FINANCIAL TIMES
WEDNESDAY, 21 JANUARY 2026
FT.COM

Private equity

Private equity giant Thoma Bravo eyes software deals as shares fall

Firm's co-founder Orlando Bravo tells FT that sector sell-off is creating a 'huge buying opportunity'

ARASH MASSOUDI AND ANTOINE GARA— NEW YORK

Private equity giant Thoma Bravo is seeking to capitalise on the recent sell-off in software stocks, preparing what could be a wave of large takeovers.

The plunge in software valuations, driven by fear of an existential threat from AI, was creating a "huge buying opportunity", Orlando Bravo, the firm's co-founder, told the FT in an interview at the kick-off for the annual World Economic Forum in Davos, Switzerland.

He said the recent correction in the sector was an overreaction by investors worried that big businesses would use AI tools to replace traditional software services. The US-based group is the sector's largest and most prolific private equity dealmaker, managing more than $180bn, and recently raised a $24.3bn fund for software deals.

Bravo's comments come after a plunge in software valuations in recent weeks. Software is one of the US stock market's worst-performing sectors so far this year, with an index tracking the group down about 7 per cent over the past three weeks.

Microsoft, Meta and Oracle have fallen 4.2 per cent, 7 per cent and 7.4 per cent, respectively, over the same period, while Salesforce and Adobe have both dropped by about 12 per cent.

The PE firm, which last year struck a $12.3bn deal to take HR software giant Dayforce private, believes specialised software companies will be insulated from AI disruption if they are market leaders in specific processes, such as cyber security or payroll technologies.

"Software is not at all about the code or about the technology. Software is about your domain knowledge," said Bravo. "Most software companies know a specific vertical, a specific process, a specific function so well that there are three to five companies in the world that know it, and about 20 individuals in the world that really, really know it. That is the franchise. That is the value. That is what you cannot replicate."

Bravo said companies trying to replace these software tools with their own internal AI capabilities might uncover some savings but struggle to maintain their IT departments, making it unappealing to replace legacy software systems.

"Nobody's going to replace payroll with AI. Payroll has to be right. There are some planning functions that you will not replace with AI," he said.

Bravo's comments come as other large private capital groups have grown increasingly cautious on software deals due to AI risks.

The FT reported last year that Apollo Global cut its exposure to software companies and even shorted some of their debts over AI fears. Blackstone president Jonathan Gray told the FT that assessing AI risks on new investments had become the top priority of the group, which has $1.2tn in assets.

US software stocks have slumped since the end of October

S&P 500 Software index

Ther index includes 22 of the biggest US software companies
Source: Bloomberg

Still, Bravo acknowledged some software companies without specialisation were "absolutely vulnerable" to disruption.

He also said some public software companies had become "unbuyable" due to their excessive stock compensation, which would prevent PE buyers from paying acceptable prices to strike takeovers given that the stock grants would have to be paid for in cash.

While Bravo has maintained his optimism about the health of the sector, an area of explosive growth in private markets over the past decade, the PE firm has not been immune from challenges.

Its $6.4bn takeover of customer service software company Medallia has soured in part due to AI-related issues. Bravo has also been bullish on software companies in most environments, including during a pandemic-era surge in valuations.

In 2021, Bravo said it was "irresponsible, almost" to retrench from making new investments because of valuation fears. "Good luck in sitting on cash and waiting for the market to get cheap," he said.

Within months of Bravo's comments, the Federal Reserve's swift increase in interest rates caused tech valuations to plunge. That year, Thoma Bravo struck a wave of takeovers at multiples that many dealmakers and advisers now believe were too high.