

Thoma Bravo Says Public Markets Have Software Wrong, And Is Positioning To Buy

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As software stocks entered what market participants have taken to calling the “SaaSocalypse”, a sector-wide rout that has erased an estimated \$2 trillion in market capitalization since the start of 2026, Thoma Bravo held its annual limited partner meeting in Miami and delivered a pointed counterargument: public markets are not being discerning enough.

The firm, which manages more than \$183 billion in assets across roughly 80 software companies, circulated LP meeting materials arguing that investors are selling software on generalized AI fear rather than company-level fundamentals. The slides were subsequently shared on social media by financial commentator @TheLcahnist on X.com, drawing broad attention from investors and analysts.

A Split Verdict on AI Disruption

Thoma Bravo’s position is more nuanced than a blanket defense of the sector. Orlando Bravo, co-founder and managing partner, told CNBC’s Leslie Picker at the Miami meeting that AI disruption in software is real – but unevenly distributed. “There are many, many software companies in the public markets that will be disrupted from AI,” he said. “Those companies were going to be disrupted anyway.”

At the same time, Bravo argued that another category of software companies, those with deep domain expertise embedded in their products, absorbed unjustified valuation hits and are, in his characterization, “phenomenal businesses that are actually going to be big winners in the agentic era.” He declined to name specific companies in either category.

Managing partner Holden Spaht reinforced the view on Bloomberg Television, saying the market conflates all software when the underlying dynamics vary sharply by sub-sector. “To think that all software is the same, they’re missing the mark a bit,” Spaht said. “We think this could be a really exceptional buying opportunity.”

The Scale of the Selloff

The backdrop is severe. The iShares Expanded Tech-Software Sector ETF (IGV), the sector’s primary benchmark, is down roughly 28% from its September 2025 all-time high. Price-to-sales ratios have compressed from approximately 9x to 6x, levels not seen since the mid-2010s. Shares in Salesforce and Adobe have fallen around 12% in recent weeks.

The driver is structural anxiety. As AI agent platforms from companies including Anthropic and OpenAI have demonstrated the ability to perform workflows previously requiring multiple

human employees, investors have begun questioning the per-seat SaaS licensing model. The logic: if one AI agent replaces multiple users, seat counts compress, and with them, subscription revenue. Atlassian reported its first-ever decline in total enterprise seat counts; Workday and Monday.com have struggled to defend their valuations.

Speaking at Davos in January 2026, Bravo told the Financial Times that the selloff “reflects an overreaction” by markets worried that AI tools would replace traditional software vendors. “Software is not at all about the code or about the technology. Software is about your domain knowledge,” he said. The firm, he noted, recently raised a \$24.3 billion fund dedicated specifically to software deals.

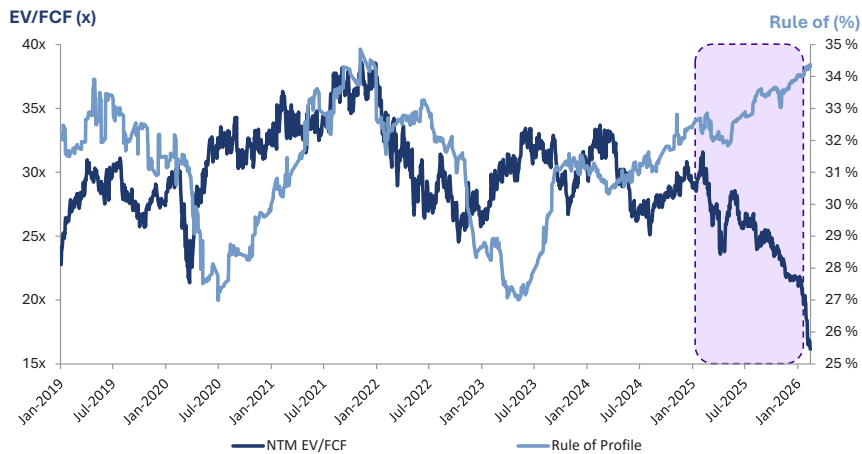
Private Equity Moves to Capitalize

Thoma Bravo is not the only software-focused PE firm working to contain LP anxiety while signaling opportunism. Bloomberg reported in February that both Thoma Bravo and Vista Equity Partners proactively reached out to fund investors, reassuring them that portfolio company performance had not deteriorated in line with public market valuations. Vista’s chief executive said volatility was sentiment-driven, with most portfolio companies seeing no meaningful churn from AI al-

Valuations Have Compressed While Fundamentals Improved

Public Software Valuations vs. Fundamentals

NTM EV/FCF Multiples vs. NTM Rule of Profile¹



1) Goldman Sachs, "The State of Software 2026," 2026; FactSet, Market Data as of February 13, 2026. Rule of Profile defined as free cash flow margin plus 2 times revenue growth.

What's Happening in the Public Markets

- Fundamentals have improved
- Valuations have compressed in recent periods
- Fundamentals and values have diverged

Thoma Bravo's View

- Not all software companies are created equal
- Business durability matters more than sentiment
- Dislocation creates opportunity

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In February, ahead of the LP meeting, Bravo told CNBC that software stocks are "oversold" and located the real structural problem in public software as a lack of profitability rather than AI displacement. "Most of these 300 publicly traded software companies, they don't have enough profits. They trade as a multiple of revenue, and that's very, very dangerous," he said. He added that the firm was actively looking at domain-expert names it considered cheap.

Deal activity reflects the thesis. Thoma Bravo acquired Dayforce, the human capital management platform, in a \$12.3 billion take-private anchored by a minority investment from the Abu Dhabi Investment Authority. It also closed a \$10.55 billion acquisition of Boeing's aviation software division, encompassing Jeppesen and ForeFlight, and took restaurant software provider Olo private in a \$2 billion all-cash deal.

A Candid Admission on Medallia

Unusually for a firm presenting to its own investors, Bravo addressed one of Thoma Bravo's most visible missteps directly. He acknowledged overpaying for

customer experience software company Medallia in a \$6.4 billion take-private in 2021, saying the firm extrapolated growth rates that did not hold. "When we bought it, we way overestimated or extrapolated the very high rate of growth of that company into the future. We made a mistake. And that cost us to pay too much. Now, the equity from our standpoint has been impaired for a long time," he said.

Apollo Global's private equity leadership had previously cited the Medallia deal as emblematic of PE misjudgment in the 2021 vintage, describing the outcome as "worse than people expect," according to the Wall Street Journal.

LP Confidence and Broader PE Dynamics

Despite the market disruption, Bravo maintained that Thoma Bravo's LP base remains confident, citing the firm's transparency on portfolio marks and a track record of exits. "They've seen our marks, they've seen our exits, they've seen our progression. Everybody's extremely comfortable," he said.

That stands in contrast to the broader LP environment Bravo described at a

Bloomberg event in December 2025. There, he warned that some of the world's largest institutional investors were pulling back from AI commitments entirely. "There are some enormous LP institutions, some of the best, that are sitting on the sidelines right now for the first time that I've seen in 30 years," he said.

He simultaneously warned of the opposite risk in private markets – undisciplined AI investment driven by fear of missing out. "In private markets, there's a FOMO over AI that they need to be a part of it and that will cause a lot of young people to make a lot of mistakes," he said.

The LP materials now circulating publicly crystallize the asymmetric thesis Thoma Bravo has been articulating for months: AI is a genuine disruptor for some software businesses, a non-event for others, and for a firm with \$183 billion in software-specific experience, the current pricing dislocation is an opening rather than a threat. Whether that thesis holds depends on how quickly AI agent adoption moves through enterprise procurement, a timeline public markets have clearly decided not to wait on.

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