LUMO INSIGHTS

Friday, 30 October 2026

EY survey: GPs expect quick AI returns as buyers demand proof

Executive Summary

A new EY survey suggests private equity firms are betting on rapid payback from artificial intelligence. Sponsors are ramping up AI investment and anticipating measurable profit improvements within a year (www.ey.com [1]) (www.ey.com [2]), but they are also increasingly wary of targets that could be disrupted by AI (www.ey.com [3]). The trend underlines that AI's value in PE portfolios hinges on tangible results that can withstand scrutiny from investors and buyers.

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GPs set near-term AI payback goals

On 29 October, EY's Q3 2026 Private Equity Pulse survey revealed that 40% of general partners expect their AI initiatives to deliver net returns within 12 months (www.ey.com [1]). This marks a notable shift in sentiment: many sponsors now believe AI projects are moving beyond the experimental pilot phase into a period of tangible financial payback. The anticipation of quick returns reflects growing pressure on portfolio companies to demonstrate real improvements in revenue, margin or efficiency from AI deployments.

EY's data also show that firms are backing up these expectations with increased investment. In the past year, 80% of GPs said they raised AI-related spending across their portfolio companies, with nearly 40% boosting it by roughly a quarter to half (www.ey.com [2]). This acceleration in spending indicates a push to scale AI from isolated use cases into broader operations, targeting measurable gains in productivity and growth. It suggests that PE owners are sharpening their focus on AI projects that can directly impact the P&L and contribute to the value-creation plan.

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AI disruption risk reshapes deal decisions

The same EY survey highlights that heightened AI disruption risk is already influencing dealmaking. Some 40% of private equity firms reported walking away from at least one potential investment in the past 12 months due to concerns that AI could undermine the target's business model (www.ey.com [1]). In practice, this means acquirers are increasingly factoring technological resilience and automation risk into their valuations and due diligence processes. If a company's products or processes appear vulnerable to being replicated or replaced by AI, buyers may demand a price discount or exit the deal process entirely.

Earlier this year, Blackstone's Chief Financial Officer Michael Chae warned that rapid advances in AI will produce a "range of outcomes over time" for software companies, with winners and losers emerging based on their competitive moats and ability to harness the technology (www.spglobal.com [2]). Chae noted that "larger, well-entrenched businesses" with robust data advantages and resources to invest are likely to be "beneficiaries of AI," whereas less protected firms could face more disruption (www.spglobal.com [3]). His remarks underscore why deal teams are scrutinising targets' AI strategies and defensibility: a company without a clear plan for AI or a defensible niche may struggle to convince buyers, lenders or investment committees in today's environment.

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Most firms still await AI returns

Despite growing investment, many companies have yet to see significant payoffs from AI. In PwC's latest global CEO survey, 56% of chief executives said their AI initiatives had not yielded any notable cost savings or revenue increases to date (www.pwc.com [1]). Only a small minority (just 12%) reported achieving both revenue growth and cost reductions from AI efforts (www.pwc.com [2]). Bain & Company's mid-2026 analysis echoed this "AI value paradox," finding that while "AI activity is everywhere in private equity, meaningful value creation isn't" (www.bain.com [3]) - fully 82% of CEOs described their AI programmes as only partially delivering their intended results (www.bain.com [4]).

There are signs that value is attainable for those who execute well. A Deloitte survey of larger private enterprises (annual revenues above $500 /million) found nearly 64% of those firms have already seen moderate or significant ROI from their AI investments (www.deloitte.com [5]) - far outpacing the success rates of smaller companies. Moreover, the IBM Institute for Business Value reports that organisations led by "AI-first" CFOs - finance chiefs who champion AI integration and oversee its value capture - achieved 23% higher revenue growth from 2022 to 2024 than their peers (newsroom.ibm.com [6]). These findings suggest that companies realising the most value from AI are those grounding their efforts in strategic focus, strong leadership and rigorous tracking of results. In private equity portfolios, that means ensuring each AI initiative is tied to a clear financial outcome and can be verified under buyer scrutiny.

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Key Statistics

- 40% of GPs who expect AI initiatives to deliver net returns within 12 months - EY (Q3 2026 survey)
- 40% of PE firms that dropped a potential investment due to AI disruption risk in the past year - EY (Q3 2026 survey)
- 56% of global CEOs reporting no cost or revenue benefit from AI in the last 12 months - PwC (2026 Global CEO Survey)
- 64% of private companies with >$500m revenue reporting moderate or significant AI ROI - Deloitte (2026 survey)
- 23% higher revenue growth in companies led by "AI-first" CFOs (vs peers, 2022 - 24) - IBM (2026 CFO study)

KEY TAKEAWAY

Insist on clear, near-term ROI from AI in each portfolio company. Set 12-month targets for AI-driven revenue or cost improvements and assign owners to measure them. Ensure any claimed AI benefits are verified for buyer due diligence.

Sources

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