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EY: 40% of GPs skip tech deals over AI disruption risk

Executive Summary

A new EY survey suggests private equity firms are shifting from AI experimentation to demands for tangible results. General partners have sharply increased portfolio AI investment and are looking for measurable returns within a year (www.ey.com [1]) (www.ey.com [2]). At the same time, many remain cautious: two out of five firms report walking away from a tech deal in the past 12 months because of concerns about AI-driven disruption (www.ey.com [3]). Broader research shows that only a small minority of companies have seen significant profit impact from AI so far (www.mckinsey.com [4]) (www.mckinsey.com [5]), reinforcing the need for portfolio companies to deliver and demonstrate real P&L gains from AI initiatives.

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GPs ramp up AI for faster returns

According to an EY Private Equity Pulse survey published on 29 October 2026, buyout firms have been rapidly increasing their spending on artificial intelligence across portfolio companies in pursuit of quick, measurable benefits (www.ey.com [1]). The survey found that 80% of general partners (GPs) boosted AI-related investment in their portfolios over the past year, with 39% increasing spend by roughly a quarter to half (www.ey.com [2]). Crucially, 40% of GPs now expect these AI investments to deliver net returns within just 12 months (www.ey.com [3]). This marks a shift from the pilot and proof-of-concept phase towards placing AI at the core of near-term value creation plans.

These findings indicate rising confidence - and pressure - around AI's impact on the profit-and-loss statement. GPs' one-year return horizon for AI reflects an urgency to validate the technology's value in time for upcoming exits and refinancings. Many firms are moving beyond isolated trials of tools like generative AI and automation, targeting efficiency gains and revenue uplift in core operations. The trend is for AI to be embedded in day-to-day processes, from customer service to pricing and supply chain, where it can boost productivity or sales. The hope is that such initiatives can quickly improve margins or growth, helping portfolio companies outperform initial deal models. As one industry report found, when AI is deliberately deployed in core commercial and operational levers, it can accelerate value creation - some top funds have seen time-to-value for AI projects roughly double year-on-year (www.fticonsulting.com [4]) (www.fticonsulting.com [5]). The emphasis now is on focusing AI efforts

where they can move the needle on earnings within a holding period, rather than longer-term moonshots.

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AI disruption risk deters deals

Even as sponsors invest more in AI, they are acutely aware of the technology's disruptive risks when evaluating new deals. In the same EY survey, 40% of private equity firms said they had *decided not to pursue a potential acquisition in the technology sector over the past year due to concerns about AI-driven disruption* (www.ey.com [1]). This caution underscores how seriously buyers are taking the threat of AI to certain business models - for example, software or services companies that might be displaced or commoditised by newer AI-enabled competitors.

When artificial intelligence is identified as a disruption risk during due diligence, many investors respond by digging deeper or adjusting their assumptions. Nearly half (46%) of firms expanded their due diligence or revised their investment thesis when AI risks surfaced in a target company (www.ey.com [2]). In some cases, this closer scrutiny uncovers vulnerabilities - such as overreliance on manual processes, outdated technology or a lack of proprietary data - that lead sponsors to walk away entirely. The message for portfolio company leaders is clear: to attract buyers and preserve valuations, they must proactively address AI-related risks in their business and be prepared to demonstrate resilience and strategic use of AI. If a company can't show how it leverages AI for competitive advantage or guards against being disrupted by it, potential acquirers and lenders may either discount its value or avoid the deal.

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Only a few see significant AI ROI (so far)

New research suggests that genuine bottom-line gains from AI remain relatively rare in the wider business world, despite the growing investment. In an August 2026 global survey of 1,700 organisations by McKinsey, just 37% of respondents said AI had contributed any measurable increase to their EBIT (operating profit) - a proportion unchanged from the previous year (www.mckinsey.com [1]). Only 6% of companies qualified as AI *"high performers,"* defined as those attributing at least 5% of total EBIT to AI initiatives with a significant overall impact (www.mckinsey.com [2]). In other words, while use of AI has become widespread and many employees report productivity gains, translating these advances into substantial profit improvements at the enterprise level remains a challenge.

The private equity community is facing a similar proof gap. Grant Thornton's 2026 AI Impact Survey found that while a majority of PE firms have multiple AI projects underway, less than a quarter have seen those efforts translate into revenue growth so far. Many portfolio companies are still in the pilot stage of AI adoption (www.grantthornton.com [3]), and few have robust evidence of profit uplift. Even when AI projects succeed in improving specific metrics, their scale tends to be modest: a recent FTI

Consulting study noted that most PE funds targeted only a 5 - 10% improvement from AI initiatives, and nearly half reported these projects actually exceeded their initial business-case goals (www.privateequityinternational.com [4]). However, FTI also observed that *“realised gains still trail industry benchmarks”* for value creation (www.privateequityinternational.com [5]) - suggesting that much of AI’s promise is yet to be captured. By contrast, those portfolio companies that *do* manage to integrate advanced AI across their operations can pull ahead significantly. Boston Consulting Group reports that PE-backed businesses which build cutting-edge AI capabilities across functions achieve nearly **double** the return on invested capital of those that do not (www.bcg.com [6]). This emerging gap between AI “haves” and “have-nots” is raising the stakes for sponsors: they must not only implement AI in their portfolio companies, but also rigorously measure and document the resulting gains. With public tech investors now growing sceptical of unproven AI bets - noting that profits "need to be showing up in force from AI to justify the buildout" so far (www.cnbc.com [7]) - buyers in private markets are likely to reward only those companies that can back up their AI narratives with hard financial results.

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Key Statistics

- 40% - Share of PE firms that have walked away from a potential tech investment due to AI disruption risk (EY, Q3 2026 survey)
- 80% - Share of GPs reporting increased AI spending across their portfolio companies in the past year (EY, Q3 2026 survey)
- 40% - Share of GPs who expect net returns from AI within 12 months (EY, Q3 2026 survey)
- 37% - Share of organisations attributing any profit (EBIT) improvement to AI, according to McKinsey’s 2026 global AI survey
- 6% - Share of organisations qualifying as AI high performers ("e5% of EBIT from AI), in McKinsey’s 2026 global AI survey

KEY TAKEAWAY

Push your portfolio companies to measure and prove any AI-led gains now. As investor scrutiny rises and deals hinge on demonstrated results, only concrete evidence of AI’s profit impact will unlock value at exit.

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