LUMO INSIGHTS

Friday, 23 October 2026

AI projects beat targets but adoption remains uneven in PE portfolios

Executive Summary

A new survey by FTI Consulting indicates that most private equity portfolio companies implementing AI are reaping more benefits than expected, especially in revenue growth. But uptake across portfolios is still limited, prompting firms to invest in dedicated AI leadership and adapt business models to capture value and mitigate new risks. These developments underscore that AI's impact on a PE portfolio comes from tangible performance gains that investors now expect to see evidenced.

Most portfolio AI initiatives exceed expectations

A fresh data point suggests that where private equity firms have deployed AI in their portfolio companies, the results are beating initial expectations. **FTI Consulting's 2026 Private Equity AI Radar** - a survey of 200 fund and operating leaders - found that 95% of respondents' AI initiatives are meeting or exceeding their original business-case targets (www.fti-andersch.com [1]). In many cases the gains have surpassed projected benefits, which the report notes were often set conservatively (www.fticonsulting.com [2]) (www.fticonsulting.com [3]). The study shows that private equity-backed companies are already realising measurable improvements in both cost efficiency and revenue growth through AI. Notably, revenue acceleration is the top priority for 41% of respondents, compared to 24% who chiefly target cost cuts (www.fti-andersch.com [4]). This aligns with case studies by BCG, which highlighted examples like an asset manager's AI-assisted customer service overhaul cutting operating expenses by 30%, and a beauty retailer's AI-driven supply chain planning reducing logistics costs by about 3% (www.efinancialcareers.com [5]) (www.efinancialcareers.com [6]).

However, the FTI findings also reveal how nascent AI adoption still is across many portfolios. Only 36% of the surveyed GPs said their companies use AI day-to-day, with the rest either in pilot projects or yet to apply it at all (www.fti-andersch.com [7]) (www.fti-andersch.com [8]). Even among firms actively pursuing AI, just 7% have achieved fully scaled, enterprise-wide AI integration across their portfolio businesses (www.fti-andersch.com [9]). This gap between exceptional results and limited adoption implies most funds are still leaving significant value on the table. It reinforces Lumo's guidance that AI's real impact comes from scaling proven use cases throughout the portfolio to drive sustained EBITDA and revenue gains.

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Gearing up: AI officers and budgets on the rise

With evidence mounting that AI can deliver tangible improvements, private equity firms are bolstering their internal AI capabilities and resources. **Mergermarket reports** that four in five US-based buyout firms have now appointed a chief artificial intelligence officer or equivalent senior leader to spearhead adoption (ionanalytics.com [1]). Many European sponsors are following suit by recruiting AI specialists or dedicated data science teams to strengthen their portfolio value-creation efforts. For example, Sweden’s EQT already has an 85-strong in-house AI "transformation team" to work with its companies (www.investing.com [2]). At the same time, new surveys suggest GPs are allocating substantially higher budgets to technology: nearly two-thirds of US private equity firms expect to devote at least a quarter of their business unit budgets to AI initiatives in 2026, up from less than half the year before (ionanalytics.com [3]).

Finance leaders appear increasingly willing to underwrite these investments. In the UK, a Deloitte CFO survey this summer found 73% of chief financial officers are now optimistic that AI will materially improve business performance (www.deloitte.com [4]). This marks a sharp rise from late 2025, when a Gartner poll found only 36% of CFOs confident in their ability to generate returns from AI (www.gartner.com [5]). Growing C-suite support means sponsors have more internal buy-in to fund AI projects - but it also raises expectations. Limited partners are starting to treat AI enablement as an execution skill: in a global investor survey, **Adams Street Partners** reported that LPs "increasingly expect managers to demonstrate how AI is embedded across sourcing, diligence, and portfolio operations to drive measurable gains in productivity and margin" (www.adamsstreetpartners.com [6]). Facing this scrutiny, GPs are under pressure to convert AI from a trendy theme into documented performance improvements.

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Adapting business models to an AI-driven market

Private equity owners are also assessing how artificial intelligence could upend the business models of their portfolio companies - and how to turn that disruption to their advantage. One timely example is **Ryan**, a tax advisory firm backed by TA Associates and Onex, which this month declared it is abandoning the traditional hourly billing model in favour of value-based fees. Ryan’s UK head said the change is “built for the age of AI, unlike competitors that depend on traditional hourly

billing" (www.cityam.com [1]). As AI tools automate routine work and drastically cut the hours required for tasks like tax compliance, firms that charge by time risk shrinking revenues without a commensurate drop in costs. By shifting to fixed-fee and outcome-based pricing, Ryan aims to preserve margins and align its services with the greater efficiency that AI brings to its operations.

This illustrates the broader point that AI can both create value and erode it, depending on a company's model. In sectors such as professional services, outsourcing, and software, buyers are increasingly probing targets on their "AI resilience" - whether they are leveraging AI to improve performance, and whether their revenue streams could be cannibalised by it. **KPMG's mid-year review** of UK private equity notes that deep investor concerns about AI disruption have already made some exits harder to achieve in 2026, as acquirers hesitate on businesses seen as vulnerable. In response, sponsors are pushing portfolio managers to deploy AI in ways that not only cut costs but build defensible competitive advantages, so that any savings or new revenue are sustainable and stand up under due diligence.

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Key Statistics

- 65% of PE decision-makers say AI initiatives in portfolio companies exceeded projected financial targets (FTI Consulting)
- 36% of portfolio companies using AI in day-to-day operations, with 43% only in trials or not at all (FTI Consulting)
- 41% of PE survey respondents primarily target revenue growth with AI vs 24% targeting cost reduction (FTI Consulting)
- 73% of UK CFOs optimistic AI will improve business performance (Deloitte CFO Survey, Q2 2026)
- 36% of CFOs confident in their ability to drive enterprise AI impact (Gartner survey, Aug 2025)

KEY TAKEAWAY

Invest in demonstrable AI improvements now. Set clear, measurable targets for AI initiatives and track their impact on revenue, costs or efficiency. Both investors and acquirers are increasingly looking for evidence of AI-driven gains - and scrutinising business models that could be disrupted by AI.

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