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PE DEALS

Thoma Bravo's Holden Spaht: 'Dislocation in the public markets' fueled active year

The tech-focused PE firm announced nine take-private acquisitions in 2022, including Anaplan, Bottomline, SailPoint and Ping Identity.

Tech-focused private equity firm Thoma Bravo had an extraordinarily active year, taking advantage of the declining valuations of public technology firms to close some really big take-private deals in 2022, including acquiring business planning software provider Anaplan for \$10.4 billion and business payments tech provider Bottomline Technologies for \$2.6 billion, as well as buying identity management enterprise software developers SailPoint Technologies for \$6.9 billion and Ping Identity for \$2.8 billion.

Among the firm's exits was the sale of K-12 administration software provider Frontline to Roper Technologies for \$3.7 billion.

In December the firm closed its newest three funds on more than \$32.4 billion, with its 15th flagship fund at \$24.3 billion. The firm has offices in Chicago, Miami, San Francisco and has announced it will open one in London.

PE Hub's ongoing Q&A series with private equity leaders reflecting on highlights from 2022 and sharing their outlooks for 2023 continues with Holden Spaht, a managing partner at Thoma Bravo.

What were the most important trends in dealmaking in 2022?

Following a period of record-breaking activity since late 2020, dealmaking began to slow in mid-2022 as inflation gathered



Holden Spaht, Thoma Bravo

steam, interest rates rose, and both economic and geopolitical uncertainty set in. As the cost of capital rose, valuations declined significantly – particularly for companies with strong revenue growth but low or non-existent profit margins – and sellers were few and far between. The private debt markets filled an important capital gap vacated temporarily by the big banks who suffered losses on some of their larger loan commitments. The dislocation in the public markets provided more opportunities for investors like Thoma Bravo to identify and partner with fundamentally strong companies that would benefit from our strategic and operational capabilities in the private sector.

What was the biggest challenge to completing deals in 2022?

Across the board, the market had fewer willing sellers in 2022 compared to recent years due to the adjustment in valuation expectations and reluctancies to take a down round or exit at a reduced multiple. However, high-quality companies continued to receive investor attention and attractive partnership and exit opportunities. In fact, despite a general slowdown in the sector, Thoma Bravo continued to be an active private equity investor in 2022 on both the buy and sell side, having announced nine take private acquisitions representing over \$36 billion in combined deal value this year alone.

How do you expect the first six months of PE dealmaking in 2023 to compare with the last six months of 2022?

We expect the start of 2023 will resemble the past six months of 2022 as market players continue to adjust their bearings to this new, less certain economic environment. We've already begun to see that financing is no longer cheap and plentiful and growth companies will need to make tough calls in order to navigate these markets – including to strategically consider the best path forward for financing and to challenge the existing culture in which growing valuations, even absent growing profits, are worn like a badge of honor. At Thoma Bravo, we're



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looking forward to continuing to identify opportunities to partner with market leaders and help management teams innovate and achieve profitable growth.

What will be the most important trends affecting dealmaking in 2023?

There is no denying that the macroeconomic headwinds from inflation, rising interest rates and geopolitical tensions will present challenges for the dealmaking environment in 2023. Yet we at Thoma Bravo are confident many of those challenges also present opportunities to identify market leading software and technology companies poised for growth and to continue to expand our portfolio. We expect enterprise software, in particular, to continue to outperform the market as companies across sectors look to

digitally transform their business models to be productive, competitive and secure. As such, we expect dealmaking in software and technology will continue to be active.

What should the private equity industry be most worried about?

After more than 40 years of investing, Thoma Bravo has become an experienced and successful investor across all market cycles. Front of mind for investors and management teams right now are the expectations that new sales and bookings will slow while input and borrowing costs will remain high. Companies will need to be thoughtful about expenses so that if the top line is affected, the cost structure can sustain the company going forward. We are proud to be able to leverage our history, our people and our networks to help portfolio companies navigate these exact challenges.

What should PE folks be most excited about for 2023?

2023 will be, at times, uncertain and turbulent for investors and companies alike, however, private equity's governance structure – clear direction from a control owner – is a competitive advantage in these conditions and highly sought after by existing owners and operators. During these times, we will also see true leadership emerge among our portfolios. Leaders who have built great teams, are nimble operators and collaborative decision-makers will see their businesses emerge stronger through this cycle. As always, the software and technology space remains an exciting place to be, and we are optimistic about the continued opportunities ahead for partnership with great companies.