

What Is Product Market Fit?

In software businesses, a product is the digital solution a company delivers to customers. Product market fit exists when that product solves a clear and important need for a defined set of customers, who rely on it to run essential workflows. For example, think of a payroll system designed to ensure employees are paid on time.

Common indicators of product market fit include:

- Strong customer engagement
- High retention and renewal rates
- Recurring and growing demand

Together, these signals suggest the product delivers measurable, durable value.

How Product Market Fit Can Impact the Software Business Model

Product market fit is the foundation of scalable, durable economics for a [software business](#). These businesses can scale more efficiently once they build a product that customers truly need. When product market fit is present:

	Unit Economics Strengthen	Clear demand enables more efficient customer acquisition and expansion.
	Pricing Power Increases	Products that address mission-critical problems command durable pricing.
	Scalability Accelerates	With traction established, companies can grow through repeatable sales motions supported by recurring value.
	Retention Improves	Sticky products reduce churn and create more predictable recurring revenue.

For investors, these dynamics can translate into more resilient performance and stronger long-term value creation.

Product Market Fit in the Context of Investment Strategies

Different investors engage with software companies at different stages of the life cycle. One way to understand these phases is by examining whether product market fit is being discovered, strengthened or scaled.

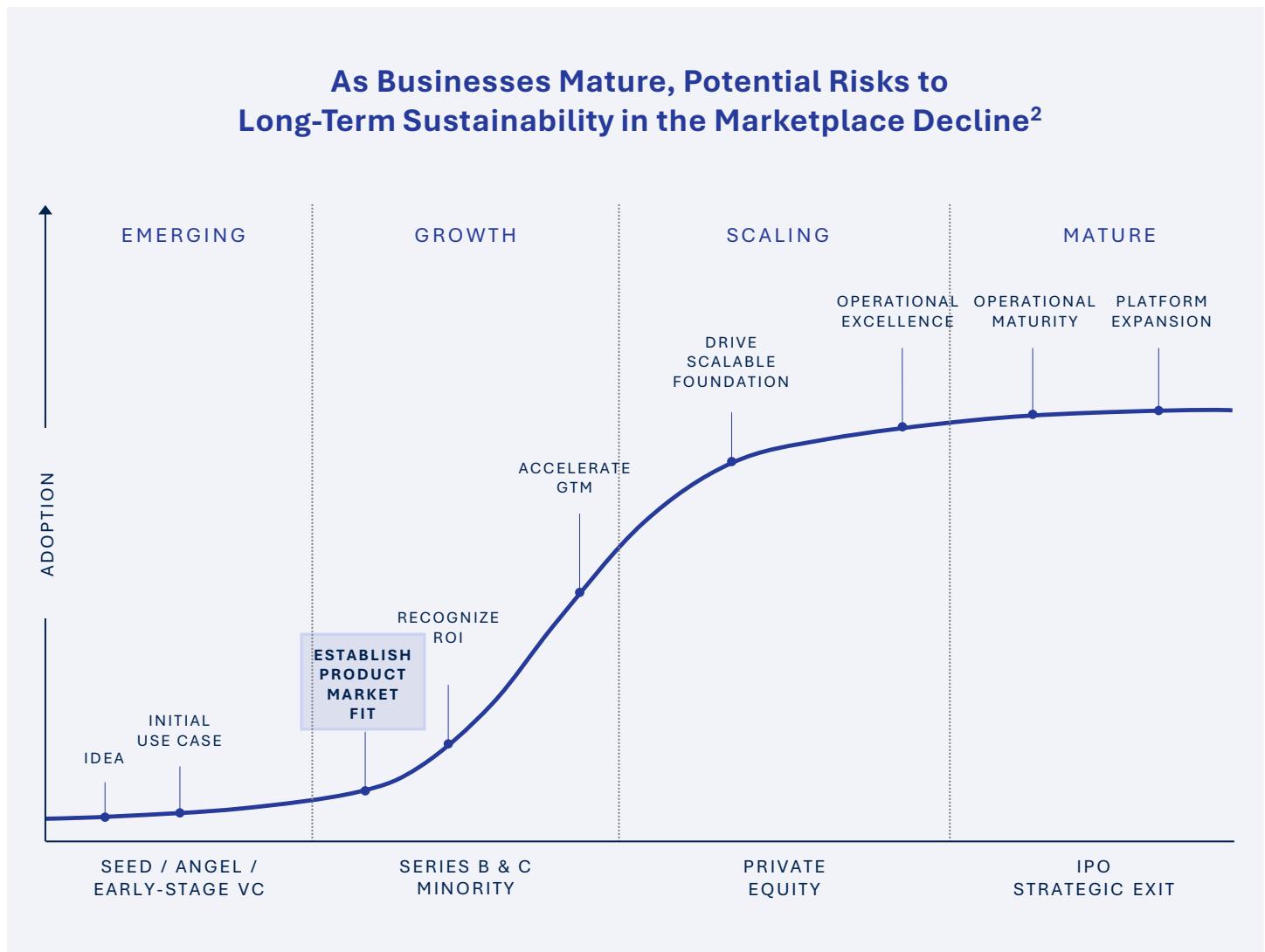
Illustrative Differences Between Consumer and Enterprise Software¹

	VENTURE CAPITAL	GROWTH EQUITY	PRIVATE EQUITY
Stage of Investment	Early lifecycle	Expansion stage	Established businesses
Product Market Fit	Not yet proven	Emerging or partially proven	Clearly demonstrated
Primary Focus	Discovering and refining a product that meets an unmet need	Accelerating growth and strengthening product-market alignment	Scaling a proven, mission-critical product
Key Underwriting Question	Can this team find product market fit?	Is product market fit strong enough to scale faster?	Can this product scale efficiently and durably?
Product Maturity	Evolving; core use cases still forming	Core use cases validated, extensions underway	Products are stable, embedded and mission-critical
Source of Risk	Market discovery and execution	Go-to-market execution and scaling discipline	Operational optimization and sustained performance

1.) Vista analysis, 01/2026. For illustrative purposes only.

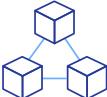
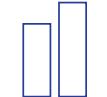
How Vista Evaluates Product Market Fit

Across Vista's [private equity strategies](#), we focus on identifying companies that demonstrate clear evidence of product market fit. During diligence, we assess qualitative and quantitative signals to understand whether the product resonates with its market and can scale efficiently.



2.) Vista analysis, 01/2026. For illustrative purposes only.

KEY AREAS OF FOCUS FOR OUR INVESTMENT TEAMS INCLUDE:³

	Retention and Expansion Patterns	<p>Renewal behavior, cohort performance and net retention metrics that demonstrate recurring value. Vista often looks for gross retention of 90 percent or higher as a sign of strong product relevance.</p>
	Market Traction	<p>A meaningful and growing customer base that extends beyond a narrow set of early adopters.</p>
	Revenue Momentum	<p>Sufficient scale to indicate that the product can support repeatable growth.</p>
	Customer Engagement	<p>Deep and frequent use across workflows, teams or data sources that reflect the product's true value.</p>
	Economic Efficiency	<p>Customer acquisition costs, payback periods and sales productivity that reflect repeatable demand.</p>
	Competitive Positioning	<p>Favorable comparison to alternative products and whether customers view the solution as essential.</p>
	Voice of the Customer	<p>Direct feedback that validates the depth of the problem being solved and the value being delivered.</p>

Together, these inputs help Vista determine whether a company has reached the level of durable traction required to support disciplined growth and sustainable financial performance.

³) Vista analysis, 01/2026. For illustrative purposes only.

IMPORTANT DISCLOSURES

This document does not constitute an offer to sell any securities or the solicitation of an offer to purchase any securities. This document discusses broad market, industry or sector trends, or other general economic, market or political conditions and should not be construed as research, investment advice, or any investment recommendation.

Statements contained in this document (including those relating to current and future market conditions and trends in respect thereof) that are not historical facts are based on current expectations, estimates, projections, targets, opinions, beliefs, and/or assumptions Vista considers reasonable. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. In addition, no representation or warranty is made with respect to the reasonableness of any estimates, forecasts, illustrations, prospects or returns, which should be regarded as illustrative only, or that any profits will be realized. Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of terms such as "may", "will", "should", "expect", "project", "estimate", "intend", "continue", "target" or "believe" (or the negatives thereof) or other variations thereon or comparable terminology. Due to various risks and uncertainties actual events or results may differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to future performance or such forward-looking statements.

Certain information contained in this document has been obtained from published and non-published sources prepared by other parties, which in certain cases have not been updated through the date hereof. While such information is believed to be reliable, Vista does not assume any responsibility for the accuracy or completeness of such information and such information has not been independently verified by it. Except where otherwise indicated herein, the information provided in this document is based on matters as they exist as of the date of preparation of this document and not as of any future date and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof, or for any other reason.

No representation or warranty, either express or implied, is provided in relation to the accuracy or completeness of the information contained herein.

The use of artificial intelligence ("AI") is increasing rapidly, which presents both significant opportunities for growth and competitive advantage, but also introduces substantial risks to Vista and its investments. The field of AI is characterized by rapid and ongoing technological innovation. While this presents significant opportunities for growth and competitive advantage, it also introduces a substantial risk of technological obsolescence. Even if the AI-related initiative described herein is successfully implemented, Vista could be outpaced by competitors who develop more advanced, efficient, or cost-effective technologies. Additionally, breakthroughs in areas such as quantum computing, machine learning algorithms, or data analytics could rapidly render existing technologies and business models obsolete. Accordingly, any direct or indirect investment in Artificial Intelligence carries a significant risk of depreciation due to technological obsolescence and the value of such investment could decline if the investment failed to stay at the forefront of technological advancements.

Additional important disclosures can be found [here](#).