

Valuing AI-Native Revenue: Separating Product Economics from Services-Led Delivery

An Evidence-Led Framework for Revenue Quality, Unit Economics and Transaction Value

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Abstract

AI-native businesses can report rapid growth while combining recurring software, consumption, implementation, custom engineering, data services and third-party model or cloud pass-throughs. These streams differ materially in repeatability, contribution margin, working-capital intensity, retention and risk. This paper develops an evidence-led valuation framework that reconciles contracts to reported revenue, separates product economics from services-led delivery, rebuilds cost to serve, tests productisation and cohort quality, assesses data and intellectual-property rights, and triangulates income, market, transaction and cost approaches. It also integrates model-vendor dependency, reliability expenditure, regulatory exposure, technical debt, obsolescence, strategic synergies and contingent consideration. Five figures, five tables, eight frequently asked questions and twenty-six primary or authoritative references support transaction-specific analysis. Quantified figures are illustrative evidence indices rather than forecasts. The framework does not determine accounting treatment, legal rights, regulatory classification, tax consequences, technical performance or transaction value and does not replace authorised accounting, legal, regulatory, technical, tax, valuation or investment advice.

JEL Classification: G34, G32, M41, O32, L86

Keywords: AI valuation, revenue quality, product economics, professional services, SaaS, unit economics, M&A, intangible assets

1. Define the valuation question

Separate enterprise value, equity value, transaction price, strategic value and accounting measurement.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a valuation scope memorandum.

The principal failure occurs when one headline multiple is treated as a complete valuation conclusion. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for define the valuation question should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

2. Map the revenue architecture

Trace subscription, usage, licence, implementation, customisation, support, data and pass-through revenue.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a revenue architecture map.

The principal failure occurs when all reported revenue is assumed to carry software economics. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for map the revenue architecture should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

3. Reconcile contracts to reported revenue

Tie order forms, statements of work, invoices, deferred revenue and recognition policy to the ledger.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a contract-to-ledger reconciliation.

The principal failure occurs when management labels substitute for contract-level evidence. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for reconcile contracts to reported revenue should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

4. Identify performance obligations

Assess distinct promises, integration, modification and stand-ready services under the applicable accounting framework.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a performance-obligation matrix.

The principal failure occurs when bundled delivery obscures the timing and nature of revenue. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for identify performance obligations should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

5. Test principal-versus-agent presentation

Determine control, fulfilment responsibility, inventory risk and pricing discretion for third-party models, cloud and data.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a gross-to-net assessment.

The principal failure occurs when gross billings inflate scale where the company arranges rather than controls supply. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for test principal-versus-agent presentation should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

6. Build a revenue quality bridge

Reconcile reported revenue to recurring product revenue, consumption revenue, professional services and non-recurring items.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a revenue quality bridge.

The principal failure occurs when annualised revenue overstates repeatable economics. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for build a revenue quality bridge should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

7. Measure contracted recurring value

Test term, cancellation, minimum commitments, renewal rights, price protection and service dependencies.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a contracted-revenue evidence pack.

The principal failure occurs when contract value is counted before enforceability and delivery readiness are established. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for measure contracted recurring value should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

8. Separate product from services effort

Allocate engineering, solution architecture, data preparation, integration, change management and support hours.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a delivery-effort allocation.

The principal failure occurs when labour-intensive delivery is embedded inside product gross margin. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for separate product from services effort should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

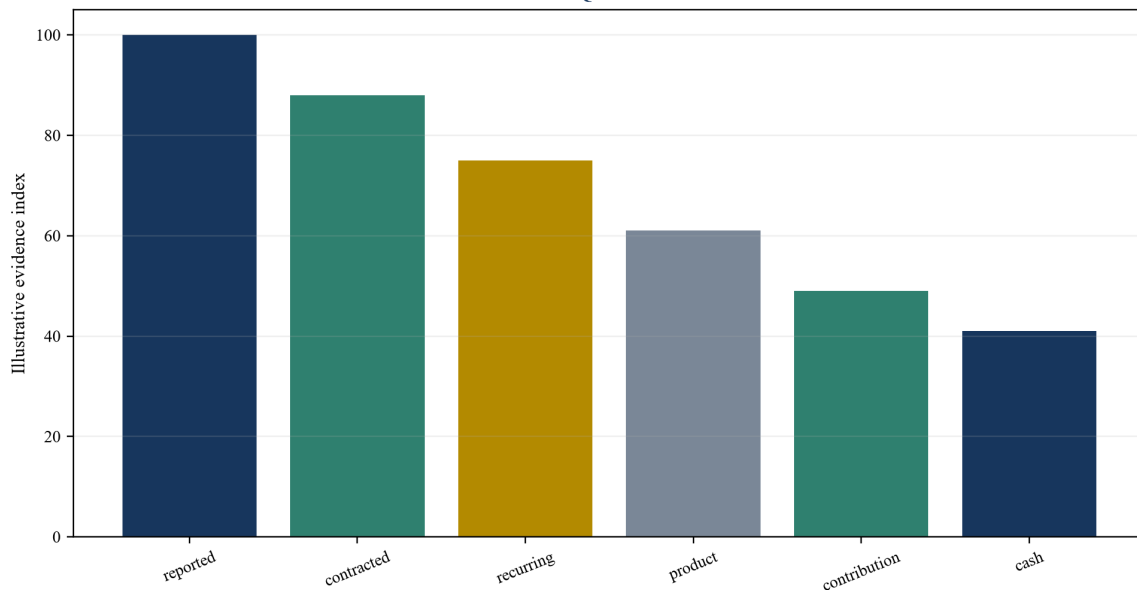
Table 1. Revenue architecture

Stream	Evidence	Valuation treatment
subscription	contract and cohort	recurring base
usage	consumption history	scenario revenue
implementation	hours and acceptance	services economics
pass-through	control assessment	gross or net

Illustrative analytical design; company-specific evidence and professional advice govern.

Figure 1. Revenue-quality decomposition

FIGURE 1. REVENUE-QUALITY DECOMPOSITION



Values are illustrative evidence indices and require company-specific support.

9. Reconstruct contribution margin

Attribute model inference, cloud, data, human review, implementation labour and customer success costs.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a contribution-margin model.

The principal failure occurs when headline gross margin excludes costs required to produce reliable customer outcomes. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for reconstruct contribution margin should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

10. Measure implementation intensity

Track time to deploy, customer effort, third-party dependency, custom code and rework.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is an implementation-intensity scorecard.

The principal failure occurs when slow bespoke onboarding is described as scalable software delivery. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for measure implementation intensity should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

11. Test repeatability

Compare configuration, reusable connectors, workflows and models across customers.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a repeatability evidence matrix.

The principal failure occurs when revenue growth depends on rebuilding the solution for each account. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for test repeatability should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

12. Assess productisation maturity

Evaluate standard features, release cadence, documentation, self-service, APIs and partner enablement.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a productisation maturity model.

The principal failure occurs when a consulting workflow is presented as a software product. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for assess productisation maturity should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

13. Map human-in-the-loop economics

Quantify review, escalation, exception handling, annotation and quality assurance by use case.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a human-effort unit model.

The principal failure occurs when hidden labour grows with transaction volume. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for map human-in-the-loop economics should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

14. Model inference and infrastructure cost

Measure tokens, compute, storage, retrieval, observability, vendor pricing and utilisation.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is an AI cost-to-serve model.

The principal failure occurs when unit economics assume static model and cloud costs. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for model inference and infrastructure cost should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

15. Test model-vendor dependency

Review switching cost, rate limits, pricing rights, availability, indemnities and portability.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a model dependency register.

The principal failure occurs when margin and continuity depend on one external model provider. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for test model-vendor dependency should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

16. Assess data rights and provenance

Verify collection, licences, consent, retention, cross-border transfer and output rights.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a data-rights evidence file.

The principal failure occurs when commercial value rests on data the company cannot lawfully reuse. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for assess data rights and provenance should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

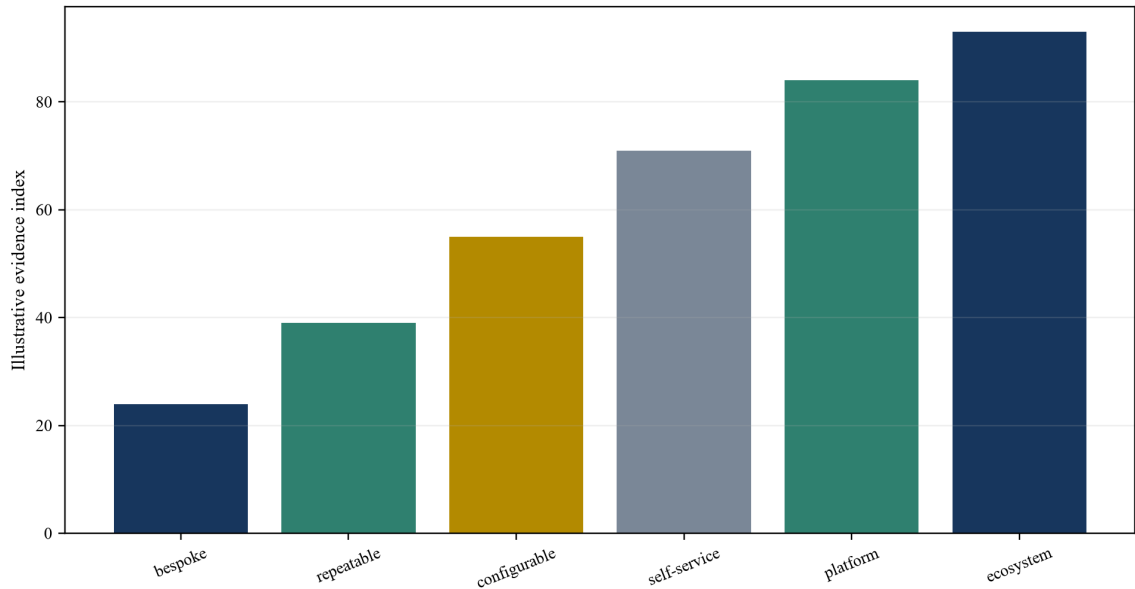
Table 2. Productisation evidence

Dimension	Evidence	Value implication
deployment	time and labour	scalability
reuse	common code and connectors	incremental margin
support	tickets and expert hours	cost to serve
customisation	customer-specific assets	concentration risk

Illustrative analytical design; company-specific evidence and professional advice govern.

Figure 2. Productisation maturity

FIGURE 2. PRODUCTISATION MATURITY



Values are illustrative evidence indices and require company-specific support.

17. Evaluate intellectual-property control

Map proprietary code, models, prompts, workflows, patents, trade secrets and contractor assignments.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is an IP control schedule.

The principal failure occurs when claimed technology ownership is fragmented or non-exclusive. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for evaluate intellectual-property control should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

18. Measure model performance

Define accuracy, calibration, hallucination, latency, drift, robustness and business outcome metrics.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a model performance dossier.

The principal failure occurs when demo performance substitutes for production evidence. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for measure model performance should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

19. Quantify reliability cost

Price monitoring, evaluation, fallback, incident response, red teaming and remediation.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a reliability cost model.

The principal failure occurs when trust and compliance work is treated as optional overhead. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for quantify reliability cost should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

20. Map regulatory exposure

Classify use cases, provider roles, deployer duties, documentation and prohibited or high-risk activity.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a regulatory exposure matrix.

The principal failure occurs when revenue forecasts ignore compliance limits and implementation cost. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for map regulatory exposure should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

21. Test customer concentration

Measure revenue, gross profit, renewal and implementation resources by account.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a customer concentration analysis.

The principal failure occurs when one complex customer creates both reported scale and material fragility. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for test customer concentration should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

22. Normalise retention metrics

Reconcile logo, gross revenue and net revenue retention for price, usage, services and acquisitions.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a cohort retention bridge.

The principal failure occurs when expansion services disguise weak product retention. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for normalise retention metrics should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

23. Separate price from consumption

Decompose growth into customers, seats, transactions, tokens, price and service work.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a growth-driver waterfall.

The principal failure occurs when usage volatility is presented as contracted recurring revenue. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for separate price from consumption should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

24. Test sales efficiency

Measure fully loaded acquisition cost, sales cycle, proof-of-concept conversion and payback by segment.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a sales efficiency cohort model.

The principal failure occurs when capitalised pilots and founder selling hide acquisition cost. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for test sales efficiency should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

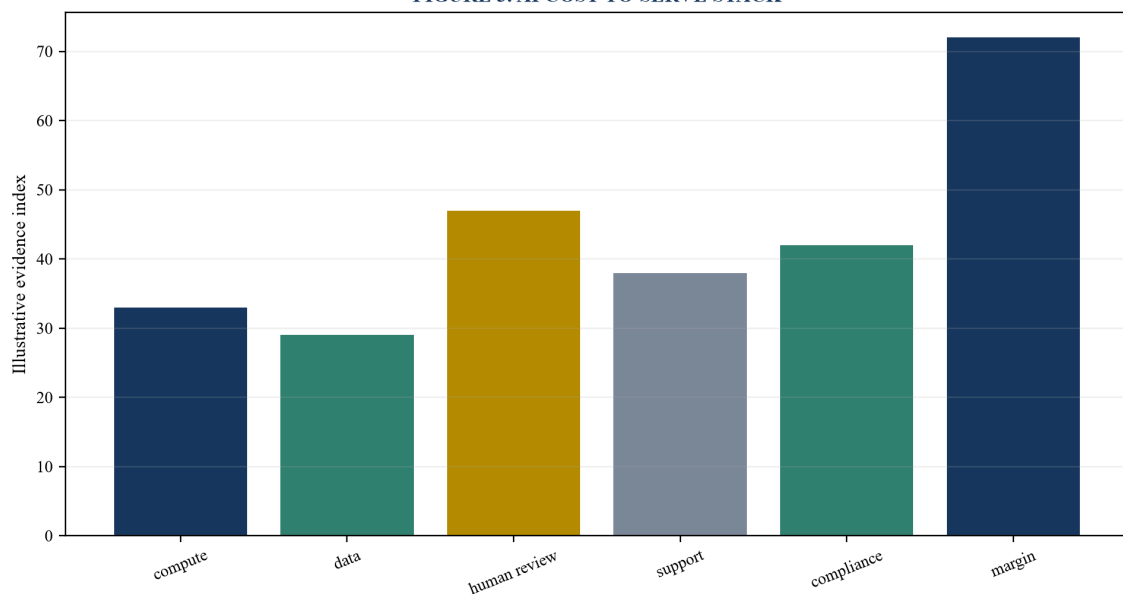
Table 3. AI unit economics

Driver	Measure	Control
compute	cost per outcome	routing
human review	minutes per case	thresholds
reliability	evaluation and incidents	monitoring
retention	cohort recurring margin	renewal discipline

Illustrative analytical design; company-specific evidence and professional advice govern.

Figure 3. AI cost-to-serve stack

FIGURE 3. AI COST-TO-SERVE STACK



Values are illustrative evidence indices and require company-specific support.

25. Assess channel economics

Review reseller, cloud marketplace, systems integrator and referral arrangements.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a channel economics schedule.

The principal failure occurs when channel revenue carries undisclosed commissions, control and dependency. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for assess channel economics should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

26. Measure backlog quality

Test signed commitments, termination, acceptance, funding, delivery capacity and revenue timing.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a backlog conversion model.

The principal failure occurs when pipeline and bookings are capitalised as if they were earned revenue. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for measure backlog quality should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

27. Build a product-services scenario model

Forecast revenue, margins, cash flow and capital needs under distinct productisation paths.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a three-case operating model.

The principal failure occurs when one blended forecast conceals radically different operating models. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for build a product-services scenario model should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

28. Select valuation approaches

Triangulate income, market and cost approaches under a documented basis of value.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a valuation approach memorandum.

The principal failure occurs when a single revenue multiple dominates contrary evidence. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for select valuation approaches should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

29. Normalise comparable-company metrics

Adjust peers for revenue mix, growth, margins, retention, size, geography, risk and accounting.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a comparable-company normalisation.

The principal failure occurs when nominal AI labels create false comparability. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for normalise comparable-company metrics should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

30. Analyse precedent transactions

Review control, synergies, cycle, consideration, earnouts and target revenue quality.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a precedent-transaction evidence table.

The principal failure occurs when headline transaction multiples are imported without context. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for analyse precedent transactions should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

31. Value intangible assets

Assess technology, data, customer relationships, trade names and assembled workforce under applicable standards.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is an intangible-asset value map.

The principal failure occurs when enterprise value is attributed wholly to an undifferentiated AI premium. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for value intangible assets should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

32. Model obsolescence and useful life

Test model replacement, architecture change, open-source substitution and customer switching.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is an obsolescence curve.

The principal failure occurs when technology is assigned a perpetual advantage despite rapid decay. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for model obsolescence and useful life should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

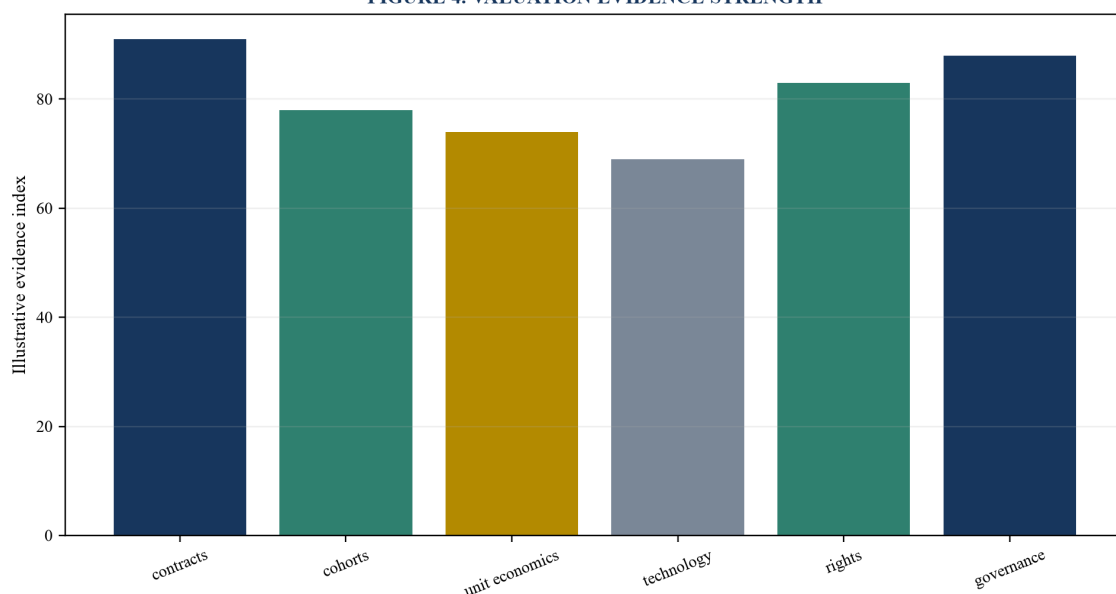
Table 4. Valuation triangulation

Approach	Primary evidence	Key risk
income	cash-flow scenarios	forecast bias
market	normalised peers	false comparability
transactions	adjusted precedents	cycle and synergy
cost	reproduction and obsolescence	economic utility

Illustrative analytical design; company-specific evidence and professional advice govern.

Figure 4. Valuation evidence strength

FIGURE 4. VALUATION EVIDENCE STRENGTH



Values are illustrative evidence indices and require company-specific support.

33. Assess technical debt

Quantify remediation, security, scalability, documentation, testing and architecture constraints.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a technical-debt value adjustment.

The principal failure occurs when future engineering spend required to sustain revenue is ignored. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for assess technical debt should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

34. Price regulatory and litigation risk

Scenario-weight fines, remediation, claims, contract termination and market restriction.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a risk-adjusted cash-flow schedule.

The principal failure occurs when legal exposure appears only as generic discount-rate uplift. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for price regulatory and litigation risk should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

35. Analyse strategic buyer synergies

Separate revenue, cost, data, distribution and capability synergies from standalone value.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a standalone-to-strategic value bridge.

The principal failure occurs when seller forecasts include value available only to a particular buyer. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for analyse strategic buyer synergies should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

36. Design earnout metrics

Choose auditable revenue, gross profit, retention, deployment and product milestones with control protections.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is an earnout architecture.

The principal failure occurs when deferred price rewards gross revenue that destroys contribution value. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for design earnout metrics should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

37. Run reverse stress tests

Identify the churn, margin, inference-cost, implementation and regulatory thresholds that break value.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a reverse-stress dashboard.

The principal failure occurs when downside analysis stops before the investment case fails. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for run reverse stress tests should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

38. Translate diligence into adjustments

Map evidence gaps to forecast changes, multiple selection, escrow, indemnity and contingent consideration.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a diligence-to-value matrix.

The principal failure occurs when risks are listed without economic consequence. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for translate diligence into adjustments should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

39. Build the valuation committee record

Document sources, assumptions, sensitivities, conflicts, specialists and unresolved matters.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is a valuation decision file.

The principal failure occurs when the conclusion cannot be reproduced or governed. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for build the valuation committee record should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

40. Close through evidence gates

Require reconciled revenue, cost attribution, rights, performance, compliance, scenarios and approved valuation ranges.

The controlled record should identify the relevant customer, revenue stream, contract, cohort, relationship owner, commercial dependency, evidence source, baseline, trend, scenario, control, exception, accountable executive, deadline and approval. The immediate deliverable is an AI-native valuation close certificate.

The principal failure occurs when the transaction proceeds on narrative momentum. Reviewers should connect the evidence to revenue durability, gross margin, cash conversion, renewal probability, switching behaviour, counterparty credit and transaction value; distinguish contractual protection from observed customer behaviour; and test whether the conclusion survives a downside scenario.

The decision pack for close through evidence gates should state the commercial question, measurement perimeter, historical evidence, customer-specific facts, forecast logic, sensitivity, management action, buyer implication, residual uncertainty and next gate. Material exceptions should flow into the valuation model, quality-of-earnings work, diligence room, sale-process narrative, transaction protections and board reporting.

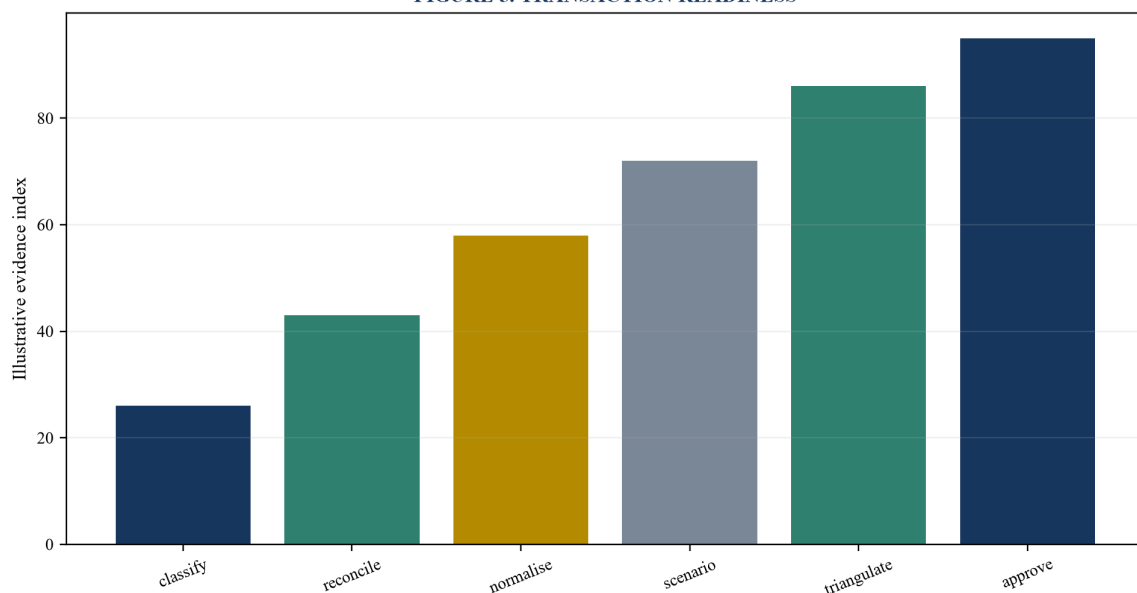
Table 5. Valuation close

Outcome	Measure	Evidence
revenue quality	product-services bridge	contract reconciliation
economics	contribution margin	cost allocation
risk	scenario-weighted exposure	diligence record
value	approved range	committee file

Illustrative analytical design; company-specific evidence and professional advice govern.

Figure 5. Transaction readiness

FIGURE 5. TRANSACTION READINESS



Values are illustrative evidence indices and require company-specific support.

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Chennakeshav (CK) is a corporate finance and investment banking executive with 25+ years of global experience in deal origination, structuring and execution across M&A, growth capital and corporate strategy. He has led value-creation mandates for founders, corporates and funds — bridging the boardroom view to hands-on execution and close.

His career spans Morgan Stanley, HSBC, Lloyds Banking Group, EWEC, ADQ portfolio companies and Emirates Growth Fund, across TMT, real estate, fintech, deeptech, cleantech, infrastructure and energy. He has partnered with C-suite leaders, private equity and venture funds, sovereign wealth funds and family offices to finance complex fund raises and scale-up ventures, and has led M&A due diligence, post-merger integration and business-transformation initiatives to create value.

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