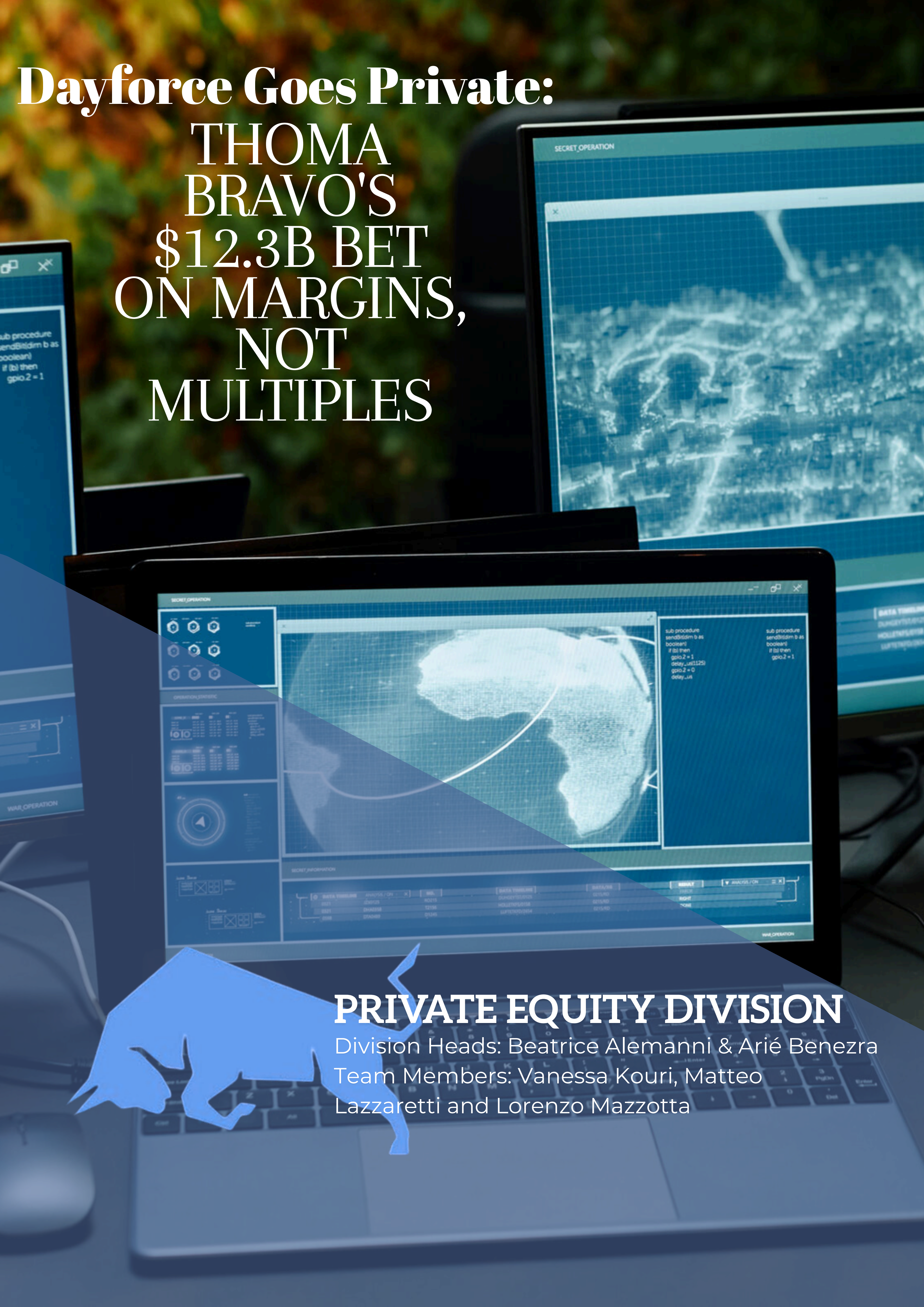

Dayforce Goes Private:

THOMA BRAVO'S $12.3B BET ON MARGINS, NOT MULTIPLES

PRIVATE EQUITY DIVISION

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Introduction

In November 2021, Ceridian HCM, which is now Dayforce, traded at $130 per share. The company was growing recurring revenue north of 20% annually, migrating enterprise clients onto its single-database cloud platform and riding a post-pandemic wave of demand for digital workforce management. Investors rewarded it with a peak market capitalisation exceeding $20 billion and an implied EV/Revenue multiple above 14x. Then the tide turned.

The Federal Reserve's aggressive rate-hiking cycle, beginning in early 2022, hammered long-duration software equities. Dayforce was no exception. Despite continuing to grow revenue at double-digit rates and improving its adjusted EBITDA margins from the low-20s toward 30%, the stock collapsed. By mid-August 2025, Dayforce traded at roughly $53 per share, approximately 60% below its 2021 peak. Despite the strengthening of its fundamentals, its valuation had not followed.

On August 21, 2025, Thoma Bravo, the world's largest software-focused private equity firm, with approximately $184 billion in AUM across more than 535 software investments, announced a definitive agreement to take Dayforce private in an all-cash transaction valued at $12.3 billion in enterprise value. Shareholders would receive $70 per share, a 32% premium to the unaffected closing price. The Abu Dhabi Investment Authority (ADIA) joined as a significant minority co-investor. Goldman Sachs committed a $6 billion debt financing package, including a $5.5 billion term loan and a $500 million revolving credit facility. J.P. Morgan and Goldman Sachs advised Thoma Bravo, while Evercore served as Dayforce's exclusive financial advisor.

The transaction sailed through its shareholder vote on November 12th, with 88.4% approval, and closed on February 4, 2026. Dayforce's common stock was delisted from both the NYSE and the Toronto Stock Exchange. What had been a publicly listed mid-cap software company is now a private-equity-owned platform, expected to undergo the operational transformation that has become Thoma Bravo's signature.

This article examines the deal in depth. It asks whether Thoma Bravo's acquisition of Dayforce represents disciplined contrarian investing at its finest, or whether the firm is paying a premium for a business whose best growth years may be behind it. It analyses the strategic rationale, the financial architecture, the value creation levers, the competitive landscape, and the risks that could determine whether this becomes a flagship deal or a cautionary tale.

Strategic rationale:

Why the Asset

Human Capital Management (HCM) software manages the most critical and recurring workflows in any enterprise: payroll processing, time and attendance tracking, benefits administration, talent acquisition, and workforce analytics. These are not discretionary line items. Companies cannot stop paying their employees, tracking their hours or complying with labour regulations. This creates a revenue profile that private equity firms prize: highly recurring, contractually embedded and resistant to macroeconomic cycles.

Dayforce specifically offers a single-application cloud platform: a unified codebase that handles HR, payroll, workforce management, benefits, and talent intelligence within one system, rather than stitching together separate modules acquired through serial M&A (the approach taken by many legacy competitors). This architectural choice creates meaningful switching costs. Once an enterprise with thousands of employees has migrated its payroll rules, compliance configurations, and workforce scheduling onto the Dayforce platform, the cost and risk of switching to a competitor are substantial. As a result, customer retention rates in enterprise HCM typically exceed 95%.

As of mid-2025, approximately 6,984 customers were live on the Dayforce platform, with recurring revenue per customer trending at roughly $171,000, up over 10% year-over-year. The company also manages an average customer float balance (funds temporarily available in a bank account due to processing delays between when a payment is deposited or written and when it actually clears) of approximately $5–6 billion. This implies that it generates roughly $180–190 million in annual float revenue , though this tailwind is set to compress as the Fed continues cutting. This float income, while sensitive to rate movements, provides a meaningful cash flow cushion that most software peers lack.

What was broken about Dayforce as a public company was not its product or its customer base. It was the market’s unwillingness to reward its growth trajectory after 2022. Despite compounding revenue at 15–20% annually and expanding margins, the stock languished because public-market investors had repriced all software from “growth at any price” to “show me profitability now.” Dayforce was caught in between, profitable enough to be boring to growth investors, but not yet profitable enough to attract value-oriented buyers. This status made it an ideal take-private candidate.

Why the Timing

The post-2022 correction in software valuations opened a rare window for take-privates. Dozens of SaaS companies that had traded at 15–25x revenue during the 2020–2021 period found themselves at 5–8x by 2024–2025. Thoma Bravo, with dedicated funds and deep software expertise, was among the best-positioned firms to exploit this dislocation.

At $70 per share, Thoma Bravo acquired Dayforce at ~ 6.6x LTM EV/Revenue and approximately 22x EV/EBITDA, far from the 14x+ revenue multiple the company used to trade at in 2021. This represents a genuine valuation reset on revenue, though the EBITDA multiple sits at the high end of software LBO precedent. The question is whether Thoma Bravo is buying at the trough of a cycle that will normalise, or whether it is purchasing a business whose public-market derating reflected real concerns about decelerating growth and intensifying competition.

The macro environment also played a role. By mid-2025, financial markets were anticipating continued rate cuts from the Federal Reserve, which was improving the availability and cost of leveraged-buyout financing. Goldman Sachs’s willingness to underwrite a $6 billion debt package for the deal, without a financing contingency, signaled confidence in both the credit markets and Dayforce's cash-flow generation capacity.

Furthermore, artificial intelligence is becoming an increasingly important theme across enterprise software. HCM is particularly well-suited for AI integration: automated payroll anomaly detection, predictive workforce scheduling, intelligent compliance monitoring, and natural-language HR analytics are all realistic near-term applications. Private ownership gives Dayforce the freedom to invest aggressively in AI without facing quarterly scrutiny over short-term margin dilution.

The ADIA Co-Investment

The inclusion of ADIA, one of the world's largest sovereign wealth funds, as a significant minority co-investor is noteworthy. Sovereign wealth funds typically seek long-duration investments with stable, compounding returns. ADIA's participation suggests that the deal was underwritten on a hold period that may extend beyond the typical 4–5 year PE horizon, perhaps to 6-7 years, allowing more time for operational transformation.

At $12.3 billion in enterprise value, this is Thoma Bravo's largest take-private transaction. Even drawing on multiple fund vintages (the deal was executed through Funds XIV, XV, and XVI, as well as employee co-investment funds), Thoma Bravo may have needed a large equity partner for the deal economics to work within its fund concentration limits. ADIA's co-investment, as a result, is less a ringing endorsement and more a structural necessity.

Our View

From our perspective, this deal is best understood as an opportunistic one: Thoma Bravo is not buying a broken business at a distressed price. It is buying a healthy, growing software platform at a cyclically depressed public-market valuation, with the conviction that private ownership can unlock operational improvements that the public market was unwilling to wait for. At 22x EBITDA, it is still paying a meaningful premium to intrinsic value on current earnings, and betting that earnings will expand materially over the upcoming years.

Financials Implication

Entry Valuation

Thoma Bravo's acquisition values Dayforce at $12.3 billion. Evercore estimated Dayforce's LTM revenue to be at $1.852 billion as of August 15, 2025, with an LTM Adjusted EBITDA of $559 million. This yields entry multiples of ~6.64x EV/Revenue and 22x EV/EBITDA. To assess whether a fair price was paid, we can compare these multiples to public comparables in HCM and payroll software: Workday traded at 7.71x EV/Revenue and 35.70x EV/EBITDA, ADP at 5.91x and 19.91x, and Paychex at 10.82x and 24.67x at the end of their fiscal years. Dayforce's 6.64x revenue entry sits between ADP and Workday, which is appropriate given its 16.27% revenue growth in FY2024 which substantially exceeds that of ADP's 6.61% YoY, but trails behind Workday's growth profile. The entry is below both Workday and Paychex, which is justified by Dayforce's 28.5% adjusted EBITDA margin in FY2024, still below ADP's 29.70% and Paychex's 47.42%. This gap accounts for the operational upside that Thoma Bravo expects to receive, not operational advantages already observed. Dayforce's Bloomberg Multiples show the stock had traded at 6.93x EV/Revenue and 38.09x EV/EBITDA at the end of FY2024, and 16.29x and 363.58x at the 2021 SaaS peak (the EBITDA figure distorted by a near-zero denominator). This could potentially suggest that Thoma Bravo entered at a discount relative to both the company's own history and its higher-multiple peers. Nonetheless, Evercore's own Selected Transactions Analysis applied a reference range of 18–22.0x LTM EBITDA for comparable software LBOs, placing the 22x entry at the upper end of what precedent would support, and showing that the entry is neither a bargain nor expensive.

The context of Thoma Bravo's entry has additional significance given that the deal closed in February 2026, just as broader technology valuations entered a sharp correction. For example, Workday's enterprise value declined from $65.1 billion at its FY2025 year-end to approximately $30.0 billion by April 2026. This raises the question of whether Thoma Bravo will face a more challenging exit multiple environment than the one in which they entered, making meaningful margin expansion even more difficult for generating returns if public SaaS comparables remain depressed throughout the hold period in the next few years.

Capital Structure

The deal was financed with $5.5 billion in a senior secured Term Loan B at SOFR + 300bps and a $500 million revolving credit facility at SOFR + 275bps, with an effective all-in yield of approximately 7.25% on the term loan at prevailing rates. Assuming the revolver remains undrawn, annual interest payments are approximately $399 million at a minimum ($5.5 billion × 7.25%). Based on the LTM EBITDA of $559 million at announcement, this yields a low interest coverage ratio of approximately 1.4x. LTM operating cash flow through September 2025 stood at $274.5 million, falling short of the $399 million annual interest burden and underscoring tight initial coverage. The thesis depends on the business growing into its capital structure, with forecasted unlevered FCF reaching $376 million by 2028. The low starting interest coverage demonstrates that the deal depends less on financial flexibility today, and more on the management's ability to sustain growth, improve cash conversion, and build a stronger platform under private ownership.

Financial Profile

Dayforce's financial profile supports the view that it is a scalable software asset, but not yet with enough cash conversion to sustain a heavily levered capital structure while also reinvesting aggressively. As of September 30, 2025, revenue reached $1.428 billion, up 10.3% from $1.295 billion year-over-year and implying an annualized run rate of ~ $1.9 billion. Adjusted EBITDA was $451.2 million, equal to a 31.6% margin. Merger materials and management forecasts also cite 2026 revenues estimated to be $2.184 billion and adjusted EBITDA at $757 million, implying an increased margin of 34.7%. With LTM EBITDA of $559 million as of August 15, 2025, and a year-to-date adjusted EBITDA margin of 31.6%, Dayforce has potential for meaningful operating scale and for further margin improvement. However, free cash flow conversion is a key weakness that needs to be targeted in Thoma Bravo's buyout, as free cash flow through September 2025 was only $111.6 million (~ 24.7% of adjusted EBITDA). While unlevered free cash flows post-share-based compensation are expected to grow to $211 million in 2026, $275 million in 2027, and $376 million in 2028, these remain below the estimated $399 million annual interest burden implied by the transaction financing.

Despite Dayforce's favorable operational structure, with a recurring revenue base and strong EBITDA profile, its free cash flow levels suggest that it will be difficult for Dayforce to service significant debt while preserving meaningful reinvestment capacity, and this will depend heavily on rapid margin expansion and tighter capital allocation under Thoma Bravo's ownership.

Returns

With equity of ~ $6.3 billion at entry, implied by the $12.3 billion valuation net of $6.0 billion in debt, Thoma Bravo would need ~ $12.6 billion in equity at exit to earn a 2x MOIC. If Dayforce performs in line with management forecasts (before considering operational changes under the new sponsor), this seems achievable over a 5- to 10-year hold period, but only if Dayforce materially expands its margins. The estimated unlevered free cash flows post-share-based compensation can be used as a conservative proxy for the deleveraging capacity. Dayforce would have cumulative cash generation of approximately $1.935 billion by 2030, $2.711 billion by 2031, $3.618 billion by 2032, $4.656 billion by 2033, and $5.822 billion if held until 2034. However, these figures are pre-interest and therefore overstate the cash available for debt repayment under the buyout structure. On this basis, a 5-year hold would require an exit at approximately 10.3x EBITDA or 4.5x revenue, based on the forecasted EBITDA of $1.737 billion and revenue of $4.012 billion, after netting estimated cumulative interest payments of approximately $2.0 billion against the unlevered free cash flow figures. A longer hold period, to 2034, lowers the required exit to approximately 7.3x EBITDA or 3.2x revenue based on the forecasted EBITDA of $2.237 billion and revenue of $5.170 billion, after netting estimated cumulative interest payments across the hold period. This demonstrates that the transaction was supportable at entry, while not inexpensive. Although Dayforce historically traded at even higher multiples of 16.29x EV/Revenue and 363.58x EV/EBITDA, these levels are not a realistic benchmark for underwriting entry and exit environments, given today's developments in AI and potential consequences for SaaS. Achieving a 2.0x MOIC will likely require a combination of margin improvement and at least partial multiple recovery, the corrected exit multiples suggest that operational execution alone, at management forecast levels, is insufficient. This makes the deal more dependent on a SaaS re-rating than the entry pricing implies.

Value Creation:

The value creation in Dayforce depends most on focused execution for margin expansion, rather than cutting operational costs. Dayforce already has many strong operational characteristics, including 98.0% annual revenue retention, $1.474 billion of cloud ARR, 6,876 live customers, and a 79.8% adjusted cloud recurring gross margin in FY2024, yet the adjusted EBITDA margin was only 28.5% in 2024 and 31.6% through September 2025. This follows Thoma Bravo's playbook of investing in companies with already-effective management, as demonstrated by the company's strong operations. However, this also suggests that there is little room for improvement with cost cuts as the company is already well managed. Thoma Bravo's own messaging around the transaction suggests it viewed Dayforce as undervalued by the public market and attractive because of its position in SaaS and AI, while Dayforce's CEO has argued that private ownership gives the company more flexibility, resources, and time to invest behind a "generational AI-powered people platform." Thoma Bravo is not buying a broken business, but rather a good one that can be made more focused, faster moving, and more cash generative outside the public markets.

One specific direct cost that Dayforce and Thoma Bravo could target is the payback period for customer acquisitions. Dayforce discloses that it takes two years to recover implementation, customer acquisition, and other direct costs on a new customer contract. By shortening deployment cycles, standardizing onboarding, lowering implementation labor intensity, and reducing support complexity, Dayforce could improve EBITDA and cash flow conversion. Moreover, general and administrative expenses were 14.8% of revenue in the first 9 months of 2025, including $22.2 million of transaction-related costs. This suggests that margins may already improve in the near term after this discrepancy. As Dayforce is already well-operated, the costs related to services, compliance, and implementation cannot be reduced without risking churn or weaker product quality.

Product rationalization is likely the most tangible lever for value creation. Dayforce still operates products and older, legacy elements beyond the core Dayforce suite (including Powerpay in the Canadian small-business market and adjacent capabilities such as workforce planning through its recent Agentnoon acquisition). Private ownership creates more urgency to decide which products are strategic, migrate customers toward the main platform and away from legacy platforms, and simplify its go-to-market focus around Dayforce's main offering. Thoma Bravo also has experience with executing these strategies in previous buyouts, such as Exostar and Flexera, where they created value by

building standalone software businesses around focused products, operations, and supporting management over time.

There are also opportunities and risks associated with AI integration in Dayforce. On one hand, the company can strengthen the value of its platform by using AI to improve payroll accuracy, support, and compliance workflows. On the other hand, it operates in a category where errors are costly, so poor AI-execution could create risks related to regulations, reputation, and customer-retention. Dayforce acknowledges uncertainty around AI adoption and the possibility that evolving regulations in the U.S., Canada, and Europe could increase compliance costs or limit how products are deployed. However, competitors are moving aggressively: Workday is prioritizing investment in its agentic AI roadmap and says it delivered 1.7 billion AI actions across its platform in FY2026, while ADP highlights strengths in advanced automation and the scale of its HCM data. In that context, AI should be viewed as a necessary area of investment for Dayforce. Although it may be difficult to realize returns in the near-term, avoiding AI-investment may lead Dayforce to a competitive disadvantage in the medium-to-long run, as AI technologies accelerate year-over-year. Thoma Bravo's recent partnership with Google Cloud could also support these efforts by offering access to AI infrastructure, engineering support, and commercialization channels that may help Dayforce accelerate AI integration over time. It is important to ensure that Dayforce can integrate AI in a way that improves efficiency and product quality, without compromising the accuracy and compliance standards in payroll software.

At purchase, Thoma Bravo expressed concern during diligence about exit multiple risk after Dayforce's second-quarter earnings failed to produce a stronger stock reaction. For that reason, it is best to remain conservative and not assume value creation through multiple expansion, especially given weaker public-market sentiment toward SaaS and growing uncertainty around how AI may reshape software economics, competitive moats, and long-term valuations. A more credible exit path is that Thoma Bravo produces a cleaner, more focused, AI-efficient and cash-generative Dayforce. This would allow either public investors or strategic buyers to value the company more highly because the underlying business is stronger, not because software multiples rebound to higher levels again.

<u>The shifting sands of HCM:</u>

A sector in flux

The global Human Capital Management (HCM) software market is currently navigating a period of significant transformation, valued at approximately $30–35 billion as of 2025. Experts anticipate this sector will maintain a robust compound annual growth rate of 8–10% over the coming decade. This momentum is fueled by a convergence of factors: the relentless digitisation of legacy HR processes, a decisive migration from on-premise infrastructure to the cloud, increasingly intricate global labour regulations, and the transformative integration of artificial intelligence and advanced analytics.

The Great Consolidation

The competitive landscape is defined by a clear tiered structure. At the apex sit the industry titans: ADP, with an annual revenue nearing $19 billion, Workday at roughly $8 billion, and SAP SuccessFactors, which benefits from its deep integration within the broader SAP enterprise ecosystem. The mid-tier features formidable players such as Dayforce, generating between $1.9 and $2.0 billion, alongside UKG and the newly consolidated Paychex-Paycor entity. Beneath these leaders, a multitude of smaller firms continue to serve specific niche segments, geographic regions, or vertical markets.

Consolidation has become the defining trend of the past eighteen months. Notable transactions include ADP's $1.2 billion acquisition of WorkForce Software in late 2024 and Paychex's $4.1 billion takeover of Paycor in early 2025. Most recently, in February 2026, Thoma Bravo completed a $12.3 billion deal to take Dayforce private. These moves signal a maturing market where scale, data sovereignty, and the delivery of fully integrated product suites are the primary drivers of competitive advantage, leaving smaller standalone providers with the difficult choice of being acquired or facing long-term marginalization.

The Private Equity Playbook in the Post-Correction Era

This activity is part of a broader "Private Equity Wave" in the software sector. Following a valuation correction after 2022, firms like Thoma Bravo, Vista Equity Partners, and Silver Lake accelerated their deployment of capital as entry points became more attractive. Thoma Bravo has been particularly aggressive; on the same day they announced the Dayforce deal, they also secured a $2 billion acquisition of Verint, subsequently merging it with their portfolio company, Calabrio. This dual-pronged strategy underscores a high level of conviction in the software sector’s resilience. While rising interest rates and recovering multiples may begin to narrow the window for such large-scale take-privates, many mid-cap companies still trade well below their pandemic-era peaks, suggesting that the current wave of PE activity has not yet reached its conclusion.

Strategic Trade-offs: The Case of Dayforce

For a company like Dayforce, the transition to private ownership presents a complex strategic trade-off. On the positive side, it grants the management team the freedom to escape the relentless pressure of quarterly earnings reports. This allows for a focus on long-term initiatives, such as aggressive AI development, international expansion, and necessary but disruptive internal restructuring, actions that might otherwise trigger negative stock price reactions.

However, the loss of public status carries inherent risks. In the high-stakes world of enterprise software, being a public company provides a level of financial transparency and perceived stability that large corporations often demand when committing to multi-year, multi-million-dollar contracts. A private-equity-owned firm carrying significant debt may face skepticism regarding long-term underinvestment or financial distress. To remain competitive against the likes of Workday and ADP, Dayforce’s sales organization will need to proactively address these concerns.

Technologically, Dayforce maintains a distinct "moat" through its single-application architecture. Unlike many competitors whose suites are a patchwork of acquired databases, Dayforce’s unified system allows payroll, time, HR, and talent data to coexist seamlessly. This enables real-time analytics that fragmented platforms struggle to match. While this technical advantage remains a powerful differentiator, Dayforce’s international footprint remains a vulnerability. Compared to ADP’s presence in over 140 countries or the massive global reach of SAP, Dayforce is still heavily reliant on North America. Closing this gap will likely require targeted international acquisitions or strategic partnerships, though any such moves must be balanced against the constraints of the company’s new leverage profile under Thoma Bravo.

Strategic implications:

Mapping the ripple effects

The transition of Dayforce to private ownership under Thoma Bravo is more than a simple change in the cap table; it triggers a significant realignment for every stakeholder involved. From the internal workforce to the sovereign wealth funds backing the deal, the "ripple effects" of this $12.3 billion transaction will be felt across the HCM ecosystem for years to come.

For Dayforce’s workforce of roughly 10,000 employees, the Thoma Bravo era likely heralds a period of rigorous operational scrutiny. The private equity firm’s standard "playbook" often involves aggressive restructuring, specifically targeting headcount reductions in non-core or underperforming departments to lean out the organization. However, this is balanced by high-stakes incentives for top-tier technical and sales talent. By tying equity packages to the eventual "exit" (a future IPO or sale), the firm aims to align the interests of its most critical staff with long-term value creation. The ultimate success of this transition hinges on whether Dayforce can trim the fat without losing the creative engine that drives its competitive advantage.

Client Continuity and Competitive Friction

For enterprise customers, the immediate operational impact is expected to be minimal, as existing contracts remain legally binding and Thoma Bravo has a history of maintaining service quality across its portfolio. Nevertheless, long-term uncertainty is inevitable. Large-scale clients may harbor concerns regarding future pricing structures, support levels, and the pace of product innovation. Competitors are already seizing on this shift, positioning themselves as "stable" public alternatives and painting PE-owned vendors as cost-cutters rather than innovators. Dayforce must work double-time to convince its base that private ownership will accelerate, rather than stifle, its roadmap.

Investor Returns: Premiums and Sovereignty

The financial outcome for public-market investors depends entirely on their entry point. The deal offered a 32% premium over the unaffected share price, a respectable figure, though perhaps cold comfort for those who bought during the 2021 market peak and realized net losses. Conversely, those who accumulated shares during the 2023–2024 lows walked away with a significant win. On the institutional side, the deal provides the Abu Dhabi Investment Authority (ADIA) with a high-quality software asset suited to a sovereign wealth fund’s long-term horizon. For ADIA, the primary risk is execution; if the turnaround proves more difficult than anticipated, the ultimate returns on this co-investment could be significantly compressed.

The $14 Billion Statement: Conviction or Exuberance?

Thoma Bravo's simultaneous moves, deploying over $14 billion in combined enterprise value between the $12.3 billion Dayforce deal and the $2 billion Verint/Calabrio deal within a single week, serve as a massive signal of intent. This aggressive pace suggests a deep conviction that the post-2022 software correction has created a generational buying opportunity. However, it also raises questions about whether this indicates disciplined opportunism or peak-cycle exuberance. Having faced mixed results with portfolio companies acquired at 2021 valuations, the firm is now betting that its "lesson learned" on entry pricing will yield better results this time around.

Scaling the LBO Model: A Test of Discipline

For Thoma Bravo’s Limited Partners (LPs), the Dayforce acquisition represents a major concentration of capital. Even when spread across multiple fund vintages and supplemented by ADIA, the sheer scale of the deal consumes a massive portion of committed funds. This puts the "Software LBO" model under the microscope. If Dayforce thrives, it will serve as a definitive proof point that the model scales effectively to $12+ billion transactions. If it falters, it may reinforce skepticism about the thin margin for error in such massive leveraged buyouts. Moving forward, LPs will be watching leading indicators, like customer retention, margin trajectories, and the progress of AI initiatives, as the ultimate barometers of the deal's success.

Conclusion

Thoma Bravo's $12.3 billion take-private of Dayforce is neither a distressed bargain nor a clear overpay. It sits in the uncomfortable middle: a healthy software platform acquired at a cyclically depressed revenue multiple but a full-price EBITDA multiple, where returns rest on operational execution rather than market tailwinds.

The contrarian read holds at 6.6x revenue. Dayforce is a 15-20% growth business with 98% retention, a single-codebase architecture that creates real switching costs, and a recurring revenue base the public market refused to reward after 2022. Buying that profile at less than half its 2021 multiple, with a sovereign co-investor underwriting a longer hold, is exactly the dislocation Thoma Bravo's fund structure is built to exploit.

The exuberance read holds at 22x EBITDA, the ceiling of Evercore's own LBO precedent range. Year-one interest coverage is tight, FCF conversion sits below 25%, and the float income tailwind is compressing as rates fall. Forecasted unlevered FCF does not catch the interest burden until 2028, and the Workday drawdown into 2026 signals an exit environment that may be tougher than entry.

Reconciling the two requires honesty about where returns come from. A 2.0x MOIC on a five-year hold needs an exit at roughly 10x EBITDA against management forecasts, achievable only with material margin expansion through product rationalization across legacy assets like Powerpay, faster customer payback, AI integration that lifts the platform without breaking payroll accuracy, and disciplined deleveraging. Multiple recovery, if it comes, is upside, not a load-bearing assumption.

The deal will be judged on four things: whether adjusted EBITDA margin clears 35% within the hold, whether FCF conversion moves from the mid-20s into the 40s, whether AI investment translates into product differentiation rather than cost without payoff, and whether enterprise customers stay through the transition. Hit those and Dayforce becomes a flagship Thoma Bravo exit and proof that the software LBO model scales past $12 billion. Miss them and it becomes a case study in how full-price entries leave too little margin for error, even on good assets.

For now, the verdict is opportunistic conviction with eyes open. Thoma Bravo is paying a fair price for a good business and betting that private ownership unlocks the operational gains the public market would not wait for. Whether that bet is contrarian discipline or peak-cycle exuberance will not be settled by the entry multiple. It will be settled by what happens inside Dayforce over the next five to seven years.

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