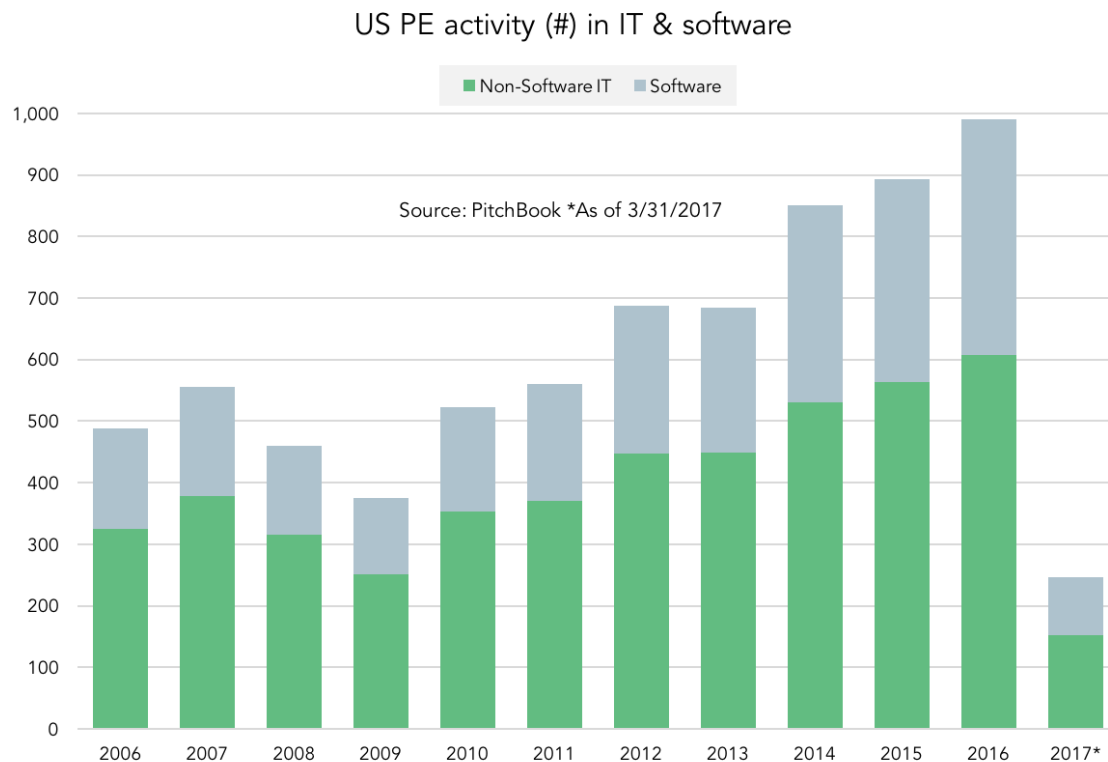


PE moves further into IT, software

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Thoma Bravo, Vista Equity Partners and Silver Lake used to be the paramount examples of the few notable PE firms making primarily tech and/or software plays. However, overall investment within the IT industry has grown significantly over the past several years, cresting to no less than one-fifth of all US PE transactions within the first quarter of 2017 alone. Software businesses made up 63.1% of all IT deals in 2016. The typical roster of reasons for increased exposure to tech firms in PE portfolios all apply: emphasis on higher growth prospects by focusing on select segments, willingness to engage with tech's higher valuations by leveraging synergies and add-on plays, and strategies to address the inclusion of tech companies within broader industry applications. In fact, that last is partially a result of the overall technology industry's cycle since the dot-com bust, which also helps explicate why so many more PE firms are jockeying to invest in IT. Since the initial euphoria of the dot-com era, the software industry has matured and moved into nearly every other sector, blurring the once-simpler distinctions between, say, traditional consumer plays and related software products and services providers. Consequently, PE firms have brought traditional operationally focused strategies to bear when conducting buyouts within the space, tapping operating partners for differentiation and even paying up considerably to win in auctions, hoping for potentially swifter pathways to liquidity. Looking forward, this trend should hold strong in the rest of 2017, as the overall industry's push to convert to recurring revenue models aligns nicely with PE

models and, moreover, opens up opportunities for PE to take stakes.