

# Buyouts

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## NEWS & ANALYSIS

# Tech's star continues to rise within private equity

The sector's ascent accelerated with covid, with more record-breaking fundraising ahead.

**T**echnology, once largely absent from private equity's vocabulary, is today a market driver that will only become more potent in the years ahead.

Signs of the trend are not difficult to find. They include the Buyouts 100, where leading PE brands founded in the 1970s and 1980s are mixed with more recent software upstarts like Thoma Bravo, Vista Equity Partners and Silver Lake.

Tech PE's rapid rise owes to unprecedented fundraising. Capital flowing into tech funds in North America has since 2016 averaged \$100 billion-plus. Fundraising peaked last year, when 365 vehicles secured \$180 billion, led by Silver Lake's \$20 billion Fund VI and Thoma Bravo's \$17.8 billion Fund XIV – the two largest tech pools ever.

This year could see even more record-breaking fundraising. In the first half alone, 198 vehicles collected \$105 billion, preliminary Buyouts data shows.

Limited partners are pouring money into tech because of its consistent, all-weather performance. "The sector has the strongest demonstrated tailwinds and the strongest demonstrated growth," Advent International managing partner Bryan

Taylor says. "It also has the strongest demonstrated resiliency."

Software gave proof of these characteristics during the pandemic. Instead of slowing down with covid-19's outbreak, it encountered new opportunities and sped up.

A key to this was the covid's acceleration of digitalization that companies were already bringing to customer and supply-chain interactions, internal operations and product portfolios. "Covid pushed a lot of mission-critical initiatives forward," Thoma Bravo managing partner Seth Boro says. "Businesses had no choice."

### 'It just keeps going'

Thoma Bravo, a mostly control-oriented investor in enterprise application, infrastructure and security software opportunities, sees an equally compelling post-covid trajectory, Boro says: "Once projects and processes are in place, it just keeps going."

As this happens, technology's role and influence in private equity's deal environment will invariably expand, Boro says. "Software is everything," he says. "It's not a vertical. Every business in every

industry in every geography runs on software."

Taylor agrees: "Tech has never been stronger than it is today – it permeates everything we do. A colleague of mine recently remarked that in 10 years there will be no tech private equity investing, just tech investing."

Advent Tech, headed by Taylor, was formed in 2019 to build on Advent's tech track record. Raising \$2 billion for a debut pool, it invests flexibly across the tech landscape, increasing the opportunity set for Advent's \$17.5 billion Fund IX.

Continuing software investing will bring in new capital and players. This suggests brisker fundraising, as incumbents roll out larger offerings and peers with little or no tech exposure decide to create it. The launch of emerging managers led by veteran tech investors completes the picture.

Expect all this to intensify competition, Boro says. He is not fazed by the prospect, however, noting that experience shows fast-growing software opportunities will absorb all newcomers. "There was never a time," he says, "when Thoma Bravo didn't feel the market to be competitive."