Riplo

The AI Imperative in Private Equity

Where private capital actually stands on artificial intelligence, the distance between ambition and infrastructure, and what the next thirty-six months demand of every fund.

IN THIS PAPER

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Overview

Private equity's relationship with artificial intelligence is defined by a paradox that would be comic if the stakes were not so high. **Most funds mention AI amongst their top priorities; however, most simply haven't made it work.**

The data bears this out. McKinsey's *State of AI 2025* report (surveying ~2,000 respondents across industries) found that **88% of organizations have deployed AI in at least one function** (up from 78% in the previous year), **yet only ~6% report a material contribution to operating EBIT performance.** The Private Equity (PE) sector, despite its positioning as a sophisticated industry with access to the best research and talent, maps closely to this trend. FTI Consulting's 2026 PE AI Radar surveyed ~200 funds and operating leaders, finding that **AI initiatives are frequently beating their (often conservatively scoped) business cases, yet only 36% of portfolio companies have moved AI into production and just 7% have reached enterprise-scale deployment.**

Something does not add up. The gap between what funds claim and what they have truly built is becoming increasingly consequential, with huge scope for growth.

There is also a second gap which, while less visible, is arguably more consequential. **AI is now a considerable variable in every asset a PE fund buys, owns, or sells, while reshaping competitive dynamics and growth trajectories across every sector PE invest in.** The majority of funds have no structured framework for evaluating it, with many funds underwriting deals in which AI is either the central risk or the central opportunity, without the analytical tools to distinguish between the two.

It is now critical to understand where AI is actually being deployed across the deal lifecycle today, but also what the next 12 to 36 months will bring and where the absence of structured AI evaluation is creating exposure that the market has not yet priced.

88%

HAVE DEPLOYED AI IN ≥1 FUNCTION

~6%

SEE A MATERIAL EBIT CONTRIBUTION

7%

OF PORTCOS AT ENTERPRISE-SCALE DEPLOYMENT

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AI is now a core consideration for investments and value creation

Private Equity as an industry **looks structurally different in 2026 than it ever has**. The era of cheap leverage, compressed multiples and automatic exit options have given way to something much more challenging: a **market in which generating returns requires improving and evolving businesses.**

The exit environment has compounded this pressure. Distributions to LPs slowed materially across 2023 and 2024 as IPO windows narrowed and strategic acquirers pulled back. Parallelly, Continuation Funds have become a structural feature of the market as fund managers seek ways to hold assets through an exit cycle that has extended much beyond historical norms. **Return of capital to LPs now requires operational performance to do the work that multiple expansion once did automatically.**

That shift is why operational alpha, **creating value through genuine improvement rather than financial engineering, has become the dominant theme of fund strategy across every tier of the market.** This has also spearheaded the shift of AI from a discussion item in LP meetings to the central capability question in the industry.

The opportunity presents itself in various forms across industries. In healthcare, **assets are now evaluated on clinical workflow automation**, an asset with a credible AI pathway to reduced administrative overhead now commands a different multiple than one without. Similarly, **industrial companies are now being underwritten on automation assumptions that would have seemed aggressive five years ago**. Software businesses are **being repriced depending on whether AI erodes or reinforces their moats,** while infrastructure assets face **AI-driven optimization opportunities in predictive maintenance, dispatch scheduling and loss detection** that go directly to operational performance.

The ability to understand AI has moved from optional infrastructure to core competency. **Funds that do not build it risk systematically mispricing assets, in both directions.**

AI today is no longer a peripheral consideration, but rather the core conversation in investment committees.

SOURCE · FTI CONSULTING, 2026 PE AI RADAR

67%
WEIGH AI TALENT AS CRITICAL IN EVALUATING A DEAL

57%
SAY THE SAME OF DATA & AI INFRASTRUCTURE

Significant AI opportunities exist across Fund Ops, Investments and Value Creation

Before assessing where the industry stands, it is worth establishing what is currently being implemented. The **AI opportunity across the deal lifecycle maps to three distinct domains**, and the gap between what is possible and what is being done is in most cases very significant, highlighting headroom for growth.

Fund Ops & Efficiency

LAYER 01

AI applied internally to make fund management faster & cheaper across use cases such as DDQ automation, fund reporting, LP communications, compliance monitoring.

Investment Intelligence

LAYER 02 · THE BLIND SPOT →

AI used to make better investment decisions across smarter origination, faster pre-screening, more rigorous formal diligence and structured evaluation of AI capabilities in target companies.

Portfolio Value Creation

LAYER 03

AI deployed within portfolio companies to drive EBITDA: process automation, pricing optimization, operational improvement, AI native product development.

The deal lifecycle maps across all three layers at once

STAGE 01
Deal Sourcing
Automated market surveillance and origination.

→

STAGE 02
Pre-Diligence
Rapid target profiling and screening.

→

STAGE 03
Formal Diligence
AI maturity, moat and risk assessment.

→

STAGE 04
Portfolio Mgmt.
Monitoring, reporting and value creation.

Funds are able to choose their unique start points, and within these investment buckets, multiple funds have already started making progress — albeit at different stages of the lifecycle.

Large funds have started building AI capabilities, with each choosing unique start points

Deal Sourcing

AI is used to run continuous automated market surveillance across a variety of data sources (e.g. job postings, patent filings, web traffic signals, news etc.). **EQT's MotherBrain** automates market scans, company similarity mapping and institutional knowledge capture; however, this has been built over ~10 years, with most funds lacking the infrastructure or appetite to replicate it.

Pre-Diligence

AI can be used to **synthesize a teaser document, a management presentation and a set of public company filings into a structured profile, allowing for quick snapshots that can be circulated amongst the investment team.** It can compare potential investments against historical investment criteria, flag commercial risks and cross reference targets against a fund's prior deal database.

Formal Diligence

MOST MATURE TODAY

Currently, AI delivers the most immediate and measurable value in this stage, given the ideal conditions of large volumes of documents, tight timelines and a clear quality standard against which outputs can be validated. **Blackstone's** proprietary document AI produces first-draft IC memos in the firm's own prose, while **Mubadala** built a virtual IC member, an AI trained on historical IC meeting transcripts that stress tests investment theses before they reach the committee.

Portfolio Mgmt.

Beyond the acquisition, the AI opportunity splits across two layers. At a fund level: AI-generated portfolio monitoring, automated fund reporting, rolling performance analytics and early-warning systems for portco performance divergence. **CDPQ, KKR and Brookfield** have moved towards AI-generated analytics covering IRR forecasts. At a portco level: customer service automation and pricing optimization.

DDQ

One of the most mature AI applications in fund operations is the LP DDQ, which historically has been one of the most labor intensive and formulaic workflows in fund management. **AI-assisted completion reduces the effort of standardization, answer reuse and data population. Fundraising cycle reductions are also possible through AI-assisted LP identification**; however, these are currently in early stages.

While almost all funds cite AI as a priority, most are still in pilot stages

While multiple companies are now actively focusing on AI integration into their operations, there is still a large gap between running pilots and deploying AI. The market today broadly segments into three operational tiers.

01

AI-Native

A small minority of mid-to-large funds that have built structured, repeatable AI processes embedded into core deal and portfolio operations. While the tools they use are broadly available, the main difference is data infrastructure, workflow architecture, and governance built over years of deliberate investment.

02

Selective Deployers

A larger set of companies has productionised AI in one or two high-value workflows. While efficiency gains are real and achievable, systematic expansion across the lifecycle is not yet underway.

03

Pilot-Stage

The majority of the market. AI is present in the firm (e.g. analysts use it individually) but not embedded in the firm's processes. Initiatives stay small, stay fragmented, and never compound into structural advantage.

> **Tools are broadly available. What separates the leaders is the discipline to turn experimentation into infrastructure that compounds.**

AI is the next step for PE, but funds are faced with a strategic deployment choice

Private equity has time and time again built itself by developing new institutional muscle at the right time. Each transition demanded that PE firms become genuinely different organizations.

GEN 01	GEN 02	GEN 03	GEN 04 · NOW
Capital Access	**Financial Engineering**	**Operational Value**	**Artificial Intelligence**
Finding and funding assets that others could not.	Leverage, structuring, exit timing.	Multiple expansion alone was no longer enough.	The next institutional transition.

AI is the next transition, but the question is no longer whether to pursue it. The harder question, and the one most funds have not answered explicitly, is **how to structure the pursuit**: **what capability belongs inside the firm**, and **what should be provided by external specialists**. The answer today is not uniform and depends heavily on the type of fund.

Specialist Funds

LEAN IN-HOUSE

Concentrated sector focus and proprietary data built over years of deals in a single vertical give a strong starting position with deep domain knowledge. AI here is largely about improving efficiency within known territory: faster diligence in a familiar framework, better monitoring of assets they understand well, more systematic fund operations. Building more of this capability internally is defensible — the marginal cost of training AI on their own deal history is lower when that data is deep, consistent and homogeneous.

Generalist Funds

PARTNER EXTERNALLY

A broad investment surface area poses a structurally different challenge: the specialist knowledge required to evaluate AI credibly across multiple verticals at once cannot be built quickly enough internally to keep pace with deal flow. The external specialist relationship becomes essential — vendors have already built sector-specific AI frameworks that bring both the technical capability and the contextual knowledge a generalist internal team cannot replicate at deal speed.

THE LIKELY PATH

A hybrid model

Most funds will run a defined internal capability that owns the AI agenda, sets standards and holds institutional knowledge, alongside specialist external relationships for the work that requires deep technical expertise or rapid adaptation to a technology landscape that does not stand still.

The evolving AI landscape makes it hard to treat it as a traditional build-vs-buy decision

Technology purchases have historically been based on a relatively stable landscape. The total cost of ownership of a portfolio management system or a CRM can be modelled over a three-to-five-year horizon with reasonable confidence, as the underlying technology changes slowly and predictably. **AI does not work this way, as the model that represents "best-in-class" capability today has an 18–24 month half-life before the next generation renders it outdated or commoditized.**

18–24
MONTH HALF-LIFE

Best-in-class AI models today can be commoditized within two years, causing the frontier to reset faster than build-vs-buy models can assume

The true cost of insourcing

BUILD

These moving goalposts of AI deployment make the calculation difficult. **A fund that builds internal AI capability anchored to today's technology does not know whether the investment will compound over five years or be stranded in two**, and the true cost includes **not just the initial build**, but the **continuous cost of tracking, evaluating and integrating successive generations of underlying technology.** This leads to a cost that is genuinely difficult to estimate, and **one most funds are not yet pricing accurately into their AI investment cases.**

What specialist vendors absorb

BUY

Vendors who operate in this space full-time absorb this cost on behalf of their clients. They **track the technology curve evaluating new models, retiring outdated approaches & updating methodologies** to reflect the current frontier without the client needing to fund or manage that process. **Institutional context compounds the advantage**: a relationship that develops across multiple mandates builds cumulative understanding of the fund's thesis, sector preferences, portfolio construction and operating model, improving every subsequent output.

Every deal in 2026 has an AI dimension, that funds must consider in their thesis

With the increasing use of AI in everyday life, it is now fair to say that every deal done in 2026 has an AI dimension. The target company either has AI capability that creates competitive advantage, faces AI-enabled disruption that threatens its business model, or both. **Traditional diligence frameworks assess whether the company's IT infrastructure is adequate; however, it is now critical to assess whether the company's AI capability constitutes a genuine competitive moat or whether any competitor can replicate it** in twelve months with API access to a foundation model. They do not evaluate whether the target's core revenue is structurally exposed to AI displacement or whether the AI roadmap embedded in the investment thesis is technically credible or a slide deck dressed up as a strategy.

The consequence of not asking these questions is already visible in deal outcomes. Bain's research found that most dealmakers have walked away from a transaction because of the anticipated impact of AI on the target's business model, and that number is only rising.

> "Most acquirers tell us that an AI diligence has convinced them to walk away from a deal, yet the **smartest dealmakers aren't just turning down deals; they are using diligence to uncover how AI could unlock new efficiencies, growth levers, and even entirely new business models** in a target."
>
> — BAIN & COMPANY

Traditional diligences do not answer key questions surrounding AI maturity, moat & risks

01	**AI Maturity**	Does the company have genuine AI capability or a vendor dependency? Are the models proprietary, fine-tuned on company-specific data, or commodity? Is the data infrastructure in place to support the AI roadmap?
02	**Competitive Moat**	Does the AI capability create durable differentiation? Can competitors close the lead with off-the-shelf tooling?
03	**Disruption Exposure**	Is the core business model vulnerable to AI-enabled challengers across lower-cost alternatives, automated substitutes, or foundation-model displacement?
04	**Value Creation Upside**	What AI applications exist within the asset that have not been implemented, and what is the realistic EBITDA impact?
05	**Execution Risk**	Does the management team have the capability to execute the AI roadmap? What is the realistic timeline and true cost to achieve goals?

THE NEW DILIGENCE STANDARD

Answered rigorously, these five questions separate an AI thesis that holds at exit from one that quietly erodes the multiple.

Funds should look at 5 key aspects when evaluating target's AI capabilities

The funds generating genuine competitive advantages from AI are not using materially better tools than the rest of the market; rather, they are **using the same tools more systematically, with better underlying data and clearer accountability for outcomes**. AI in fund operations is increasingly becoming basic hygiene, with workflows (slowly but steadily) being automated. **AI in deal-team intelligence is increasingly becoming how funds differentiate themselves,** while **AI in portfolio value creation is where differentiated returns are built**, and the hardest capability to develop. Five key things separate the winners.

01

Data foundation before the AI layer

The quality of the underlying data is among the primary determinants of AI output quality. Funds that have invested in clean portfolio data pipelines, structured deal archives and integrated CRMs generate substantially better outputs.

02

Domains, not use cases

The firms seeing real returns from AI have avoided the trap of running many small experiments simultaneously, instead picking key priority domains and building reliable, production-grade AI capability within them before expanding.

03

Governance as a quality standard

Incorrect AI-generated analysis carries reputational and financial consequences. The leading funds have built workflows with full traceability, with every output linked to verifiable sources.

04

Business outcomes, not tool adoption

Leaders measure what the tool's outputs are doing to deal-cycle time or diligence quality, so they don't underestimate the gap between AI availability and AI impact. Success is defined in business terms: time to IC, analyst output per head, LP response rate.

05

Shared learning across portfolio companies

Firms making the fastest progress in portfolio company AI deployment have built systematic knowledge-sharing mechanisms: regular forums where portfolio company teams share what is working, centralized playbooks and shared vendor evaluations.

The AI adoption gap is closeable with first-movers likely to benefit from compounding

The AI adoption gap is real, measurable and, most importantly, closeable. The tools exist and are broadly available to any fund prepared to use them seriously. However, they must be designed and executed properly. The funds that optimize AI usage will compound the advantage over the years.

Three things are required simultaneously: the ability to **evaluate AI accurately** in target companies; the **operational infrastructure** to use AI efficiently across fund management; and the **deployment capability** to unlock AI value within portfolio companies. The funds working with structure on these are the ones that will define the competitive terrain for the next cycle. At Riplo, we work across all three.

WHAT THE FUND NEEDS	HOW RIPLO DELIVERS IT
Evaluate AI accurately in target companies	**AI Due Diligence** Covering AI Vendor Due Diligence, AI Commercial Due Diligence and AI narrative work for exit preparation, giving deal teams an investment-grade view of AI maturity, competitive positioning and risk in target companies. Delivered on deal timelines, built on proprietary methodology, with full auditability. We answer the questions traditional diligence frameworks do not ask.
Operational infrastructure to run AI across fund management	**Fund Operations AI** Engineers deployed directly into fund management workflows, building and implementing AI systems for DDQ automation, fund reporting, portfolio monitoring and compliance processes. We build the systems that run.
Deployment capability to unlock AI inside portfolio companies	**Portfolio Value Creation** Spanning strategy and execution. AI Value Creation Plans translate AI opportunity into board-ready roadmaps for portfolio companies, prioritized, sized and sequenced by achievable impact rather than ambition. Where implementation support is needed, our engineers work within portfolio companies to build and embed the capability to execute.

The window to build AI capability before it becomes table stakes is narrowing. The funds that move with intention in the next twelve months will be the funds that shape the next decade of returns.

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Riplo

The agentic advisory for investors

Bespoke AI diligence and portfolio work for leading PE funds, delivered in days, not months, with full auditability. We help investors understand AI, powered by proprietary software.

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SOURCES & NOTES

McKinsey, *The State of AI 2025.* · FTI Consulting, *2026 PE AI Radar.* · Bain & Company, research on AI in deal-making. · Firm examples (EQT, Blackstone, Mubadala, CDPQ, KKR, Brookfield) drawn from public disclosures. Forward-looking statements reflect Riplo analysis and are illustrative, not investment advice.