

Lenders and buyers start pricing AI risk: what sponsors need to evidence now

Executive Summary

AI moved from the slide deck into loan documents and hold-period maths this week. Thoma Bravo traded around 40 lender protections for time on Proofpoint's debt, sponsors turned to structured equity to return cash without selling, and Hg published measured AI outcomes from a portfolio company. Consulting, wealth and advice businesses face their own AI repricing, and the FCA set out where AI advice tools sit.

Lenders write AI disruption into software loan terms

Thoma Bravo has agreed to around 40 changes to the loan documents of cybersecurity software company Proofpoint to secure a two-year extension on roughly \$5bn of debt, according to a Bloomberg report summarised by Private Equity Wire ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [1]). The package tightens limits on new borrowing, investments and asset transfers, adds an "omni blocker" that stops transactions moving assets beyond creditors' reach, and gives lenders mandatory quarterly calls with management. The extension adds about \$60m to Proofpoint's annual interest bill ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [2]). Talks started with Thoma Bravo proposing about a dozen amendments; nine days later the list had grown to around 40 ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [3]).

The report ties the shift directly to AI. Concerns that AI could disrupt established software business models have weakened valuations and made exits and refinancings considerably harder, and Thoma Bravo has around \$9bn of portfolio company debt maturing by the end of 2028, including more than \$2bn at Sophos due in March ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [4]). The sponsor kept covenant-lite terms and avoided an equity injection, but the price of time was control.

Not everyone accepts the disruption case. Writing in Fortune, Yale's Jeffrey Sonnenfeld and colleagues estimate that about \$2 trillion of software value has been lost over the past year on fears of AI obsolescence, and argue the market is failing to separate winners from losers (fortune.com [5]). Their test is whether a company "still owns something that AI agents need". Salesforce's Agentforce has grown from \$100 million to \$1.5 billion in annual recurring revenue within 18 months, and Booking says traffic from large language models is still well below 1% of room nights (fortune.com [6]).

For portfolio CFOs, the two views point to the same task. Lenders are now pricing AI exposure at refinancing, so software holdings with near-term maturities need an evidence pack ready before talks start: which workflows and data agents depend on, where AI revenue is already contracted, and how churn and pricing have moved. Without it, sponsors will trade terms for time, as Thoma Bravo did.

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Structured equity buys time and puts the AI plan on a shorter clock

Buyout firms are turning to structured equity to return cash to LPs without selling the businesses they cannot exit at an acceptable price, according to a Bloomberg report summarised by Private Equity Wire ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [1]). The backdrop is a backlog of about \$3.8tn of unsold assets held by global managers, with average holding periods stretched to roughly seven years, according to Bain & Company ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [2]). Providers including Apollo and Bain Capital can earn returns in the mid-teens on what are typically preferred securities with fixed dividends and no conventional maturity, repaid when the company is sold or floated ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [3]). Terms can add escalating dividends, governance rights, conversion features or provisions that let investors push for an exit ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [4]).

For the equity, that is a new senior claim with its own clock. Critics argue the structures provide liquidity without solving the exit problem, and LPs may question whether cash today is worth a lower long-term return ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [5]). The scale of the issue is clear in fresh PitchBook data reported by Fortune: about 33.8% of the 13,509 companies backed by US PE firms have been held for five years or more (fortune.com [6]).

Once a preferred tranche with an escalating dividend sits ahead of the sponsor, exit value has to clear it before common equity sees a return. An AI programme in that business must deliver EBITDA inside the structured equity's timetable, not the original fund's. Operating partners should model the AI line against the dividend step-ups and exit triggers, and prioritise use cases that reach cash flow within four to six quarters.

Sponsors are also looking for fresh entry points. Law firm White & Case reports that corporate carve-outs accounted for 90 private equity deals in Europe in the first quarter of 2026, 7% of deal volume and 13% of deal value, and says AI disruption is one reason corporates are reassessing which businesses remain core ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [7]). Sponsors increasingly have to show a clear path to value creation rather than relying on market appreciation or debt ([privateequitywire.co.uk](https://www.privateequitywire.co.uk) [8]), and a standalone carve-out is a natural place to baseline an AI plan from day one.

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Hg shows measured AI outcomes while AI job cuts start to reverse

Hg published the second of its "Field Notes" on 26 August, short case studies that it says "show what AI transformation actually looks like inside the companies we back, with the numbers to back it up" (hgcapital.com [1]). This one covers CINC Systems, which built and launched a new suite of AI products with the support of Hg Catalyst (hgcapital.com [2]). The headline result is a customer outcome, not a usage statistic. Chief executive Ryan Davis said homeowners' requests "most of the

time" used to come back rejected, and that with AI guidance "around 80% get approved first time" (hgcapital.com [3]).

The format matters as much as the result. A sponsor publishing measured outcomes from named portfolio companies sets a reference point for buyers and LPs, and raises the bar for everyone else's AI claims at exit. Value-creation leads should expect the same question in their own processes: show the before and after, by workflow, with the number a customer would recognise.

A Fortune piece on 27 August shows what happens when the AI line is built on cuts instead. Maria Colacurcio wrote that her company lost talent it needed after an AI-driven restructuring and later rehired a laid-off employee into a new role (fortune.com [4]). She cited Robert Half research from April 2026 finding that three in 10 employers eliminated positions after implementing AI, only to add those roles back later (fortune.com [5]). She also noted that US employers announced 97,000 job cuts in May and blamed 40% of them on AI (fortune.com [6]).

For sponsors, the lesson is about how the AI line is sized. Savings booked as headcount reductions before the workflow has changed are the ones most likely to reverse, and a buyer's diligence team will find the rehires. Plans that size AI on capacity freed, revenue per employee and customer outcomes, as CINC's approval rate does, are harder to unwind and easier to evidence. Operating partners should ask portfolio CEOs for both the saving and the proof that the work itself has changed.

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AI rewires consulting pricing and the operating partner bench

The consulting market is being rewired by AI, and that matters twice for sponsors: as owners of services businesses and as buyers of transformation support. Olly Purnell, managing partner of boutique consultancy Q5, told City AM that in his view AI has not killed consulting but has killed bloated ERP mega-projects (cityam.com [1]). He described the traditional Big Four engagement as a multi-year, multi-geography ERP implementation costing £50m-£60m, with 100 consultants working for two to three years, and said that work will disappear (cityam.com [2]). Q5, which runs teams of three and four on 12-week assignments, has grown at just under 20 per cent a year since 2020 and plans to expand into private equity work (cityam.com [3]).

IBM's experience points the same way. Sonnenfeld and colleagues report that AI now accounts for half of all new IBM consulting signings, at higher margins than traditional consulting, because IBM can bill on outcomes and productivity rather than hours (fortune.com [4]). The common thread is pricing. Services businesses that sell time are exposed as AI compresses the hours; those that sell outcomes keep the productivity gain.

Sponsors are also adding transformation experience to their own benches. European deeptech investor Jolt Capital appointed Jean-Marc Ollagnier, who spent 40 years at Accenture including as chief executive for Europe, the Middle East and Africa, as an operating partner (privateequitywire.co.uk [5]). His remit includes helping portfolio companies identify opportunities from AI and digital transformation and advising the investment team on operational strategy (privateequitywire.co.uk [6]).

Three actions follow for value-creation leads. First, for services holdings, track the share of revenue priced on outcomes and model the downside for time-and-materials contracts. Second, when buying support for portfolio programmes, favour short, specialist engagements with measured outputs over large multi-year implementations. Third, if the operating partner bench is adding senior consulting talent, give them a clear AI mandate tied to portfolio EBITDA, not a general advisory role.

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FCA research puts AI at the front of the wealth client journey

The Financial Conduct Authority published research on 27 August showing that four in five less experienced investors have used AI for help with investing (fca.org.uk [1]). Among 18- to 40-year-olds who own or are considering investments, 56% trust AI tools, more than TV and radio (47%), the press (46%) or social media influencers (29%), and two-thirds expect to rely on AI more over the next year (fca.org.uk [2]). The regulator also set out where the line sits: general purpose AI chatbots are not regulated, but tools specifically set up to provide financial advice would be likely to fall within the FCA's remit (fca.org.uk [3]).

For sponsors that own wealth managers, financial planners or investment platforms, the research changes two assumptions in the value creation plan. The first is client acquisition: a younger client's first stop is now a free chatbot, so the funnel and the proposition have to offer something the chatbot cannot, such as suitability, accountability and a view of the whole financial position. The second is product risk: a firm that builds an AI tool to give advice is likely to be inside the FCA's perimeter, so governance, testing and records need to be built in from the start and shown in diligence.

Capital is still flowing towards AI-linked growth. Growth equity funds raised a record \$33.2bn in the first half of 2026, 36% more than a year earlier, according to Preqin data reported by the Financial Times and summarised by Private Equity Wire (privateequitywire.co.uk [4]). Fewer managers shared the money, with 87 funds raising capital against 96 a year earlier, and artificial intelligence was cited as one catalyst (privateequitywire.co.uk [5]).

The combination is a signal for UK mid-market sponsors. LPs will fund AI-led growth, but regulators and buyers will test how it was delivered. Wealth and advice platforms that can show AI improving adviser capacity and client outcomes inside the rules will hold their multiples; those that cannot will look exposed to a free alternative.

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Key Statistics

- Global PE managers hold about \$3.8tn of unsold assets and average holding periods have stretched to roughly seven years, according to Bain & Company ([\[privateequitywire.co.uk\]\(https://www.privateequitywire.co.uk/pe-turns-to-structured-equity-as-exit-bottleneck-persists/\)](https://www.privateequitywire.co.uk/pe-turns-to-structured-equity-as-exit-bottleneck-persists/)).
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- Thoma Bravo agreed to around 40 loan document changes to extend roughly \$5bn of Proofpoint debt by two years, adding about \$60m a year in interest ([\[privateequitywire.co.uk\]\(https://www.privateequitywire.co.uk/thoma-bravo-offers-lenders-sweeping-concessions-as-software-debt-comes-under-pressure/\)](https://www.privateequitywire.co.uk/thoma-bravo-offers-lenders-sweeping-concessions-as-software-debt-comes-under-pressure/)).
- About \$2 trillion of software value has been lost over the past year on fears of AI obsolescence, while Salesforce's Agentforce has reached \$1.5 billion in annual recurring revenue ([\[fortune.com\]\(https://fortune.com/2026/08/26/saaspocalypse-salesforce-booking-ibm-sonnenfeld/\)](https://fortune.com/2026/08/26/saaspocalypse-salesforce-booking-ibm-sonnenfeld/)).
- Three in 10 employers eliminated positions after implementing AI, only to add those roles back later, according to Robert Half ([\[fortune.com\]\(https://fortune.com/2026/08/27/we-laid-him-off-then-we-hired-him-back/\)](https://fortune.com/2026/08/27/we-laid-him-off-then-we-hired-him-back/)).
- 56% of UK investors aged 18 to 40 trust AI tools, more than TV and radio (47%) or the press (46%), according to the FCA ([\[fca.org.uk\]\(https://www.fca.org.uk/news/press-releases/young-investors-trust-ai-more-tv-or-celebrities/\)](https://www.fca.org.uk/news/press-releases/young-investors-trust-ai-more-tv-or-celebrities/)).

KEY TAKEAWAY

AI risk now shows up in loan terms and hold periods. Sponsors that evidence AI gains by workflow will refinance and exit on better terms. Size the AI line on capacity and growth, not cuts that reverse, and test software holdings on what agents cannot work without.

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