# AI reshapes private equity value creation



Artificial intelligence is transforming private equity, shifting from a support tool to a central driver of value creation. KPMG experts Cherie Gartner and Gavin Geminder say AI now underpins successful strategies, with portfolio companies seeing gains in revenue, decision-making and productivity.

The core opportunity lies in boosting EBITDA through cost efficiencies and revenue growth. Gartner stresses that embedding AI across operations builds sustainable competitive advantages. Geminder adds that firms must move beyond cost-cutting, using generative AI tools as indispensable parts of value creation plans. Quantifying AI’s contribution remains a challenge. General partners must demonstrate impact by aligning performance indicators with AI-driven improvements, providing transparency for investors and supporting continuous learning.

KPMG’s AI Pulse surveys show accelerating executive commitment. Eight in ten executives see generative AI as critical for market share and competitive edge, while nearly half of CEOs now lead AI initiatives—a 34 per cent quarterly increase linked to stronger performance. This direct leadership is vital as rapid AI advances disrupt business models and force firms to reassess value creation strategies.

Private equity’s fear of missing out has shifted to a fear of irrelevance. The pace of innovation demands firms adopt AI proactively to protect investments. Experts recommend tailored AI roadmaps, internal awareness campaigns, and a mix of in-house talent and external partnerships. Gartner and Geminder expect a surge in AI hiring similar to ESG recruitment, combined with alliances with technology providers.

Governance and ethics are central. Surveys show 82 per cent of executives prioritise data quality, transparency and risk management in AI adoption. Effective frameworks foster trust with investors and customers, while clear ethical guidelines improve employee engagement and customer satisfaction, said Geminder. Cybersecurity is also a growing imperative, ensuring AI use remains safe and responsible.

Beyond governance, AI is transforming deal sourcing, due diligence and portfolio management. It accelerates discovery by analysing market data, enhances due diligence with predictive analytics and document automation, and improves portfolio oversight through real-time monitoring. Operational gains include supply chain optimisation, workforce planning and automation of repetitive tasks, freeing resources for strategic priorities.

AI presents immense opportunities but demands constant adaptation. “The risk of rapid obsolescence is real,” said Gartner. “Only firms that lead rather than lag in AI adoption will thrive.”

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## Bibliography

1. <https://www.privateequityinternational.com/kpmg-on-future-proofing-value-creation/> - Please view link - unable to able to access data
2. <https://www.axios.com/2023/05/03/private-equity-artificial-intelligence> - This article discusses how advancements in generative AI are poised to significantly transform the private equity (PE) industry, which has traditionally relied on apprenticeship models. Many PE firms are integrating AI technologies like GPT to gain efficiencies and competitive advantages. The piece also raises concerns about the future employment of young professionals and the potential impact on partnership pipelines. However, it suggests that while current tasks may be automated, new roles requiring human involvement will emerge, leading to more profound changes in the next five years than the industry has seen in the past fifty.
3. <https://www.tribe.ai/applied-ai/ai-in-private-equity> - This article explores the various applications of AI in private equity investments, highlighting its impact on deal sourcing, due diligence, and portfolio management. AI enhances due diligence by automating data analysis, improving risk assessment through predictive analytics, and forecasting market trends to identify opportunities. It also aids in deal sourcing by analysing market data to identify high-growth companies and uncovering hidden opportunities using natural language processing. Additionally, AI streamlines portfolio management by providing real-time insights into performance metrics and external market conditions, facilitating proactive decision-making.
4. <https://lumenalta.com/insights/10-ai-use-cases-in-private-equity> - This article outlines ten AI use cases in private equity, focusing on deal sourcing, risk management, and portfolio optimisation. AI transforms deal sourcing by identifying high-growth companies through pattern recognition and discovering hidden opportunities with natural language processing. In risk management, AI enhances credit risk analysis, monitors market volatility in real time, provides regulatory compliance alerts, and conducts proactive cybersecurity assessments. For portfolio optimisation, AI offers predictive analytics for performance forecasting, supply chain optimisation, and workforce planning, enabling private equity firms to make informed decisions and improve operational efficiency.
5. <https://www.tribe.ai/applied-ai/ai-in-private-equity> - This article discusses the transformative role of AI in private equity, particularly in deal sourcing, due diligence, and portfolio management. AI improves deal sourcing by analysing large datasets to identify high-potential investments and uncovering hidden opportunities using natural language processing. In due diligence, AI accelerates data analysis and enhances accuracy, automating the evaluation of financial reports and legal documents. For portfolio management, AI provides real-time insights into performance metrics and market dynamics, facilitating proactive decision-making and operational efficiency.
6. <https://grata.com/resources/ai-in-private-equity> - This article examines AI's transformative impact on private equity, focusing on data-driven insights and process automation. AI excels at extracting actionable insights from diverse data sources, including financial reports and customer behaviour patterns, enabling private equity firms to identify inefficiencies and areas for improvement within their portfolio companies. Additionally, AI automates repetitive tasks such as data entry, reporting, and compliance monitoring, freeing up human resources to focus on higher-value strategic initiatives and enhancing operational efficiency.
7. <https://grata.com/resources/ai-private-equity-opportunities> - This article highlights new opportunities for investors in private equity through AI, focusing on enhancing risk evaluation and efficient deal discovery. AI improves risk evaluation by analysing vast datasets to identify potential risks across financial, operational, and market dimensions, including assessing financial health, predicting market risks, and evaluating operational vulnerabilities. In deal discovery, AI enables private equity firms to uncover investment opportunities by analysing market data, identifying hidden opportunities, refining target selection, and accelerating the discovery process, thereby gaining a competitive edge in identifying promising targets.