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# Private Equity's Next Margin Lever: How AI is Transforming Procurement Operations

AI-driven procurement platforms are transforming how investors capture margin improvements in M&A. Private equity firms can now move faster from identifying savings opportunities to scaling efficiencies across entire portfolios.

**I**ntroduction  
Procurement has long been a powerful lever for margin improvement in private equity transactions. Today, AI-driven procurement platforms allow investors not only to identify savings opportunities in M&A, but to systematically capture them and scale efficiencies across portfolio companies.

## Procurement at the center of value creation in M&A

For decades, procurement operated largely in the background of most organisations, focused on purchasing efficiency, supplier management, and cost control. Today, that role is changing rapidly. Rising supply chain volatility, geopolitical uncertainty, and cost pressure have pushed procurement into a far more strategic position within many businesses. Decisions about suppliers, contracts, and sourcing strategies now directly influence operational resilience, regulatory compliance, and, ultimately, profitability. In many companies, **Procurement touches 40%-70% of total enterprise spend**, making it one of the largest controllable value pools available to private equity investors. Even modest improvements in sourcing strategies,

supplier negotiations, or contract management can translate directly into margin expansion. As a result, procurement is moving out of the back office and increasingly appearing in operational due diligence and value creation planning sessions during mergers and acquisitions. What was once a largely transactional function is now viewed as a strategic discipline capable of shaping enterprise-wide cost structures and risk exposure.

## AI platforms turn savings & efficiency opportunities into actions

Artificial intelligence is rapidly expanding procurement's role by turning fragmented purchasing data into actionable insights and actions. A new generation of AI-native procurement platforms is helping accelerate this transition. Rather than simply digitising workflows, these systems embed analytics, decision intelligence, and automation directly into procurement processes. Capabilities such as AI-assisted intake management, supplier risk monitoring, and sourcing and negotiations **reduce PO processing times by 50% and create 5% savings in automated negotiations**, making them central to next-generation procurement systems. As these technologies mature, AI-native procurement is becoming core enterprise



infrastructure, much like how CRM systems reshaped sales operations and ERP platforms standardised finance. A growing majority of chief procurement officers are now looking for platforms that go beyond workflow digitisation to support more intelligent decision-making to unlock substantial cost reductions and efficiency gains. The result is a shift from manual purchasing activity towards a data-driven procurement operating layer, giving organisations far greater visibility into spend, risk, and supplier performance. For private equity firms searching for new ways to create value inside portfolio companies, this shift is attractive. By automating large parts of these processes, **organisations can operate with up to 50% leaner operational structures** that can capture and sustain more savings.

## The portfolio-wide Procurement Advantage

For investors focused on operational improvement, this efficiency matters. Today's investment environment, characterised by higher financing costs, economic uncertainty, and persistent supply chain disruption puts PE under increasing pressure to generate operational value rather than relying solely on financial engineering. With macroeconomic forces adding new layers of uncertainty and impacting the predictability of revenue growth, procurement-led cost optimisation becomes one of the fastest ways to protect margins and strengthen operational resilience. For PE firms, however, the most compelling opportunity may lie beyond individual companies. While procurement improvements can deliver meaningful value

within a single business, the real potential emerges at the portfolio level. AI-enabled procurement technologies make it possible to standardise workflows, create insights, and leverage spend and suppliers across portfolio companies. Instead of running procurement transformations company by company, investors can deploy a shared AI-enabled procurement layer that connects portfolio businesses through common data, automated workflows, and supplier intelligence, while still adapting to their specific needs and requirements.

## AI-enabled Procurement Automation creates value across portfolio companies

The result is a powerful multiplier effect. Procurement data becomes comparable, supplier insights can be shared, and

purchasing power can be aggregated more effectively across the portfolio. Over time, this creates a portfolio-wide procurement capability rather than isolated improvement initiatives.

As AI-driven procurement platforms turn purchasing into a data-driven, automated capability, PE firms can move from identifying savings in M&A to systematically capturing them across portfolio companies - turning procurement into a repeatable engine for margin expansion.

# Private equity investment in procurement software is accelerating, with growing emphasis on differentiated, AI-driven platforms delivering measurable ROI.



## Increased Private Equity Interest in Procurement Software

Alongside the value that specialist procurement platforms such as Procure Ai bring to Private equity portfolio companies, we at Ciesco are observing growing investor interest in the sector for the very same reason: demonstrable ROI. In 2025, deal volumes matched 2023 and approached 2021 levels, while deal values were notably higher, at 5x the previous year, demonstrating that investors are willing to pay a premium for these assets.

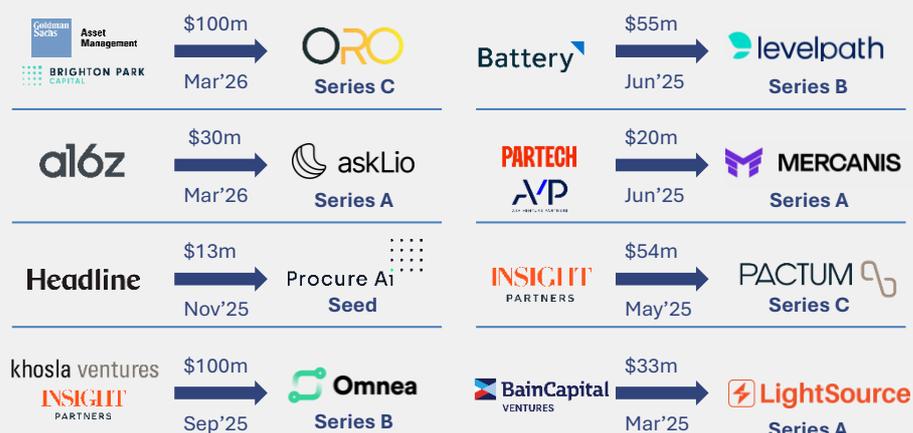
Procurement software is an attractive standalone investment, offering a value additive solutions to customers amid macroeconomic uncertainty and geopolitical tensions. Increasing regulatory and compliance pressures, combined with supply chain disruptions and tariff volatility, further boost demand for these solutions.

The past 12 months have also seen several notable fundraises in the space. A common feature of many of these companies is their AI capability, reflecting strong interest in AI-driven solutions.

Private Equity-backed Procurement Software Deals, 2020 - 2025



## Notable Procurement Software Fundraises, Mar'25 – Mar'26



# Procure Ai

Procure Ai is a Europe-based AI technology provider that reimagines enterprise procurement with its AI-native procurement automation platform. The unique combination of generative AI, advanced predictive analytics, and autonomous execution enables enterprises to streamline operations, automate processes, reduce operational risks, and maximise cost savings.

With an emphasis on seamless adoption and user-centric design, Procure Ai enables procurement to harness the full potential of AI to eliminate administrative tasks and reassign resources to strategic opportunities. Customers like EnBW, Kärcher, and Dr. Oetker report 37% reduced order processing times, 47% faster award decisions, and 4.9% average savings in tail spend negotiations.



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Konstantin has a background in business and technology from MIT and London Business School and hands-on Procurement experience from his time at McKinsey. He saw firsthand how Procurement struggled to deal with growing complexity, strict compliance, and data overload, yet it lacked the tools to keep up with the growing list of responsibilities. He co-founded Procure Ai to enable customers to unlock the value of AI and automation in procurement.

## CIESCO

Ciesco is a leading specialist M&A advisory firm, headquartered in London and operating globally, with a focus on the Technology and Media sectors.

Combining senior industry leaders with sector-focused bankers, Ciesco offers deep sector insight, strong C-suite networks, and proven M&A execution expertise, making it a trusted advisor in complex, high-growth markets.



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