AI Use Case Portfolio for Private Equity
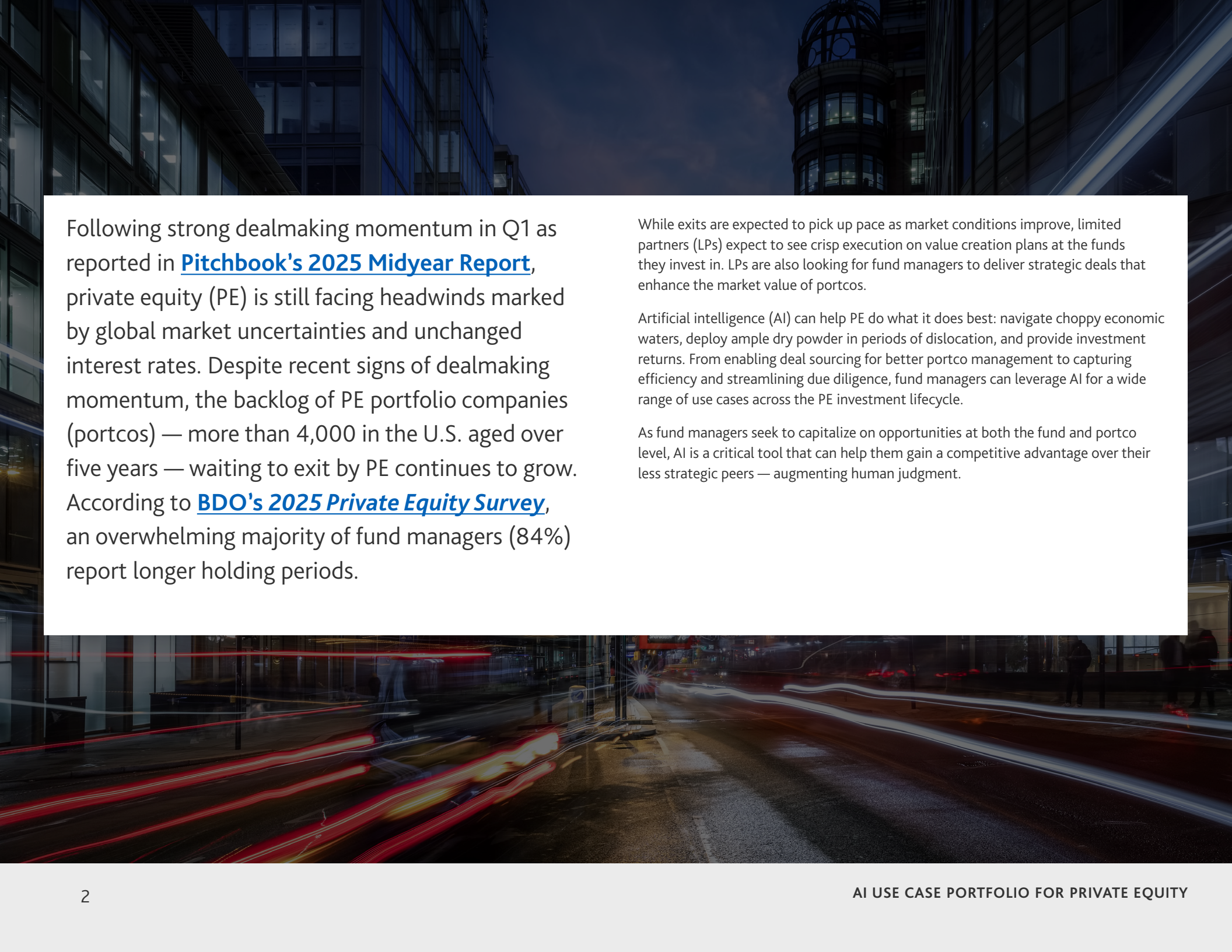
Following strong dealmaking momentum in Q1 as reported in **Pitchbook's 2025 Midyear Report**, private equity (PE) is still facing headwinds marked by global market uncertainties and unchanged interest rates. Despite recent signs of dealmaking momentum, the backlog of PE portfolio companies (portcos) — more than 4,000 in the U.S. aged over five years — waiting to exit by PE continues to grow. According to **BDO's *2025 Private Equity Survey***, an overwhelming majority of fund managers (84%) report longer holding periods.

While exits are expected to pick up pace as market conditions improve, limited partners (LPs) expect to see crisp execution on value creation plans at the funds they invest in. LPs are also looking for fund managers to deliver strategic deals that enhance the market value of portcos.

Artificial intelligence (AI) can help PE do what it does best: navigate choppy economic waters, deploy ample dry powder in periods of dislocation, and provide investment returns. From enabling deal sourcing for better portco management to capturing efficiency and streamlining due diligence, fund managers can leverage AI for a wide range of use cases across the PE investment lifecycle.

As fund managers seek to capitalize on opportunities at both the fund and portco level, AI is a critical tool that can help them gain a competitive advantage over their less strategic peers — augmenting human judgment.

Investment Strategy

INITIAL DEAL SOURCING

When it comes to sourcing deals, many PE firms rely on existing relationships, like investment banks, to offer target companies for investment. While most PE firms have their own deal origination teams, the sheer volume of potential target companies makes it difficult to cull relevant investment data to inform a decision in a timely manner, which can lead to missed deal opportunities.

AI can help PE firms expedite the speed to deal by analyzing large volumes of data from their universe of potential targets, allowing firms to more easily and quickly identify "hidden gems" — companies they may not have otherwise prioritized that have the potential to generate high returns during the initial investment phase.

AI-Enabled Fraud Detection

PE firms are starting to use AI as they increase their focus on fraud detection. Fund managers, for example, can upload financial records into a private AI sandbox to detect and flag unusual patterns in financial transactions, including revenue recognition. This information can be used for dynamic risk scoring to keep fund managers apprised of the changing risk profiles of their portcos.

Deal Execution

DUE DILIGENCE & RISK ASSESSMENT

Due diligence can be time- and labor-intensive, requiring PE firms to review hundreds of pages of documents to gain an understanding of a target's **value** and risk position. Because many different teams can be involved in due diligence, the process often creates bottlenecks that may slow down a deal. Given the density and volume of the documents under review as part of due diligence, deal teams may overlook a critical risk area that can impair their overall assessment of a target. It's also possible that deal teams may analyze documentation differently that could lead to inconsistent analyses and conclusions.

AI-enabled due diligence helps firms analyze lengthy documents and financial information to extract key insights and metrics in a matter of minutes, including:

Financial Performance

- ▶ Revenue growth rates
- ▶ EBITDA margins
- ▶ Debt-to-equity ratios
- ▶ Net Asset Value (NAV)

Growth Drivers

- ▶ Market expansion opportunities
- ▶ Cross-selling potential
- ▶ Tech investments

Operational Red Flags

- ▶ High employee turnover
- ▶ Tech infrastructure gaps
- ▶ Pending litigation
- ▶ Compliance issues

Market Risks

- ▶ Customer concentration
- ▶ Competitive threats
- ▶ Macroeconomic conditions

PE firms that use AI for due diligence can not only expedite assessments, but also improve deal selection based on more comprehensive analyses. AI can also help PE firms free up time for deal teams to focus on the aspects of due diligence that require professional judgement.

Holding Period

STREAMLINING REPORTING TO INCREASE EFFICIENCIES

Portcos are required to report financial and other information to their funds on a regular basis. As different portcos may use a unique reporting format or methodology, PE fund managers will often review reports with disparate reporting formats and information. Fund managers then need to manually reconcile troves of data, creating a significant administrative burden and analysis lag, which can increase the risk of human error.

AI can help fund managers standardize quarterly and annual report formats, including financial statements and other documentation received from portcos, allowing them to analyze data, generate insights, and identify trends more efficiently. Fund managers can use generative AI to create a dashboard that centralizes all portco data and reports, making it easier to access and interpret information. Fund managers can also use AI to generate reporting templates, which their portcos can use to streamline reporting on an ongoing basis.

Considering AI for Portco Value Creation

Portcos that strategically leverage AI in marketing and sales activities can uncover new value creation opportunities, expanding cost savings and operational efficiencies. AI-powered demand generation, for instance, can help portcos enhance their customer acquisition strategies by analyzing customer relationship management (CRM) data and identifying opportunities to tap into overlooked markets and discover new distribution channels.

AI-driven sales optimization can help improve deal conversion through more custom prospecting. Portcos can use AI to enhance pricing decisions in real time based on AI-detected market conditions, demand patterns, and competitive analysis, enabling quicker and more effective cross-selling.

AI USE CASE PORTFOLIO FOR PRIVATE EQUITY

ADVANCED PORTFOLIO MONITORING

[Longer holding periods](#) create pressure for fund managers who need to maintain oversight across growing portfolios, while also identifying new value creation opportunities that could drive meaningful EBITDA improvements. However, many fund managers lack real-time oversight of their portcos, primarily relying on quarterly reports and meetings with the portco management team to assess a portco's performance.

These delays in monitoring or reporting can open up critical vulnerabilities for fund managers as they may miss and fail to address time-sensitive performance issues, such as sudden market downturns, compliance breaches, or short falls in a timely manner. AI can conduct real-time portfolio monitoring, helping fund managers identify patterns — including performance red flags as well as commonalities like price elasticity and customer concentration between portcos — and make instant recommendations.

For example, AI may detect a change in customer retention, such as higher-than-expected churn at a portco, and flag it in real time to the fund's operating team. AI could also analyze portco data to suggest possible drivers for the customer retention issue, such as a price change or an increase in customer complaints about product quality. Based on that information, AI could then identify potential solutions like readjusting pricing or introducing new product quality controls.

FUND MANAGEMENT COMPLIANCE

PE firms must have robust compliance programs in place to support risk management and adherence to regulatory requirements. However, it can be difficult to swiftly identify and adapt to regulatory changes, especially when there are multiple, disparate reporting requirements for PE firms to monitor across their portfolios. PE firms and their related portcos that don't implement necessary changes quickly enough risk reputational damage, operational disruption, and regulatory action including financial penalties.

AI can alleviate compliance burdens by automatically monitoring a roster of relevant regulations against the fund's operations, investment restrictions, and reporting requirements. From there, AI can instantly generate custom recommendations and updates accordingly, streamlining compliance documentation and allowing firms to adjust their risk management postures more quickly.

Investor Relations & Management

While a PE fund may have multiple types of investors or LPs, it can be challenging for fund managers to regularly personalize their communications due to time and bandwidth constraints. As a result, they may miss opportunities to address investors' specific needs.

AI-enabled investor relations (IR) can help fund managers calibrate their communications to each investor or LP. By analyzing investor feedback from historical investor communications and meetings, AI can provide insights into investors' top concerns and priorities so fund managers can tailor their communications accordingly.

Fund managers can then use the data generated by AI tools to identify opportunities to iterate on and customize reporting templates based on a given LP's reporting requirements or preferences. These capabilities can help PE firms better address their investors' needs and ultimately improve relationships over time.

Exit Period

EXIT TIMING STRATEGY

Deal teams have often relied on manual quarterly performance reviews, routine analysis of market and economic conditions, and intuition to inform exit decisions. However, these manual processes can take a significant amount of time, and in some cases, hinder deal teams from achieving optimal exit timing.

PE firms can take a faster and more data-driven approach with AI. By simultaneously analyzing vast datasets — such as historical transactions, market trends, and other economic indicators — AI can help fund managers optimize exit timing for maximum returns.

Fund managers can also create AI-powered alerts that flag timely shifts in market conditions, company performance, and buyer appetite coverage to reduce the risk of premature or delayed exits that can significantly impact fund performance and investor returns.

ALIGNING PORTCO BUYER IDENTIFICATION TO SALE

When PE firms prepare to sell their portcos, it's common for them to prioritize identifying a buyer within their existing network of relationships. As a result, some firms may inadvertently overlook acquirers who could offer premium valuations.

AI can help PE firms cast a wider net of potential acquirers, matching potential buyers and partners based on analyzing industry trends, deal history, preferred deal structures, and other acquisition criteria.

With this data, **AI can create buyer profiles** and continue to update them based on recent buyer activity so funds can maximize exit valuations and strategically time and optimize outreach efforts accordingly.
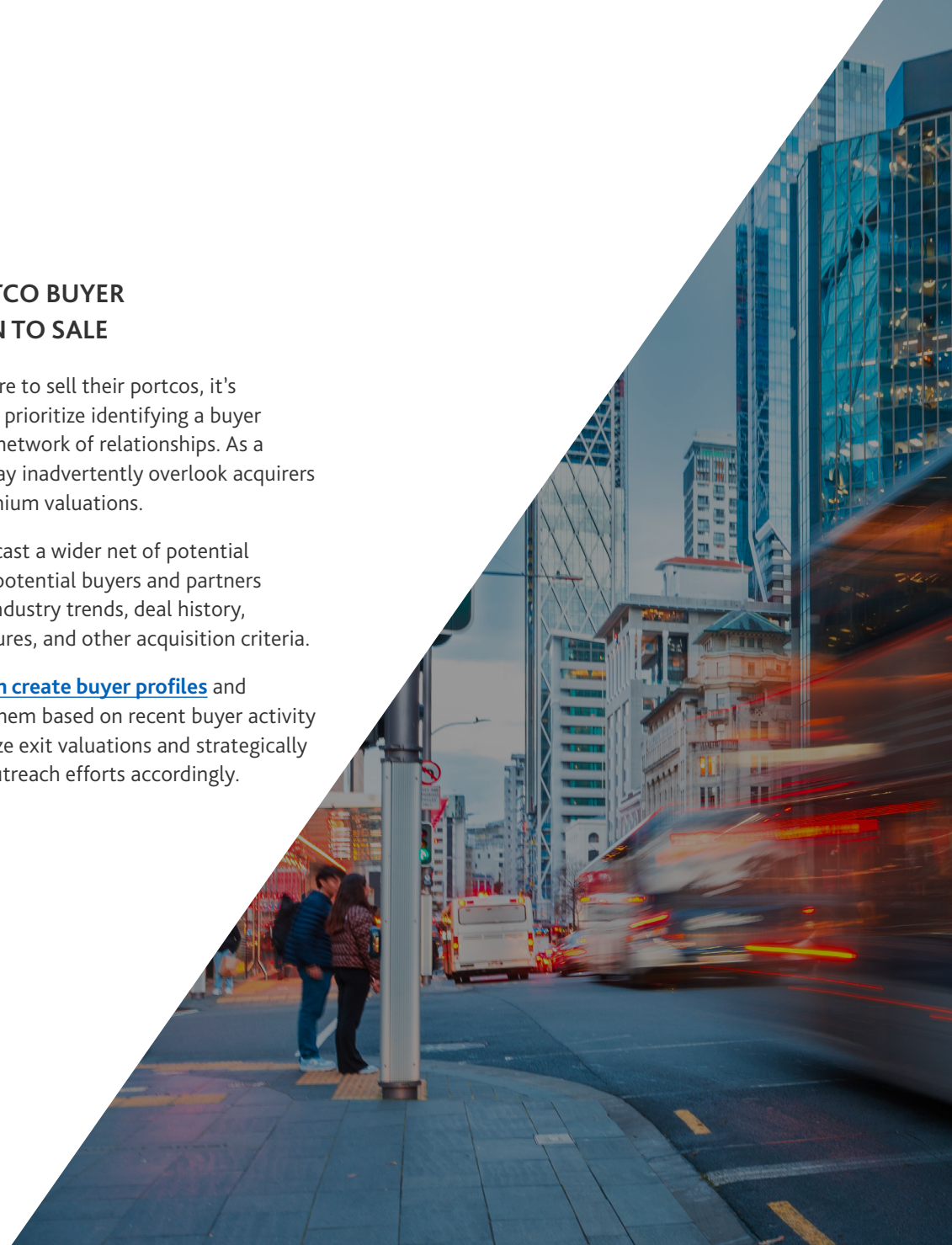
How BDO Can Help

BDO's experienced AI professionals help PE firms deploy AI safely, responsibly, and strategically at all stages of the investment lifecycle. We start by conducting a personalized AI workshop to help funds gain a deeper understanding of their data, identify the most relevant use cases for their firm, and standardize their AI methodology across fund and portco operations. Our goal is to help PE firms achieve operational efficiencies and streamline reporting while reducing risk and creating long-term value.

People Who Know
Private Equity, **Know BDO.**