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AI in Private Credit: The Sky Isn't Falling for Software Credit

The AI narrative has arrived in full force in financial advisor conversations, boardrooms, and investor letters. But buried beneath the hype is a more nuanced reality, one that the most sophisticated software investors in the world are now articulating with growing conviction: AI is not a death sentence for enterprise software. For disciplined private credit managers with deep sector expertise, it may represent the strongest tailwind the asset class has ever seen.

The Headline Risk Is Overstated

When advisors and their clients hear "AI is disrupting software," the natural instinct is concern for private credit portfolios with software exposure. That concern conflates two very different outcomes: disruption of commoditized, low-moat businesses, and transformation of the mission-critical enterprise platforms that anchor high-quality credit portfolios.

The distinction matters enormously. Vista Equity Partners, one of the world's largest enterprise software investors, said "AI will not eat software; it will feed it, accelerating innovation, automating routine tasks and enhancing productivity across every business function." This reflects a structural reality that experienced private credit managers have been underwriting for years.

Insight Partners, which has backed over 875 software companies globally¹, echoes this view. Managing Director Teddie Wardi has stated plainly: "AI will enhance the best software companies, the idea that enterprise software is dying is radical." When the firms that have done more software deals than any other on the planet reach the same conclusion, private credit managers should take note.

Enterprise Software: The AI Accelerant Story

The most important concept for advisors to communicate to clients is that enterprise software is positioned to take full advantage of the promise of AI. Generative AI is the most meaningful technological shift since the development of the internet, and it is poised to revolutionize the way software companies develop, deliver, and optimize their products and services.

What protects enterprise software companies from disruption is the same set of characteristics that makes them attractive credit investments in the first place: proprietary data, deep workflow integration, high switching costs, and mission-critical use cases. Durable value accrues to solutions that are deeply embedded into business workflows and that access unique datasets, not to generic AI tools layered on top of commoditized functionality.

Bain & Company projects that the next \$5 to \$7 trillion of AI-driven value by 2030 will come from software and applications as enterprises integrate AI into workflows and products, a segment projected to grow 4.5 times between 2025 and 2030.² Private credit lenders have a once-in-a generation opportunity to lend to quality enterprise platforms that stand to benefit directly from this expansion, as stronger revenue and earnings translate into stronger credit profiles.

The PE Sponsors Are Doubling Down, Not Pulling Back

Perhaps the clearest signal that the private credit opportunity in enterprise software remains intact is the behavior of the sponsors who know it best. Rather than retreating from the space, the leading software-focused private equity firms are accelerating their commitments.

Robert F. Smith, Founder, Chairman and CEO, Vista Equity Partners, has articulated his conviction that we are entering an era of generative and agentic AI that will "drive growth and opportunity in enterprise software that are orders of magnitude greater than prior innovation cycles."

In June 2025, Thoma Bravo closed more than \$34.4 billion across three buyout funds, including a \$24.3 billion flagship Fund XVI, an \$8.1 billion Discover Fund V targeting mid-market software, and its first dedicated Europe Fund at €1.8 billion³. Thoma Bravo's raise is a signal to the market that institutional capital continues to view mission-critical software as the most durable asset class in private equity.

These positions reflect the diligence of firms that have collectively deployed hundreds of billions of dollars across the enterprise software capital structure. Their continued conviction in software credit, informed by intimate knowledge of underlying business performance, stands in sharp contrast to the AI-driven panic narrative circulating in some corners of the market.

Where the Real Risk Lives

Dismissing AI-driven credit risk entirely would be a mistake. It exists, but it is concentrated in a very specific part of the software universe. The segments most exposed include commoditized point solutions performing simple, replicable functions; asset-light business services where AI directly substitutes labor; SMB-focused applications with low switching costs; and basic orchestration tools that agentic platforms can readily replace.

A 2025 Boston Consulting Group study⁴ found that while AI use among executives is surging, only 5% of companies are seeing real returns on their AI investments, with 60% reporting minimal increases in revenue or cost savings. This gap between AI narrative and AI reality is precisely why rigorous, experience-driven underwriting continues to matter. The companies most at risk from AI are often the same ones promising AI-fueled growth to justify valuations.

In this stage of the economy-wide AI innovation cycle, identifying where large language models are better suited to enable a feature rather than a standalone platform will be critical to investing wisely in this space, a principle that any disciplined lender must apply directly to credit diligence. Lending to a company that will be displaced by a feature release from its own incumbent partner is a very different risk than lending to the incumbent itself.

The Monroe Capital Edge

Separating resilient enterprise platforms from AI-vulnerable businesses requires more than a framework, it requires years of pattern recognition built through actual lending cycles. Monroe Capital has been investing in software and technology companies since 2006, predating the SaaS wave, the cloud migration cycle, and the current AI inflection. That continuity of experience, across more than 180 software credit transactions⁵ and multiple technology disruptions, is what allows Monroe to evaluate AI risk with precision rather than react to it with either fear or blind optimism. While many lenders are only now building AI evaluation capabilities, Monroe has long embedded the critical questions into its underwriting: the depth of proprietary data, the complexity of workflow integration, the stickiness of customer relationships, and the credibility of a company's AI roadmap. That institutional knowledge is difficult to replicate and increasingly difficult to do without.

What Advisors Should Tell Their Clients

AI is a sorting mechanism, not a wrecking ball. It rewards businesses with deep moats, proprietary data, and workflow embeddedness. It exposes low-moat, commoditized, and easily replicated tools. The firms that have spent decades building expertise in enterprise software — Vista, Thoma Bravo, Insight Partners, and Monroe Capital — have reached a remarkably consistent conclusion: the AI era strengthens the case for high-quality enterprise software lending, it does not undermine it.

For advisors, the key message is straightforward. Private credit exposure to software is not monolithic, and neither is AI risk. Manager selection, specifically, identifying lenders with genuine sector depth, historical context, and the underwriting discipline to separate resilient platforms from vulnerable ones, has never mattered more. The golden era of private credit in enterprise software is not over. But navigating it successfully requires experience that predates the current AI hype cycle.



Monroe's Software and Technology Track Record

19 Years

Track Record⁶

>50

Unique Tech Sponsors
Relationships

183

Investments

\$13.3B

Invested Capital

10

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Endnotes

1. Insight Partners as of 6/30/2025
2. Q1 2024 Bain & Company market study
3. Private Debt Investor as of 1/22/2025
4. BCG Build for the Future 2025 Report
5. As of 12/31/2025
6. Monroe Track Record as of 3/31/2026

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