AI in Private Equity

Interview preparation summary · PE track

INT.XP.1.a · AI in Private Equity

Use an AI assistant to scan and summarise private equity documents such as CIMs and diligence reports, and verify its output against the source.

An AI assistant is useful for a first pass over a CIM, a data-room index, a diligence report or a management transcript: it can structure the business, pull out headline numbers and suggest questions for the sell side. It is also fluent when it is wrong. Typical failures are invented or misquoted figures, citations and quotations, a number lifted from the wrong table, dropped units or currency (EUR thousands read as pounds millions), reported EBITDA confused with adjusted EBITDA, and a summary that loses the caveat that matters, such as a pro forma add-back or a customer that is a third of revenue. Habits that work: ask for page references and open every page you will rely on; check dates, units, definitions and periods; ask what the document does NOT say; and recompute any ratio yourself. Never paste confidential deal, client or personal data into a public tool; use only an assistant your firm has approved and follow its policy. Interviewers want to hear verification, not just speed.

WORKED EXAMPLE: CHECKING AN AI SUMMARY OF A CIM

An approved AI assistant summarises the CIM for Calder Fixings, a fixings distributor, as follows: EBITDA of 18.4m, a margin of 19.2%, revenue of 96.0m and no concentration issues. The seller is asking for 9.0x EBITDA. You have the CIM tables. Show how you would check the summary before it goes into your notes. All figures are in millions.

Answer: The summary quoted adjusted EBITDA of 18.4m as if it were reported, dropped 3.3m of add-backs (17.9% of the adjusted figure, mostly a pro forma item) and missed a customer at 31% of revenue. Reported margin is 15.7%, not 19.2%, and the same 9.0x multiple gives 135.9 rather than 165.6.

> **Interview tip:** Say it in this order: what the assistant gave you, which figure you traced to which page, what it dropped, and what you would ask the sell side. Interviewers listen for the habit of verifying and for knowing which tool is allowed.

INT.XP.1.b · AI in Private Equity

Use an AI assistant to review and build model and analysis, and check its formulas, arithmetic and explanations independently.

AI can help review and build analysis, provided you stay in control of the numbers. Good uses: asking it to read a model for formula and logic errors, to draft a formula or short script that you then test on a small case with a known answer, to reconcile segment totals to the group, and to challenge assumptions by listing what would have to be true. A poor use is trusting its arithmetic, because it produces plausible text rather than reliable calculation. A classic miss is an IRR worked out as total gain divided by years, which ignores compounding: a 2.0x in five years is about 15%, not 20%. Check IRR with compounding, sign conventions, units, and whether a cash sweep can go negative in a downside case. Beware an AI narrative that explains the data too neatly: test it with a bridge and ask for alternative explanations. Reconcile to source, run your own sensitivities, and record which parts of the work were AI-assisted so a reviewer knows where to look.

WORKED EXAMPLE: CATCHING A WRONG IRR IN AN AI REVIEW

An AI assistant reviewing a returns page for Marlow Pumps says the deal is fine and gives an equity IRR of 25.0%. Entry: EBITDA 20.0, bought at 10.0x, debt 5.0x EBITDA. Exit after five years: EBITDA 28.0 at 10.0x, net debt 55.0. Ignore fees, interim cash flows and tax. Check the assistant. Figures in millions.

Answer: Equity goes from 100 to 225, a 2.25x multiple, and the IRR is 17.6%. The assistant's 25.0% divided the gain by the years and ignored compounding.

> **Interview tip:** Say what you checked and how: the multiple first, then the compounding. Show you would use the assistant for the review but never take a returns figure from it without recomputing.

INT.XP.1.c · AI in Private Equity

Draft memos, emails and notes with an AI assistant, then own them through editing, honest disclosure and a clear audit trail.

Drafting is where AI saves the most time and where juniors take the most risk. It can turn your bullets into clean prose in the house style of an IC memo, an update email or a call note, and tighten a long draft. The structure, the recommendation and the judgement must come from you, because fluent text sounds sure whether or not the evidence is. Edit for accuracy by tracing every figure to the model or source, for tone by removing words such as comfortably and minimal where the evidence does not support them, and for balance, because drafts often list strengths in detail and risks in a line. Prompt hygiene means giving it only what your firm allows, and only what it needs. Keep a short record of what was AI-assisted and what you checked, and tell your reviewer. In interviews, name the tasks you used it for, how you verified, and where you did not trust it. You stay accountable for what you send.

WORKED EXAMPLE: EDITING AN AI-DRAFTED MEMO PARAGRAPH

An AI assistant drafts this sentence for the Brackley Dental IC memo: 'Revenue has compounded at 14% a year since 2021 to 98.0m, with EBITDA margin of 21% and leverage of 2.9x, so the business will comfortably meet its forecast.' Source: revenue 2021 to 2025 is 61.0, 68.0, 79.0, 88.0, 98.0; 2025 EBITDA 17.6; net debt 51.0. Edit it. Figures in millions.

Answer: Edited: Revenue has grown at 12.6% a year since 2021 to 98.0m, with an EBITDA margin of 18% and net debt of 2.9x EBITDA. The forecast requires growth to continue at a similar pace, and the downside case is set out in section 6.

> **Interview tip:** Quote the specific errors you caught, the growth rate and the margin, rather than saying you always check. Then say the recommendation and the judgement are yours.

Summary of the Charta interview-preparation topic. Companies and figures in the examples are invented. Draft content, not yet expert reviewed.