Software chugging along

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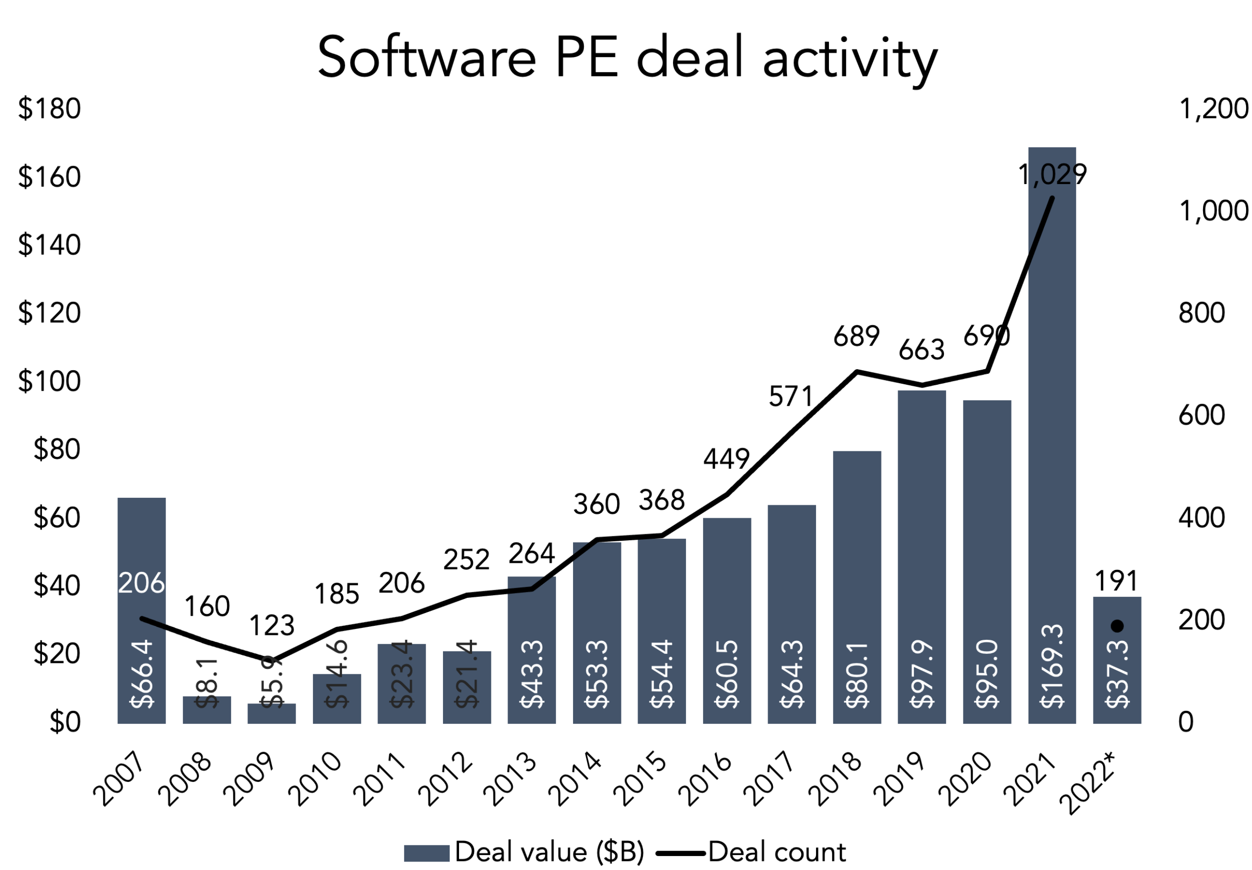

Download PitchBook's Report here.

One sector that never really slowed is software. PE activity reached new heights last year, with almost $170 billion invested across more than 1,000 transactions. Combined value was 78% higher YoY, while deal flow jumped by 49%, according to PitchBook's Q1 US PE Breakdown Report.

Recent NASDAQ jitters have put the venture market on the spot. Young tech companies, which include plenty of software developers, are tightening their belts. Several weeks ago, Instacart voluntarily cuts its valuation by 40%; going forward, voluntarily or not, more valuation cuts are likely on the way. But the ominous feeling in the startup world is reversed on the PE side. Downsized multiples, for either public companies or late-stage startups, present yet another buying opportunity in the software space. Lower EBITDA multiples will translate into smaller equity checks, counterbalancing rising interest rates and borrowing costs. PE could also present an enticing exit ramp for those late-stage startups, even if it comes at a smaller exit multiple than the startup hoped for. If public tech valuations keep going down, the startup IPO path doesn't look as promising—and their public counterparts are less likely to acquire them, too. If current trends continue, we could see another big year for PE software investment.

(Past performance is no guarantee of future results.)