



## Market Insight Report Reprint

# Aging infrastructure

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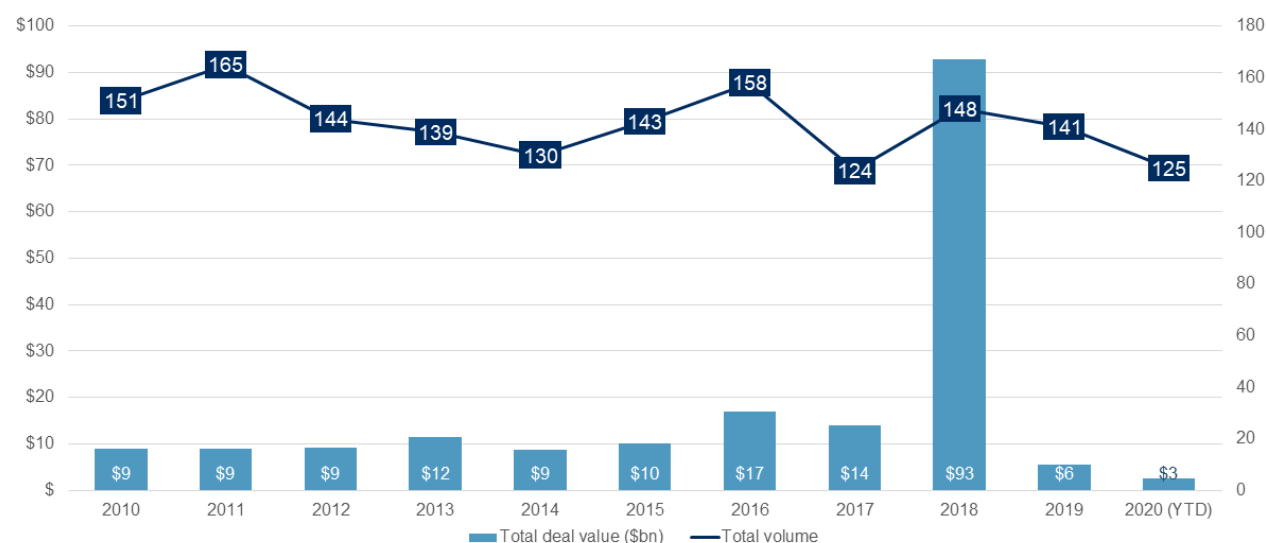
The pandemic bolstered the shift toward cloud computing. But it did little to improve exits for companies that sell the software for managing, monitoring and operating cloud and other IT environments. Spending on acquisitions of infrastructure management vendors is heading toward its lowest annual total in more than a decade.

According to 451 Research's M&A KnowledgeBase, acquirers have spent just \$2.6bn on infrastructure management vendors, less than half of last year's total and roughly one-quarter of the typical annual spending over the past decade. That's a sharp contrast with the rest of the tech M&A market, which, with \$550bn spent on tech targets, is approaching 2018's record level.

## A Laggard Market for IT Infrastructure Exits

### Infrastructure tech M&A

Annual acquisitions of IT infrastructure management vendors

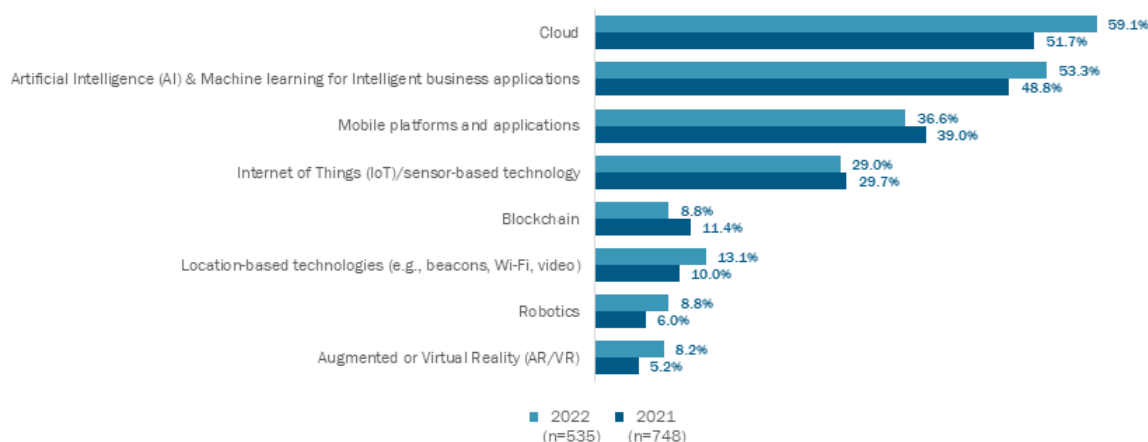


Source: 451 Research's M&A KnowledgeBase

The lull in M&A activity comes as vendors in the infrastructure management market navigate a transition toward cloud IT environments – a transition that's gained momentum in COVID's wake. In the year separating two runs of 451 Research's Voice of the Enterprise: Digital Pulse, Vendor Evaluations survey, the respondents reporting that cloud would transform their business in the coming years ticked up seven percentage points to 59%. Relatedly, 27% of those who took our October Coronavirus Flash Survey said the pandemic has permanently made their business more reliant on cloud services.

## Transformational Impact of Emerging Technologies

**Which of the following technologies do you expect to have the most transformational impact on your organization's business operations by 2021/2022? Please select up to three.**



Base: All respondents (asked in 2019 and again in 2020)

Source: 451 Research's Voice of the Enterprise: Digital Pulse, Vendor Evaluations

A market makeover often leads to new opportunities and new customer needs that spark big acquisitions at lofty prices. That's playing out right now in the semiconductor sector. Years after the incumbents resigned themselves to bolstering their bottom line through large deals at low multiples, the chance to sell chips into cloud datacenters and for AI applications spurred NVIDIA to pay \$33.5bn for ARM and AMD to pony up \$35bn of its stock for Xilinx. Both transactions carried multiples (19x and 12x trailing revenue, respectively) that are well beyond the norm for a semiconductor pickup.

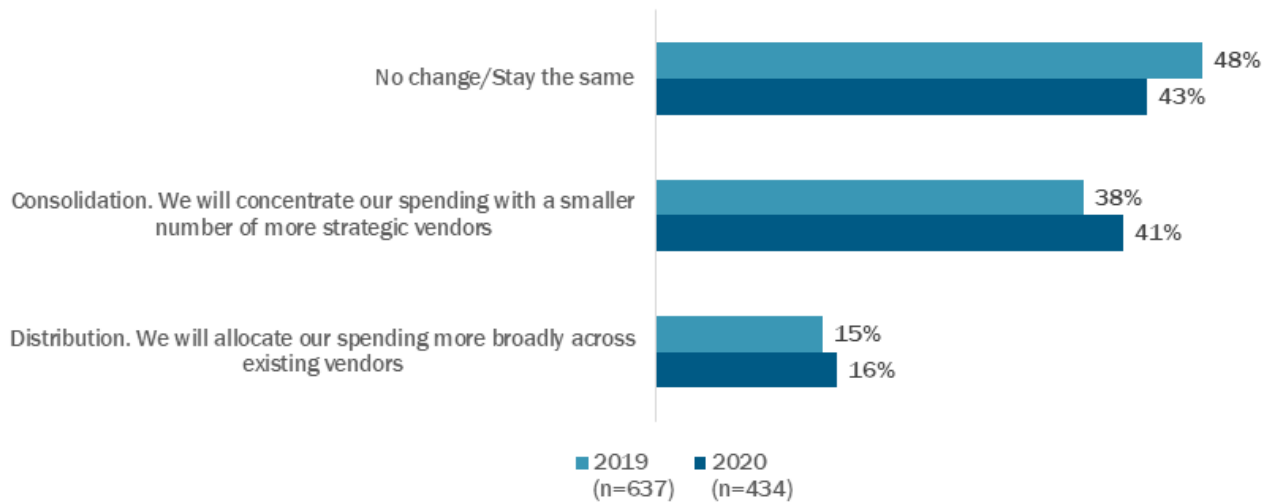
Yet, in infrastructure management, the would-be buyers, most of whom have been selling IT software since the client-server era, just aren't shopping like they used to. According to the M&A KnowledgeBase, the 10 most-frequent acquirers of infrastructure software since 2010 have scaled back their dealmaking in recent years. The cohort has inked just 34 tech acquisitions between them in 2020, a number that has steadily declined since 2010, when they posted 80 purchases. Citrix Systems, number three on the list, has gone two years without any prints. CA (number four) was itself scooped up by Broadcom more than two years ago and has been without an acquisition since.

But there's reason to expect the lull to end. IBM (number seven) has returned to M&A, putting up two prints in November alone, including the pickup of app monitoring provider Instana. And BMC Software (number eight) has four deals to its name this year – its most in nearly a decade. More broadly, customers are warning IT suppliers to bulk up on products to improve the odds of winning business in coming years. As my colleague Brenon Daly recently highlighted, there's a notable list of newly public IT monitoring firms that could emerge as buyers in that corner of infrastructure management, where businesses overwhelmingly say they want to purchase from fewer vendors.

That's also true of IT in general, where, in our aforementioned Digital Pulse survey, 41% of respondents plan to consolidate IT spending with fewer vendors in the coming years, more than twice the number that plan to distribute spending.

## IT Spending Expected to Consolidate

Which of the following best describes how your organization's IT vendor strategy will evolve over the next 2-3 years?



Sample Size = 434  
Base: All respondents

Source: 451 Research's Voice of the Enterprise: Digital Pulse, Vendor Evaluations

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