

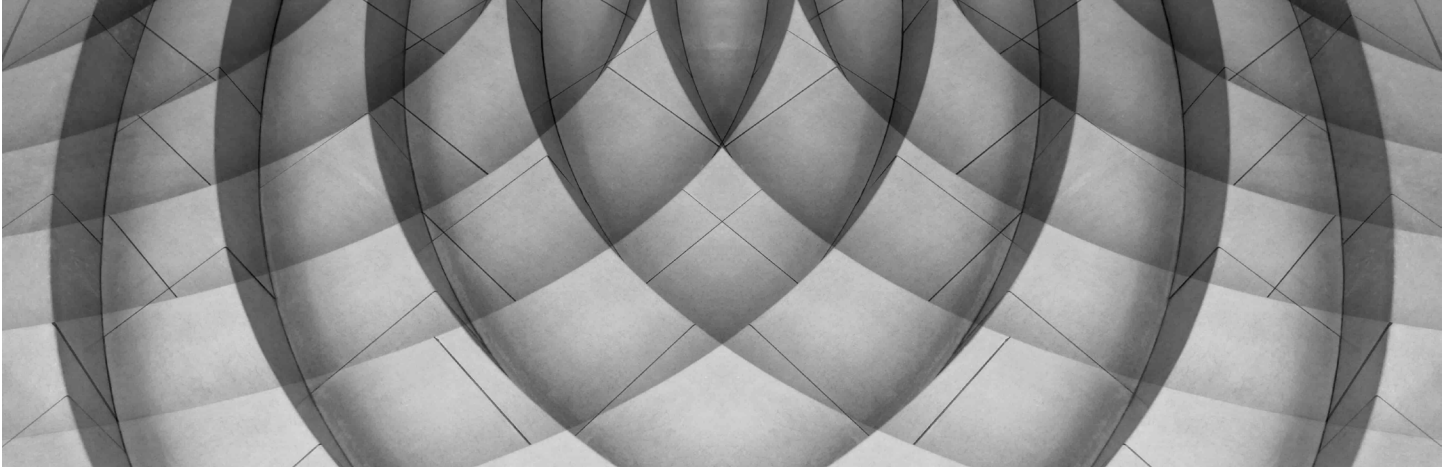


The New Driver of Enterprise Value:

AI IN THE MIDDLE MARKET

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Artificial intelligence is no longer a distant concern reserved for large enterprises. It has arrived as a practical, deployable tool that is already reshaping how businesses compete, how they operate, and what acquirers are willing to pay for them. For founders and entrepreneurs running privately held businesses, the implications are real.

This whitepaper examines how AI is transforming the environment for middle-market companies — which sectors stand to benefit most, where the disruption risk is greatest, and what owners can do today to protect and grow the value of the business that likely represents the majority of their personal net worth.

Businesses that put AI to work within the next few years are likely to command meaningfully higher valuations than competitors who hold off — both in how strategic buyers assess them and in what they can achieve at a sale.¹ Private equity buyers, strategic acquirers, and institutional lenders are already factoring AI readiness into their due diligence processes. That window of competitive advantage is open today, but it will not stay open indefinitely.

Founder-entrepreneurs typically hold 60% to 85% of their total net worth in a single, illiquid operating business. This concentration is not merely a risk factor — it is a primary engine of wealth creation for many of our clients.

Any macroeconomic or technological force that materially alters the value of a business also reshapes the broader wealth landscape. AI represents such a force, as it is not a marginal operational variable. It is a structural reordering of how value is created, captured, and sustained in a privately held company.

How AI Reshapes the Operating Environment

For middle-market businesses, AI isn't a single technology with a single impact. It's showing up as a productivity tool, a mechanism for reducing operating costs, and increasingly, a source of competitive differentiation. To understand what that means in practice, it helps to look at four areas where these effects tend to appear most clearly:

Labor and Human Capital

Middle-market businesses tend to be labor-intensive. AI tools can now perform many tasks that previously required skilled employees, such as drafting communications, compiling financial reports, scheduling, handling customer inquiries and managing compliance documentation. Businesses already deploying these tools are on track to reduce overhead costs by 15% to 30% over the next three to five years, without a reduction in output.



Proprietary Data as a Strategic Asset

Most founders have years of valuable business data that isn't being fully used. This includes customer purchasing patterns, supplier pricing trends, equipment performance history, and workforce productivity records. AI can turn that existing data into better decisions: identifying which customers are at risk of leaving, which equipment needs service before it fails, or where margins are being lost. Companies that have maintained clean, organized data are well-positioned to act on this quickly.

Customer Experience and Competitive Position

AI-powered tools are raising the bar for what customers expect. This can mean faster response times, more personalized service, or smarter pricing. Businesses that have built their reputation on relationships and hands-on service now face a real challenge: well-funded competitors can use AI to replicate much of that experience at a lower cost. The same tools, however, are available to any business willing to invest in them.

Access to Capital and Buyer Interest

Private equity firms, family offices, and strategic acquirers are actively seeking AI-capable businesses. In 2025, companies with demonstrated AI integration commanded significantly higher sale multiples than otherwise comparable businesses without it.² For founders thinking about an eventual exit, investment in AI today has a direct and measurable effect on what the business will be worth at the time of sale.

Sectors Positioned to Benefit

Not every middle-market business faces AI with equal opportunity. Below are the sectors where we see the strongest potential for value creation among founders who proactively engage with AI.

Business Process Outsourcing and Professional Services

For companies that generate revenue by executing processes on behalf of clients (think accounting, HR, compliance, consulting), AI acts as a genuine force multiplier. The same team can serve more clients, turn work around faster, and deliver more consistent results. A mid-sized accounting firm that adopts AI-assisted audit and tax tools, for example, can handle significantly more engagements without adding

headcount, directly expanding profit margins and increasing its attractiveness to private equity consolidators building out larger platforms.

Specialty Manufacturing and Industrial Services

Manufacturers and industrial service businesses stand to benefit substantially from AI-driven predictive maintenance, quality control automation, and supply chain optimization.³ AI vision systems can now conduct quality inspections faster and more accurately than human inspectors, while predictive tools reduce unplanned downtime and procurement costs. At prevailing manufacturing sale multiples, these operational improvements meaningfully increase enterprise value.

Healthcare Services and Medical Technology Distribution

Specialty clinics, home health agencies, and medical device distributors face constant pressure to increase capacity while controlling costs. AI tools are helping on both fronts: automating scheduling and clinical documentation, improving billing accuracy, and supporting more proactive patient outreach.⁴ The result is a business that can handle more volume with the same team while running more efficiently: a combination that makes these companies highly sought-after acquisition targets.

Distribution and Logistics

Regional distributors and logistics operators are finding that AI-enabled route optimization, demand forecasting, and inventory management create durable cost advantages. Industry data shows logistics businesses using AI-driven tools can achieve meaningful reductions in operating costs alongside significant improvements in service levels.⁶ For founders who have spent years building strong customer relationships and local market knowledge, layering AI-powered operations on top creates a competitive position that larger national players find difficult and expensive to replicate.

Sectors Facing Significant Disruption Risk

While AI presents real opportunity in many sectors, it poses structural threats to others. Below, we've outlined where we have found most disruption risk.

Traditional Staffing and Workforce Solutions

Staffing businesses generate revenue by placing workers in roles that need filling. As AI takes over functions like data entry, customer service, financial processing, and entry-level coding, demand for those placements shrinks. Founders in this sector considering a sale should be aware that buyer appetite is declining and valuations are under pressure. Realistically, the options are to exit sooner rather than later, or to reposition into workforce segments that are harder to automate.

Commodity-Oriented Professional Services

Law firms, accounting practices, and consulting firms that derive most of their revenue from high-volume, routine work face growing displacement risk. Examples are standard contracts, basic tax preparation, and entry-level bookkeeping. Clients can now access AI tools that perform much of this work themselves or find it more cheaply elsewhere. This isn't just a pricing challenge; it raises fundamental questions about whether the underlying service remains valuable.

Print, Media, and Traditional Marketing Services

AI can now produce copy, design graphics, and optimize campaigns, which are the core deliverables of most mid-sized marketing and printing firms. The cost advantage these businesses once held is eroding quickly.

Undifferentiated Consumer Services

Consumer-facing businesses that rely on high-volume and largely standardized service delivery face pressure from two directions: AI-enabled competitors who can deliver a comparable experience at lower cost, and increasingly self-sufficient consumers who rely less on traditional service providers for guidance and decision-making. Founders here should focus on building differentiated offerings like loyalty programs, subscription models, or specialized capabilities that are harder to replicate.

Legacy Data and Research Services

Businesses that have historically charged for access to proprietary data or research face a specific challenge: AI tools can now synthesize publicly available information quickly and cheaply, reducing the perceived value of data that used to require a paid subscription to access. The businesses best positioned to survive this shift are those that can offer something AI can't replicate: real-time proprietary data, deep contextual expertise, or custom analysis tied to a specific decision a client is trying to make.



Potential Action Steps

Understanding the landscape is only useful if it leads to concrete decisions. We recommend four priorities for middle-market founders.

1. Stress-Test Your Business Valuation

A suggestion would be to model the business value under three scenarios: aggressive AI adoption, moderate adoption, and no change. When those projected valuations are applied to a personal balance sheet, the math typically makes a compelling case for action on its own. The cost of investing in AI is almost always smaller than the risk of being left behind by competitors who do.

2. Revisit Your Exit Timeline

Founders planning a sale in the next three to seven years are in the most critical window for AI-related decisions. Those targeting an exit within the next two years should focus on visible, high-impact AI improvements that will hold up well during buyer due diligence. Those in sectors under disruption pressure who have assumed a strong future sale price should revisit that assumption now as we're seeing that the market is already repricing businesses that haven't adapted.

3. Align Your Personal Financial Plan with the Risk

For founders whose businesses face meaningful AI disruption risk, personal wealth strategy needs to account for the possibility that the business could be worth less than anticipated. That means being more intentional about distributions and other liquidity strategies and potentially reducing the concentration risk that comes from having most of your net worth tied to a single asset in a changing market.

4. Invest in the Right Leadership

The most common obstacle to AI adoption in middle-market businesses isn't capital: it is leadership capability. Most founders built strong businesses without needing to think about AI, and that's entirely reasonable. But the moment to bring in someone who does understand it, such as a technology-focused COO, an outside advisor, or a trusted operating partner, is now, not after competitors have already moved.





Personal Financial Implications

For most middle-market founders, the business isn't just one asset among many; it is the primary source of income, the foundation of an estate plan, and often the main vehicle for transferring wealth to the next generation. That means changes in business value don't stay on the corporate balance sheet. They affect retirement security, family finances, philanthropic capacity, and long-term options in ways that are deeply personal. The integration of AI scenario planning into the broader financial plan is therefore not optional; it is a fiduciary responsibility.

Additionally, AI investment creates specific tax planning opportunities worth discussing with a tax advisor. Capital expenditures on AI hardware and infrastructure may qualify for accelerated depreciation. Software and development costs may be eligible for R&D tax credits. The OBBA passed in 2025 included many favorable provisions related to bonus depreciation and capital expenditures. And for founders whose AI investments are likely to increase the value of the business at a future sale, early planning around that gain can make a meaningful difference in the net outcome.

Lastly, a business that runs on well-designed AI systems is less dependent on the founder personally, which can act as an advantage by reducing key man risk. If the founder wants to step away and evaluate a sale, they can feel more confident that the operations will be able to continue.

Conclusion

Artificial intelligence is no longer an emerging trend. It is a defining feature of today's competitive landscape for middle-market companies. The divergence between AI-enabled businesses and those operating on legacy models is already visible in transaction multiples, profit margins, and which companies are attracting the most serious buyer interest.

For the founder-entrepreneur, this moment requires the same quality of decisive thinking that created the business in the first place. The risks of over-investing in AI are modest and recoverable. However, the risks of underinvesting are potentially permanent — measured in multiple compression, revenue erosion, and a personal net worth outcome that falls far short of what two or three decades of entrepreneurship deserves.

Sources & References

- 1 EisnerAmper, "How AI Is Shaping the Valuation of Private Companies"
- 2 Windsor Drake (2026)
- 3 Netguru, "AI Adoption Statistics"
- 4 Coherent Solutions, "AI Adoption Trends"
- 5 EisnerAmper "How AI Is Shaping the Valuation of Private Companies"

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