22m

IP Fabric raised \$22m of Series B venture funding

- IP Fabric specializes in developing advanced software solutions for IP network infrastructure management, offering a comprehensive platform that enables secure visualization and efficient control of enterprise networks.
- The company has raised \$28m thus far.


 May 04, 2023




 

Deal Size: \$21m

Adarga raised \$21m of late stage funding

- Adarga is a developer dedicated to creating analytical software that excels in swiftly and precisely analyzing immense volumes of data.
- The company has raised \$53m thus far.

 March 01, 2023

Deal Size: \$20m

Cast AI raised \$20m of Series A1 / Series B venture funding

- Cast AI is a developer that focuses on crafting a Cloud management platform specifically engineered to facilitate the seamless deployment and operation of application automation processes.
- Cast AI plans to boost its intelligent Cloud optimization solutions with the raised funding.

 January 31, 2023

Deal Size: \$24m

Hydrolix raised \$24m of Series A venture funding

- Hydrolix is a developer of elastic cloud data platform intended to provide query performance of high-volume, high-cardinality data from inexpensive cloud storage.
- The company was valued at \$55m (pre-money).

 January 24, 2023

Deal Size: \$24m

Memfault raised \$24m of Series B venture funding

- Memfault specializes in creating a Cloud-native monitoring platform designed to provide embedded systems with comprehensive firmware delivery, monitoring, and diagnostics capabilities.
- Memfault will use the funds to finance the upcoming expansion, alongside supporting the company's product roadmap and partner development.

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MARKET TRENDS 2023

SERVICE MANAGEMENT



Increased Adoption of Cloud-based Technology

- Cloud-computing adoption exhibits a strong level of growth and adoption.
- Leveraging the Cloud enables companies to enhance agility, diminish cost structures by c. 35%, and re-define processes that drive efficiency.



Integration with DevOps and Agile Methodologies

- Increasing workflows drive the demand for integrating service management with DevOps and agile methodologies.
- This is designed to enhance the agility of the firm whilst streamlining and automating different workflows to enhance efficiency.



Emergence of Big Data and Analytics

- Rise in the prevalence and integration of big data and analytics throughout service management applications.
- Intelligent data analysis enables firms to maximize the value of data and drive efficiency and security.



Data and Focus on User Experience

- Increasing collection and analysis of user data, whereby design decisions can be made based on user behavior and preferences.
- This results in a more user-friendly and intuitive product which drives satisfaction rates and firm reputation.



Focus on Proactive and Predictive SM

- Prevalence of proactive & predictive service management implementation.
- This is primarily driven by the strong increase in demand for zero-touch digital self-service as it now becomes the preferred form of service for both the customer and the company.
- Automation of SM workflows is needed to be able to scale operations efficiently.



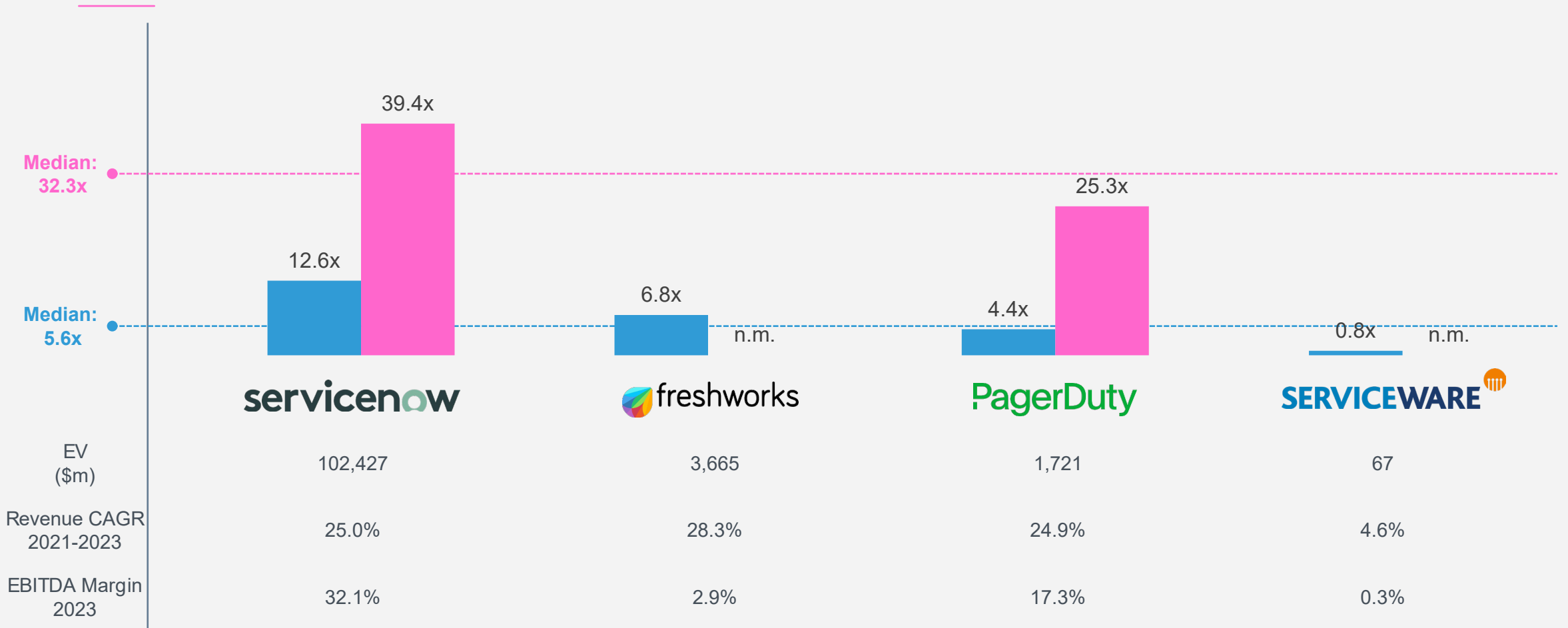
Adoption of AI and ML Solutions

- Strong evidence of increasing awareness and adoption of AI and ML throughout service management solutions.
- This fundamentally improves efficiency with limited human intervention.



CAPITAL MARKETS ENVIRONMENT

SERVICE MANAGEMENT - TRADING MULTIPLES



Source: Capital IQ as of June 30, 2023



PUBLIC COMPANY TRADING ANALYSIS

SERVICE MANAGEMENT

Company	HQ	Share Price (\$)	Market Cap (\$m)	Enterprise Value (\$m)	Revenue CAGR 21a-23e	EBITDA Margin (%)			EV / Revenue			EV / EBITDA		
						2022a	2023e	2024e	2022a	2023e	2024e	2022a	2023e	2024e
servicenow		561.97	104,878	102,427	25.0%	10.9%	32.1%	33.4%	15.1x	12.6x	10.4x	n.m.	39.4x	31.1x
freshworks		17.58	4,688	3,665	28.3%	(44.8%)	2.9%	4.5%	7.9x	6.8x	5.8x	n.m.	n.m.	n.m.
PagerDuty		22.48	1,899	1,721	24.9%	(30.3%)	17.3%	17.4%	5.0x	4.4x	3.7x	n.m.	25.3x	21.5x
SERVICEWARE		8.38	88	67	4.6%	(4.6%)	0.3%	3.4%	0.8x	0.8x	0.7x	n.m.	n.m.	20.7x
				Mean	20.7%	(17.2%)	13.2%	14.7%	7.2x	6.2x	5.1x	n.m.	32.3x	24.4x
				Median	24.9%	(17.4%)	10.1%	11.0%	6.5x	5.6x	4.8x	n.m.	32.3x	21.5x

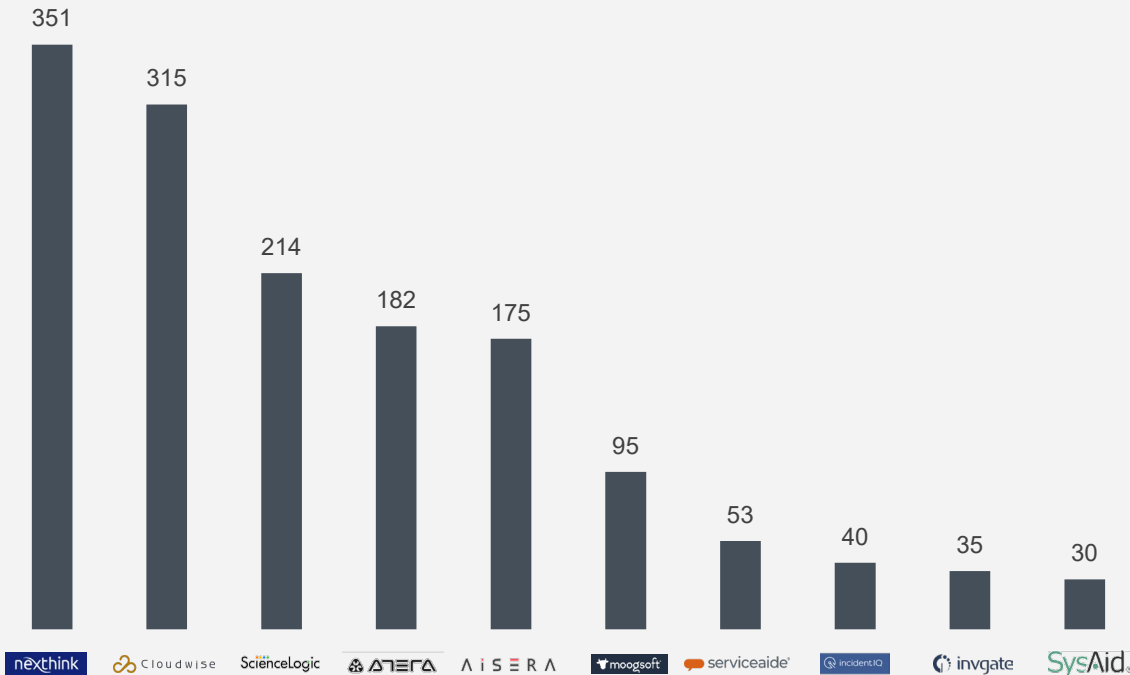
Source: Capital IQ as of June 30, 2023



INSTITUTIONALLY BACKED PRIVATE COMPANIES & INVESTORS

SERVICE MANAGEMENT

Top 10 Best Funded Private Service Management Companies (in \$m)⁽¹⁾



- The **top 10** funded private companies have raised **\$1.5bn** during their lifespan.

1) Numbers display total funding as of June 30, 2023 2) By number of investments since January 2022
Source: Pitchbook


Top 10 Most Active Financial Investors in Service Management⁽¹⁾


Investor	Number of Investments	Selected Investments
DELL Technologies CAPITAL	1	moogsoft
DIVERSIS CAPITAL	1	old street solutions
khosla ventures	1	Λ i S E R Λ
Blu Venture	1	3CLogic
kima ventures	1	weloop
THE LONGREACH GROUP	1	Blueship
1	1	Λ i S E R Λ
PSG	1	4me The Complete Service Management Platform
MENLO VENTURES	1	Λ i S E R Λ
THOMABRAVO	1	Λ i S E R Λ





SELECTED M&A DEALS IN H1 2023

SERVICE MANAGEMENT

 Announced
April 17, 2023

 old street
solutions


 Tempo


 DIVERSIS CAPITAL


EV: n.a.

Old street solutions will be acquired as add-on by Tempo via Diversis Capital (announced)

- Old Street Solutions, an esteemed partner of Atlassian Marketplace, brings unparalleled ease and efficiency to Jira and Confluence by offering their highly acclaimed Custom Charts for Jira and Custom Charts for Confluence applications.
- Expanding Tempo's Atlassian-based product suite, the acquisition will provide users with easy-to-use, customizable data visualizations of Jira data.

 February 28, 2023


 KEY2ACT


 VOLARIS

EV: n.a.

Key2Act was acquired by Volaris Group

- Key2Act's (now WennSoft) flagship platform is renowned for its exceptional ability to generate remarkable workflow efficiencies, while equipping users with powerful tools for field service enablement and job costing.
- Volaris (a subsidiary of Constellation Software) and Key2Act will now cooperate to deliver solutions for the Microsoft ecosystem.

 January 23, 2023

 FREICON.
Your Program For Success

 VALSOFT

EV: n.a.

Freicon was acquired by Valsoft

- Freicon Software, headquartered in Germany, specializes in delivering comprehensive DMS (Document Management System) business solutions tailored to meet the unique needs of automotive retailers and manufacturers.
- Valsoft Corporation acquires Freicon to strengthen its product offering.

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DRAKE STAR AT A GLANCE

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 a 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 over 100 professionals in the US, Europe and Middle East



STRONG TRANSACTION TRACK RECORD

Over 450 transactions completed incl. numerous tech landmark deals



RECOGNIZED BY THE INDUSTRY

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

OUTSTANDING TRACK RECORD

IN IT TECH DEALMAKING

 <p>TRANSACTS WITH</p>  <p>a portfolio company of</p> 	 <p>MAJORITY SALE TO</p> 	 <p>SALE TO</p>  <p>Security Networks AG</p>	 <p>RECEIVED INVESTMENT FROM</p>  <p>GROWTH EQUITY</p>	 <p>a portfolio company of</p>  <p>SALE TO</p> 	 <p>cloud at scale™</p> <p>SALE TO</p> 	 <p>a portfolio company of</p>  <p>INVESTMENT IN & MERGER WITH</p> 
 <p>a portfolio company of</p>  <p>SALE TO</p> 	 <p>SALE TO</p> 	 <p>SALE TO</p> 	 <p>SALE OF SHARES</p>  <p>EMERAM PARTNERS</p>	 <p>by Sunberg Group</p> <p>GROWTH CAPITAL</p> 	 <p>a portfolio company of</p>  <p>HAS ACQUIRED</p> 	 <p>SALE TO</p> 
 <p>SALE TO</p> 	 <p>SALE TO</p> 	 <p>MAJORITY SALE TO</p> 	 <p>SALE TO</p> 	 <p>SALE TO</p> 	 <p>SALE OF 25% STAKE IN</p>  <p>KEENSIGHT CAPITAL</p>	 <p>SALE TO</p>  <p>Achieving the Possibilities</p>
 <p>NO CODE, JUST GLORY</p> <p>PRIVATE PLACEMENT</p> 	 <p>PRIVATE PLACEMENT</p> 	 <p>PRIVATE PLACEMENT</p> 	 <p>SALE TO</p> 	 <p>Your Network is Information</p> <p>PRIVATE PLACEMENT</p> 	 <p>SALE TO</p> 	 <p>SALE TO</p> 



DRAKE STAR IT TECH TEAM

GLOBAL EXPERTISE WITH LOCAL PRESENCE

DRAKE STAR NEW YORK



James Turino

Managing Partner and Member of Global ExCom
NEW YORK
+1 917 757 0212
james.turino@drakestar.com



Michael Bertolino

Associate
NEW YORK
Michael.bertolino@drakestar.com

DRAKE STAR MUNICH



Ralf Philipp Hofmann

Managing Partner and Member of Global ExCom
MUNICH
+49 89 1490 265 10
ralf.hofmann@drakestar.com



Julian Wolf

Associate
MUNICH
julian.wolf@drakestar.com



Jonas Kerkow

Analyst
MUNICH
jonas.kerkow@drakestar.com

SYSELEVEN | CASE STUDY

SALE OF LEADING PROVIDER OF CLOUD INFRASTRUCTURE, CLOUD SERVICES & KUBERNETES



SALE TO

secunet

KEY VALUE-ADD

- ▶ Highly competitive, structured and flexible multi-stage auction with renowned strategic and financial investors
- ▶ Received a large number of highly attractive offers, massively exceeding founders' expectations
- ▶ Won highly suitable partner to the company's culture, supporting management's sustainable growth strategy

Situation & Objectives

- SysEleven operates two different business segments i) Managed Hosting and ii) Kubernetes Services.
- A third business segment, network carrier services, was carved-out as part of the transaction as not seen as core to SysEleven's future business model.
- Whereas the managed hosting segment was highly profitable, revenues have been decreasing significantly over the historical period. The Kubernetes segment was seen as the future of the business but still loss-making.
- Founders & management aimed to find a partner that supports and understands the transformation from managed hosting to Kubernetes services.

Drake Star Services & Support

- Drake Star Partners supported management to sort historical financials, build a new budget and integrated model.
- Supported management on the planning and execution of the network services carve-out.
- A comprehensive documentation package was prepared to educate potential buyers and increase competitive tension between strategic and financial parties.
- Drake Star's Cloud services team identified the most suitable strategic partners early in the process and was able to streamline strategic and financial parties.

Outcome

- **Drake Star generated enormous high-quality demand from leading industry players as well as renowned technology PE investors with valuation massively exceeding founders' expectations.**
- Drake Star Partners maximized terms for founders and management with attractive incentive schemes and qualitative earn-out targets.
- Secunet fits perfectly with SysEleven's positioning as a secure German Kubernetes services provider with a focus on data security and privacy. The new partnership will strengthen SysEleven's market presence and support R&D.
- SysEleven will maintain its operational autonomy and support Secunet with tech know-how, service capabilities, and running the Kubernetes platform.

“I would like to thank the Drake Star team for their exceptional support on this transaction. Drake Star’s excellent network, sector knowledge and strong execution skills enabled us to obtain an outstanding result for SysEleven’s founders, shareholders, and employees. Their commitment and advice were crucial throughout a highly competitive and dynamic process...”



Marc Korthaus
CEO



FEDEROS | CASE STUDY

SALE OF AI-OPTIMIZED ASSURANCE, ANALYTICS AND AUTOMATION SPECIALIST

FEDEROS

A portfolio company of

EVOLUTION
CAPITAL PARTNERS

SALE TO

ORACLE

KEY VALUE-ADD

- ▶ Ready access to key decision makers across strategic and financial buyer universe
- ▶ Competitive, two step bidding process ensured market clearance with optimal valuation
- ▶ Full partner-led, advisory support from initial engagement through closing

Situation & Objectives

- Federos is a Specialist in AI-optimized assurance, analytics, and automation solutions and a leading provider of AI-enabled network service assurance software.
- The company provides a highly scalable and automated solution serving large telecom and enterprise markets.
- Being a PE-backed asset, Federos was seeking liquidity after a 5-year holding period.

Drake Star Services & Support

- Drake Star provided continuous support throughout the complex due diligence process.
- Marketed to a combination of strategic and private equity parties with competitive tension maintained throughout marketing phases.
- Robust interest driven by highly differentiated technology, outstanding commercial momentum and strong management team.
- Two-step bidding process led to competitive interest and increases in price.

Outcome

- 6 initial bids were received from both strategic and financial buyers.
- **Oracle was ultimately able to justify a higher price primarily due to revenue synergies; the final price was nearly 50% above the high end of the estimated range.**
- The acquisition extends Oracle Communications' application portfolio by adding AI-optimized assurance, analytics, and automation solutions to manage the availability and performance of critical networks and systems.



Keith Buckley

CEO



James Turino and the Drake Star team did an exceptional job of learning the Federos business, understanding where we fit best in the market, and partnering with us throughout the preparation and execution of our exit. By truly understanding our business and the right target acquiring companies, they positioned us for a highly-successful process and a great outcome for all investors, employees and the buyer...



TESTPLANT | CASE STUDY

LANDMARK SALE OF TESTING AUTOMATION SOFTWARE TO A LEADING US MID-MARKET PE FIRM



MAJORITY
SALE TO

THE CARLYLE GROUP

KEY VALUE-ADD

- ▶ Crafted a compelling equity story to position Eggplant as a leading test automation software provider
- ▶ Landmark transaction for a UK SaaS business with a leading mid-market PE firm in the US
- ▶ Carefully managed complex corporate structure and shareholders' dynamics to deliver the optimal outcome to all stakeholders

Situation & Objectives

- Eggplant operates an automated software testing tool, enabling organisations to create and execute tests, capture results and conduct predictive analysis.
- Offers a set of tools which support the design, development, test and management of software applications for mainframe, desktop and mobile use in any technology platform environment.
- Eggplant's products are used in over 30 countries by over 350 enterprise clients in sectors which include Financial Services, Automotive, Healthcare and Life Sciences, Media and Entertainment, Retail, and Defense & Aerospace.

Drake Star Services & Support

- Leveraged enterprise software sector expertise and Drake Star relationships to maximise appetite and competitive tension when going to market to both strategic and financial buyers.
- Successfully optimised valuation and deal structure to align interests among sellers, buyer and management.
- Ultimately chose Carlyle as the optimal acquirer and partner for growth - Carlyle invested in partnership with the existing management team, which will continue to build and support the innovative test solutions that have led to the company increasing its revenues ten-fold over the past five years.

Outcome

- Global process, involving financial and strategic buyers.
- **Competitive bids from multiple parties including several top-tier mid-cap US PE funds; generating significant competitive tension and a premium valuation.**
- Leading exit transaction for VC fund.



Chris Verdin

CFO



“It has been a pleasure to work with Drake Star twice. I don’t think we’d have managed to get there so smoothly without the Drake Star team, and I look forward to the next transaction. We are delighted to welcome Carlyle as our new investment partner...”



CONTACT GLOBAL OFFICES

GLOBAL PRESENCE

NEW YORK

950 Third Avenue, 20th Floor
newyork@drakestar.com

T. +33 1 58 18 39 00

LONDON

16 Berkeley Street, Mayfair
london@drakestar.com

T. +44 20 7112 7777

MUNICH

Ludwigpalais, Ludwigstr. 8
munich@drakestar.com

T. +49 89 1490 265 25

PARIS

25 Boulevard Malesherbes
paris@drakestar.com

T. +33 1 58 18 39 00

SAN FRANCISCO

50 California Street, Suite 1500
sf@drakestar.com

T. +1 415 400 6698

LOS ANGELES

1100 Glendon Avenue, Suite 905
losangeles@drakestar.com

T. +1 310 696 4001

BERLIN

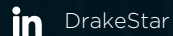
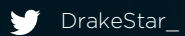
Friedrichstrasse 171
berlin@drakestar.com

T. +49 30 30366 - 2856

DUBAI*

Emirates Financial Towers
dubai@drakestar.com

T. +971 4325 4662



* Partner Office

GLOBAL IT TECH REPORT

H1 2023

Drake Star is an award-winning global tech investment bank that has completed over 400 transactions since 2013. Drake Star team of over 100 senior professionals across offices in New York, London, Paris, Munich, San Francisco, Los Angeles, Berlin, and Dubai* focuses on mergers & acquisitions and corporate finance services worldwide in Consumer & Retail Technology, Digital Media, FinTech, Mobility & Sustainability, Software/SaaS, Digital Services, and Industrial Tech sectors.

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For more information, visit www.drakestar.com.

*Partner Office