

The Valuation Bridge for AI-Augmented Conventional Businesses

Connecting Operating Evidence to Defensible Transaction Value

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Abstract

Artificial intelligence is being introduced into manufacturers, distributors, engineering contractors, healthcare operators, logistics businesses, utilities, retailers, professional services firms and other established companies. The commercial effects can appear in revenue, pricing, throughput, labour productivity, quality, working capital, maintenance, capital intensity, resilience and new services. A valuation premium does not follow automatically. Benefits can remain trapped as unused capacity, be offset by implementation and control costs, depend on a vendor or a small group of employees, weaken when competitors adopt similar tools, or require buyer capabilities that belong in a separate synergy case. This paper develops an evidence-led valuation bridge for AI-augmented conventional businesses. Forty modules connect the transaction decision, controlled perimeter, workflow evidence, baselines, adoption, revenue, cost, cash conversion, capital expenditure, risk, intangible capability, transferability, persistence, accounting, valuation methods, downside, diligence and transaction structure. Five figures, five tables, eight frequently asked questions and twenty-six primary or authoritative references support company-specific review. Illustrative methods and values require replacement with controlled operational, customer, contract, employee, technology and financial evidence. The framework does not substitute for commercial, employment, privacy, cybersecurity, legal, accounting, tax, valuation or investment advice.

JEL Classification: G32, G34, L21, M15, O31, O33

Keywords: artificial intelligence, conventional business, enterprise value, valuation, EBITDA, cash conversion, intangible assets, M&A, transaction evidence, operating model

1. Define the transaction decision

Specify whether the work supports a board investment, financing, acquisition, sale, fairness analysis or post-close plan. The valuation date, standard, premise, currency, legal entities, control rights and expected buyer contribution should be explicit.

Controlled evidence includes approved mandate; valuation date; governing standard; legal perimeter; decision rights. The immediate decision is to agree the question, evidence threshold and accountable committee before modelling value. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The analytical unit should remain stable from source record to valuation conclusion. Reviewers should see the population, exclusions, period, owner and reconciliation to finance. Where evidence is incomplete, the model should retain a range and identify the action needed to narrow it. Comparisons should preserve product, customer, site, complexity and market conditions; aggregation should not conceal adverse cohorts or delayed consequences.

2. Map the conventional-business economic system

Map demand, price, volume, mix, capacity, labour, materials, energy, maintenance, logistics, quality, inventory, receivables, payables, capital expenditure and tax. AI affects enterprise value through these operating relationships.

Controlled evidence includes native operating ledgers; contracts; production or service records; financial statements. The immediate decision is to identify the limiting constraint and the route from workflow change to cash. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing decisions.

3. Establish the controlled perimeter

Define business units, sites, products, services, customers, channels, suppliers, employees, systems, models and periods. Acquisitions and regional operations often carry incompatible definitions that can create false uplift.

Controlled evidence includes population rules; identifiers; system lineage; reconciliation exceptions; change log. The immediate decision is to lock the included population and preserve excluded cases with reasons. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The operating team and finance team should use the same definitions. Native records should support aggregate dashboards, and sample testing should follow representative cases from input through outcome and cash. Exceptions, failed cases and client concessions remain part of the population. Reconciliation should cover opening and closing balances, acquisitions, disposals, foreign exchange, allocation changes and manual adjustments that could otherwise mimic operating improvement.

4. Build the AI value taxonomy

Classify each claim as revenue, price, volume, mix, cost, working capital, capital intensity, resilience, compliance, capability or strategic option. Classification prevents one outcome from appearing in several valuation bridges.

Controlled evidence includes claim owner; workflow; baseline; economic account; timing; cash consequence. The immediate decision is to assign one primary value route and record secondary effects separately. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range,

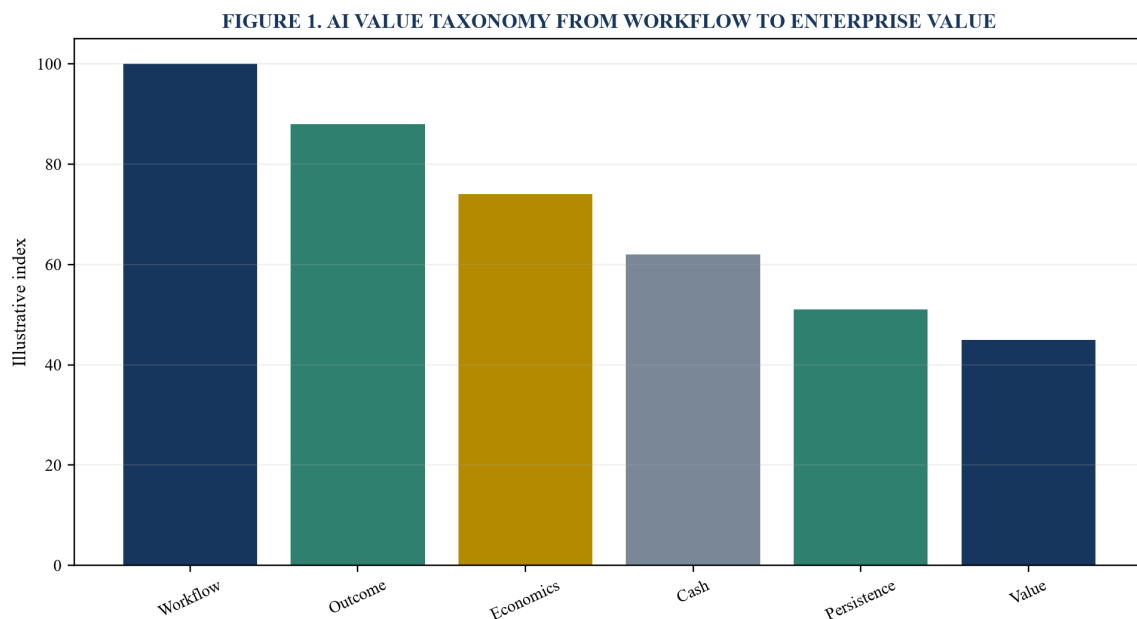
including price, structure, funding, covenant, integration and monitoring implications.

Table 1. AI value taxonomy and primary valuation route

Claim class	Operating evidence	Primary treatment
revenue	customer action, price, volume and contribution	cash-flow growth
cost	controlled effort, spend or funded action	margin or cash flow
working capital	repeatable balance and cash evidence	cash release
capital intensity	asset need, maintenance and service consequence	investment profile
resilience	exposure, control effect and loss consequence	risk or cash flow
capability	rights, people, systems and transferability	cash flow or supported multiple

Replace illustrative classifications with company-specific evidence and approved transaction treatment.

Figure 1. AI value taxonomy from workflow to enterprise value



A claim should travel once through operating evidence, economics, cash, persistence and valuation.

5. Create the workflow evidence ledger

Trace every material claim from user and model through input, task, output, review, operational acceptance, customer consequence, invoice and cash. Negative cases and abandoned pilots belong in the same ledger.

Controlled evidence includes event logs; source data; reviewer actions; exceptions; accepted output; cash record. The immediate decision is to require reproducibility and downside treatment for broken evidence links. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The analytical unit should remain stable from source record to valuation conclusion. Reviewers should see the population, exclusions, period, owner and reconciliation to finance. Where

evidence is incomplete, the model should retain a range and identify the action needed to narrow it. Comparisons should preserve product, customer, site, complexity and market conditions; aggregation should not conceal adverse cohorts or delayed consequences.

6. Freeze the baseline protocol

State the pre-change population, period, complexity, input quality, staffing, output definition, error, review, cycle time, cost and customer outcome. Seasonality, price changes, acquisitions and process redesign can otherwise be misattributed to AI.

Controlled evidence includes pre-specified measures; matched periods; comparable cohorts; financial reconciliation. The immediate decision is to approve adjustments before results are inspected and retain reported and normalised views. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing decisions.

7. Identify causality and contribution

Randomised rollout, phased adoption, matched groups, interrupted time series and transaction-level controls can support attribution. A before-and-after comparison alone can confuse AI with demand, staffing, pricing or product changes.

Controlled evidence includes treatment assignment; adoption logs; comparable controls; uncertainty; spillovers. The immediate decision is to select the strongest practical design and state the remaining attribution limit. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The operating team and finance team should use the same definitions. Native records should support aggregate dashboards, and sample testing should follow representative cases from input through outcome and cash. Exceptions, failed cases and client concessions remain part of the population. Reconciliation should cover opening and closing balances, acquisitions, disposals, foreign exchange, allocation changes and manual adjustments that could otherwise mimic operating improvement.

8. Measure adoption by task and cohort

Licences and logins do not establish operating adoption. Measure eligible work, actual use, appropriate use, override, review, failure, output acceptance and continued use by role, site, product and customer cohort.

Controlled evidence includes eligible denominator; user and workflow events; quality; client acceptance; duration. The immediate decision is to use adoption as a bridge variable rather than as an enterprise-value endpoint. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range, including price, structure, funding, covenant, integration and monitoring implications.

9. Separate task productivity from enterprise productivity

Faster drafting, diagnosis, scheduling or analysis can coexist with unchanged throughput when sales, approvals, equipment, customer demand or downstream capacity remain constrained. Released effort needs an operating destination.

Controlled evidence includes task time; end-to-end cycle; bottleneck utilisation; output; rework; cash. The immediate decision is to value only the portion converted through throughput, avoided cost, service or funded action. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

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10. Build the revenue evidence bridge

Revenue may arise from improved conversion, retention, cross-sell, uptime, service levels, speed, product quality or a new offering. Each route needs a customer action, contractual basis and contribution measure.

Controlled evidence includes customer cohorts; orders; price; volume; churn; credits; contribution; collection. The immediate decision is to separate observed revenue from pipeline, management plan and buyer opportunity. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing decisions.

11. Test price and willingness to pay

An AI label rarely proves pricing power. Controlled price tests, renewals, win-loss evidence, negotiated contracts and customer outcomes can show whether differentiated service supports realised price after discounts and concessions.

Controlled evidence includes quoted and realised price; discounts; renewal; churn; customer segment; service level. The immediate decision is to model price with elasticity, competitive response and customer concentration. Definitions should remain consistent across operating

reports, transaction workpapers, forecasts and valuation.

The operating team and finance team should use the same definitions. Native records should support aggregate dashboards, and sample testing should follow representative cases from input through outcome and cash. Exceptions, failed cases and client concessions remain part of the population. Reconciliation should cover opening and closing balances, acquisitions, disposals, foreign exchange, allocation changes and manual adjustments that could otherwise mimic operating improvement.

12. Reconcile volume, mix and cannibalisation

Automation can raise output while shifting customers toward lower-priced products, reducing service hours or cannibalising existing revenue. Volume should be assessed with mix, contribution and capacity requirements.

Controlled evidence includes units; product and customer mix; substitution; contribution; capacity consumption. The immediate decision is to bridge gross growth to incremental contribution after cannibalisation and constraints. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range, including price, structure, funding, covenant, integration and monitoring implications.

13. Translate capacity release into economics

Time or machine capacity released by automation is an operating observation. Cash follows through additional demand, redeployment, avoided hiring, reduced external spend, overtime removal or a deliberate cost action.

Controlled evidence includes hours or machine time; skill; location; demand; redeployment; hiring; cost action. The immediate decision is to retain unconverted capacity as an operating opportunity rather than realised value. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The analytical unit should remain stable from source record to valuation conclusion. Reviewers should see the population, exclusions, period, owner and reconciliation to finance. Where evidence is incomplete, the model should retain a range and identify the action needed to narrow it. Comparisons should preserve product, customer, site, complexity and market conditions; aggregation should not conceal adverse cohorts or delayed consequences.

14. Construct the EBITDA bridge

Reconcile revenue, price, volume, mix, labour, materials, energy, technology, review, rework, insurance and implementation into reported and sustainable EBITDA. Classification must agree with financial statements.

Controlled evidence includes general ledger; management accounts; cost allocations; run-rate date; owner; support. The immediate decision is to separate observed run rate, funded action,

forecast, synergy and unresolved risk. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

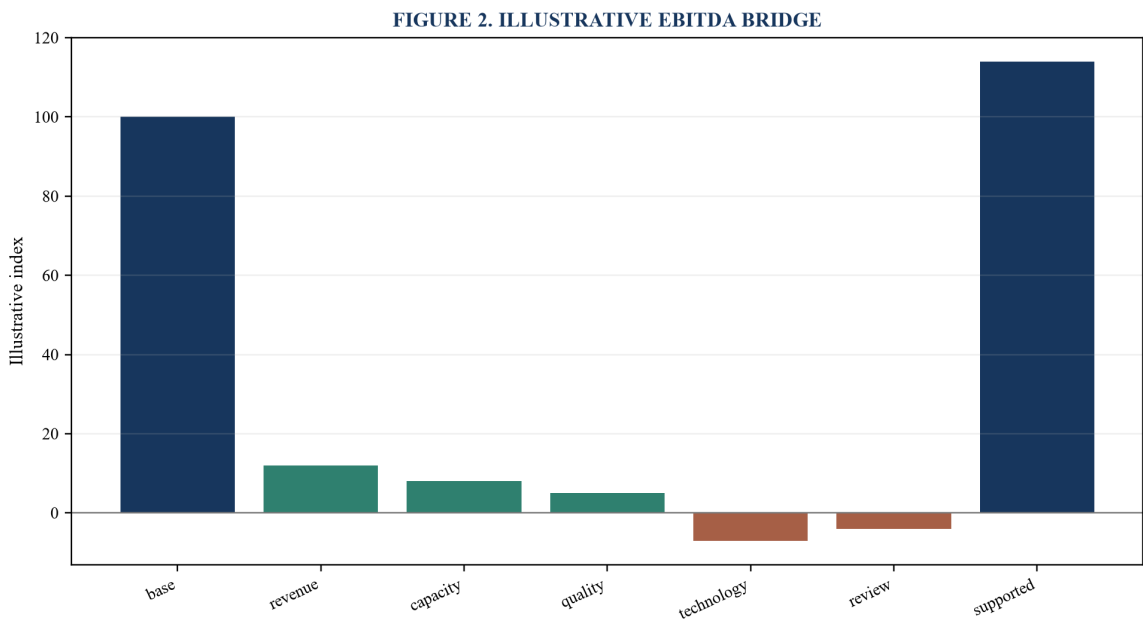
Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing decisions.

Table 2. EBITDA-bridge classification

Class	Evidence threshold	Valuation treatment
observed run rate	reconciled results and stable population	base earnings or cash flow
funded conversion	approved action, owner, cost and timing	probability-weighted bridge
management forecast	supported demand and operating plan	scenario
buyer synergy	buyer capability and integration action	separate case
unresolved risk	exposure and incomplete mitigation	downside or protection

Replace illustrative classifications with company-specific evidence and approved transaction treatment.

Figure 2. Illustrative EBITDA bridge



Replace values with reconciled company evidence and separate funded actions from forecasts.

15. Measure quality, safety and customer outcomes

Productivity gains can be destroyed by defects, returns, downtime, claims, recalls, regulatory breaches or customer dissatisfaction. Average model accuracy is insufficient for high-consequence operating decisions.

Controlled evidence includes severity-weighted defects; acceptance; returns; incidents; service credits; remediation cost. The immediate decision is to require equal or better controlled

outcomes and include review and failure cost. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The operating team and finance team should use the same definitions. Native records should support aggregate dashboards, and sample testing should follow representative cases from input through outcome and cash. Exceptions, failed cases and client concessions remain part of the population. Reconciliation should cover opening and closing balances, acquisitions, disposals, foreign exchange, allocation changes and manual adjustments that could otherwise mimic operating improvement.

16. Build the working-capital bridge

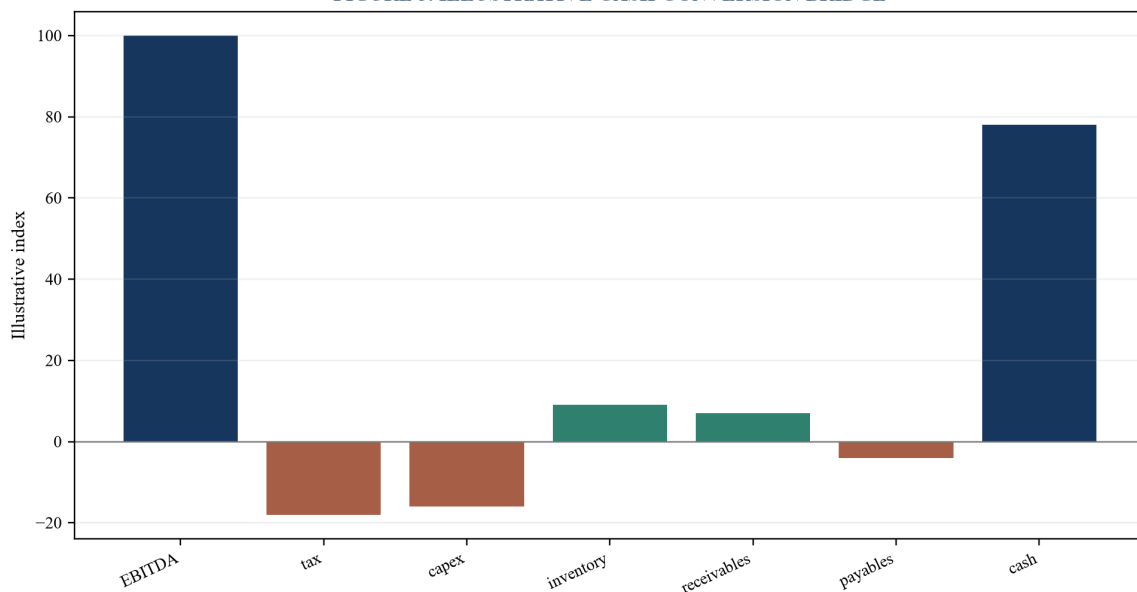
AI can affect forecasting, inventory, procurement, scheduling, invoicing, collections and dispute resolution. Reported improvements may also come from demand changes, delayed purchasing or one-off collection drives.

Controlled evidence includes inventory by class; forecast error; ageing; DSO; DPO; disputes; write-offs; cash. The immediate decision is to value repeatable cash release separately from temporary balance-sheet movement. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range, including price, structure, funding, covenant, integration and monitoring implications.

Figure 3. Illustrative cash-conversion bridge

FIGURE 3. ILLUSTRATIVE CASH-CONVERSION BRIDGE



Working-capital benefit should distinguish recurring operating improvement from one-off release.

17. Assess capital expenditure and maintenance

Predictive maintenance, design optimisation and asset scheduling can defer or avoid capital expenditure, but underinvestment can transfer failure into later periods. Replacement cycles and capacity needs remain operating facts.

Controlled evidence includes asset register; failure history; maintenance plan; utilisation; approved capex; service risk. The immediate decision is to distinguish deferral, avoidance, productivity investment and buyer-required catch-up. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

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18. Reconcile full technology cost

Include software, models, data, integration, compute, connectivity, security, evaluation, monitoring, human review, training, change, remediation, insurance and vendor exit. Pilot pricing rarely represents steady-state cost.

Controlled evidence includes contracts; usage; support; internal labour; implementation; renewal; exit obligations. The immediate decision is to show direct, allocated, incremental and steady-state cost views. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing decisions.

19. Govern data and intellectual-property rights

Value depends on lawful and transferable rights to data, prompts, code, models, outputs, process knowledge and customer material. A functioning workflow may lose value if licences or consents end on a sale.

Controlled evidence includes contracts; licences; provenance; consent; retention; location; export; change of control. The immediate decision is to map ownership, permitted use, portability and deletion for every critical asset. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The operating team and finance team should use the same definitions. Native records should support aggregate dashboards, and sample testing should follow representative cases from input through outcome and cash. Exceptions, failed cases and client concessions remain part of the population. Reconciliation should cover opening and closing balances, acquisitions, disposals, foreign exchange, allocation changes and manual adjustments that could otherwise mimic

operating improvement.

20. Test workforce and organisational capability

Sustainable benefit can depend on frontline adoption, domain judgement, process ownership, data engineering, review and exception handling. Removing roles without preserving learning and accountability can weaken capability.

Controlled evidence includes role map; skills; adoption; overrides; training; attrition; key-person dependency; outcomes. The immediate decision is to separate transferable organisational capability from individual heroics. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range, including price, structure, funding, covenant, integration and monitoring implications.

21. Validate models and decision controls

The control level should follow consequence. Define intended use, validation, human authority, thresholds, abstention, override, monitoring, change approval, rollback and incident response.

Controlled evidence includes model inventory; versions; evaluation sets; drift; overrides; incidents; approvals. The immediate decision is to link residual model risk to operating limits, reserves, protection or delayed value. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The analytical unit should remain stable from source record to valuation conclusion. Reviewers should see the population, exclusions, period, owner and reconciliation to finance. Where evidence is incomplete, the model should retain a range and identify the action needed to narrow it. Comparisons should preserve product, customer, site, complexity and market conditions; aggregation should not conceal adverse cohorts or delayed consequences.

22. Assess cyber and operational resilience

AI introduces attack surfaces through data pipelines, model interfaces, vendors, identities and automated actions. Resilience includes fallback processes, recovery objectives, monitoring, access control and exercised incident response.

Controlled evidence includes architecture; access; vendor map; tests; incidents; recovery exercises; insurance. The immediate decision is to measure avoided disruption only where exposure, control effect and loss consequence are supported. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing

decisions.

23. Test vendor and infrastructure concentration

Critical workflows may depend on one model, cloud, data source, integrator or specialist. Price changes, service interruption, export restrictions or model retirement can change economics and continuity.

Controlled evidence includes contract term; minimums; portability; substitutes; migration time; switching cost; service levels. The immediate decision is to reflect concentration in cost, downtime scenarios, covenant design and terminal value. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

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24. Measure persistence and competitive decay

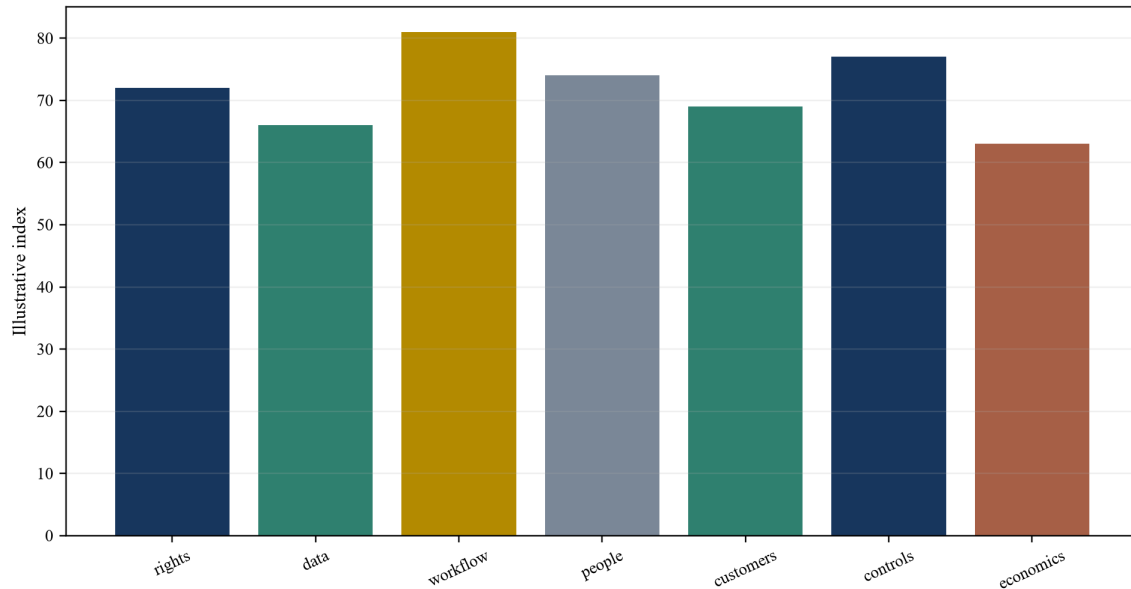
A benefit persists when demand, workflow integration, rights, people, controls and economics survive model changes and competitor response. Generic capabilities can pass through to customers as lower prices.

Controlled evidence includes cohorts; renewal; contribution; model changes; competitor offers; price; reinvestment. The immediate decision is to apply explicit fade, reinvestment and terminal assumptions supported by observed durability. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range, including price, structure, funding, covenant, integration and monitoring implications.

Figure 4. AI capability moat scorecard

FIGURE 4. AI CAPABILITY MOAT SCORECARD



Scores are conceptual and require supported company-specific assessment.

25. Identify intangible capability

AI-enabled value may reside in software, data, customer relationships, contracts, trained workforce, methods, brand, licences and assembled processes. Accounting recognition and economic importance answer different questions.

Controlled evidence includes separability; contractual rights; control; useful life; replacement cost; cash contribution. The immediate decision is to map assets for valuation and purchase accounting without double counting goodwill. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

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26. Apply accounting and disclosure discipline

Revenue recognition, capitalisation, impairment, provisions, principal-agent treatment and business-combination accounting follow applicable standards and facts. Management labels should not replace accounting analysis.

Controlled evidence includes contracts; policies; technical papers; audit evidence; recognised and unrecognised intangibles. The immediate decision is to reconcile transaction measures to reported accounts and explain every adjustment. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or

persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing decisions.

27. Test transferability under a change of control

A buyer should confirm that contracts, licences, data rights, employees, vendors, systems and operating approvals survive ownership change. Capability that depends on seller intervention is not fully transferred.

Controlled evidence includes consents; assignment; retention; transition services; access; portability; buyer prerequisites. The immediate decision is to separate standalone transfer from buyer-dependent integration and synergy. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The operating team and finance team should use the same definitions. Native records should support aggregate dashboards, and sample testing should follow representative cases from input through outcome and cash. Exceptions, failed cases and client concessions remain part of the population. Reconciliation should cover opening and closing balances, acquisitions, disposals, foreign exchange, allocation changes and manual adjustments that could otherwise mimic operating improvement.

28. Select the valuation method

Income, market and cost approaches answer different questions. Discounted cash flow can model timing and risk; market evidence provides a reasonableness range; cost can inform replacement but may miss economic benefit.

Controlled evidence includes forecast; discount rate; terminal assumptions; transactions; comparability; replacement inputs. The immediate decision is to use methods consistently and explain why the selected approach reflects the asset and decision. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range, including price, structure, funding, covenant, integration and monitoring implications.

29. Build the enterprise-value bridge

Begin with supported standalone value and add observed recurring cash, funded conversion and durable capability with their costs and risks. Buyer-specific actions remain a separate case.

Controlled evidence includes base earnings; cash adjustments; investment; tax; persistence; risk; valuation date. The immediate decision is to prevent one benefit from entering both cash flow and multiple without a clear rationale. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The analytical unit should remain stable from source record to valuation conclusion. Reviewers should see the population, exclusions, period, owner and reconciliation to finance. Where

evidence is incomplete, the model should retain a range and identify the action needed to narrow it. Comparisons should preserve product, customer, site, complexity and market conditions; aggregation should not conceal adverse cohorts or delayed consequences.

Table 3. Enterprise-value bridge

Bridge item	Required evidence	Control
base value	reported and normalised cash economics	valuation-date reconciliation
recurring uplift	cohorts, contribution and collection	persistence test
capacity conversion	demand, redeployment or funded cost action	timing and fragmentation
capability	rights, people, workflow and controls	transferability
full investment	technology, change, control and reinvestment	no omitted cost
residual risk	customer, model, vendor and execution exposure	downside or structure

Replace illustrative classifications with company-specific evidence and approved transaction treatment.

30. Construct multiple sensitivity

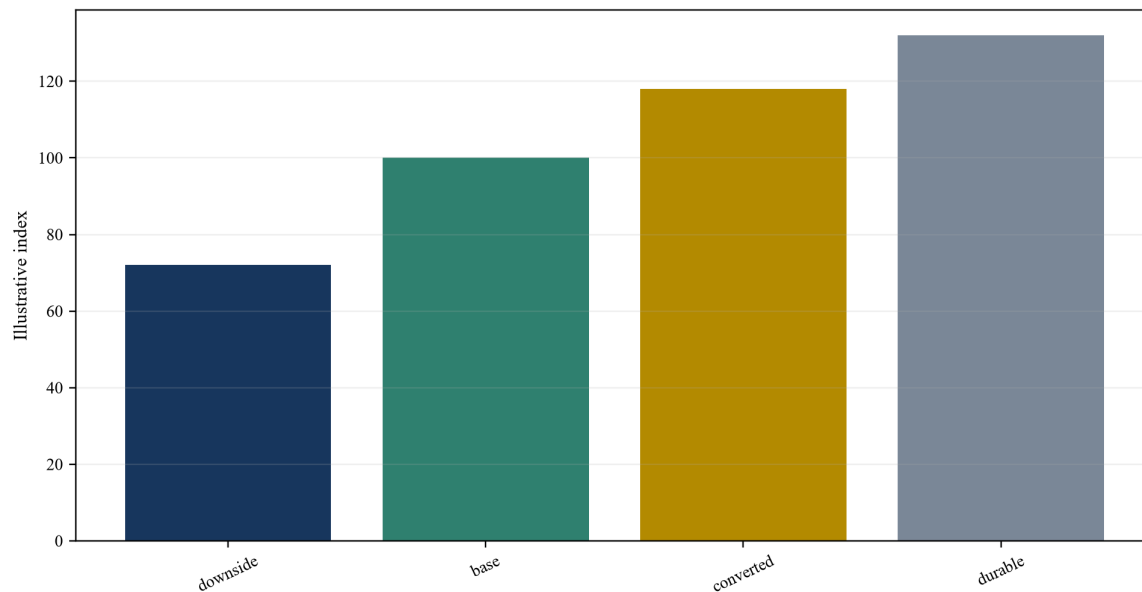
A higher multiple can be supported by durable growth, cash conversion, lower risk and transferable capability. Market enthusiasm or an AI label alone does not establish comparability.

Controlled evidence includes peer definitions; transactions; growth; margin; cash conversion; concentration; rights; control. The immediate decision is to show value across earnings and multiple ranges with explicit evidence thresholds. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing decisions.

Figure 5. Enterprise-value sensitivity

FIGURE 5. ENTERPRISE-VALUE SENSITIVITY



Value should be shown across supported earnings and multiple ranges rather than a single unsupported premium.

31. Build downside and failure cases

Scenarios should include weak adoption, low demand conversion, customer resistance, quality failure, higher review cost, vendor repricing, cyber events, employee loss and faster competitive imitation.

Controlled evidence includes driver ranges; correlations; timing; mitigation; liquidity; covenant headroom. The immediate decision is to connect downside to cash, financing capacity, protection and decision triggers. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The operating team and finance team should use the same definitions. Native records should support aggregate dashboards, and sample testing should follow representative cases from input through outcome and cash. Exceptions, failed cases and client concessions remain part of the population. Reconciliation should cover opening and closing balances, acquisitions, disposals, foreign exchange, allocation changes and manual adjustments that could otherwise mimic operating improvement.

32. Protect terminal value

Terminal value should reflect reinvestment, model replacement, data maintenance, control cost, competitive decay, customer bargaining power and useful lives. A temporary productivity gain should not become perpetual growth.

Controlled evidence includes steady-state economics; reinvestment; fade; useful life; market growth; return on capital. The immediate decision is to use a terminal state that the operating evidence can support. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the

result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range, including price, structure, funding, covenant, integration and monitoring implications.

33. Separate standalone value from buyer synergy

Buyer distribution, data, technology, procurement, financing or management can accelerate value. Those benefits depend on buyer action and may be shared through price only after probability, cost and timing are assessed.

Controlled evidence includes buyer capability; integration plan; cost; owner; timing; dependencies; sharing rationale. The immediate decision is to preserve a standalone case and a separately approved synergy bridge. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The analytical unit should remain stable from source record to valuation conclusion. Reviewers should see the population, exclusions, period, owner and reconciliation to finance. Where evidence is incomplete, the model should retain a range and identify the action needed to narrow it. Comparisons should preserve product, customer, site, complexity and market conditions; aggregation should not conceal adverse cohorts or delayed consequences.

34. Design transaction structure for uncertainty

Earn-outs, holdbacks, escrow, warranties, covenants, staged consideration and transition services can allocate measurable uncertainty. Metrics require stable definitions and resistance to buyer-controlled distortion.

Controlled evidence includes metric definition; systems; access; accounting policy; dispute process; buyer obligations. The immediate decision is to match protection to the evidence gap and keep unmeasurable risk in price or structure. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing decisions.

35. Build the buyer evidence room

The evidence room should link claims to native contracts, operating records, model documentation, security evidence, employee capability, financial reconciliations and open issues. Summaries should preserve lineage.

Controlled evidence includes index; owner; date; version; source; redaction; access; unresolved question. The immediate decision is to allow a reviewer to reproduce the bridge from workflow event to cash and value. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The operating team and finance team should use the same definitions. Native records should support aggregate dashboards, and sample testing should follow representative cases from input through outcome and cash. Exceptions, failed cases and client concessions remain part of the population. Reconciliation should cover opening and closing balances, acquisitions, disposals, foreign exchange, allocation changes and manual adjustments that could otherwise mimic operating improvement.

Table 4. Buyer evidence room

Module	Core evidence	Buyer question
commercial	customers, contracts, price, retention and pipeline	what revenue persists?
operations	workflow, capacity, quality and acceptance	what outcome changed?
technology	architecture, models, data, rights and incidents	what transfers safely?
people	roles, skills, adoption and dependency	who sustains capability?
finance	ledger, cash, cost, capex and working capital	what reached cash?
valuation	bridge, scenarios, support and approvals	what belongs in value?

Replace illustrative classifications with company-specific evidence and approved transaction treatment.

36. Classify valuation adjustments

Observed run rate, funded conversion, forecast, synergy and risk belong in separate classes. Each adjustment needs amount, source, period, cohort, owner, confidence, transferability and sensitivity.

Controlled evidence includes adjustment register; evidence links; approval; accounting treatment; valuation consequence. The immediate decision is to apply consistent treatment across diligence, quality of earnings, valuation and financing. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range, including price, structure, funding, covenant, integration and monitoring implications.

37. Establish board and lender reporting

Boards and lenders need a concise set of stable measures covering adoption, quality, revenue, margin, cash, investment, incidents, concentration, capability and downside. Technology activity belongs beside economics.

Controlled evidence includes definitions; source systems; reconciliation; thresholds; owner; exceptions; trend. The immediate decision is to connect leading indicators to cash, covenant capacity and funded management actions. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The analytical unit should remain stable from source record to valuation conclusion. Reviewers should see the population, exclusions, period, owner and reconciliation to finance. Where evidence is incomplete, the model should retain a range and identify the action needed to narrow it. Comparisons should preserve product, customer, site, complexity and market conditions; aggregation should not conceal adverse cohorts or delayed consequences.

38. Execute the one-hundred-day plan

Sequence baseline repair, priority workflow testing, commercial conversion, controls, workforce changes and reporting. The plan should preserve service continuity and distinguish buyer actions from inherited capability.

Controlled evidence includes workstreams; milestones; resources; client consent; risk; benefit; accountable owner. The immediate decision is to release investment and valuation recognition only as evidence gates are passed. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Evidence should distinguish observation, estimate, management plan and transaction judgement. A supported claim includes timing, full cost, dependency, transferability and a cash consequence. Sensitivity should show how the conclusion changes when adoption, demand, quality or persistence underperforms. Material assumptions need validation dates, accountable owners and explicit expiry conditions so that stale expectations do not survive into pricing or financing decisions.

Table 5. One-hundred-day evidence plan

Period	Primary work	Decision gate
days 1–30	freeze perimeter, baselines and evidence ledger	approve priority claims
days 31–60	reproduce outcomes, economics, rights and controls	approve funded conversion
days 61–100	validate cohorts, cash, transferability and downside	approve valuation treatment

Replace illustrative classifications with company-specific evidence and approved transaction treatment.

39. Identify red flags

Red flags include unsupported time savings, gross benefits without full cost, improving EBITDA without cash, unconverted capacity, hidden review, customer concessions, unclear rights, vendor lock-in and management-only dashboards.

Controlled evidence includes sample testing; reconciliation gaps; exceptions; incidents; customer evidence; contract rights. The immediate decision is to trace clusters to root causes and quantify downside without double counting. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The operating team and finance team should use the same definitions. Native records should support aggregate dashboards, and sample testing should follow representative cases from input through outcome and cash. Exceptions, failed cases and client concessions remain part of the population. Reconciliation should cover opening and closing balances, acquisitions, disposals,

foreign exchange, allocation changes and manual adjustments that could otherwise mimic operating improvement.

40. Set the decision standard

A valuation claim is decision-ready when an independent reviewer can reproduce the baseline, intervention, adoption, outcome, economics, cash consequence, transferability and persistence for a defined population and period.

Controlled evidence includes complete evidence chain; uncertainty; downside; owner; approval; valuation treatment. The immediate decision is to record what is observed, funded, forecast, buyer-specific and unresolved. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

Decision makers need both upside and downside. The analysis should state which party controls conversion, what investment remains, when cash appears, which risks survive and whether the result continues after a change of ownership. Unsupported precision should be replaced with bounded scenarios. The committee should record the decision consequence of each range, including price, structure, funding, covenant, integration and monitoring implications.

41. Conclusion

AI can increase the value of a conventional business when controlled workflow change produces accepted customer or operating outcomes and converts into durable cash, lower risk or transferable capability. Evidence quality governs recognition.

Controlled evidence includes workflow-to-cash ledger; valuation bridge; rights; controls; persistence; downside. The immediate decision is to use one reconciled language across operations, finance, diligence, valuation and transaction structure. Definitions should remain consistent across operating reports, transaction workpapers, forecasts and valuation.

The analytical unit should remain stable from source record to valuation conclusion. Reviewers should see the population, exclusions, period, owner and reconciliation to finance. Where evidence is incomplete, the model should retain a range and identify the action needed to narrow it. Comparisons should preserve product, customer, site, complexity and market conditions; aggregation should not conceal adverse cohorts or delayed consequences.

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