What is your AI really worth?

Sizing the Value of AI: Value Perspectives for Companies, Investors and Acquirers

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EXECUTIVE SUMMARY

What is your AI really worth?

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"What is our AI really worth?" Founders preparing a fundraising round ask it. Corporate venture capital (CVC) teams weighing a strategic stake ask it. Acquirers about to sign a deal ask it. Too often, the answer is a single number that mixes very different sources of value, counts the same data twice, or treats a hopeful forecast as a proven result.

In my earlier article, "Unlocking Startup Value: How AI Model Audits Drive Investment", I described a framework for auditing AI models and explained why traditional financial metrics often fail to capture what an AI-centric company is worth. This follow-up takes the next step: once an AI model and its data have been audited, **how do we size their value?**

The answer depends on how AI creates value. The same technology can cut costs inside a company, set its products apart in the market, or turn its data into entirely new services. Each of these value perspectives has a different economic logic, different evidence requirements and different valuation methods. Investors, CVC units and acquirers each look at them through their own lens. Mixing the perspectives, or counting the same value twice, is one of the most common sources of error in AI-related valuations.

KEY TAKEAWAYS

- **Three sources, three methods:** AI value comes from cost savings, competitive advantage and new data-driven services, and each needs its own evidence and valuation method.
- **Defensibility drives embedded AI value:** proprietary data, workflow integration and IP matter more than features built on widely available models.
- **Data is often hidden value:** but only when rights, quality and exclusivity can be demonstrated.
- **The basis of value matters:** synergies that only a specific buyer can achieve belong in investment value, not market value.
- **Different stakeholders, different questions:** a credible valuation answers the right question, backed by an audit of the AI and its data.

~80% → ~20%

of PE portfolio companies expected to adopt AI in 2026 vs. those expected to fully deliver ROI [1]

~30%

compression in software valuations from their peak, separating durable platforms from replaceable tools [3]

IVS 102

market value, investment value and synergistic value are different bases, and must not be mixed [7]

THE FRAMEWORK

Three sources of AI value

From a finance standpoint, AI creates value through three main channels. They are not mutually exclusive, but they should be analysed separately before they are combined into a value conclusion.

EXHIBIT 1

Each source of AI value has its own economics, metrics, methods and risks

Value perspective	How value is created	Main value metrics	Typical valuation methods	Main risks to value
1. AI in use (cost & efficiency)	Automation, productivity, quality, faster decisions in internal processes	Cost savings, margin uplift, cost-to-serve, cycle time	With-and-without (differential cash flows), cost-savings DCF	Low adoption, gains competed away, vendor dependency
2. Embedded AI (competitive advantage)	AI features in products and services that customers value and pay for	Price premium, market share, churn, retention, net revenue retention	MPEEM, relief-from-royalty, premium-pricing method	Commoditisation, dependence on third-party models, obsolescence
3. New services from data assets	Data-as-a-service, data licensing, insight products, new AI-enabled business models	New revenue streams, licence fees, data margin	Scenario DCF / real options, relief-from-royalty on data licences, cost approach as floor	Data rights and consents, data quality, unproven demand

Source: ICM Advisors. MPEEM = multi-period excess earnings method; DCF = discounted cash flow.

SOURCE 1

Doing More with Less: AI Inside the Company

> **Bottom line: internal AI shows up as higher margins, not as a separate asset, and only for the initiatives that actually scale.**

The first and most widespread source of value is AI used inside the company: in operations, customer service, finance, software development, procurement and maintenance. Here the value shows up as **lower costs, higher productivity and better quality**, not as new revenue.

80% → 20%

AI adoption vs. full success expected among PE portfolio companies in 2026

Source: Analysys Mason [1]

RED FLAGS

- **Low adoption:** tools deployed but not used, or pilots that never scale.
- **Gains competed away:** savings from tools that every competitor can buy.
- **Vendor dependency:** rising licence or compute costs that erode the benefit.

QUESTIONS TO ASK

- What would costs and performance look like without AI, and is that baseline documented?
- Which use cases are in production, and which are still pilots?
- Are implementation, licensing, compute and change-management costs fully counted?
- How long will the advantage last before competitors catch up?

Where the value comes from

- **Labour productivity:** time saved in repetitive knowledge work and customer interactions.
- **Process automation and quality:** fewer errors, better yields, predictive maintenance, lower scrap and downtime.
- **Working capital and decisions:** better forecasting, inventory optimisation, faster and more consistent decisions.

How to measure it

- **Differential cash flows:** value is the present value of the difference between performance with and without AI, net of implementation, change-management, licensing, compute and run costs.
- **Probability of success:** not every AI initiative delivers. Analysys Mason predicted that, although around 80% of private-equity portfolio companies would implement at least one AI-driven process or tool in 2026, only about 20% would fully succeed in rolling out their use cases and meeting ROI expectations by year-end [1]. Adoption and success risk should therefore be reflected explicitly, through scenarios or probability weighting.
- **Durability of the benefit:** efficiency gains from tools that all competitors can buy tend to be competed away over time through pricing. Unless the solution is proprietary or hard to replicate, the excess return should be modelled over a limited period rather than in perpetuity.
- **Where the value sits:** in most cases this value is reflected in enterprise value through higher margins, not in a separable asset. It still matters in M&A, because it can make up a large part of buyer synergies.

AI initiatives can also create assets that are invisible in a traditional ROI analysis, such as data, software, processes and regulatory approvals. Valuing these assets gives a more complete picture of return on AI investment [2].

SOURCE 2

Selling Smarter: AI in Products and Services

> **Bottom line: embedded AI is worth what competitors cannot easily copy, so defensibility, not features, drives the value.**

The second perspective concerns AI built into what the company sells: intelligent features in software, predictive services in industrial equipment, personalised offerings in financial services or healthcare. Here AI is a **source of competitive advantage**, and its value comes from the market.

~30%

Compression in software valuations from their peak

Source: PwC (2026) [3]

RED FLAGS

- **Commoditisation:** AI features that competitors can copy quickly.
- **Dependence on third-party models:** exposure to a provider's pricing, terms and roadmap.
- **Obsolescence:** fast-moving technology that shortens the useful life of the asset.

QUESTIONS TO ASK

- Do customers pay more, stay longer or buy more because of the AI features, and can the data show it?
- What would it cost a competitor to replicate the product using publicly available models?
- Who owns the models, training data and improvements, and how are they protected?
- What economic life does the technology roadmap support?

Where the value comes from

- **Pricing power:** a price premium or a move to value-based and outcome-based pricing.
- **Market share and retention:** faster customer acquisition, lower churn, higher net revenue retention.
- **Ecosystem effects:** data feedback loops in which more usage improves the model, which attracts more usage.

Defensibility is the key test

Markets are now separating durable AI-enabled platforms from replaceable tools. According to PwC, software valuations have compressed by about 30% from their peak, and the real distinction is between **durable platforms with defensible moats and replaceable tools built on surface-level features** [3]. The value of embedded AI therefore depends on:

- Proprietary data and feedback loops that competitors cannot easily obtain or reproduce.
- Depth of workflow integration and switching costs for customers.
- **Dependence on third-party foundation models:** a product that is a thin layer over a widely available model has limited defensibility and is exposed to the model provider's pricing and strategy.
- **IP protection:** patents, copyright on software, and trade secrets on data pipelines, training methods and model weights.

How to measure it

Embedded AI is usually valued as a technology intangible, using the **multi-period excess earnings method (MPEEM)** or **relief-from-royalty**, sometimes cross-checked with a premium-pricing approach. Because AI technology becomes obsolete fast, economic life assumptions should be conservative and backed by evidence from the technology roadmap.

SOURCE 3

Turning Data into Revenue

> **Bottom line: data can be hidden balance-sheet value, but only when rights, quality and exclusivity can be demonstrated.**

The third perspective is often the most strategically significant and the least visible. Many companies hold years of proprietary data, such as sensor logs, transaction histories, quality records and customer interactions, that was collected for operational or compliance purposes and never treated as an asset. EY observes that such domain-specific data is often not valued as a strategic asset, is nearly impossible to replicate and can speed up a buyer's AI roadmap; in effect, it is **hidden balance-sheet value** [4].

Data debt

Fragmented legacy data is a liability buyers deduct as remediation cost

Sources: EY [4], Deloitte [5]

RED FLAGS

- **Unclear data rights:** missing consents or contracts that prevent commercial use.
- **Poor data quality:** fragmented or legacy data that needs costly remediation.
- **Unproven demand:** no evidence yet that customers or partners will pay.

QUESTIONS TO ASK

- Do we have the contractual and regulatory rights to commercialise this data?
- How much would it cost, and how long would it take, to recreate the dataset?
- Who would pay for it, and what evidence of demand do we have?
- What remediation is needed before the data can be used?

Where the value comes from

- Data-as-a-service and insight products sold to customers, suppliers or third parties.
- Data licensing to AI developers and partners for training or fine-tuning models.
- New AI-enabled business models, such as predictive maintenance as a service, risk scoring, benchmarking platforms or outcome-based contracts.

Prerequisites for value

- **Rights and consents:** clear contractual and regulatory rights to use, combine and commercialise the data (privacy and data-access regulation, customer and supplier contracts). Without this, value is only theoretical.
- **Quality and readiness:** clean, structured and accessible data. Fragmented data trapped in legacy systems is a liability that buyers deduct as remediation cost [4]. Deloitte frames this as “data debt”, to be weighed against the value of the data assets [5].
- **Exclusivity and scarcity:** the more unique and hard to replicate the data, the stronger its pricing power.

How to measure it

Because these services are often not yet proven, their value is partly an **option on future revenue**. Suitable methods include scenario-based DCF or real-option approaches for new business models, relief-from-royalty using benchmarks from data licensing, and the cost approach (the cost to recreate the dataset) as a floor and a basis that auditors can check [5][6].

WHERE VALUATIONS GO WRONG

Five Mistakes That Distort AI Value

Combining the three sources into one value conclusion is where most errors happen. Five are particularly common:

1

Treating AI as one block of value

Cost savings, competitive advantage and data-driven services have different economics and should be analysed separately before they are combined.

2

Counting the same data twice

The same dataset may feed internal efficiency, an embedded product feature and a new data service. Contributory asset charges and a clear allocation of cash flows are needed so that the same value is not counted more than once.

3

Mixing market value with buyer-specific synergies

The International Valuation Standards (IVS 102 Bases of Value) distinguish market value (to any typical market participant) from investment value or worth (to a specific owner or investor) and synergistic value [7]. Efficiency gains or data synergies that only a specific buyer can achieve belong in investment value, not market value.

4

Taking adoption for success

Deploying AI is not the same as delivering value. Forecasts and pilot results should be probability-weighted, not treated as proven outcomes [1].

5

Relying on automated valuation alone

Income, cost and market approaches should be reconciled and documented, with sensitivity analysis. The IVSC states that valuations conducted solely using AI or automated models are not currently IVS-compliant; the valuer's professional judgement remains essential [8].

STAKEHOLDERS

Same AI, Different Questions

Each type of stakeholder looks at the same AI through a different lens, and needs different answers from a valuation:

EXHIBIT 2

The valuation question, and the evidence needed, depend on who is asking

Stakeholder	Key value question	What they need from a valuation
Venture capital	Is the AI value defensible and scalable?	Audit of data, model and IP; unit economics; scenario-based and IP-weighted valuation
Corporate venture capital	What is the strategic value to the parent, beyond financial value?	Stand-alone value plus synergies; make-vs-buy; option value; separated strategic premium
Corporate acquirer	What are we really buying, and what should we pay?	Validated vs perceived AI value; AI gap discount; synergy sizing; purchase price allocation; deal protections
Founders / sellers	How do we evidence our AI value to investors or buyers?	Independent valuation and audit report; data-rights clean-up; value narrative backed by numbers
Lenders / IP finance	Can AI and data assets support credit?	Ownership and transferability; liquidation value; monitoring of asset quality

Venture capital investors

For venture capital investors, the central question is whether an AI startup's value is **defensible and scalable**. Typical needs include:

- **Evidence of defensibility:** proprietary data, model performance beyond public benchmarks, IP strength and low dependence on third parties, as covered by the audit framework in my earlier article.
- **Unit economics including compute:** whether inference and data-refresh costs remain sustainable as volume grows.
- **IP-weighted valuation:** for early-stage AI companies, methods that assign explicit value to datasets, models and patents (IP-weighted and asset-based approaches) complement the usual venture-capital and scenario methods [9].

Corporate venture capital

Corporate venture capital units have an additional, strategic layer. Their parent company may gain value that a financial investor would not capture:

- **Technology access and time-to-market:** the value of accessing a capability faster than building it in-house. A make-versus-buy comparison, using the cost and time to replicate, is a useful reference.
- **Synergies with the parent's data and channels:** the startup's models may become more valuable when combined with the parent's proprietary data or customer base.
- **Option value:** a minority stake can work as an option on a future acquisition.
- **Governance of the strategic premium:** separating financial value from strategic value helps CVCs justify their investment decisions and avoid overpaying for strategic reasons.

CHECKLIST FOR ACQUIRERS

In M&A, the gap between **perceived and validated** AI value can be substantial, and buyers who cannot attribute value clearly risk overpaying [10]. Acquirers increasingly need:

- ✓ **Validation of the AI value proposition:** data rights and provenance, model robustness under stress and edge-case testing, scalability of compute costs, and concentration of know-how in key people [10].
- ✓ **Quantification of the AI gap:** EY observes that AI-ready targets command premiums, while targets without embedded AI capabilities face an "AI gap discount" as buyers price in the cost of fixing them after the deal [4].
- ✓ **Synergy sizing by perspective:** separate estimates of efficiency synergies (Source 1), revenue synergies from embedded AI (Source 2) and new data-driven services (Source 3), each with its own probability and timing.
- ✓ **Purchase price allocation:** identification and separate valuation of AI models, datasets and AI-enabled software as intangibles, with realistic useful lives, to reduce unexplained goodwill and future impairment risk.
- ✓ **Deal protections calibrated to value:** earnouts tied to AI performance or deployment milestones, escrows, enhanced representations on data and model rights, and retention of key AI engineers [10].

OUR APPROACH

From Perceived to Validated Value: How ICM Advisors Helps

ICM Advisors helps companies, investors and acquirers move from perceived to validated AI value in three steps:

STEP 1	STEP 2	STEP 3
Audit	**Value**	**Defend**
Test the AI value proposition: data rights and provenance, model performance, scalability and IP.	Size each source of value with IVS-aligned methods and the right basis of value.	Support negotiations, deal protections, purchase price allocation and reporting.

Two complementary services support this process:

- **AI Value Audit:** a due-diligence assessment that turns perceived AI value into validated value. It extends the five dimensions of my earlier framework (application and deployment; model architecture and design; functionality and performance; scalability, maintainability and computational efficiency; intellectual property) with data rights and provenance, economics and cost to serve, and people and organisation.
- **AI & Data Asset Valuation:** independent, IVS-aligned valuation of AI models, datasets and AI-enabled software, structured by value perspective and by basis of value (market value, investment value, synergistic value). It is used for fundraising, CVC investment, M&A and purchase price allocation, licensing, transfer pricing and financing.

When clients involve us

- **Before a fundraising round:** to evidence AI value to investors.
- **Before an investment or acquisition:** to validate value, size synergies and calibrate deal protections.
- **After closing:** for purchase price allocation, impairment testing, licensing, transfer pricing and financing.

CONCLUSION

AI value is not a single number. It is the combination of different economic mechanisms: costs saved inside the company, competitive advantage gained in the market, and new revenue unlocked from data. Each needs its own evidence, its own method and its own treatment of risk. For investors, CVCs and acquirers, the ability to separate, size and combine these perspectives is what turns an AI narrative into a defensible value and a well-priced transaction.

As markets increasingly reward proven AI value and discount unproven claims, a structured audit followed by a rigorous valuation is becoming a standard part of investing in, and acquiring, AI-driven businesses.

If you are preparing a fundraising round, a strategic investment or an acquisition, we can help you test your AI value before the market does.

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