



Sector Spotlight: Software Testing

September 2023



Market Trends



The **adoption of DevOps** reshapes the software testing market by driving increased demand for automated and continuous testing tools to align with agile development practices and frequent releases. This shift also emphasizes collaborative testing efforts, focusing on early detection of defects and integration of testing throughout the development lifecycle.

The **integration of AI and machine learning into testing processes** enables intelligent test case generation, anomaly detection, and predictive analysis to enhance testing efficiency and accuracy.



The **increasing focus on user experience (UX)** is influencing the software testing market by necessitating a shift towards **comprehensive testing of usability, accessibility, and user interactions**. This demand drives the adoption of testing tools and methodologies that can evaluate software from the user's perspective.

With growing concerns about data breaches and privacy issues, organizations are adopting **behind-the-firewall testing tools** to ensure that sensitive information is safeguarded during testing and that software meets stringent security standards mandated by regulations.



Organizations are **leveraging crowdsourced testing platforms** to tap into a global pool of testers, enabling the **identification of a wider range of potential defects and usability concerns that might be missed through traditional in-house testing** approaches.

The **expansion of IoT and mobile applications** drives the need for specialized testing frameworks to validate functionality, security, and interoperability in diverse device environments, ensuring that complex interconnected systems can reliably deliver seamless experiences while maintaining robust security measures.



Notable Transactions

Target	Bidder	Date	Target Description	Buyer Description	Deal metrics
new relic	TPG	TBC	Software analytics solutions (USA)	Private Equity (USA)	EV \$6.5bn
RAPIDIT GENIE	kainos*	3-Jul-23	Specialist automated testing solution (USA)	IT services & software provider (UK)	-
(PreFlight)	appliTools	29-Jun-23	Automated software testing services (USA)	AI-powered visual testing platform (USA)	-
ANALYSTS QUALITEST	QUALITEST	4-Apr-23	Quality Engineering services (USA)	AI-powered Quality engineering company (UK)	-
Consultants	ALLEN	1-Mar-23	Software testing & Quality Engineering (Canada)	Engineering & tech consultancy (France)	-
enhops	proarch	23-Feb-23	Software testing & Quality assurance (India)	Managed Service Provider (USA)	-
MICRO FOCUS	opentext*	31-Jan-23	Global software company with QA focus (UK)	Information Management services (Canada)	EV \$5.7bn
ELEMENT 54	banyan	19-Dec-22	Behind-the-firewall software testing (Switzerland)	Software investor group (USA)	-
ShiftLeft	Planit	8-Nov-22	IT services and consulting provider (UK)	Software testing & Quality assurance (UK)	-
ZENQ	QUALITEST	23-Jun-22	Software testing services (India)	AI-powered Quality engineering company (UK)	-

Active Financial Buyers

THOMABRAVO

One of the largest software investors in the world
Sector focus: Software & Technology

HQ: USA (with global presence)
AUM: \$127B+

User Testing

12-Jan-2023
 San Francisco (CA), USA
Deal Value: \$1.3bn

Video-based human insight and Testing

pendo

11-Nov-2021
 Raleigh (NC), USA
Deal value: \$150m

Digital product development & management

applitools

AI powered Visual Testing & Monitoring
 30-Mar-2021
 San Mateo (CA), USA
Undisclosed Deal Value

AI-powered visual testing & monitoring platform

ASSOCIATES

Global PE firm with Sector focus in Technology, Financial services, Healthcare, Consumer, and Business Services

HQ: USA (with global presence)
AUM: \$50B+

VERACODE

15-Mar-2022
 Burlington (MA), USA
Post-money: \$2.5bn

Application security solutions
 (co-investor with ThomaBravo)

INVESTCORP

Global manager of alternative investments, specialized in technology and managed services

HQ: Bahrain (with global presence)
AUM: \$43B+

eficode

06-Mar-2023
 Helsinki, Finland
Undisclosed Deal Value

DevOps consultancy and managed services

Active Strategic Buyers

QUALITEST™

Backed by: Bridgepoint

Founded: 1997

Revenue: \$250m+

HQ: UK

Employees: 8,200+

AI-Powered Quality Engineering company, offering the full spectrum of integrated software testing solutions.

Recent acquisitions:



SMARTBEAR

Backed by: VISTA EQUITY PARTNERS

Founded: 2003

Revenue: \$150m+

HQ: USA

Employees: 800+

Developer of enterprise-class software development and testing tools designed to streamline the business process.

Recent acquisitions:



Tricentis

Backed by: Investor group (minority)

Founded: 2001

Revenue: \$110m+

HQ: USA

Employees: 1,400+

Provider of global services and solutions in Quality Engineering and Digital Assurance.

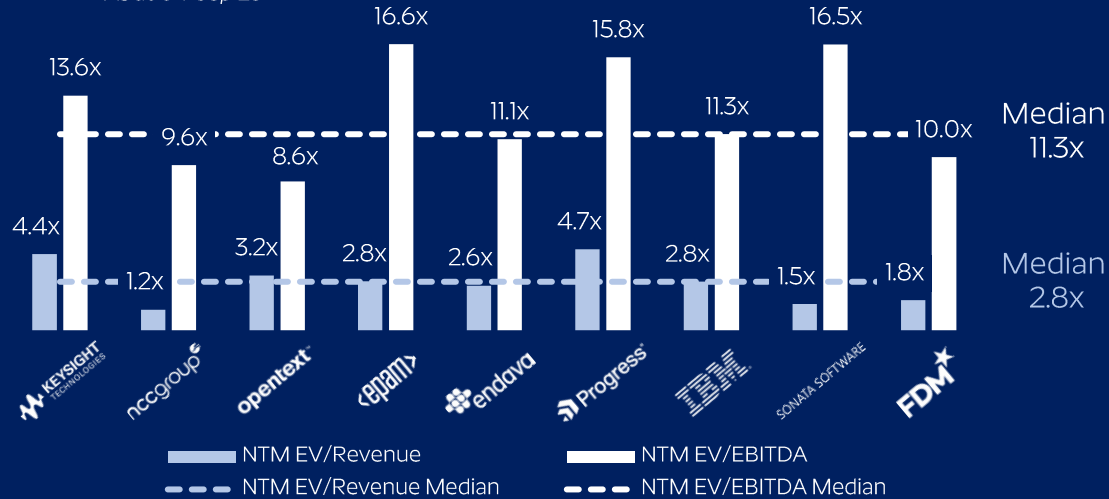
Recent acquisitions:



Public Comps

Software Testing Peer Group Valuation Multiples

As at 04-Sep-23



Sources: Capital IQ, Pitchbook

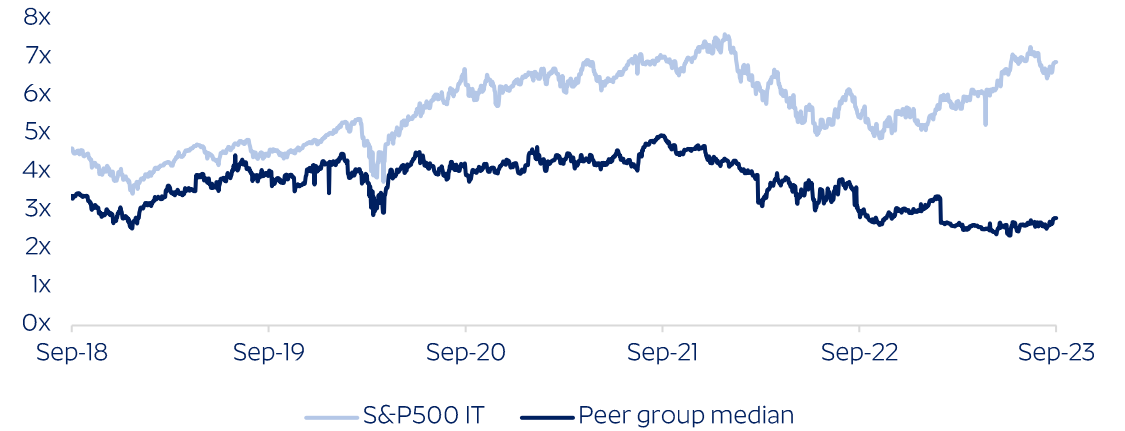
Market trends

\$45bn	54.3%	9.2%	40%
Software Testing Market Size, 2022	Application Testing segment of the Software Testing market, 2022	Forecasted market size growth, CAGR FY22-27	Growth contributed by North America, 2022-2032

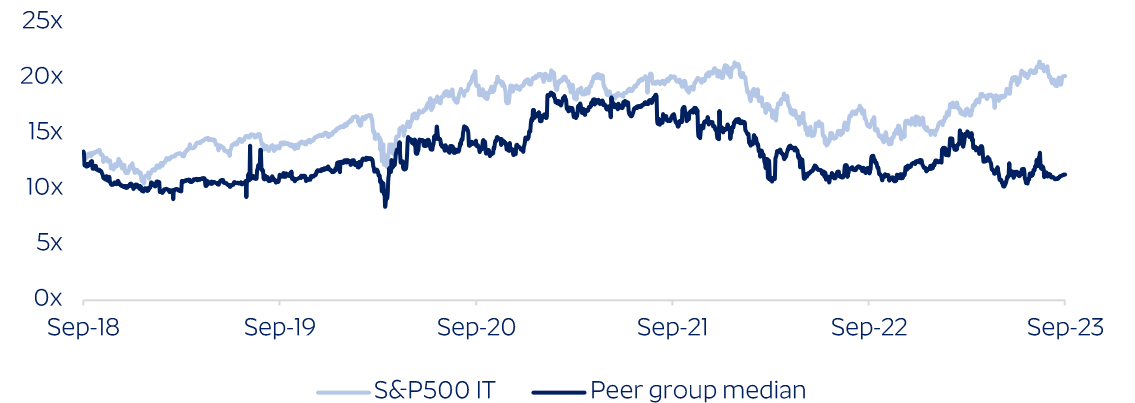
Sources: Global Market Insights, Technavio, Yahoo! Finance

Sector Valuations

NTM EV/Revenue over the last 5 years



NTM EV/EBITDA over the last 5 years



Sources: Capital IQ, Pitchbook

Sector Team



Aika Kussimova
Associate Director

Aika leads M&A transactions, origination and execution at Cisco across Services and Tech businesses across sectors. She joined the team in 2016 and has been working closely with clients across a range of sectors and geographies, having successfully completed recent deals across the US, UK, DACH and Benelux regions.

Her recent advisory work includes sell-side and buy-side mandates for businesses in Software Testing, Digital Experience and Digital Media.



William Oldcorn
Analyst

Will support the deal teams throughout the entire transaction lifecycle, starting from the initial sourcing of transactions all the way to their successful execution. He has a specific focus on Technology businesses, in particular across Software Development Lifecycle, Testing, and Cybersecurity.

Beyond his involvement in deal execution, Will actively contributes to Cisco's Origination and Market Intelligence efforts.

Specialist Senior Advisor



Matt Bruun
Senior Specialist
Advisor
Software and GTM

As a Specialist Senior Advisor at Cisco, Matt brings his extensive experience in DevOps, Software Testing and Cybersecurity to the forefront, offering valuable insights and guidance to the teams.

His vast experience of over 25 years includes senior GTM leadership positions at SauceLabs, Forepoint and Symantec, offering a wealth of practical knowledge and strategic perspective to enhance the team's capabilities.

Contact us: SoftwareTesting@cisco.com

Relevant Experience

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