

Markets

Private Market FOMO Over AI Will Lead to Mistakes, Bravo Says

By Dani Burger and Daniel Cancel
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The rapid advancement of artificial intelligence technology is stirring up “enormous” anxiety among investors, as firms struggle to judge which tech companies are worth the risk, according to Thoma Bravo founder Orlando Bravo.

Speaking at the Bloomberg New Voices event in Miami on Friday, Bravo said the hype around AI has triggered a fear of missing out across private markets, pushing some firms into decisions that they may later regret.

“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,” Bravo said at the event.

Across public markets, investors are “trading these businesses on PE multiples and if you’re not making money, they’re punishing your stock,” he said.

Fund investors, known as limited partners, are also expressing hesitance about investing in AI on worries that the sector is overvalued or too risky, he said.

“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,” Bravo said. Investors want to understand the product better before moving forward on a deal, he said.

Private equity firm Thoma Bravo has become a mainstay in software and technology investing. It managed more than \$180 billion of assets as of Sept. 30. Since the founding of its current iteration in 2008, it’s been involved in roughly a fifth of all private equity buyouts in the sector as measured by value through April, according to data compiled by Bloomberg.

Bravo, 55, was born in Puerto Rico and



Orlando Bravo Photographer: Scott McIntyre/Bloomberg

keeps close ties with the island through his family foundation. As a teenager he moved to Florida to pursue a career in tennis, later studying at Brown University on a scholarship.

After a stint at Morgan Stanley as an investment banker and obtaining a law degree from Stanford University, Bravo joined Thoma Cressey Equity Partners and later founded Thoma Bravo. Bravo has amassed a personal fortune of about \$14.7 billion, according to the Bloomberg Billionaires Index.

In August, Thoma Bravo acquired human resources software provider Dayforce Inc. in a \$12.3 billion deal, one of the largest deals its ever done. In June, the firm said it had raised \$24.3 billion for its latest

flagship buyout fund.

AI technology will be “transformative” for companies over time, but many need to “hit their numbers now and really invest,” Bravo said on Friday. At the moment, “some of these valuations are really out of whack,” he added.

Despite the high valuations, Bravo said there’s still plenty of investment opportunities.

While widespread productivity gains from AI will take time to realize, the technology shift has initially led companies to think about how to restructure, to “either redo their processes in a good way or just old-fashioned take cost out and increase their margin,” Bravo said.

— *With assistance from Isabella Farr*