

PERELLA WEINBERG

CAPITAL MARKETS INDUSTRY CONFERENCE

THE SOFTWARE RESET

WHAT'S NEXT FOR SOFTWARE IN THE AGE OF AI

TUESDAY, MARCH 17, 2026



WHITE PAPER

CONFERENCE TAKEAWAYS

As a testament to the day's topic, this white paper was drafted with the help of AI technology.

On March 17, Perella Weinberg convened a group of leading investors, operators, and capital markets practitioners for a half-day conference examining one of the most consequential shifts underway in the global economy: the impact of artificial intelligence on the software industry and the credit markets that have financed it. What follows is a summary of the key themes and takeaways from the day's discussions.

OPENING FRAME

The Central Thesis – A Perfect Storm

The day opened with a striking framing: the software and credit markets are not navigating one disruption, but two simultaneously. The first is a classic late-cycle credit stress – characterized by years of abundant liquidity, historically tight spreads, aggressive leverage, and weakening underwriting standards – that is now showing signs of strain.

The second is something far less predictable: a generational platform shift driven by AI that is fundamentally altering the value of software businesses that underpin hundreds of billions of dollars of leveraged debt.

Individually, either development would be significant. Together, they create the conditions for extraordinary dispersion – and extraordinary opportunity for those who navigate carefully.

The State of Software

- 1 AI represents a platform-scale shift – with unusual uncertainty about the path and timing. The consensus view across panels was that the current transition is at least as significant as the shift from on-premise to cloud two decades ago, and likely more acute. But unlike prior platform transitions, the range of potential outcome paths is unusually wide, and there is genuine disagreement – even among the most informed participants – about the relative likelihood of those paths and how quickly the impact will be felt. Historical precedent suggests many incumbent software companies fail to navigate such transitions successfully.
- 2 Incumbents are leaning in, not standing still. Incumbent software vendors are acutely aware of both the threat and the opportunity. The most forward-leaning companies are making substantial investments to embed AI across their product suites and are actively pursuing acquisitions to accelerate capabilities they cannot build quickly enough organically. M&A is increasingly viewed as a necessary accelerant, not just an option.
- 3 Investors are engaged in a rigorous sorting process. Across venture, growth, and private equity, participants described a significant tightening of investment frameworks. The criteria that came up most consistently:

DURABLE MOATS

- › Intimate knowledge of sector workflows – deep vertical expertise and embedded relationships
- › System of action – actively running agents, executing workflows, delivering measurable outcomes
- › Proprietary data – regulated, offline, or physically derived data assets
- › Regulatory barriers – compliance, auditability, and deterministic accuracy requirements

MOST SUSCEPTIBLE TO DISRUPTION

- › Point solutions without durable moats
- › Horizontal tools operating on publicly available data
- › Software providing verifiable answers in knowledge domains

- 4 **AI-native companies are setting a new benchmark.** A new cohort of AI-first software businesses is scaling faster than anything previously seen in enterprise software – moving from zero to hundreds of millions in annualized revenue in a matter of quarters. These companies are intensifying the pressure on incumbents while simultaneously creating new opportunities for growth and venture investors.
- 5 **Barriers to building software have collapsed.** AI-powered coding tools have fundamentally changed the economics of software development. Features that once required large engineering teams can now be replicated in a fraction of the time. This meaningfully erodes the competitive moat of many incumbent vendors and makes the threat of customers building their own solutions increasingly real.

Capital Markets & Credit

The impact of AI on software valuations and business models does not exist in isolation — it is interacting with, and amplifying, a number of other financial market dynamics that together create an unusually complex environment.

- 1 Slowing revenue growth is compressing SaaS valuations.** The reset in growth expectations has already driven software multiples to levels not seen since the financial crisis, with median companies trading at a fraction of their 2021 peaks.
- 2 Sponsor portfolios carry significant legacy risk.** A large volume of software assets were acquired by PE sponsors at peak multiples in 2020–2021. Those businesses now face a double challenge: recalibrating to AI-era competitive dynamics while managing capital structures built on assumptions that may no longer hold.
- 3 Credit markets are showing signs of stress.** The software lending market — the largest single sector in both the leveraged loan and direct lending markets — is exhibiting classic late-cycle characteristics. ARR-based lending, weak documentation, and aggressive structures originated in a low-rate environment are increasingly under scrutiny.
- 4 Retail investors are increasingly uneasy.** The rapid expansion of private credit vehicles marketed to retail and retirement investors — many with substantial software exposure — has created redemption and transparency concerns adding pressure to an already stressed market.
- 5 Refinancing risk is front of mind.** With a meaningful maturity wave approaching in 2027–2028 and valuations under pressure, both corporate borrowers and sponsors are working through refinancing options well ahead of maturity. What seemed like a straightforward path even six months ago now involves more complexity, higher cost of capital, and greater lender scrutiny.
- 6 Amend-and-extend is the path of least resistance — for now.** Lenders are broadly reluctant to commit new longterm capital to software credits at this stage of the cycle. Creative structures including shorter-duration facilities, junior capital components, and amortization provisions are increasingly part of the conversation.
- 7 Private credit is positioned to play a constructive role — at a price.** Private credit's ability to provide bespoke solutions positions it well to serve companies navigating difficult transitions. The cost of capital for software has risen materially, but capital is available for well-structured situations with credible theses.
- 8 Software M&A has slowed — but the framework for a rebound is forming quickly.** Software M&A activity has slowed sharply. However, leading indicators — board-level conversations, advisory and pitch activity, early-stage deal processes — are running ahead of closed transactions. The consensus expectation is for a meaningful rebound in activity in the second half of 2026.

Navigating Unusual Times

Credit cycles are a normal and recurring feature of markets; what makes this moment unusual is the overlay of a technology transition that is genuinely unprecedented in its speed and scope. Historical analogs – the PC era, the smartphone transition, the rise of streaming – all produced significant disruption and dispersion, but none unfolded quite this quickly or touched quite as many sectors simultaneously.

Do not expect linear outcomes. The AI transition will produce extraordinary winners and significant casualties, and the path between here and there will be non-linear and difficult to time. Caution is warranted – but so is the readiness to be aggressive when assets get cheap enough to reflect the genuine uncertainty.

In the end, the most important skill may simply be the willingness to do the fundamental work: understanding individual businesses, testing assumptions, and resisting the temptation to treat an entire sector as monolithic.

Our View & Commitment

We are deeply grateful to everyone who joined us on March 17. The quality of the conversation reflected the seriousness with which all of you are approaching these questions, and we left the day with our thinking sharpened and our conviction strengthened that this is one of the most important moments in recent memory for the software and credit markets.

The Software Reset was conceived because we believe the intersection of AI disruption and credit market stress in software is not a temporary dislocation – it is a structural reset that will reshape the industry for years to come. The scale of the platform shift, the compounding effect of financial market dynamics, and the genuine uncertainty about timing and outcomes all point to a period of significant challenge and significant opportunity unfolding in parallel.

The companies, investors, and lenders who do the fundamental work now – developing rigorous frameworks, engaging seriously with the sorting process already underway, and positioning their capital structures and portfolios for a range of outcomes – will be the ones who look back on this moment as defining.

We are committed to being a resource and a partner to all of you as this unfolds, and the conversations we had on March 17 are ones we intend to continue.

ATTENDEE Q&A RESULTS

If you did not have a current portfolio and were looking to deploy new capital, what asset class would you prefer to invest new dollars into?

a. VC



b. Growth Equity



c. Private Equity Software Sector



Here's how the AI models replied...

 **Claude** c. Private Equity Software Sector

 **ChatGPT** c. Private Equity Software Sector

 **perplexity** c. Private Equity Software Sector

How much of the total software spend in 5 years will be captured by the current software incumbents (excluding model companies)?

a. >90%



b. >75%



c. >50%



d. >25%



e. <25%



Here's how the AI models replied...

 **Claude** c. >50%

 **ChatGPT** b. >75%

 **perplexity** c. >50%

ATTENDEE Q&A RESULTS

Over the next 12 months, which of the below would you rather be invested in?

a. Syndicated Credit



b. Private Credit



Here's how the AI models replied...

 **Claude** b. Private Credit |  **ChatGPT** b. Private Credit |  **perplexity** b. Private Credit

Which area do you think will experience the greatest job losses as a result of AI?

a. Finance / Legal



b. Programming / Coding



c. Industrial Job Base



d. Education



Here's how the AI models replied...

 **Claude** b. Programming / Coding |  **ChatGPT** a. Finance / Legal
 **perplexity** a. Finance / Legal

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