

LAZARD

Lazard Technology Advisory

AI IMPACT ON TECHNOLOGY M&A – SECOND EDITION

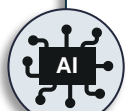


Note on Edition 2.0: *Post-Hype, Deployment Era*

- The first edition of Lazard's AI Impact on Technology M&A from August 2025 explored the potential of Generative AI and its emerging impact on M&A
- Edition 2.0 is written amid a market reckoning over AI's impact on the software ecosystem
- The key question remains whether we are witnessing a structural decoupling of valuations - 'AI Beneficiaries' and 'Systems of Record' enjoy strong investor and strategic interest, while 'Workflow Wrappers' face existential risk
- Edition 2.0 outlines an updated view of the Agentic Era, where value is defined by proprietary data, workflow complexity, domain expertise, deterministic models and business model adaptability
- We appreciate the contributions from Ramp and Tropic, who shared proprietary data for this report



Executive Summary



THE GREAT SAAS BIFURCATION

- Though public markets broadly penalize software, Generative AI forces a brutal divide – “thin” wrappers face existential commodity risk, while embedded systems leverage data gravity and compliance moats to absorb labor budgets



AI MOATS 2.0

- With foundational models converging, sustainable competitive advantage has shifted back to foundational business assets. Strategic value is now defined by proprietary and regulated data, the codification of human tacit knowledge, and closed feedback loops



THE INCUMBENT ADVANTAGE

- Despite the agility of AI-native startups, legacy software leaders possess the defensive trump cards: workflow complexity, immense distribution scale, and established customer trust. Incumbents that successfully orchestrate these assets will capture an exponentially larger TAM



THE MONETIZATION TRANSITION

- As the market moves from peak hype to the deployment era, traditional seat-based pricing is under siege and incumbents explore new pricing models.



PRIVATE EQUITY'S DUAL MANDATE

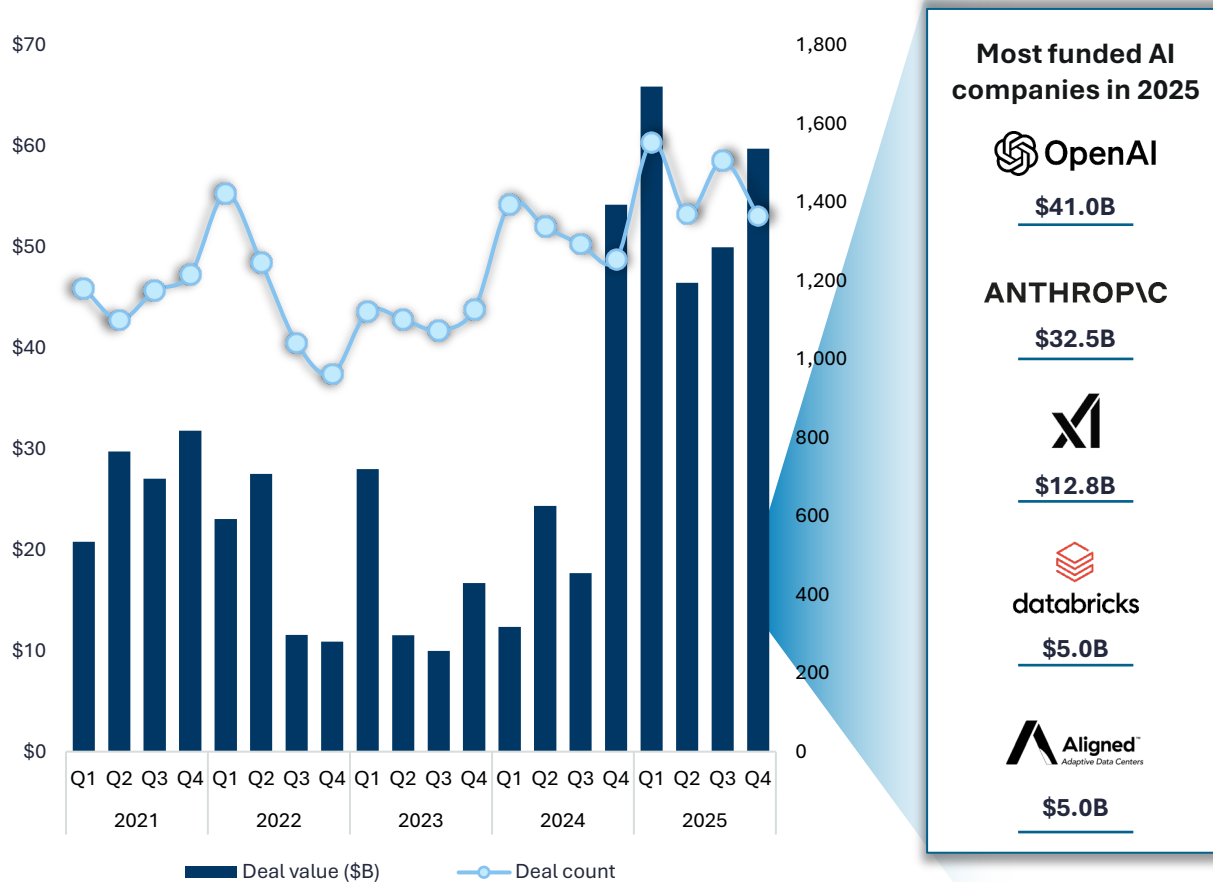
- Financial sponsors are highly active but deeply cautious - they are adopting AI internally and within their portfolios much faster than general corporates to drive margin expansion, but AI disruption risk has become the ultimate deal-breaker for new acquisitions

I The AI Reckoning in Software

AI Investment Surge: *Unprecedented Capital Supporting AI Potential*

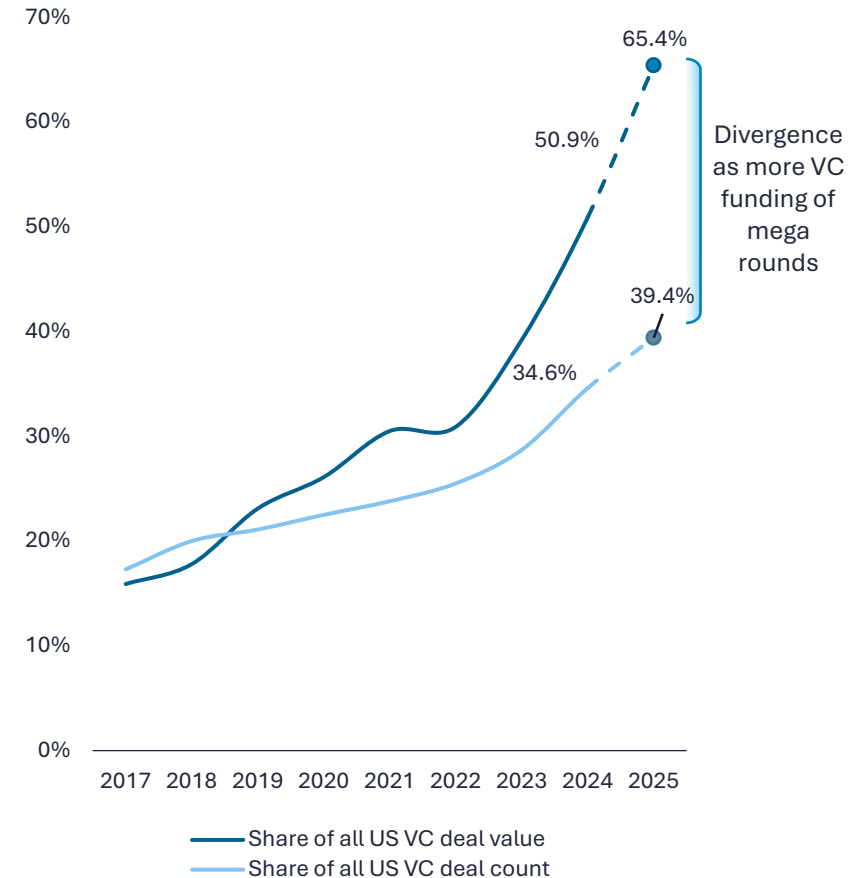
US AI/ML VC Deal Activity

The AI train speeds ahead with a handful of AI companies receiving a huge portion of total spend



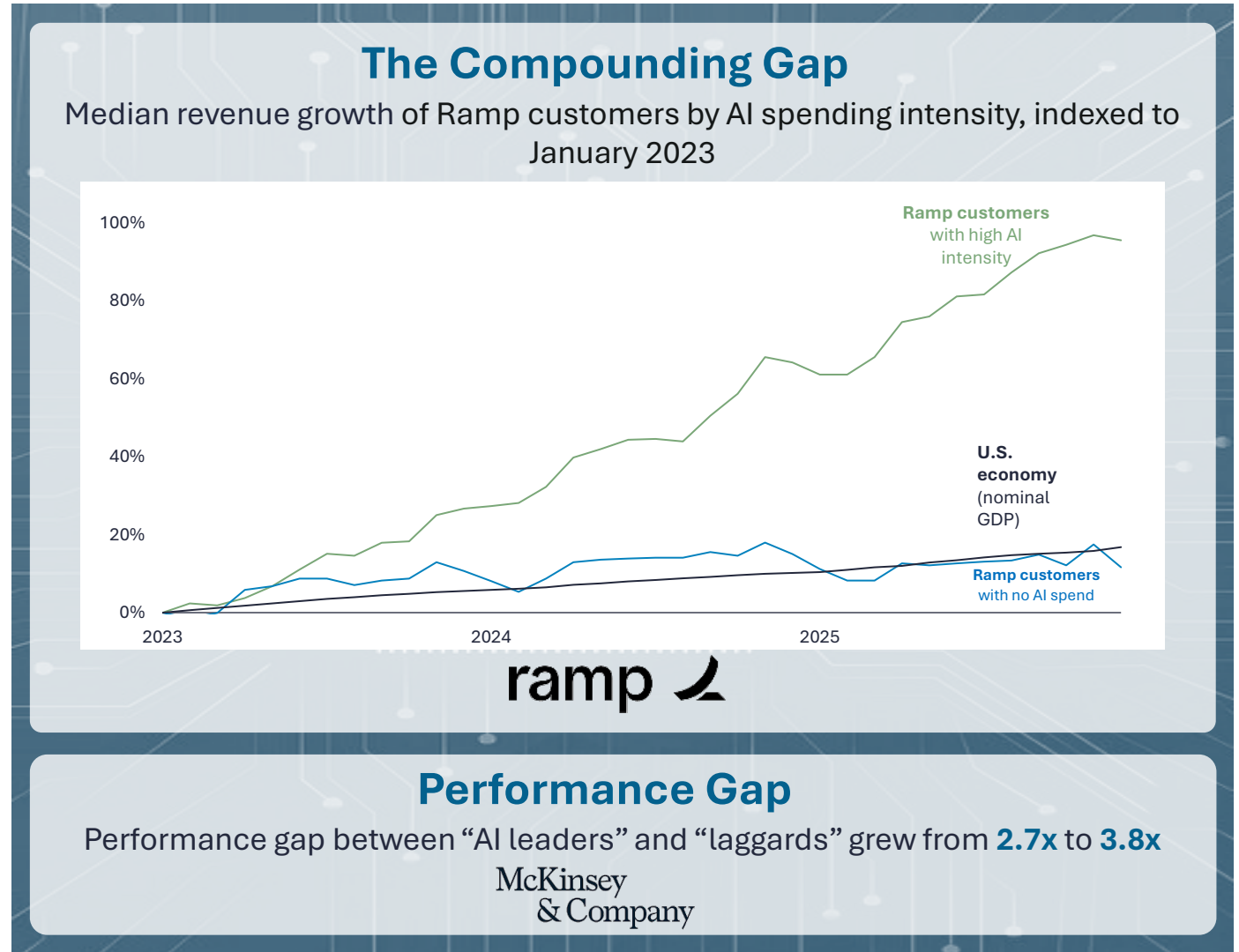
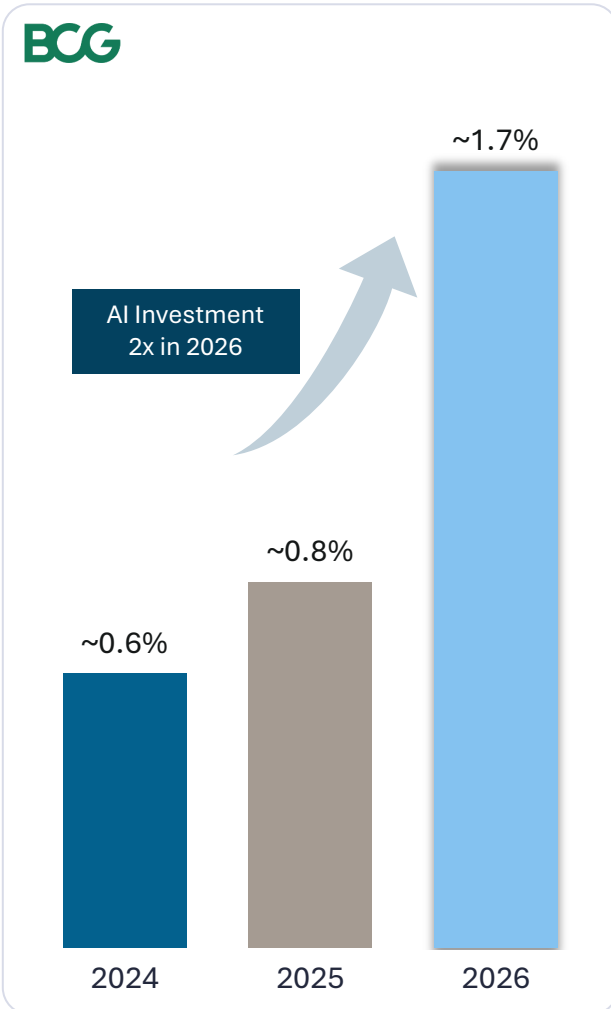
AI VC Deal Activity as a Share of All VC Deal Activity

Sustained investor conviction in AI relative to other areas



AI Investment Surge: *Corporates Chasing the Promise of ROI Through AI Investment*

AI Investment as % of Org. Revenue

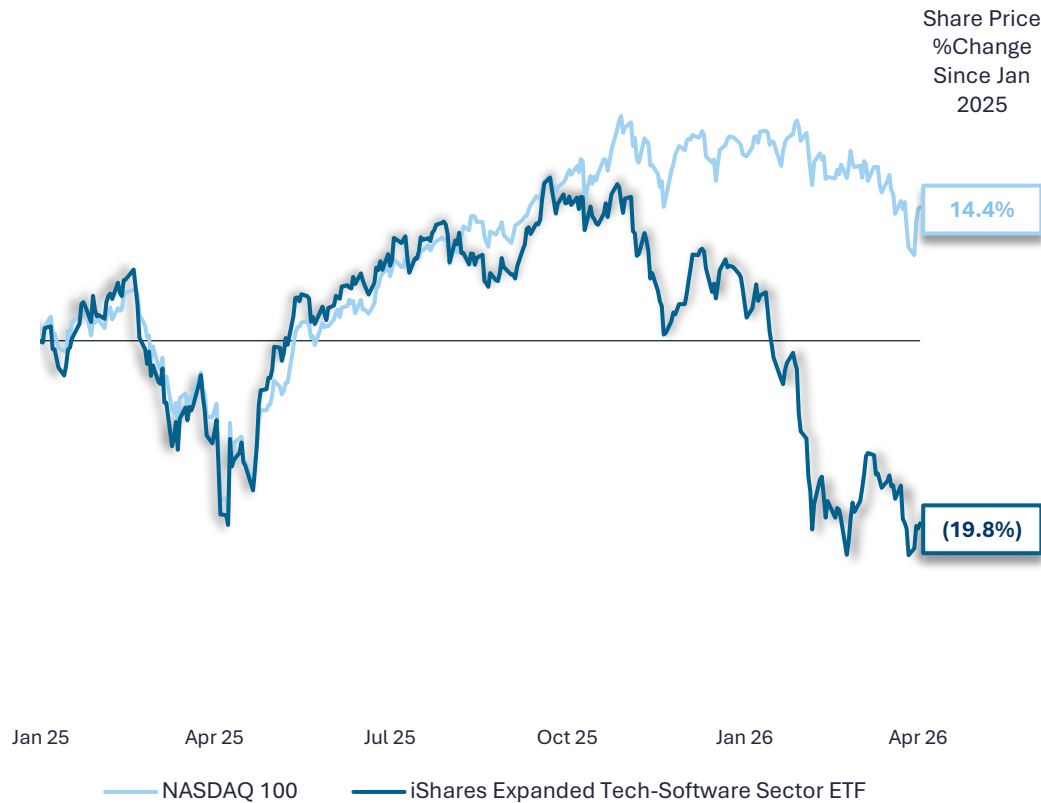


The Great Bifurcation: *Despite Potential Upside, the Market is Punishing Legacy SaaS*

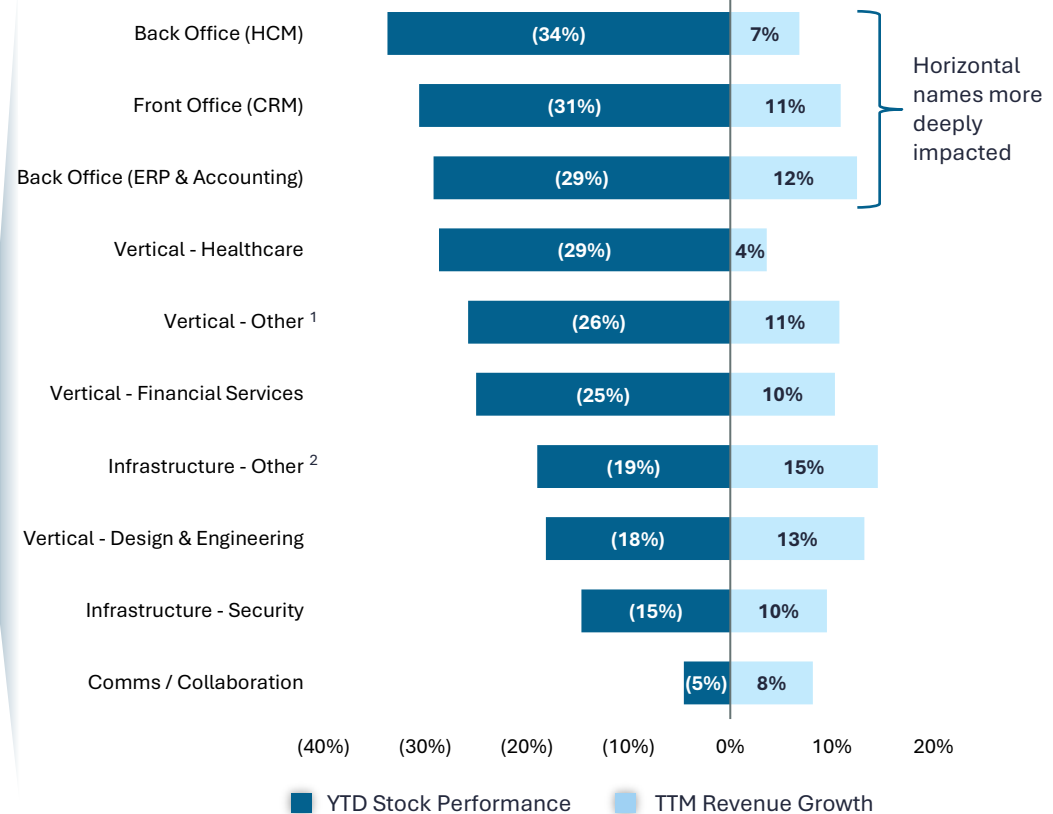
As AI adoption accelerates and displaces traditional tools, investors are questioning the durability of traditional seat-based software models

Software Stock Woes Deepen

Tech Bifurcation: Hyperscalers propel the NASDAQ 100, while AI headwinds weigh on SaaS...



...Despite consistent growth across sub-sectors, infrastructure and vertical SaaS have outperformed horizontal applications



Source: FactSet financial data and analytics as of 4/3/2026.

Note: Excludes public companies with market cap <\$1bn or that underwent an IPO after 12/31/20. Reflects equally weighted median values and are based on metrics unburdened by stock-based compensation.

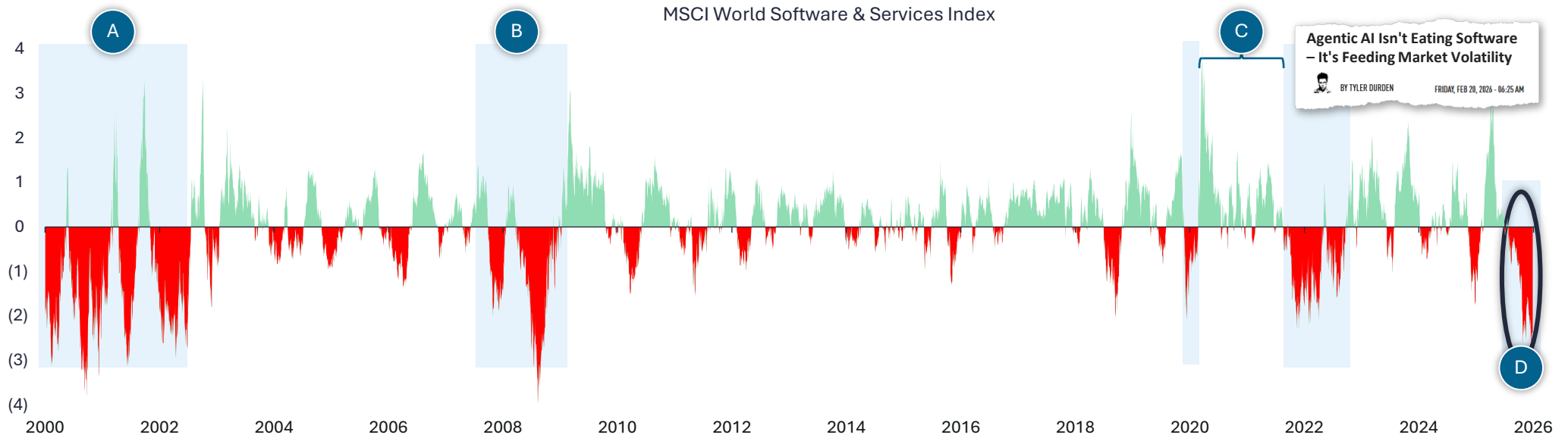
1. Includes legal, services, government, hospitality, multi-vertical, non-profit, real-estate, telecom, travel, utilities and media.

2. Includes big data, CDN, communications infrastructure, data integration & analytics, development tools, ITOM, monitoring, storage & data protection and home automation.

The Great Bifurcation: *Volatility in the Markets Reflect Tough to Predict Outcomes*

Volatility Has Reached Crisis-Level Extremes

Software Relative Volatility Is At Levels Close To The Global Financial Crises and Tech Bubble



- A The Dot-Com Unwind (2000–2002):** Extreme downward volatility as the technology bubble burst
- B The Global Financial Crisis & The Golden Decade (2008–2020):** Crisis-level crash followed by a decade of low volatility
- C COVID-19 and the 2022 Macro Catalyst (2020–2022):** brief pandemic shock, then rate-driven correction
- D The 2025–2026 "SaaSocalypse":** Recent SaaS sell-off has plunged the index's standard deviation into the negative 3-to-4 range – this reflects extreme volatility at levels not seen since the Global Financial Crisis and the Dot-Com Bubble, significantly exceeding the severity of both the COVID-19 shock and the 2022 macro catalyst

The Great Bifurcation: *Early Predictions Have Not Yet Come to Fruition*

The Headlines

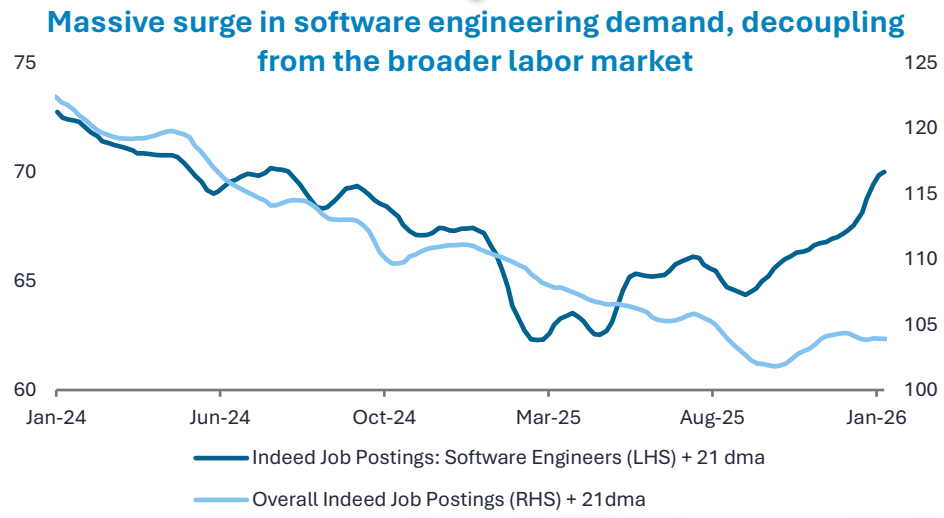
Coders and marketers, be prepared to lose jobs due to AI in 12 months, warns US entrepreneur
 February 2026 

Threat of New AI Tools Wipes \$300 Billion Off Software and Data Stocks
 February 2026 

What if A.I. Doesn't Get Much Better Than This?
GPT-5, a new release from OpenAI is the latest product to suggest that progress on large language models has stalled.
 August 2025 


AI agents have clear mission, hazy business model
 February 2025 

The Data



*We do not see hitting a wall. This year will have a **radical acceleration** that surprises everyone*
 March 2026 - Dario Amodei, CEO of **ANTHROPIC**

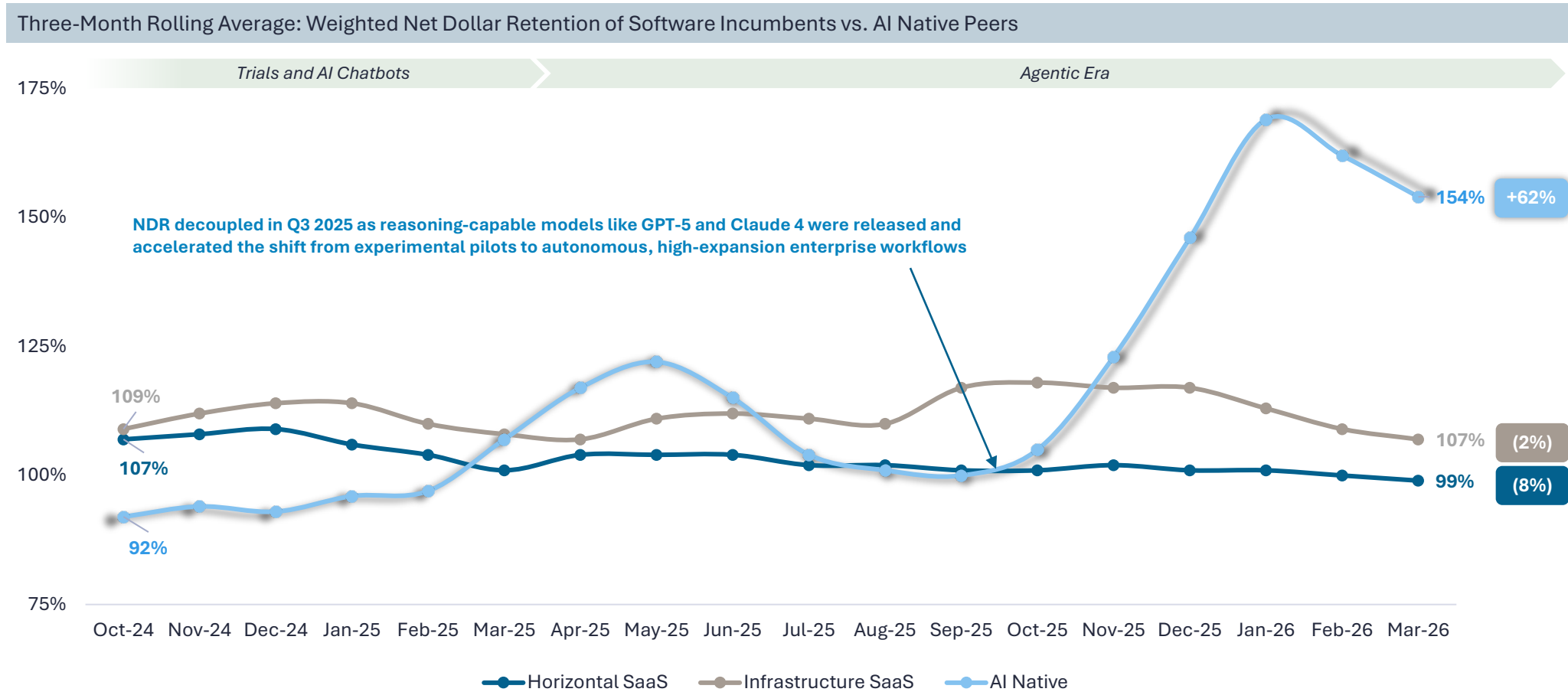
[Several] of our portfolio companies, and their strong results in growth and profitability seem to be, in my view, another piece of evidence against the overwrought headlines that 'AI is eating software'
 February 2026 - Holden Spaht, Managing Partner of **THOMABRAVO**

OpenAI Tops \$25 Billion in Annualized Revenue
 March 2026 

The Great Bifurcation: *Retention Trends Confirm Bifurcation*



AI-native NDR is surging as enterprises grow their AI wallet spend. Despite 'SaaS-pocalypse' fears, incumbents remain resilient though performance is bifurcated: infrastructure NDR has held flat, whereas horizontal software has seen compression



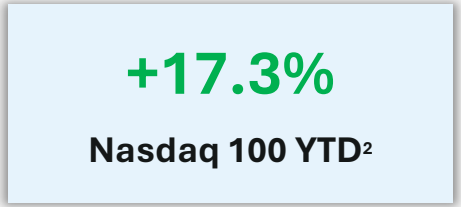
The Great Bifurcation: *Public Market Panic*

Systemic Disruption Narrative

- Indiscriminate “AI-Fear” sell-off is disproportionately affecting software peers
- Some valuation pressure warranted given growth rates have slowed

“Some commentators have called the volatility a ‘SaaS apocalypse’, reflecting concern that AI could erode the competitive advantage of established suppliers... Mandeep Singh of Bloomberg Intelligence said companies are seeing pressure on revenue expansion... He also suggested the market reaction may be overextended. ‘Indiscriminate selling.’”

Bloomberg

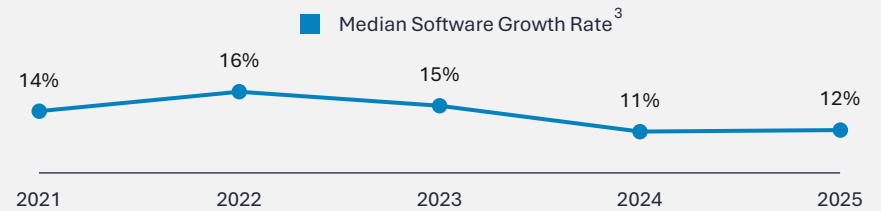


Valuation Contraction Attributable to Slower Growth Expectations

- Warranted valuation pressure as software growth rates have contracted

“An analysis by Goldman Sachs Research portfolio strategists suggests investors now expect software companies to grow more slowly. At their recent peak, software stock valuations implied a 15-20% medium-term (2028) revenue growth rate. Valuation multiples that are now much lower correspond to an expected growth rate of just 5-10%.”

Goldman Sachs

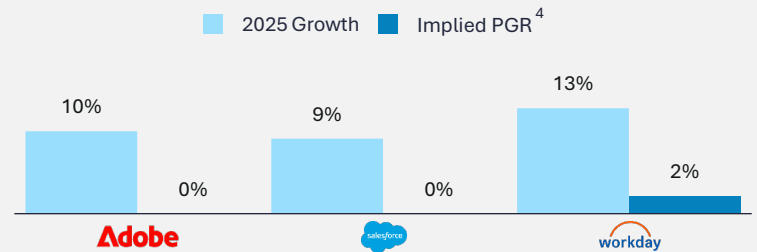


Erosion of Terminal Values

- Harsh penalization of certain incumbents over AI fears
- Current valuations imply software growth going to “0”

“The market is **signaling that every software company is at risk**—a dramatic change for an industry that has enjoyed positive sentiment for years. **Investors have lost conviction in the durability of economic characteristics that historically defined high-quality software businesses**, making it nearly impossible to forecast the terminal value of software shares.”

ALLIANCEBERNSTEIN



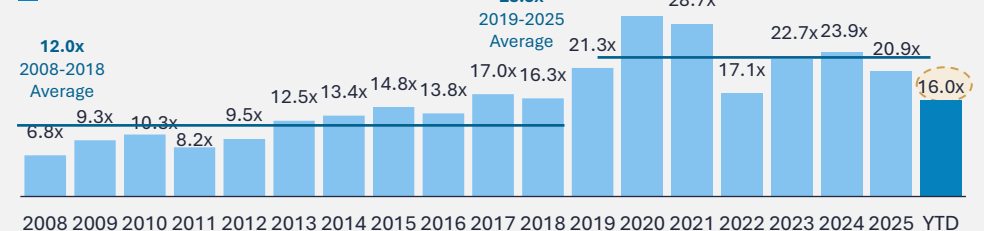
Full Valuation Reset

- After years of outperformance, public software multiples have reverted to longer-term trends

“The reset is complete. Public software multiples have fully round-tripped from the zero-interest-rate phenomenon of 2020 and 2021. **Today, median enterprise software companies are trading at forward multiples that align almost identically with the 2008 to 2012 post-financial crisis recovery period.** The ‘growth at all costs’ premium has been entirely priced out of the sector.”

BATTERY

EV/NTM EBITDA Evolution

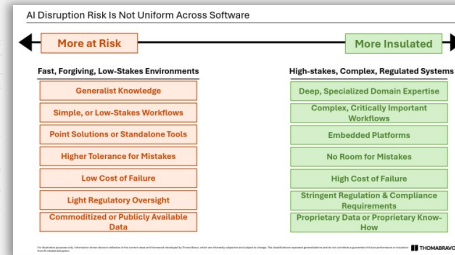


The Great Bifurcation: *Private Market Precision*

Private Capital Is Honing Its AI Thesis

"We look to buy businesses built around deep domain expertise, zero-tolerance-for-error workflows and embedded cross-system integration. That's a fundamentally different software value proposition, because these firms are positioned to grow through the incorporation of AI tools into their integrated systems. For them, AI is an upside that strengthens their value proposition to enterprise customers. **We don't believe the public markets make this distinction clearly...**"

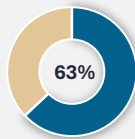
THOMABRAVO



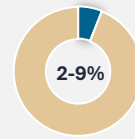
Valuing Incumbent System of Record/Context

"The true beneficiaries of the generative AI revolution are proving to be the software incumbents. Startups have the AI, but incumbents have the distribution, the security approvals, and the customer data. Enterprises are overwhelmingly choosing to activate AI via their current vendors."

McKinsey & Company



Believe existing vendors will be primary beneficiaries of AI¹



See high probability of AI replacing them¹

Strategics Pursuing Quality Over Quantity

"While overall deal volume has started 2026 slowly... acquirers are aggressively targeting AI infrastructure and data moats. **The pipeline of new deals has started 2026 more slowly as the focus shifts strictly to quality over quantity.**"

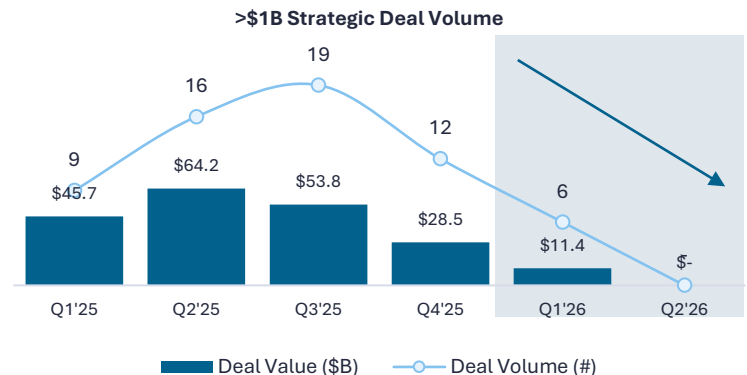
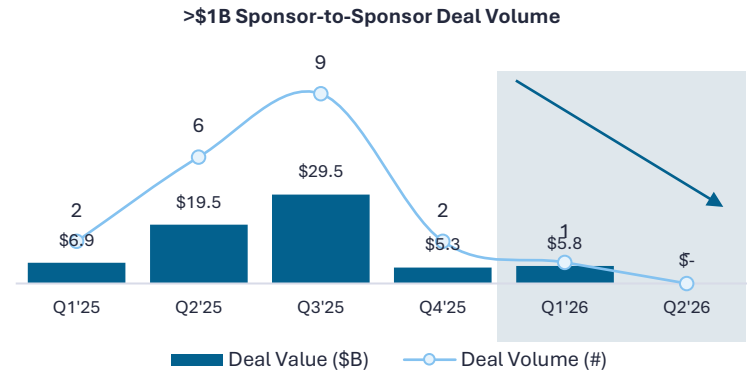
WALL STREET HORIZON

"Large strategic acquirers have become far more selective. The mega-checks into broad software categories have largely stopped... SaaS remains a fundamentally strong category for capital deployment... **But selectivity matters more than it has in a decade. The spread between the best and the rest is widening.**"

eleven

Recovery in 2025 Shortlived?

Limited valuation proof points for software incumbents but deal volume suggests greater discernment or valuation disconnect

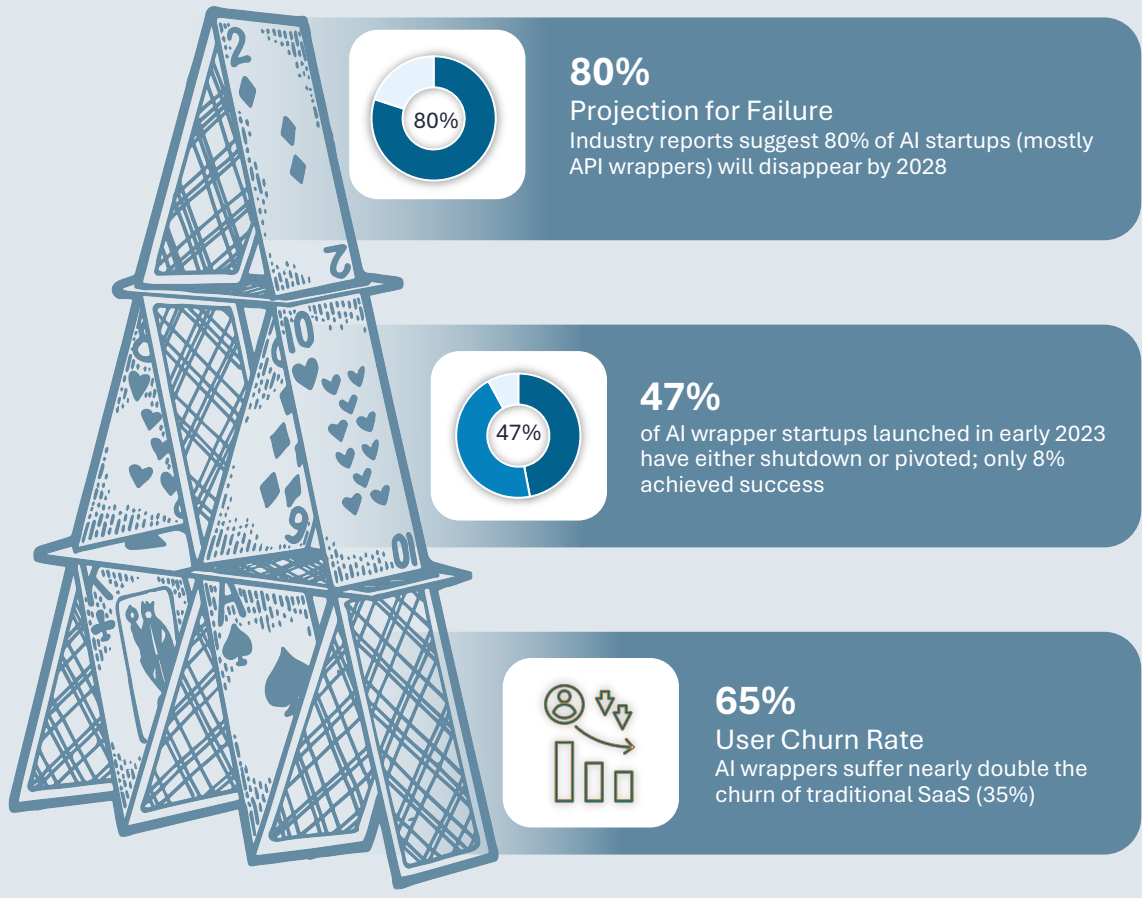


The Great Bifurcation: *The Losers – Thin Wrappers*

Rise of AI is bifurcating the software market – wrappers with thin interfaces face disruption given limited moats...

The Vulnerable Wrapper

Thin interfaces on top of LLMs facing brutal churn and commodity risk



“Stickiness” of AI Applications
Outside Foundational Models Remains Key Question

Most “AI Startups” Are Just Expensive Wrappers
(And Users Are Starting to Notice)

Yagyesh Bobde Follow 4 min read · Sep 20, 2025 Medium

BAIN & COMPANY

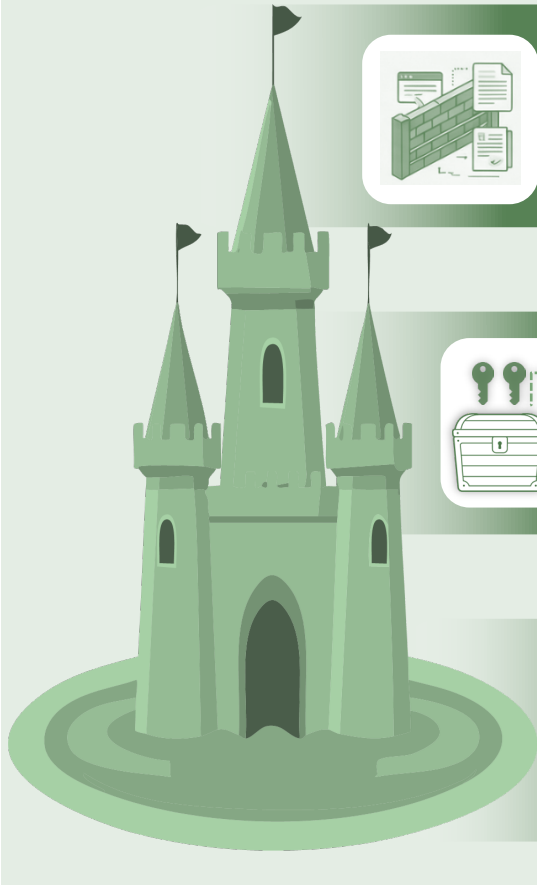
When a financial sponsor performed diligence on an AI native healthcare company it hoped to acquire, the diligence team built a prototype rivaling the functionality of the firm’s technology and tested it with clinicians. The prototype, which took only two weeks to develop, outperformed the target’s product and convinced the acquirer to pass on the opportunity.


The Great Bifurcation: *The Winners – Systems of Record*

...while Systems of Record and Enablers act as resilient anchors for complex business logic

The Resilient System of Record


Authoritative, durable anchors with deep, defensible moats






The Edge-Case Moat

Decades of embedded complexity, like payroll rules and jurisdictional changes, cannot be easily replicated



Native Authority

Unlike agents that “borrow” context, these systems own the native permissions and deterministic execution



“Data Gravity is the Moat”

Defensibility stems from high switching costs, embeddedness, and auditability

AI Makes Code Cheap, Shifting Value of SaaS to Other Moats





Anthropic employs world-class engineers who could build an HR system in weeks. They use Workday anyway. The reason tells you exactly where enterprise SaaS is headed.

Building HR software requires knowing labor law across 50 states and 100+ countries. Payroll tax compliance changes quarterly. Healthcare benefit structures shift annually. **One classification error creates seven-figure liability.**

No engineering team wants to own that surface area. **The maintenance burden compounds forever** while delivering zero competitive advantage.

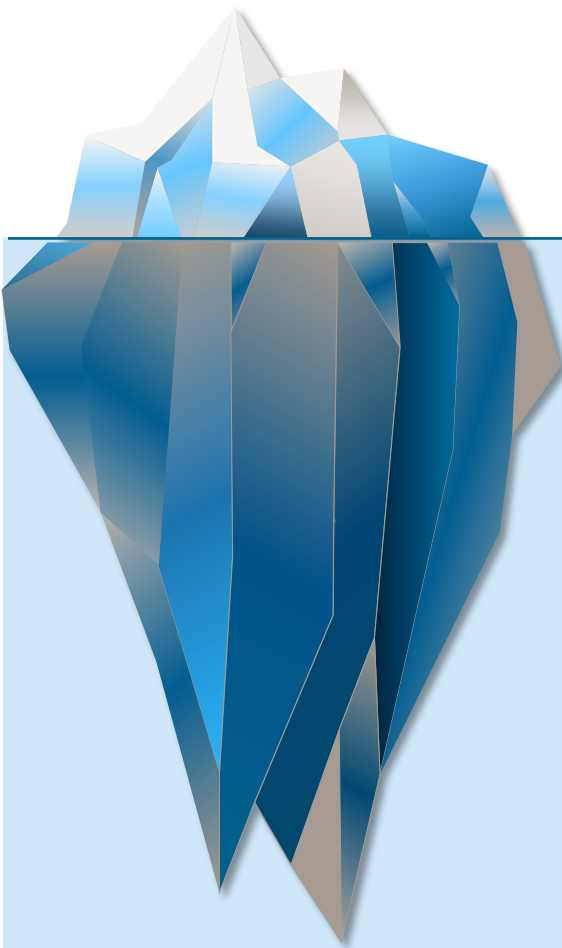
This is why enterprise SaaS moats actually strengthen with AI. The value was never “we built software you couldn’t.” The value was always “we absorb compliance risk and regulatory complexity you don’t want.”

 **Aakash Gupta** 
@aakashgupta

The Great Bifurcation: *Easier to Build, But No Easier to Maintain and Secure*

The market may be underestimating the cost and risk/liability of maintaining production-grade software

The 'Home Built Software' Trap: The Hidden Costs of Easy Software



The Illusion of Speed

10x

10x Faster Development
Coding agents can accelerate the software build by up to ten times compared to traditional programming methods

30%

30% AI-Generated Code
Tech giants like Google and Microsoft forecast for now that nearly a third of their production code is generated by AI



...There is a reason most companies pay other companies for software, and the most fundamental reason to do so won't change with AI... writing the original app is just the beginning: there is maintenance, there are security patches, there are new features, there are changing standards – writing an app is a commitment to a never-ending journey – a journey, to return to point one, that has nothing to do with the company's core competency. **Third, selling software isn't just about selling code. There is support, there is compliance, there are integrations with other software, the list of what is actually valuable goes far beyond code...**

STRATECHERY

Security Issues



45% Vulnerability Rate
Nearly half of all AI-generated code introduces severe OWASP Top 10 security vulnerabilities



21,500 New Flaws
In H1 2025, software flaws hit a record 21,500+ (133 daily), with 38% rated High or Critical

Autonomous Agent Hacked McKinsey's AI in 2 Hours

Cybersecurity Startup Exposed Lilli Using a Flaw as Old as the Web
Rashmi Ramesh [@rashmiramesh](#) · March 13, 2025

63% Ship without testing

Driven by the pressure for speed, the majority of organizations admit to shipping code changes without full security testing

Market Reality & Financial Risk



5.3% Immediate Share Drop
Average share price decline of 3.3% after disclosing major security breach



60% of Impact is Hidden
Estimated that the majority of the financial impact from software breaches is never reported to shareholders

Amazon service was taken down by AI coding bot

February 2026

FINANCIAL TIMES




1 in 4 Executives
1 in 4 executives experienced a cyber incident during or shortly after a transaction, with nearly (42%) experiencing significant deal value reduction

The Great Bifurcation: *AI Could Be a Growth Enabler*

AI Substitutes Tasks, Not Humans

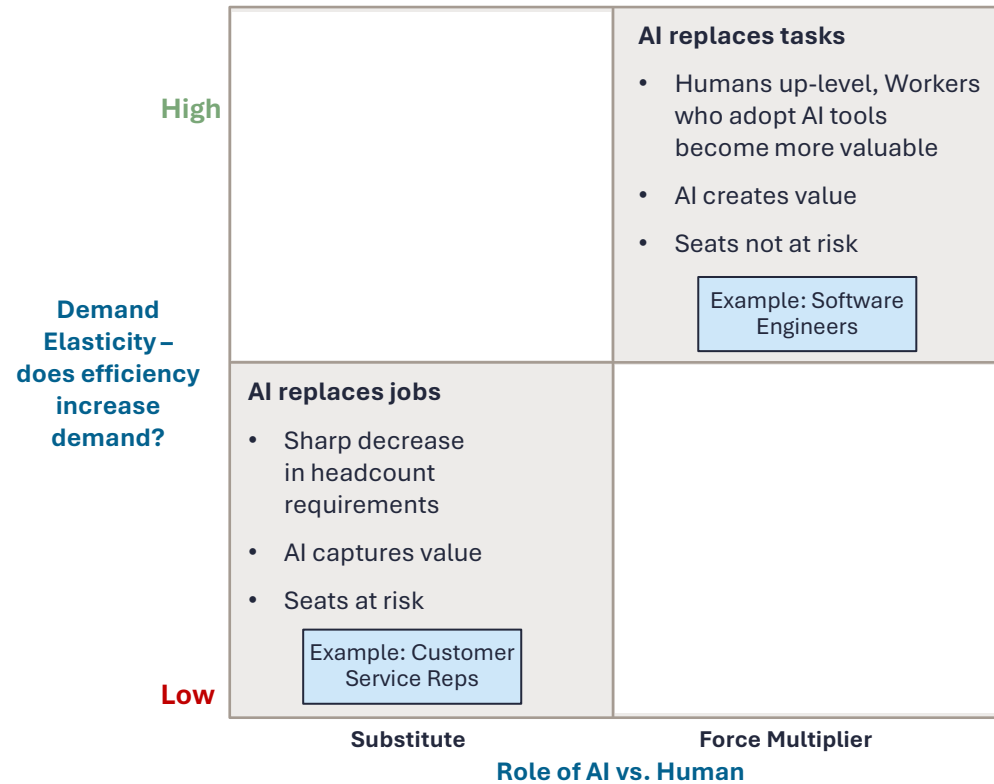
For many functions, increases in AI-lead task substitution will not directly translate to job elimination

 **Aaron Levie** ✓
@levie

Jevons Paradox for Knowledge Work

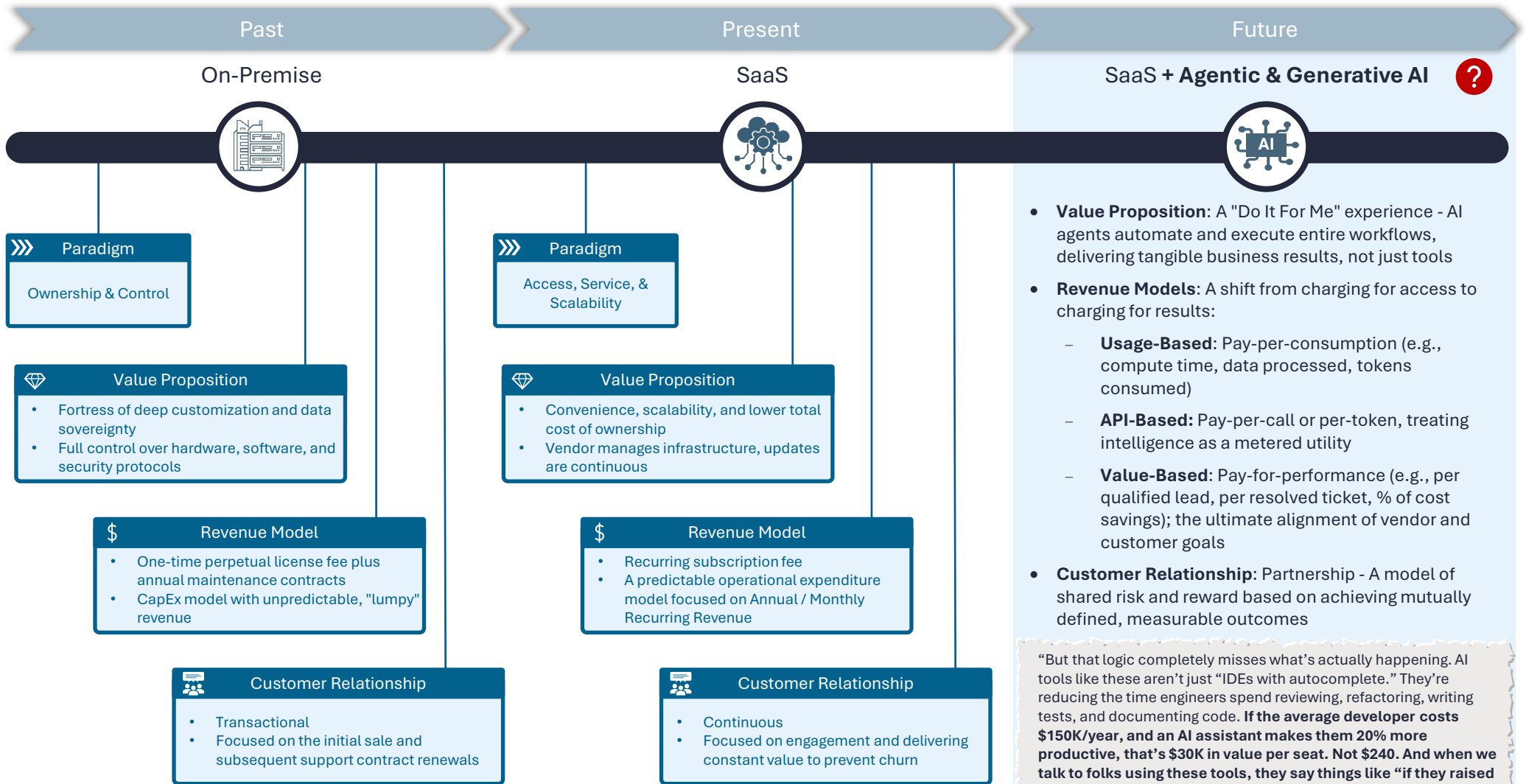
“[M]aking [a resource] more efficient leads to massive growth, because there are more use-cases for the resources than previously contemplated. [Jevons] paradox has proven itself repeatedly as we've made various aspects of the industrial world more productive or cheaper, and especially in technology itself.”

12:44 PM · Dec 26, 2025 · 4.9M Views




Does the AI fully do the full job of the human or just run a set of tasks that makes the human more productive?

Evolving Business Models: *AI Forcing Radical Rethinking of Monetization*



- **Value Proposition:** A "Do It For Me" experience - AI agents automate and execute entire workflows, delivering tangible business results, not just tools
- **Revenue Models:** A shift from charging for access to charging for results:
 - **Usage-Based:** Pay-per-consumption (e.g., compute time, data processed, tokens consumed)
 - **API-Based:** Pay-per-call or per-token, treating intelligence as a metered utility
 - **Value-Based:** Pay-for-performance (e.g., per qualified lead, per resolved ticket, % of cost savings); the ultimate alignment of vendor and customer goals
- **Customer Relationship:** Partnership - A model of shared risk and reward based on achieving mutually defined, measurable outcomes

"But that logic completely misses what's actually happening. AI tools like these aren't just "IDEs with autocomplete." They're reducing the time engineers spend reviewing, refactoring, writing tests, and documenting code. **If the average developer costs \$150K/year, and an AI assistant makes them 20% more productive, that's \$30K in value per seat. Not \$240. And when we talk to folks using these tools, they say things like "if they raised prices 10x we'd still use them"**

Jamin Ball 

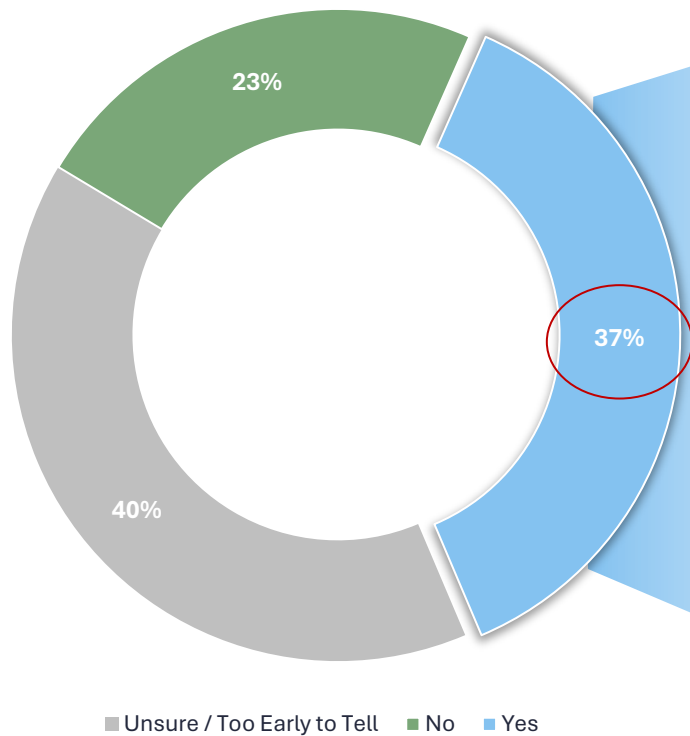
Evolving Business Models: *AI Leaders Experimenting with New Pricing Models*

While AI substitutes tasks rather than entire roles, vendors are actively experimenting to find the optimal balance between subscription, consumption, and outcome-based pricing

AI Leaders Are Experimenting with New Pricing Models...

Plans to Change AI Pricing in Next 12 Months

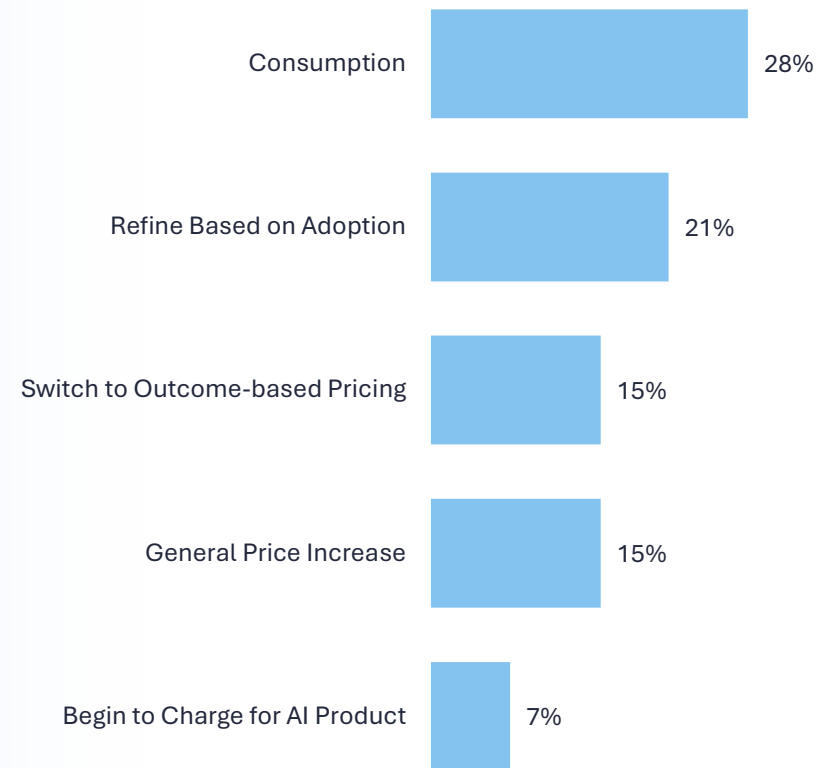
% of Respondents, Single-Select, N = 298



...With Multiples Options Being Tested

Changes to Explore

% of Respondents, Single-Select, Top 5, N = 86



Evolving Business Models: *Potential Shift Toward Agent-Based Enterprise Software*

“ Some people say that the enterprise IT software industry is going to get destroyed. Let me give you the alternative view. **The enterprise software industry is limited by butts and seats. It's about to get 100 times more agents banging on those tools.** They're going to be agents banging on SQL. They're going to be agents bang on vector databases, agents bang on Blender, agents bang on Photoshop. And the reason for that is because those tools are, first of all, do a very good job. ”

Jensen Huang, CEO of Nvidia


“ **Agents are going to use software 100X more than people will in the future.** As a result, enterprise platforms will become headless and be able to work with any agent on or off platform. If you don't do that you're DOA. **What some have missed is that this creates vastly more use-cases for these platforms than even existed pre-AI. This isn't zero sum. Software value props have traditionally been capped at the number of users you have in a company. Agents have no upper limit.** ”

Aaron Levie, CEO of Box

“ All of those embodied agents are seat opportunities ”

Rajesh Jha, Microsoft ”

Microsoft exec suggests AI agents will need to buy software licenses, just like employees

By  Alistair Barr + Author of the [Tech Memo](#) newsletter

April 2026


BUSINESS INSIDER

AI Emergent Examples of Agentic Revenue Growth

servicenow

Premium SKU Bundling


- Agent capabilities only in higher-tier “Pro-Plus” bundles
- 150% QoQ growth in Pro Plus Deals



workday

Usage-Based Flex Credits

- “Flex Credits” pricing model aligning spend with agentic ROI
- Expansion deals that included AI are ~50% larger on average



AI Impact on M&A: *AI Has Become the Ultimate Deal-Breaker in PE*

Deals Not Closing Due to AI Concerns

AI in PE is a double-edged sword, offering groundbreaking opportunities while demanding **careful navigation** ... We have found many to still be in **'wait and see' mode, hesitant to wade too deeply...**

MERGERS&ACQUISITIONS

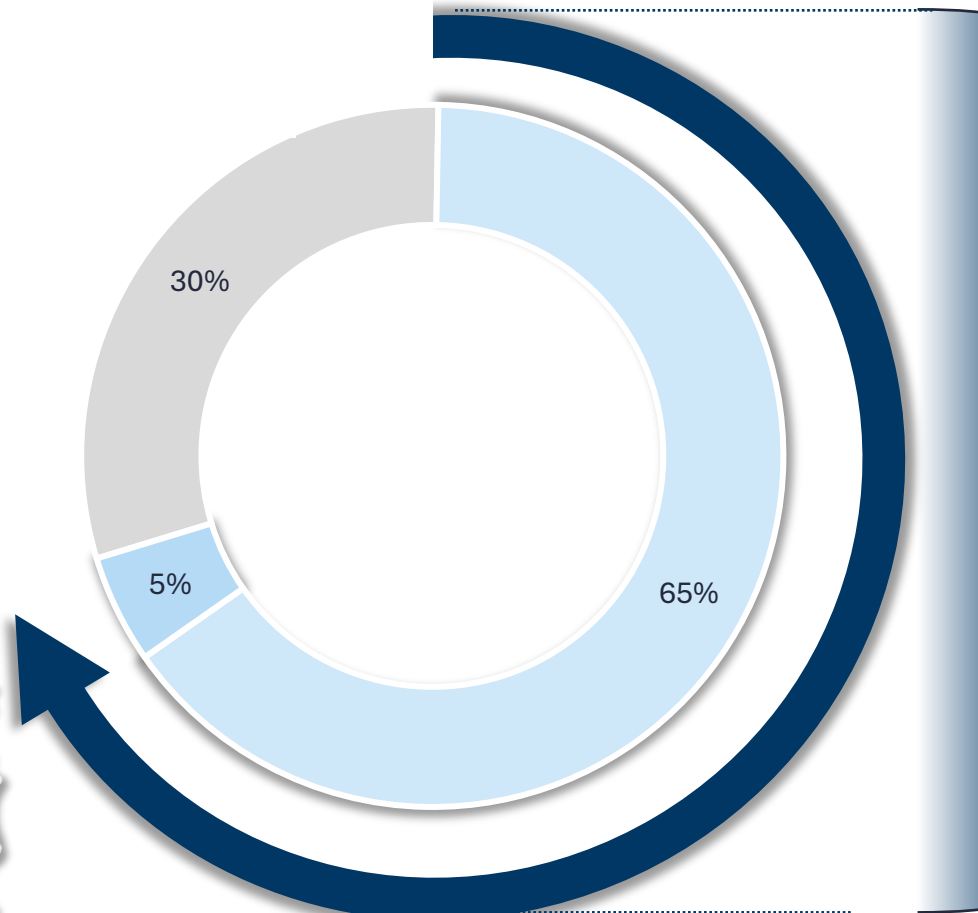
AI disruption risk is "top of the page" for Blackstone

"You don't necessarily have to know who the winners and losers are going to be. The data centers, the autonomous vehicles, the robots, they are all going to plug into the wall and there's going to be a lot of need for digital infrastructure."

— Jon Gray, President & COO of **Blackstone**

General partners at leading private equity firms report that investment committees **now spend as much as 30–40% of their time evaluating whether portfolio companies can harness AI** to boost productivity and growth, or whether they face disruption if they fail to do so.

pwc



70% of respondents have backed out of at least one active deal with AI exposure in the past year

BAIN & COMPANY

- 0 Deals
- 1% - 20% of Deals
- 21% - 40% of Deals

AI Impact on M&A: *But Also Has the Potential to Be the Driver of Future M&A*

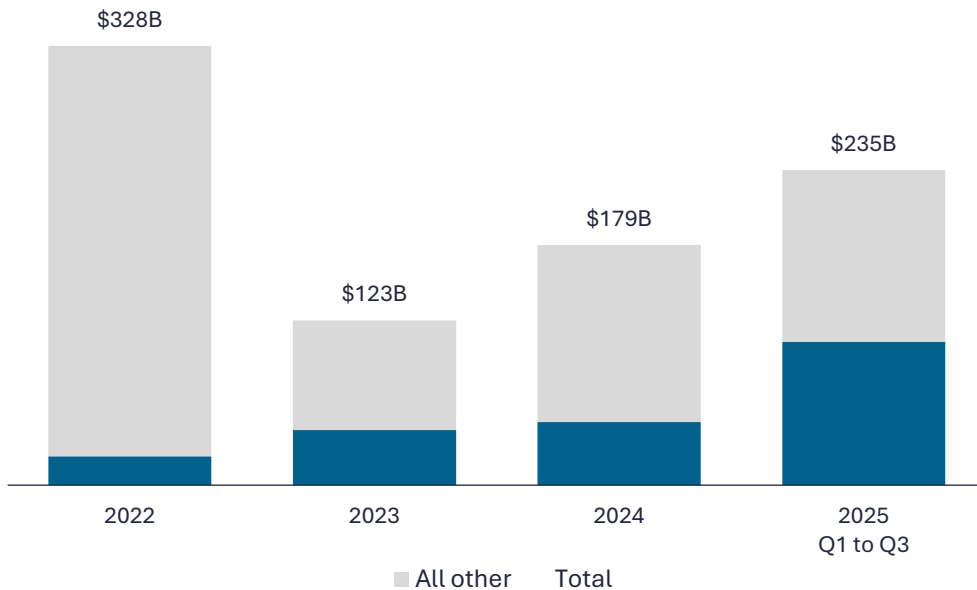
AI is increasingly an important theme and driving factor for M&A

“We should see a lot of consolidation and M&A coming quite soon due to the **ability to win a market by combining the two main startup leaders** (often hard to negotiate but worth doing) **or incumbent / startup pairs (distribution + tech = winning).**”

Elad Gil

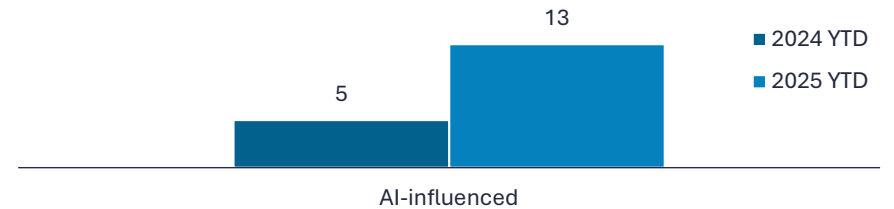
Nearly Half of Strategic Tech Deals Involve an AI Component...

Strategic tech deal value (deals >\$500m)

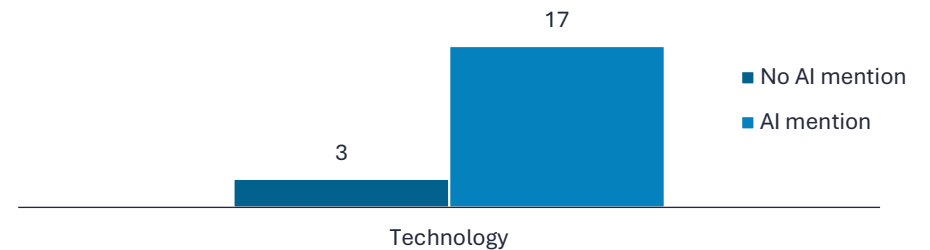


...With Most Mega Deals AI-Influenced

US technology megadeals by theme, \$5 billion or more



AI mentions in press releases of top 20 technology strategic deals in 2025



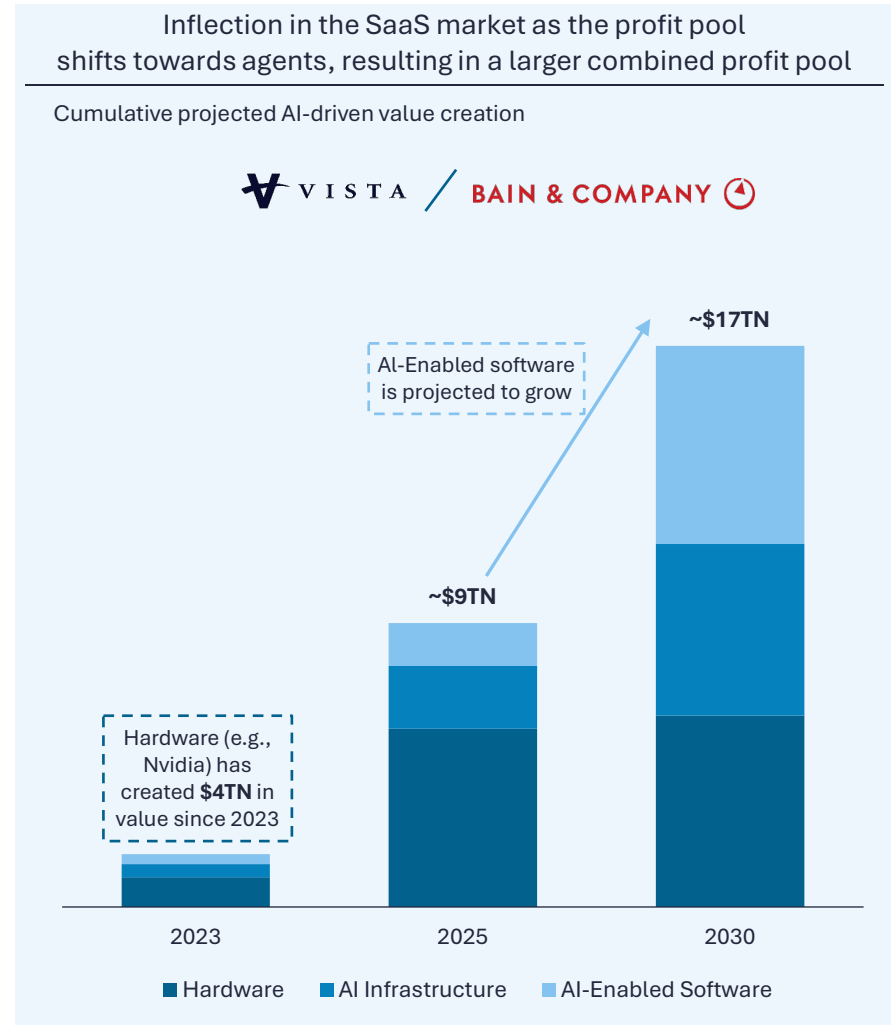
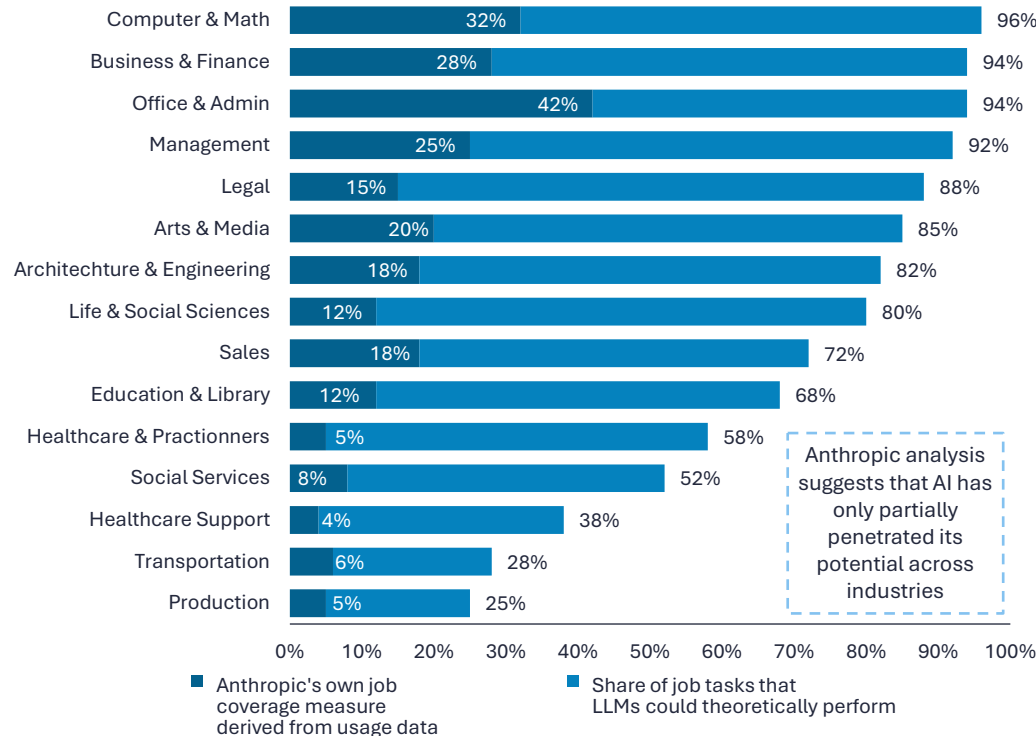
The Bull Case: *Ultimately, AI Unlocks Massive TAM Expansion*

By shifting enterprise spend from labor/BPO costs to software budgets, incumbent platforms that successfully transition to Agentic AI will capture a significantly larger profit pool

Services: The New Software

For every dollar spent on software, six are spent on services. The total addressable market for autopilots is all labour spend in a category, insourced and outsourced combined. But the right place to start is where outsourcing already exists.

JULIEN BEK SEQUOIA







While Winners & Losers Are Still Materializing, AI Moats Remain Core

In a highly scrutinized deal environment, targets must actively demonstrate clear AI roadmaps, deep workflow embeddedness, and proprietary data moats to survive tech due diligence and command premium valuation

Successful AI Narratives for Incumbents

-  Stored Proprietary Data
-  Tacit Knowledge
-  Human-in-the-Loop
-  Outcome Data
-  Workflow Visibility & Complexity
-  Distribution, Ecosystem Position & Points of Integration
-  Customer Relationships and Trust
-  Mission Critical, High-Stakes Industry
-  Demonstrable Revenue Generation and Cost / Risk Efficiencies

Signs Incumbents Are Innovating

-  C-suite Driving AI Vision
-  Meaningful, Dedicated R&D Investment
-  Adopting Usage-Based Pricing Models
-  High Demo-to-Pilot Conversion
-  ACV Uplift
-  Lower Near-Term Gross Margins

II

AI Moats 2.0 – The Defensibility Framework

The New Moats Are The Old Moats

“

It turns out that the old moats matter more than ever. . . . The value of the application is how to deliver the value. **Workflows, integration with data and other applications, brand/trust, network effects, scale and cost efficiency all become drivers of economic value and the creator of moats. Companies that are able to build systems of intelligence will still need to master go-to-market. They'll have to perfect not just product-market-fit, but product go to market fit.** AI doesn't change how startups market, sell, or partner. **AI reminds us that despite the technology underpinning each generation of technology, the fundamentals of business building remain the same.**

”

greylock

The Strategic AI Moat Matrix: Identifying Durable Competitive Advantage

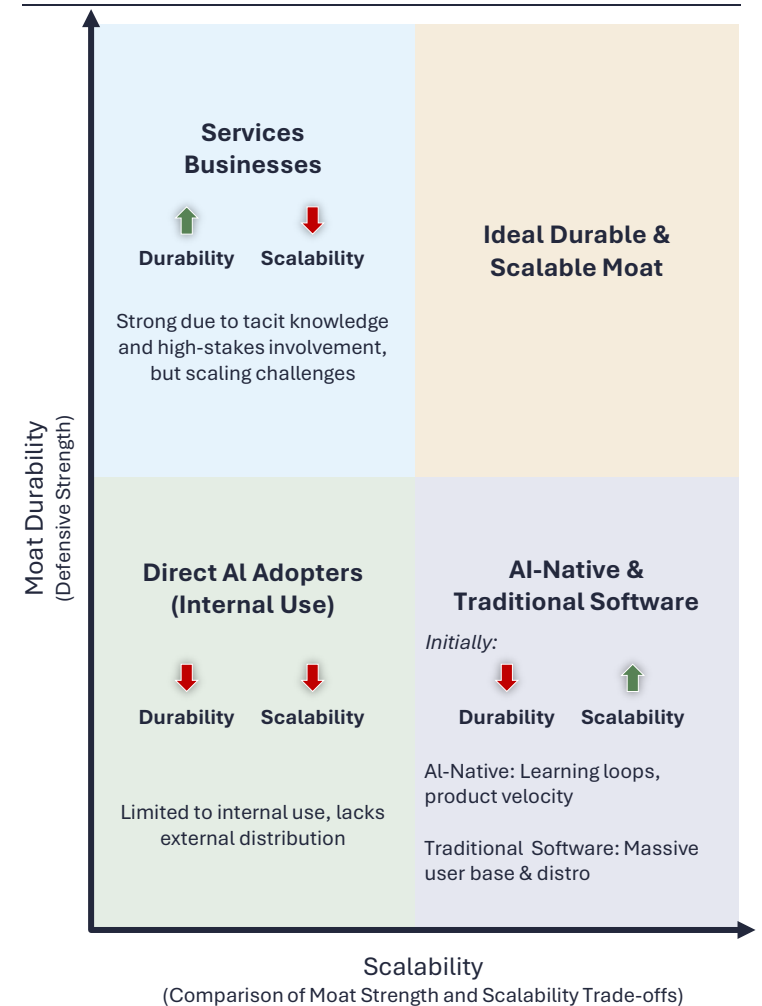
The 4-Way AI Race: Incumbent Software vs. Direct Company Foundation Model Adoption vs. AI Natives vs. Services Adopting AI

Relative Moat Strength Matrix

AI Moat Categories ¹	Trad. Software	AI-Native Software	Direct AI Adopters	Services
Stored Proprietary Data	4	2	4	3
Tacit Knowledge	3	3	4	5
Human-in-the-Loop	2	4	3	5
Outcome Data	3	4	3	4
Workflow Visibility & Complexity	4	3	4	5
Distribution & Ecosystem Position	5	2	2	3
Customer Relationships and Trust	5	3	3	4
Mission Critical / High-Stakes	4	2	3	4
Demonstrable ROI & Efficiency	4	4	5	4

1–5 Scoring: 1 = Weakest, 5 = Strongest

Winners Will Combine Scalability with Moats





















1. Traditional Software refers to incumbent SaaS providers; AI Native refers to companies built on an AI-first technology stack; Direct AI Adopters refer to incumbents using AI tools to build software internally rather than purchasing subscriptions; Services refer to traditional tech-enabled services leveraging AI for productivity.

Summary of AI Positioning Narratives

Technique

Examples

	Technique	Examples
Proprietary Data Assets	<p>1  Stored Proprietary Data</p> <p><i>“We have unique, hard-to-replicate data that gives us a training and inference advantage”</i></p>	<p>“We introduced Nova Forge to empower organizations to build their own optimized variants... by pre-training the model with their own proprietary data early in the process. This creates a first-party advantage that generic models cannot replicate.”</p> <p>ANDY JASSY, </p>
	<p>2  Tacit Knowledge</p> <p><i>“We have underlying, unwritten knowledge that is unable to be replicated and transformational to our solutions”</i></p>	<p>“One agent can't play every instrument. We are moving from solo AI tools to teams of specialized agents... An orchestration layer lets you drag and drop agents into specific jobs, capturing the institutional workflow logic that defines your business.”</p> <p></p>
	<p>3  Human-in-the-Loop</p> <p><i>“We have expert humans in the loop that can optimize the AI / address tail cases that others will not be able to address”</i></p>	<p>“We’ve proven that lawyers are ready for AI—they just needed it integrated into tools they already trust. By removing the cost barrier... we saw monthly active users surge tenfold. It’s a partnership between human expertise and agentic capability.”</p> <p>AVANEESH MARWAHA, </p>
	<p>4  Outcome Data</p> <p><i>“We leverage closed-loop systems to link inputs directly to results, creating a self-improving advantage that generic models cannot replicate”</i></p>	<p>“Your AI outputs are only going to be as effective as those AI inputs. And so we have the largest corpus of construction-specific data. And again, since we have unlimited users, we really have the data across all of those different vantage points. So we think that’s another really unique differentiator... what Procore can truly generate in terms of our AI outputs.”</p> <p>ALEXANDRA GELLER, </p>
Embedded / Entrenched Position	<p>5  Workflow Visibility & Complexity</p> <p><i>“We have spent decades encoding complex interrelated business rules that present a massive 'cold start problem' for AI-native upstarts”</i></p>	<p>“These AI systems are useless without context. They need the data that lives in Guidewire. They need to understand complex workflows, policies, and claims... We have spent over two decades building the core systems that power the P&C industry, meeting insurers where they are in terms of their operational complexity.”</p> <p>MIKE ROSENBAUM, </p>
	<p>6  Distribution, Ecosystem Position & Points of Integration</p> <p><i>“We have unique distribution scale, sit at a systems integration point and are deeply embedded”</i></p>	<p>“With integrations embedded into workflows... the ZoomInfo integration means our [partners] accelerate business growth. ZoomInfo...continuing to invest heavily in AI innovation... reinforcing our position as a [go-to-market leader] with unprecedented penetration.”</p> <p>HENRY SCHUCK, </p>
	<p>7  Customer Relationships and Trust</p> <p><i>“We have strong relationships or are the trusted intermediary giving us permission to automate or utilize AI where others can’t”</i></p>	<p>“Handling highly sensitive data requires a zero-trust architecture. Our AI solutions are built on the premise that client confidentiality is the ultimate priority.”</p> <p>DERMOT HALPIN, </p>
	<p>8  Mission Critical, High-Stakes Industry</p> <p><i>“We operate in a high-stakes or regulated industry where mistakes are impactful and the software / AI are mission critical to the businesses success”</i></p>	<p>“By integrating AI into our energy market simulations, we enable utilities to navigate complex, highly regulated transitions with unparalleled precision.”</p> <p>DAVE WILSON, </p>
	<p>9  Demonstrable Revenue Generation and Cost / Risk Efficiencies</p> <p><i>“We are already showing material productivity gains for functions that matter”</i></p>	<p>“AI is already driving billions of dollars in incremental revenue for us through ads optimization and recommendations.”</p> <p>MARK ZUCKERBERG, </p>

A

Proprietary Data Assets



1 2 3 4 Proprietary Assets: “Data Is the New Gold”

“We have unique, hard-to-replicate data that gives us a training and inference advantage”

“AI is the highest-value technology we have ever seen... but **most AI models today are trained on public data. Private enterprise data**—often sitting in Oracle databases—**is where true differentiation happens**. We are enabling AI to securely process this private data to solve problems public models simply cannot.”

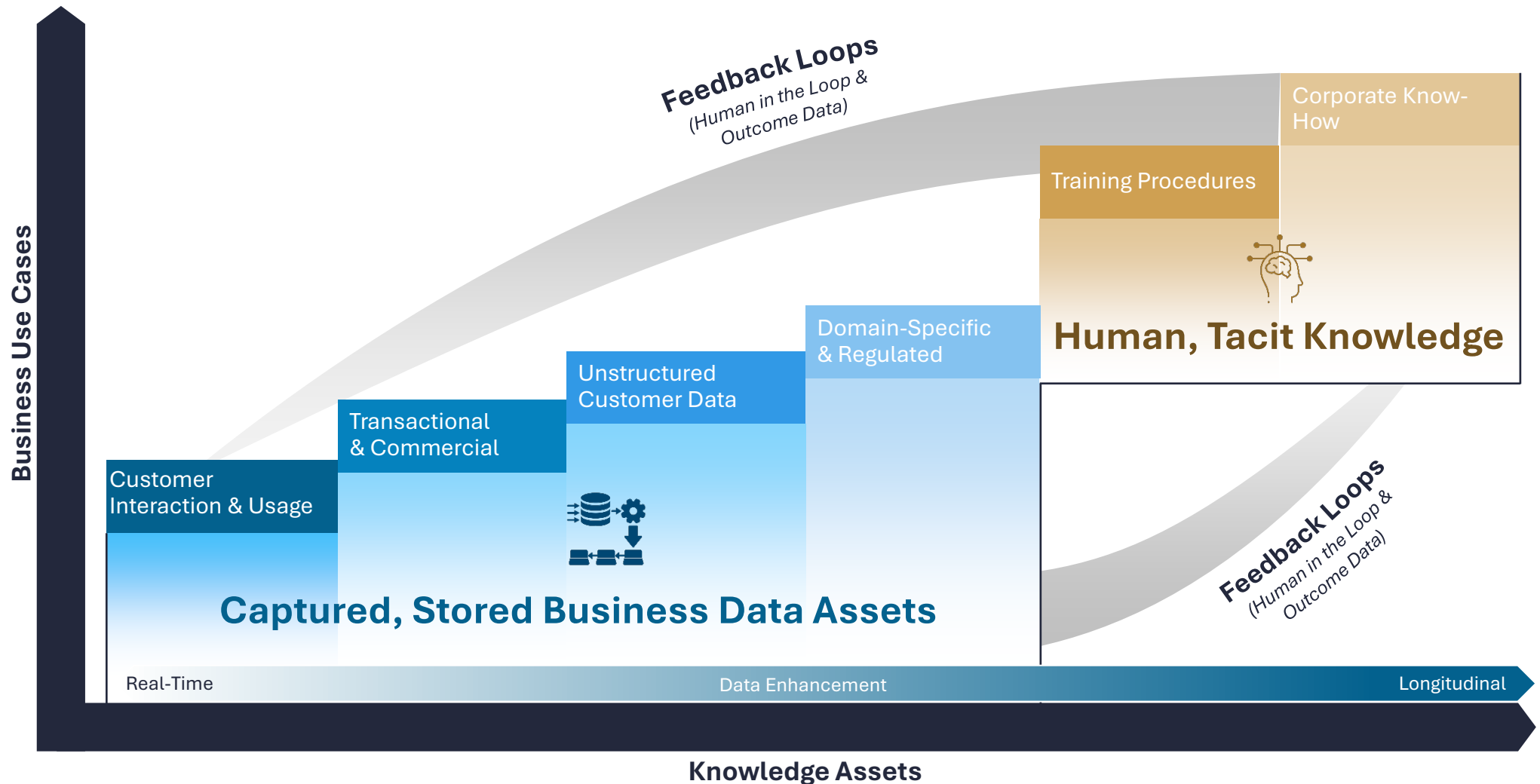
LARRY ELLISON, **ORACLE**

“How do you infuse some of your own proprietary data and knowledge to add a skill? A model built on the public web may not know your code or your customers. **The competitive advantage comes from infusing proprietary data quickly and at a lower cost than training from scratch**. That is the new battleground.”

ARVIND KRISHNA, **IBM**

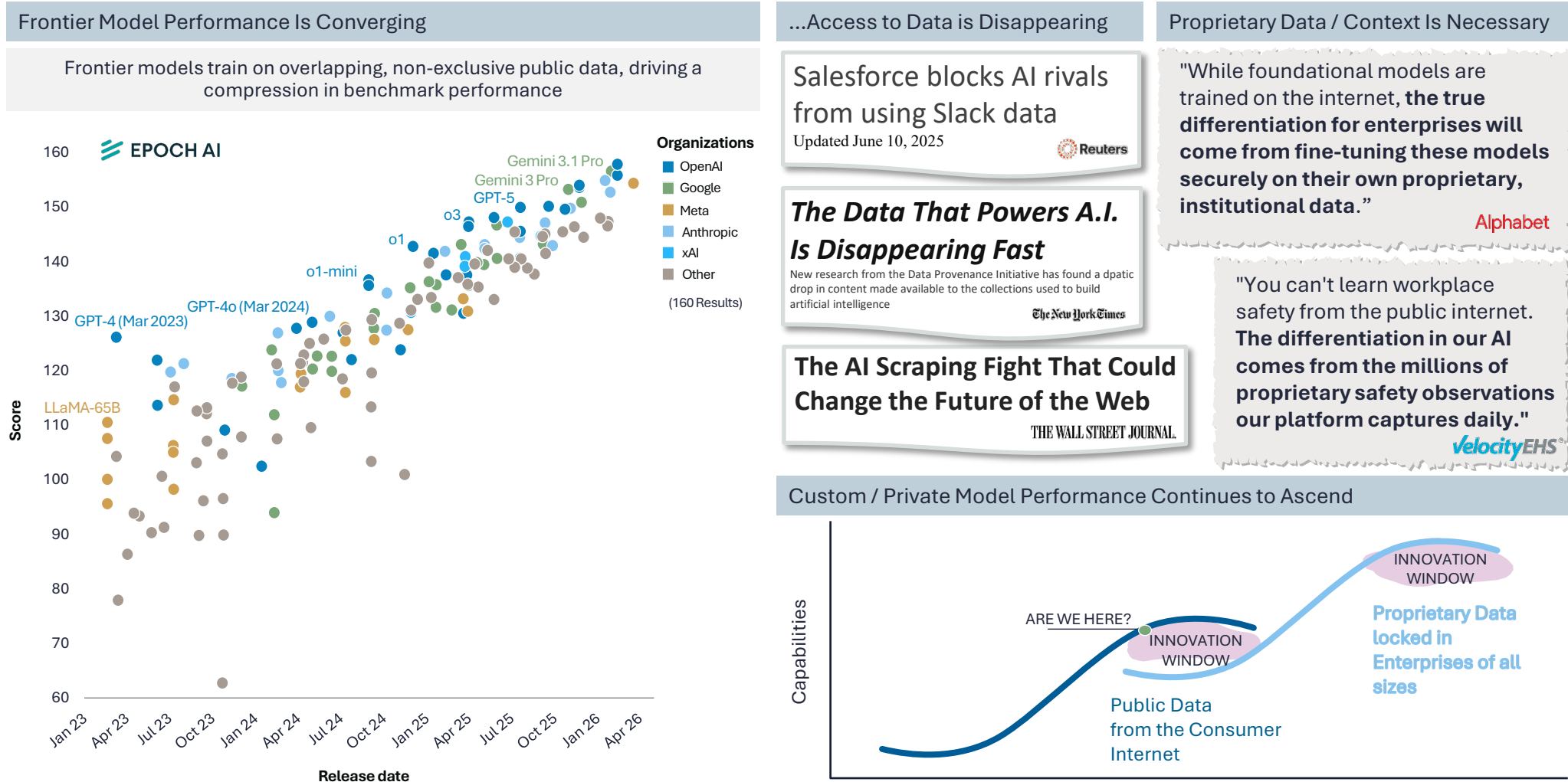
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Proprietary Assets: *Data Spans Stored & Structured Data to Tacit Knowledge and Is Reinforced by Proprietary Feedback Loops*



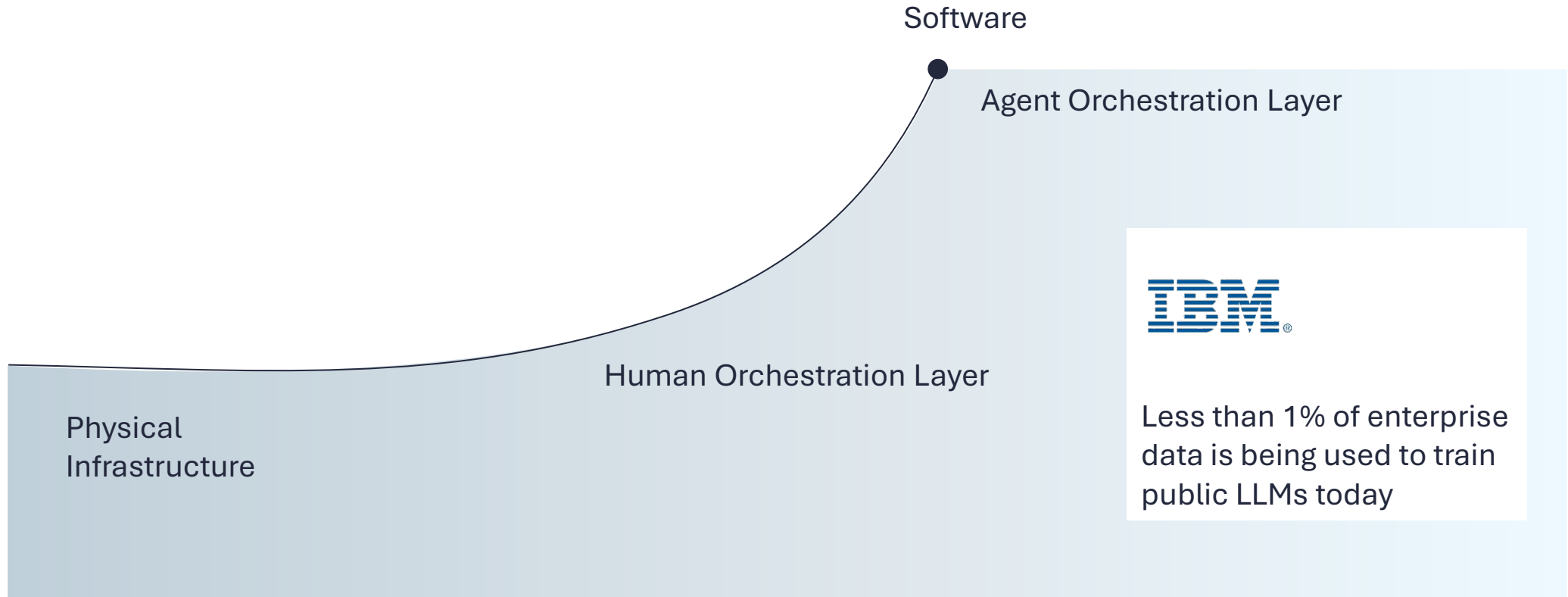
1 Proprietary Stored Data Assets: *AI Models and Non-Proprietary Data Are Not Enough*

While public foundation models converge, the value frontier shifts to sovereign AI factories capable of private training



1 Proprietary Stored Data Assets: *The Enterprise Proprietary Data Advantage*

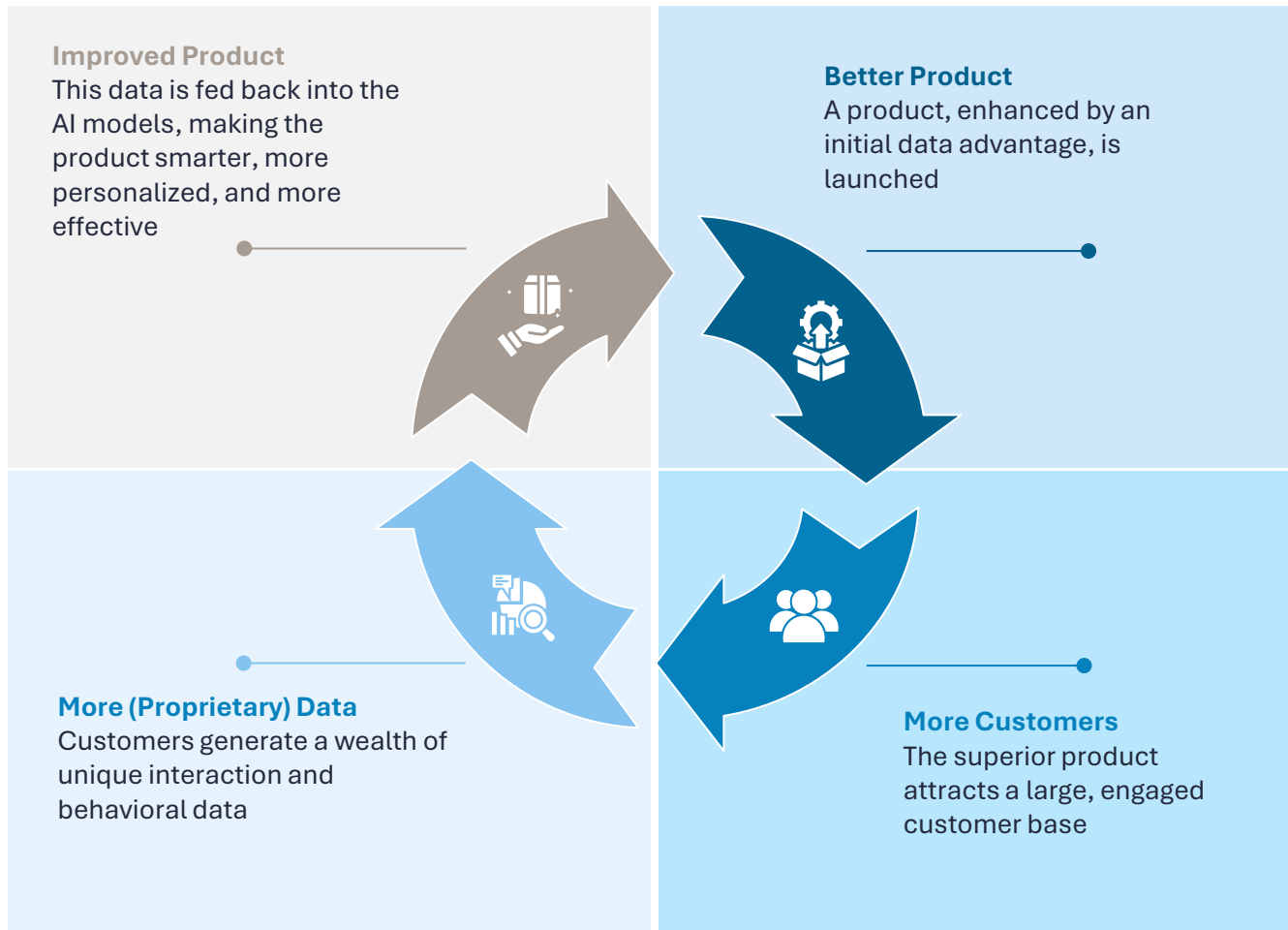
Enterprise software incumbents that have decades of proprietary data have an advantage over start-ups as AI models have all been trained on public data and the data frontier shifts to private data







1 Proprietary Stored Data Assets: *The Network Effect of Data*

Driving Value of Proprietary Data

In a world of commoditized models, unique data provides the defensible advantage through a hard-to-replicate virtuous cycle



The New Network Effect: How AI Transforms the Value of Enterprise Software


 **Holden Spaht** 
Managing Partner at Thoma Bravo  

THE NEW NETWORK EFFECT: HOW AI TRANSFORMS THE VALUE OF ENTERPRISE SOFTWARE

This represents the essence of modern SaaS value creation: a **virtuous network effect where a new customer both benefits from and enhances the collective knowledge of the system and the entire customer base**. The winners will be those who build powerful network effects into their core offerings, creating value that grows exponentially as their networks expand. That’s the kind of sustainable competitive advantage that has always separated good businesses from great ones.

Holden Spaht

“...moats that emerge from **continuous learning loops, where customer data, user feedback, and network effects improve output performance over time**. Each interaction, correction, or decision feeds the inference layer, creating a compounding advantage...”



1 Proprietary Stored Data Assets: *Effective Messaging*



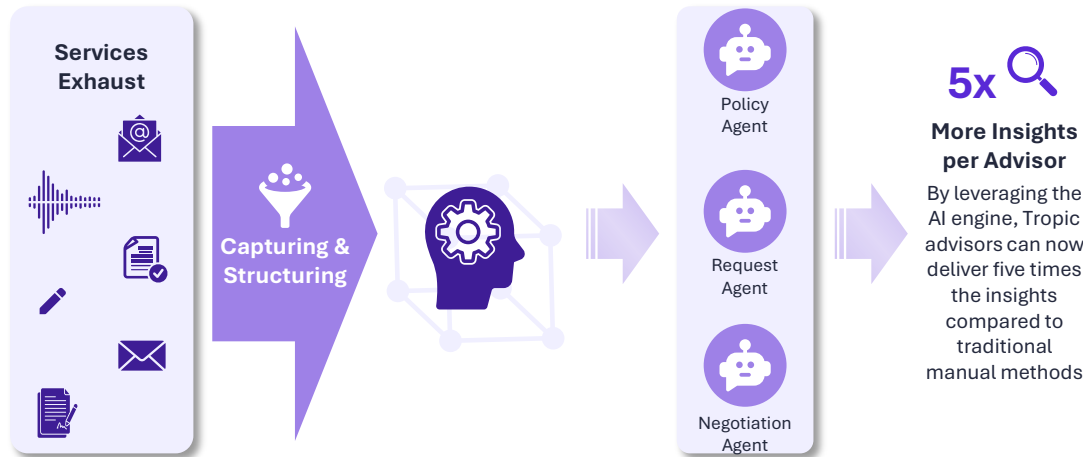
	Energy Data & Analytics	Financial Information & Ratings	Board & Freight Management
		<p>“We see AI really as a net tailwind for the business... we're embedding leading AI tech in our products... we maintain control of the commercial relationship directly with those customers and we don't allow the LLM providers to train on S&P Global data</p> <p>MARTINA CHEUNG, S&P GLOBAL INC. – CEO</p>	<p>“Accurate predictions require a lot of data—good, clean, relevant data—at the time you need it... Truckstop delivers the best of both worlds: AI, machine learning, and the most robust data available... On any given day, Truckstop posts up to half a million legitimate and unique loads.</p> <p>TRUCKSTOP INSIGHTS</p> <p>“Combined with AI pattern detection, these tools provide multiple layers of protection without building your own system... If you prefer not to train a model yourself, tools like [ours] provide built-in AI.</p> <p>TRUCKSTOP INSIGHTS</p>
Core Data Asset	<ul style="list-style-type: none"> Proprietary longitudinal energy datasets encompassing physical assets (7 million wells, 350 million land records) and deep financial intelligence (\$270 billion annual spend, \$1 trillion M&A data) spanning 25+ years 	<ul style="list-style-type: none"> Control the proprietary data, commodity pricing, and indices that fundamentally drive global trading and investment decision Definitive, unquestioned authority for both financial benchmarking and credit ratings 	<ul style="list-style-type: none"> Proprietary centralized spot market data, encompassing 12 million economic data points of granular, transaction-level load and rate visibility
Value Creation Mechanism	<ul style="list-style-type: none"> Data acts as an irreplicable "Energy Brain" integrated into industry workflows to enable investment-grade asset pricing, predictive modeling (e.g., decline curves), and optimized capital allocation, creating deep competitive moats against generic AI 	<ul style="list-style-type: none"> Data is embedded as an industry standard ("currency") in contracts, regulations, and investment workflows, creating high switching costs and pricing power 	<ul style="list-style-type: none"> Granular data powers predictive tools (e.g., "Rate Insights") to forecast freight demand days in advance, creating a competitive moat based on "informational asymmetry" rather than just data access



1 Proprietary Stored Data Assets: *Effective Messaging*

The Tropic Data Flywheel: Turning “Exhaust” into AI-Powered ROI

The Evolution: From Services to AI Engine



The Proprietary Flywheel



Proven Customer ROI & Data Insights

21%
Average

Customer Savings

Tropic's data most enables highly predictable, hard-dollar savings across its customer base

Watermark

\$300,000 Saved

Watermark achieved significant financial recovery by leveraging Tropic's unbiased data and expertise

Corvus

432 Hours Saved

Corvus utilized Tropic to automate their spend reporting and purchasing, drastically reducing manual work



2 Tacit Knowledge: *Embedded Expertise as a Key Defensible Asset*

“We have underlying, unwritten knowledge that is unable to be replicated and transformational to our solutions”

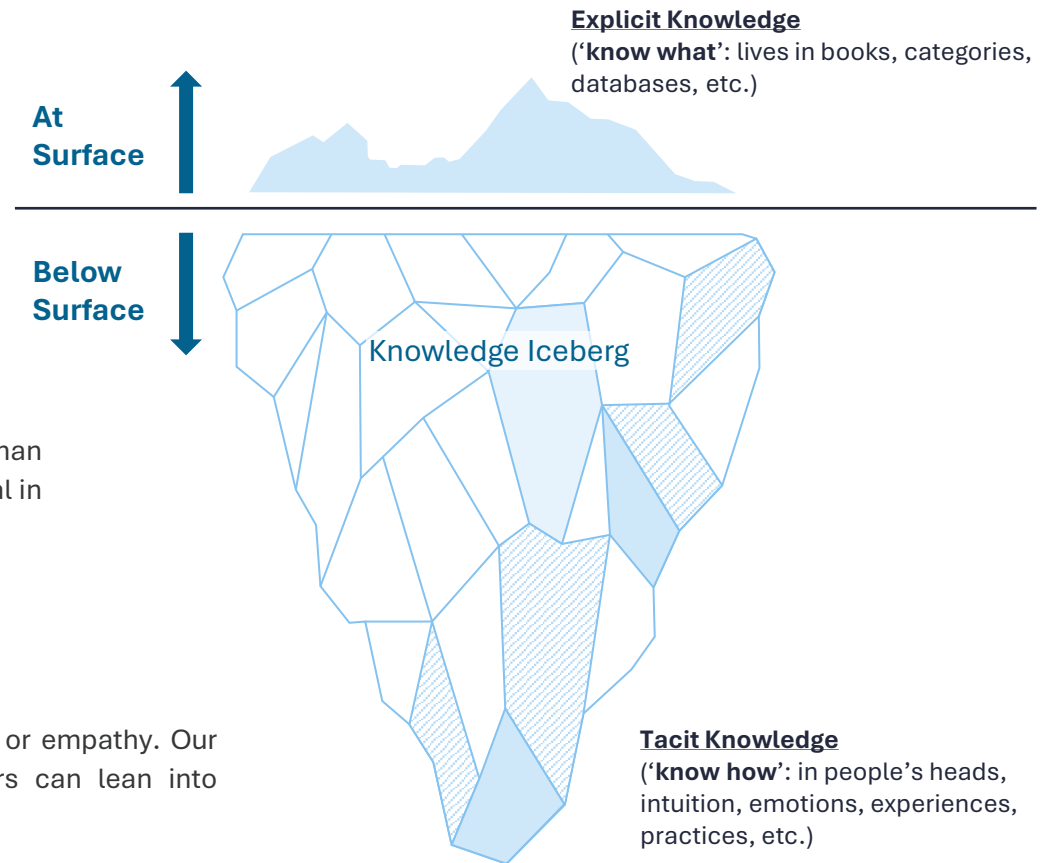
Unlocking Tacit Knowledge Has Been Challenging

A company's most valuable asset can often be the intuitive, unwritten expertise of its employees, which has historically been impossible to capture and scale

“The pattern I see is this: AI is becoming infrastructure for expertise. Not replacing expertise. Becoming infrastructure for it.”
MAHATHIDULIPALA, *MEDIUM*

“AI can automate the routine, but it cannot replace the uniquely human elements of judgment, empathy, and strategic context that are essential in managing a global enterprise.”
CARL ESCHENBACH, *WORKDAY*

“AI can screen resumes, but it cannot gauge cultural fit or empathy. Our platform handles the codified procedures so recruiters can lean into human intuition.”
DANIEL CHAIT, *GREENHOUSE*



2 Tacit Knowledge: *Effective Messaging*

Codifying Legal Intuition: The Litera Transformation Framework

“Legal work relies on **'tacit knowledge'**—the unwritten precedents and 'gut feel' for risk. Litera has captured this by training its Lito agent on **30 years of legal IP and 1 million+ annotated contracts**. Lito doesn't just draft; it applies the 'firm-specific' intelligence that senior partners have spent decades acquiring, effectively democratizing the 'senior partner's mind' across the firm. This fusion of **LLM technology with decades of rules-based engines creates a moat that a generic model cannot cross.**”



From Tacit Intuition to Codified Data

Scaling the “Senior Partner Mind”



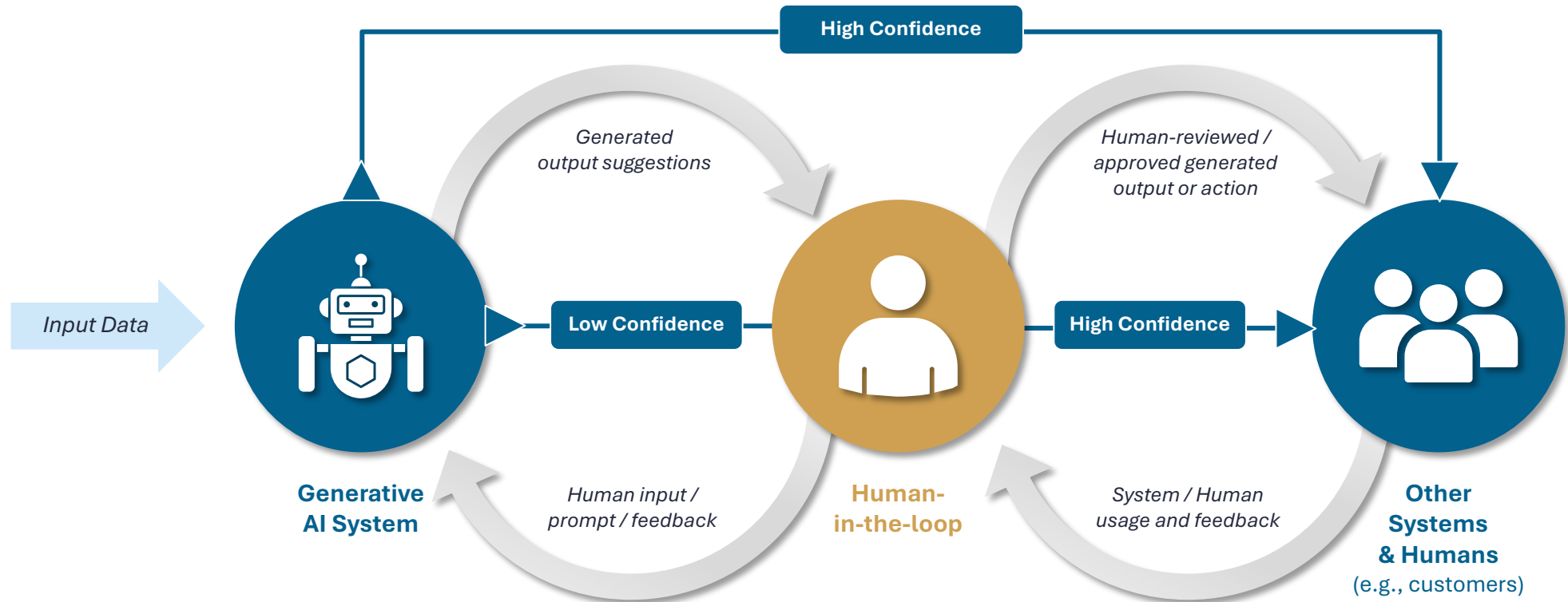
3 Human-in-the-Loop: *Human Impact on AI and Data Unlock*

“We have expert humans in the loop that can optimize the AI / address tail cases that others will not be able to address”

Embedded Human Trust

- A deliberate strategy to augment productivity and ensure AI reliability
- Involving humans builds the trust needed to overcome critical barriers

“The **highest-quality data is generated in real time inside closed-loop systems through structured Human-in-the-Loop (HITL) workflows...** The result is a classic flywheel: more usage → more proprietary data → better performance → stickier product → even more usage. After 12–24 months of compounding, the gap often becomes uncrossable”



3 Human-in-the-Loop: *Opportunity to Transition to AI-Future*

“ And many of these new products don’t start as “pure AI” either. They often begin as **human-in-the-loop services with a thin AI wrapper**. A contract review tool that quietly has lawyers behind the scenes. A customer support bot that escalates to a human more than you'd expect. **But that’s a feature, not a bug! It’s just the initial wedge. You start with a human to build trust, gather data, and prove value. Then over time, the AI takes over (as it gets smarter and gains more trust).** What looked like a service at first becomes software at scale. ”

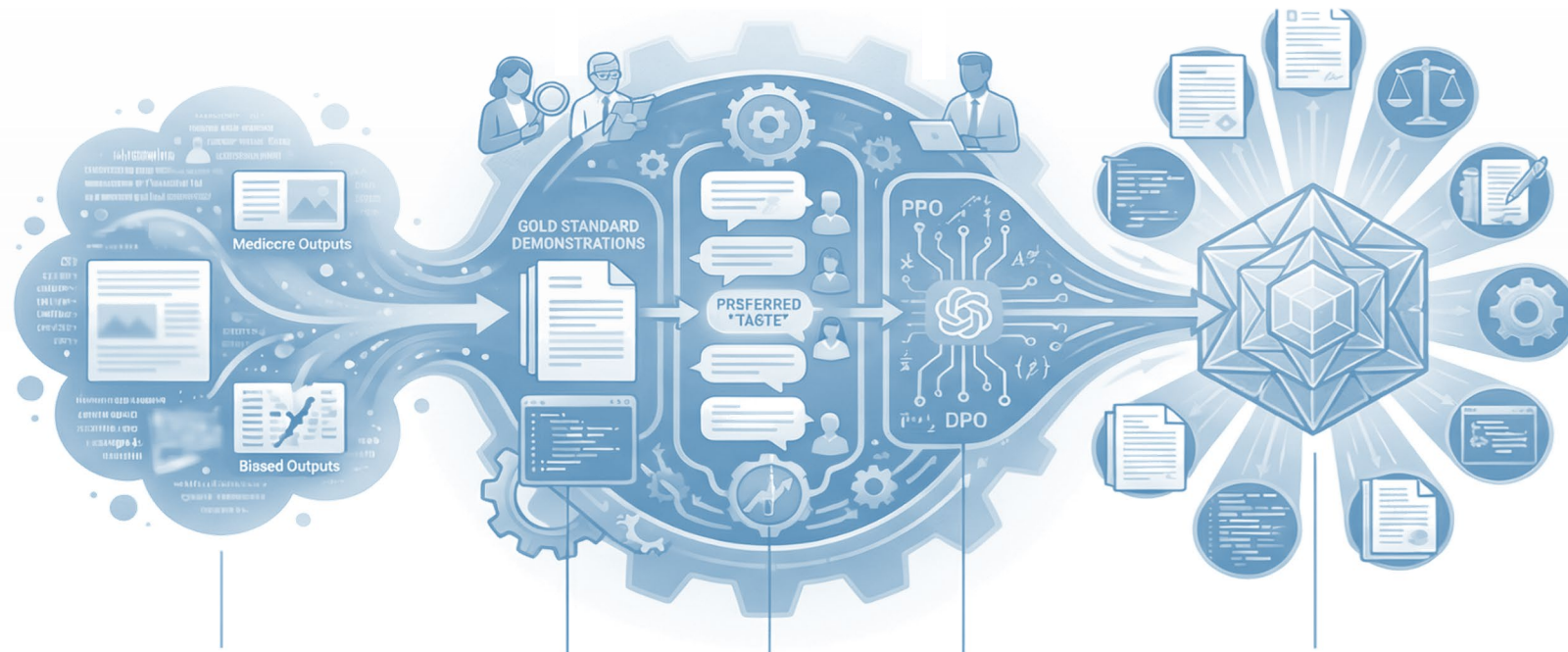
Jamin Ball



3 Human-in-the-Loop: *Elevating AI from Average to Expert*

The Human Compass Drives Model Outcome to “Expert”

“What is [AI] good at? It's really good if you want to get the **average of the internet**. This idea of 'the wisdom of crowds'... works for things like the best chocolate chip cookie recipe... If averaging opinions or errors is useful, this is your tool. **It's also great if you already have an expert who can verify its output.**”— UC DAVIS GRADUATE SCHOOL OF MANAGEMENT



BASE AI MODEL (INTERNET AVERAGE):

Trained on a normal distribution of massive internet data, often resulting in mediocre or biased outputs

SUPERVISED FINE-TUNING

Human experts provide “gold standard” demonstrations to establish a high-quality behavioral baseline

REWARD MODELING:

Experts bank multiple AI responses, teach the systems to mathematically predict human taste and preference

POLICY OPTIMIZATION:

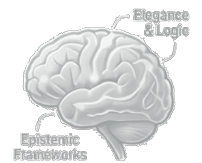
Algorithms like PPO or DPO adjust the model’s internal weights to prioritize outputs that experts prefer

SPECIALIZED DISCIPLINARY EXPERT AI

Shifting focus from predicting the next likely word to mastering the nuanced disciplinary lenses of human professionals

Defining the Expert Standard

Expertise is disciplinary judgement



Subjective alignment over objective metrics



The quality and safety dividend



Measurable Impact of Reinforcement Learning from Human Feedback (RLHF)	
Performance Metric	Improvement Range
Reduction in Toxic Outputs	31% - 45%
Increase in Factual Consistence	23% - 37%

3 Human-in-the-Loop: *Effective Messaging*




Empathy & Policy Governance




Auditable AI & Supervision


Human-in-the-Loop: Balancing AI Efficiency with Human Judgement



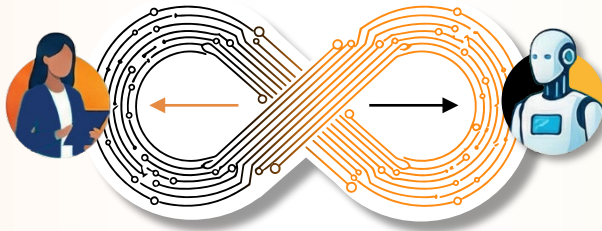
Same-Day Resolution Rate
Sofia AI autonomously resolves up to ~88% of chats while maintaining an 83 NPS

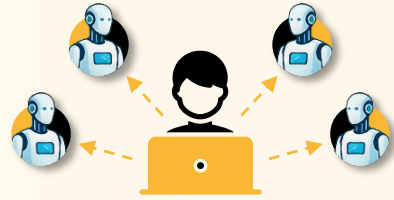


The “No Auto-Denial” Safety Net
AI may flag documents, but humans must review every claim before a denial occurs




Emotional Escalation Guardrails
Systems detect user stress or complex life events to seamlessly route users to advocates






Digital Workforce Supervision
Human professionals act as supervisors, directing AI “agents” who perform the heavy lifting




Draft Generation vs. Final Approval
AI prepares full reconciliations, but humans provide the final sign-off before ledger posting



The “Control Layer” Audit Trail
Every AI suggestion and human approval is logged to ensure 100% transparency for auditors

Businesssolver Expands Sofia’s Agentic AI Framework with Powerful New Insights Agent and Industry-Leading AI Safeguards


Underpinning all of these AI innovations is AI Watch Tower, Businesssolver’s proprietary evaluation framework built to ensure that all agentic AI experiences are safe, ethical, accurate, and future-ready. The system runs 27 real-time guardrails on every AI interaction—evaluating accuracy, privacy, and bias in under 50 milliseconds—and leverages a blend of machine and human review to monitor and continuously improve system performance



BlackLine Recognized in Report on Top AI Use Cases for Accounts Receivable Automation in 2025

LOS ANGELES – April 9, 2025

“Our vision is to bring autonomous finance to every company in the world,” said Jeremy Ung, Chief Technology Officer at BlackLine. **“That means using AI not just to automate tasks, but to elevate human judgment—so people become exception handlers and reviewers, while AI handles the heavy lifting...”**

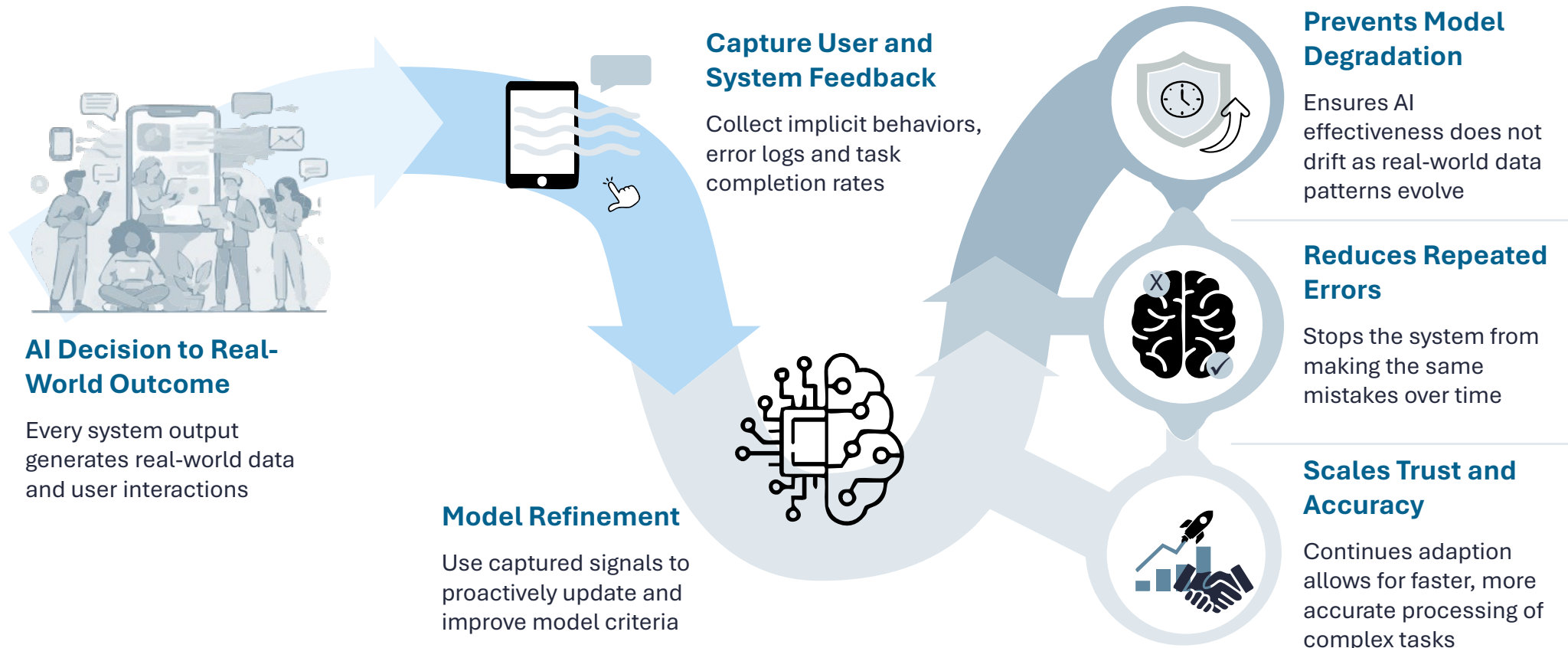


4 Outcome Data: *The Compounding Intelligence Engine*

“We leverage closed-loop systems to link inputs directly to results, creating a self-improving advantage that generic models can’t replicate”

Architecting the Ultimate AI Flywheel

As foundational AI models become commoditized, structural defensibility shifts from algorithms to “**Outcome Data**” – this creates **self-improving loop** where **real-world results** are fed back into models, building an “**intelligence flywheel**” that new competitors can’t replicate



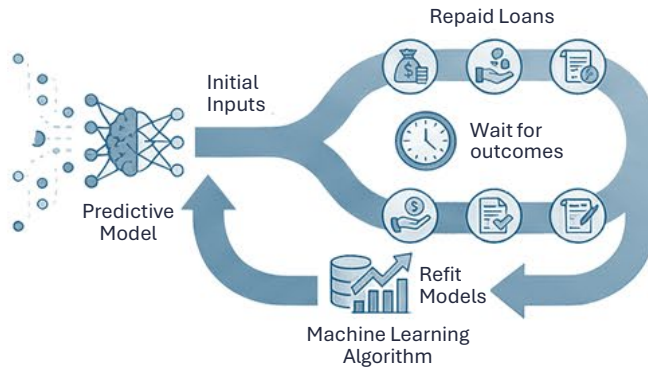
4 Outcome Data: *Effective Messaging*

The Power of Outcome Data Moats – Bridging Predictions and Results

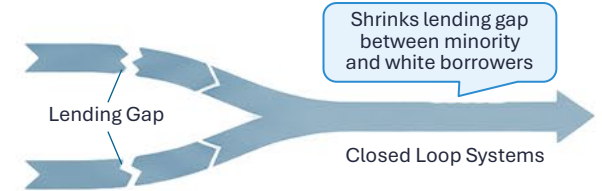
The Closed-Loop Mechanism

Strategic Business Outcomes

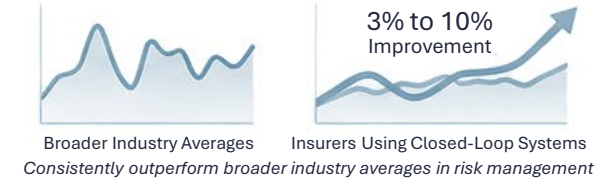
ZEST AI
The Continuous Validation Loop



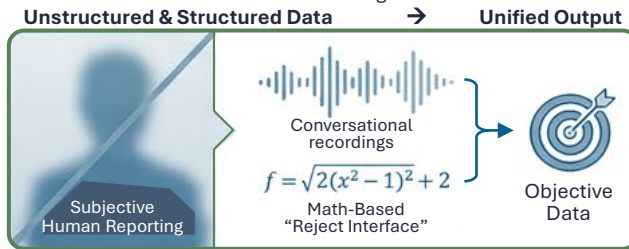
Approval Gap Reduction
Reduction in charge-offs



3% to 10% Better Loss Ratios



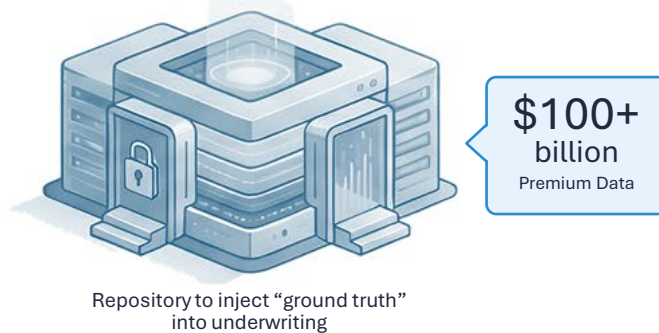
GONG
Eliminating Human Bias & Capturing Unified Single-Source Data



The Science of Winning Sales



Insurity
The Valen Data Consortium



Industry	Key Metric	Illustrative Business Impact
ZEST AI	Charge-offs	→ 20% Reduction
Insurity	Loss Ratio	→ 3-10% Improvement
GONG	Win Rate	→ 10% Increase

B Embedded / Entrenched Position



5 6
7 8 Brand, Customer Trust and Intimacy: *Creating Long-Term Winners*

“ The long-term winners in the AI era will be the companies that **own the user...**
The real moat is the customer relationship and the integration into workflows, which gives incumbents the best platform to deploy AI
and the proprietary data to make it better. ”

 STRATECHERY

5 Workflow Visibility & Complexity: *The Rules of the Business*

"We have spent decades encoding complex interrelated business rules that present a 'cold start problem' for AI-native upstarts"

The Cold Start Problem

- SaaS applications are essentially databases wrapped in complex business logic – While AI can automate tasks, it needs a foundation of rules to operate within
- General AI models cannot reliably execute complex processes because they lack context; less than 1% of enterprise data has been used to train foundational AI models¹
- AI can write raw code and make custom application development virtually free, but it cannot magically replicate years of nuanced, interrelated industry regulations and compliance guardrails

Insurity

- Automates 12,000+ regulatory changes annually across all 50 states, managing the deep complexity of commercial insurance
- Embeds AI directly into core systems that have powered the industry for over 40 years, serving 22 of the top 25 P&C carriers

"For more than 40 years, Insurity has powered some of the largest insurers in the industry... By embedding AI directly into these core systems, we're helping insurers solve some of their hardest problems, from rating tens of thousands of vehicles on a single policy, to analyzing millions of weather-related data points and loss signals to predict catastrophic risk..."

Jatin Atre, President

"The notion that business applications exist as separate silos could collapse in the agentic AI era. SaaS applications are essentially databases with business logic. That logic—the 'rules' of the business—will be taken over by AI agents. We are aggressively collapsing backends... the copilot becomes the UI, and the agent becomes the app.

SATYA NADELLA, CEO of  Microsoft

5 Workflow Visibility & Complexity: *Unpacking Narratives*

Workflows Create a Structural Moat...But Must Be Effectively Narrated



AI agents pose an existential threat to established workflow companies, as they will soon be able to auto-generate the tools that took years to build, effectively making custom application development free and accessible to anyone

Conflicting Narratives

While adopting AI is non-negotiable, mission-critical workflows can leverage their defensive advantages, including into multi-step, complex customer workflows, to transform AI from a potential threat into a compounding strength



While AI can now automate many coding tasks — making raw code increasingly a commodity — this shift places greater emphasis and value on everything else other than raw code that a modern software company provides to an enterprise customer. **We might at one point stop calling such companies “software” companies altogether since what they're really selling is the ability to unpack complex business problems and design continuously evolving digital solutions empowered by AI.**

Holden Spaht, Management Partner at Thoma Bravo



5 Strategic Paradox of GenAI: Full Suite vs. the Point Solution “Sugar High”

While AI point solutions offer quick growth, legacy incumbents are better positioned to simply build or acquire them. To survive, AI natives will need to build full platforms that replace legacy systems entirely...which is no small task

The “Sugar High” of Point Solutions

92%

Failure Rate
In 18 Months

Lightweight apps on foundation models (GPT-4, Claude) for immediate gains but lack architectural depth

65%

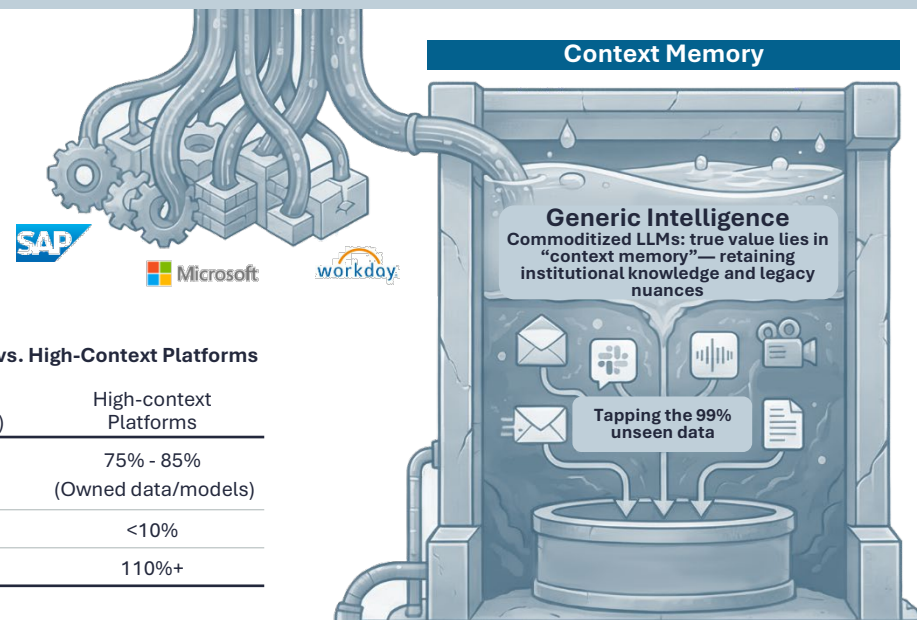
Churn Rate within 90 Days
- Terminal Churn

"If your entire value proposition is 'we use AI to summarize your data' or 'we use AI to draft an email,' you are competing with an incumbent that has 10,000 engineers and can build that feature in a weekend. To survive, AI startups have to build completely new platforms and workflows that the incumbents are structurally incapable of adopting."

Aaron Levie 

Unyielding Durability of Platform Incumbents

The "Corporate Veins" Advantage & Business Critical Workflows
Giants embedded in workflows; enterprises view transition risk to new AI-native tools as too high



Unit Economics: Point Solutions vs. High-Context Platforms

(Directional)	AI Wrappers (Point Solutions)	High-context Platforms
Gross Margins	25% - 50% (High API costs)	75% - 85% (Owned data/models)
90-Day Churn	65%	<10%
NRR	Low / Declining	110%+

"The first wave of AI apps were often 'thin wrappers'—point solutions that applied a model to a simple task. But incumbents quickly added these exact features to their existing platforms. To build enduring businesses, founders must move beyond point solutions and build deep, end-to-end platforms that fundamentally rewire how a business operates."

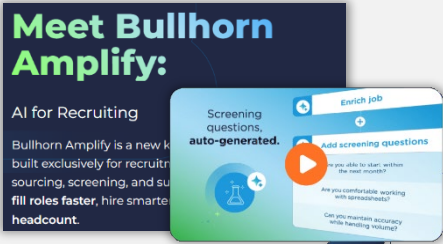
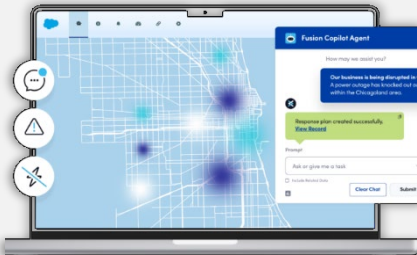
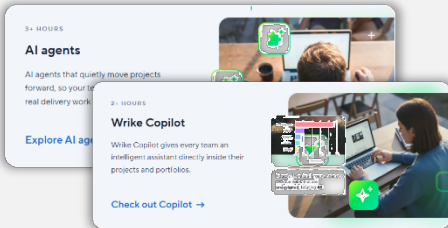


*"A lot of early AI applications were **basically features that incumbents just swallowed**. If your startup is just a workflow step that an incumbent can trivially build on top of their existing data gravity, you will lose. **The AI native companies that win will be the ones that build entirely new platforms where the AI is the core engine, not just an add-on.**"*

Elad Gil

5 Workflow Visibility & Complexity: *Effective Messaging*



<p>Embedded Workflow</p>	<p>The Recruiter's Co-Pilot:</p> <ul style="list-style-type: none"> Primary system of record natively sitting at the recruiter's desk; not a side-car application, but rather the core ATS interface for the industry 	<p>Automating the Resilience Workflow</p> <p>Embeds AI directly into the risk management workflow, automating the heavy lifting of compliance and continuity</p>	<p>The Work Graph:</p> <ul style="list-style-type: none"> A centralized platform connecting tasks, people, and assets holding the complete workflow state and context directly where work happens
<p>AI Acceleration / Strategy</p>	<p>Meet Bullhorn Amplify:</p>  <ul style="list-style-type: none"> Leverages the Amplify solution to execute "one-click" actions like screening and matching directly within the recruiter's daily workflow 49% improvement in submittal-to-hire ratio, 59% faster time-to-fill, and 36% more placements per recruiter 	 <ul style="list-style-type: none"> Acts as an embedded "in-house analyst" that automates complex Business Impact Analyses directly within the user's workflow, turning a previously manual compliance chore into an autonomous process 	 <ul style="list-style-type: none"> Deploys embedded AI Agents within the Work Graph to go beyond chatting and autonomously execute workflows Projected to save 520 hours per employee annually, with real-world use cases proving up to 95% time savings on administrative tasks
<p>Leadership Commentary</p>	<p>"Our moat is a 'S.E.A. of data' (Specific, Enormous, Actionable). Because Bullhorn sees every submission and placement, our AI can match candidates with a precision that others cannot."</p> <p>ART PAPAS, CEO</p>	<p>"Generative AI has continued to improve on technology's ability to drive efficiency in manual processes, and agility is a critical component of risk and resilience programs"</p> <p>ERIC JACKSON, CPO</p>	<p>"Wrike isn't just tracking tasks; it is automating the execution. By embedding AI Agents...Wrike allows for autonomous task triage and risk reporting... The AI is embedded where the work happens, providing the context necessary for autonomy."</p> <p>THOMAS SCOTT, CEO</p>

6 Distribution, Ecosystem Position & Points of Integration: *Trust at Scale*

“We have unique distribution scale, sit at a systems integration point and are deeply embedded”

While AI models May Become a Commodity, Direct Access to Customers is a Rare and Powerful Moat

- An established, trusted customer relationship is the most significant, hard-to-replicate defense against AI disruption
- Distribution is a strategic fortress, not just a sales channel, allowing incumbents to deploy AI faster and more effectively
- Being the center of the API web provides a massive structural defense – as AI agents proliferate, they remain totally reliant on established orchestration layers to actually execute tasks and affect real-world outcomes

“
There's an assumption that startups will struggle to make headway in AI... **for big companies like Adobe, innovation is just an API integration away.**
”

BENCHMARK

Software stocks rebound as Anthropic announces new partnerships
PUBLISHED TUE, FEB 24

“The reality is that these new AI tools will not rip and replace existing software ecosystems and data environments with these AI tools only as useful as the data it can reach”

“ServiceNow with Anthropic is turning intelligence into action through AI-native **workflows for the world’s largest enterprises...Together, we are proving that deeply integrated platforms with an open ecosystem are how the future is built.**”

Anthropic and Salesforce Expand Strategic Partnership to Deliver Trusted AI for Regulated Industries

Intuit and Anthropic Partner to Bring Trusted Financial Intelligence and Custom AI Agents to Consumers and Businesses
February 24, 2026 8:00am EST

Mid-market businesses will be able to build secure, customizable AI agents on Intuit’s platform with Claude, tailored to their unique, industry-based needs

Intuit will bring trusted and accurate tax, finance, accounting, and marketing expertise directly to Claude and Cowork users

Intuit will deploy Claude Code across its engineering organization to further accelerate development

6 Why Distribution Beats Code in the Era of AI

AI killed the code moat, but incumbents still have what actually matters – distribution

"Typically the race is 'whether the startup gets distribution before the incumbent gets innovation' (Alex Rampell). **But in AI, the incumbents already have the innovation (whether through closed APIs or open source), while startups struggle as mightily as ever to find distribution...** If an AI startup has a strategy that looks like a strategy a non-AI startup had five years ago, that may very well be the wrong strategy." — Jason Cohen

Economic Shift of Zero-Cost Code



The Zero-Cost Code Reality

AI coding assistants have made software trivial to build, effectively reducing the cost of creating new applications to functionally zero



1,000 Fast Followers

Non-technical users can now prompt functional apps into existence, leading to "1,000 fast followers" who can reach feature parity with a startup almost instantly

The Fall of the LLM Wrapper

Jasper was too early, right on time, and too late all at the same time

August 2023



Jasper AI: A Cautionary Tale

Peaked at \$120M ARR In 2023

"Software is no longer a defensible moat"

Because technical barriers have collapsed, startups can no longer rely on their codebase to protect their market share from incumbents

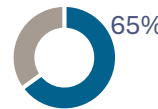
8VC

Microsoft and OpenAI integrated writing tools natively, commoditizing the feature



\$55M Revenue in 2024 (50% Forecast Revision)

The Distribution Moat



Enterprise Preference for Incumbents

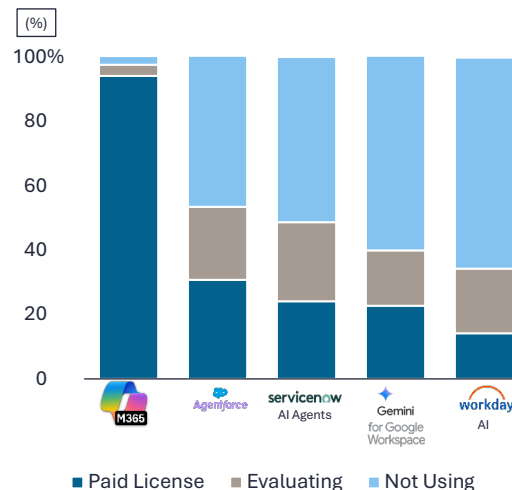
Most enterprises explicitly prefer using AI solutions from established providers due to existing trust, procurement simplicity, and integration



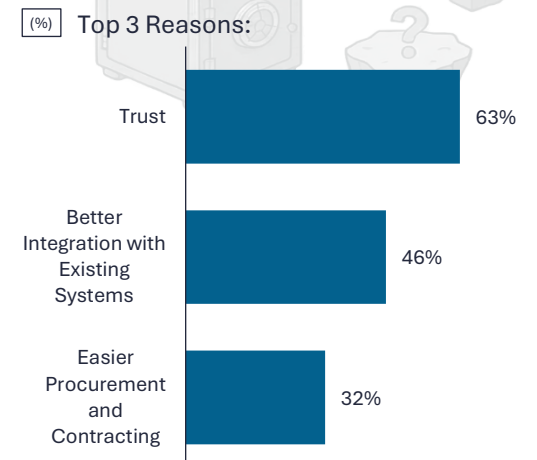
Shipping AI as a "Toggle"

Incumbents are winning by making AI a native feature inside existing workflows (like Adobe Firefly or MS 365 Copilot) rather than a standalone purchase

Enterprise Adoption of Select Incumbent AI Applications¹



Why Do You Prefer Buying From Existing Software Vendors?²



6 Distribution, Ecosystem Position & Points of Integration: *Effective Messaging*

The strategic power of AI is shifting from foundation models to distribution sale. Companies like UKG and Adevinta use their massive, existing user bases and deep system integrations to embed AI into daily workflows, making it a contextualize, indispensable feature rather than a standalone tool

The Distribution Moat: Why Ecosystems Win the AI Race

UKG

45 million users

Powering the Global Workforce across 80,000 organizations and 165 countries

The System of Record Advantage

Controls essential workforce data by sitting at the intersection of finance and frontline operations

Context-Rich "Bryte AI"

\$700 Billion

In Monthly Payroll Data

Leverages data to provide predictive, industry-specific guidance

Adevinta

The Transactional Flywheel

Transitions from ads to full transactions by integrating with professional seller management systems

Massive Aggregation of Intent: Attracts users across 25+ dominant digital marketplace brands

Primary Reach

45 Million Users
120 Million Monthly Users

Core Interaction

30 Billion Annual Frontline Interactions
2.5 Billion Monthly Visits

Strategic Hub

HR, Payroll & ERP Integration
Consumer & Professional Marketplaces

Monthly Visits

Uses visits to train models for hyper-personalized search and fraud detection

Scale-Driven AI Relevance

7 Customer Relationships and Trust: *The Incumbent Advantage*

“We have strong relationships or are the trusted intermediary giving us permission to automate or utilize AI where others can’t”

“ **AI without trust fails. Two-thirds of organizations are culturally unprepared for AI transformation.** The future of work extends beyond technology; it's about workplace transformation through a people-first focus. Leaders must use technology to give people autonomy and insight, ensuring every employee **feels trusted, equipped, and valued.** ”

ÜKG

“ **Brand is what's left when the substantive differences between products disappear.** But making the substantive differences between products disappear is what technology naturally tends to do. ”

Paul Graham

7 Customer Relationships and Trust : *Effective Messaging*

Optro as the “System of Record”

AI Powered Workflow Capabilities



The Fieldwork Assistant

Automates repetitive tasks including sample selection, test sheet generation, and evidence mapping



Intelligent Recommendations

Suggests mappings for controls and risks to improve cross-functional resource allocation



Generative Content Refinement

Automatically drafts and refines audit-ready risks, controls and executive summaries



The Foundation of Trust & Impact



Domain-Validated Authority

Built by practitioners to ensure the AI understands complex SOX compliance risks



Human-Led Oversight

Positions AI as a capacity multiplier while maintaining full human-controlled audit trails



Helped Syniverse handle significantly higher workloads without increasing their total headcount

Metric	Results
Workload Efficiency	1.5 Full-Time Employee (FTE) capacity gain (customer testimonial, representative)
Data Security	Secured “Three Lines of Defense” for Fortune 500
User Sentiment	“Reduces manual work” and “Improves risk transparency”

“In the world of SOX compliance and Internal Audit, accuracy is non-negotiable. **[Optro] has earned the right to deploy AI because it is the 'System of Record' for the Fortune 500's risk data.** Their AI is '**domain-validated**' and '**built by practitioners,**' ensuring that when AI suggests a control gap, the auditor trusts the output. **This 'permission to automate' is granted only because [Optro] has spent years securing the 'three lines of defense'.**”



8 Mission Critical, High-Stakes Industry: *Anatomy of a Mission-Critical Moat in the AI Era*

“We operate in a high-stakes or regulated industry where mistakes are impactful, and the software / AI solutions are mission critical to the businesses success”

Becoming Indispensable in the AI Era

- **Trust & Regulation:** Built on verifiable trust, platforms can transform regulatory complexity into a competitive shield that filters out others
- **Workflow Integration:** As a operational nervous system, the embedded AI delivers measurable results (e.g., 34% faster treatment) that make the solution indispensable
- **Switching Costs:** The AI's deep integration creates powerful lock-in for customers, for whom switching would cause unacceptable operational disruption and the loss of custom workflows and data

Mission-Critical And Expert Systems: The Next Wave Of AI



Ethan Batraski



“

AI systems that can't deliver reliable results aren't just inefficient; they're a liability. Even small mistakes or inaccuracies can have serious consequences in high-stakes, mission-critical situations, particularly in industries such as banking or healthcare

”

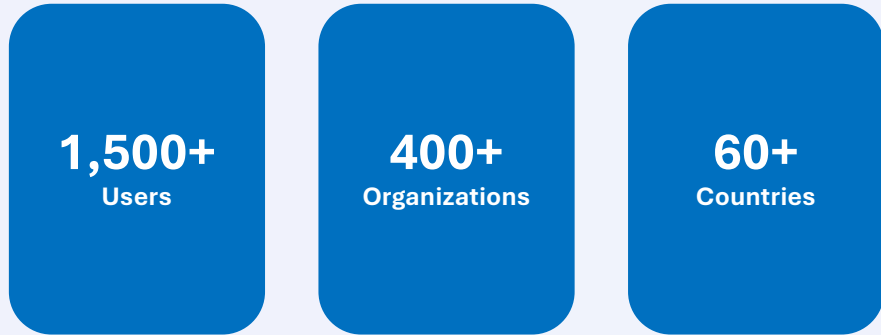


8 Mission Critical, High-Stakes Industry: *Effective Messaging*

Mission-Critical Moats: Engineering Truth in Zero-Fail Industries



Energy: Delivering Truth



"I believe that the world's energy challenges won't be solved by data alone, they will be solved by the intelligence to act on it. PLEXOS Intelligence brings that capability to life – built on decades of trusted modeling, enhanced by AI and accessible to everyone shaping the future of energy."

- David Wilson, CEO



The Midcontinent Independent System Operator uses PLEXOS to ensure the safety and reliability of an electric grid **servicing 45M people**

Models must account for **75,000 miles** of high-voltage transmission lines, nearly **3,000 generating units**, and clear over **\$40B** in energy transactions annually

To predict extreme weather risks and resource adequacy, MISO has executed **>3,000 runs** in PLEXOS Cloud



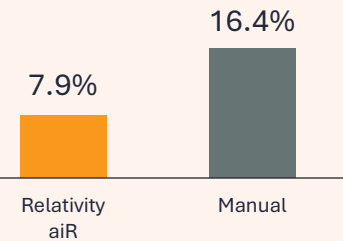
Law: Delivering Evidentiary Truth



More Accurate Than Human Reviewers

"Now aiR can really get you to those couple hundred documents, not literally instantaneously, but in terms of the timescale of a traditional internal investigation, the equivalent of nearly instantaneously." **ReedSmith**

Relativity aiR has a Lower Error Rate than Manual Review



Defensible Validation Framework

The AI provides exact citations and rationales to satisfy strict court requirements



Statistical Verification of Recall

Users can validate precision and recall before a full review begins

9 Demonstrable Revenue Generation and Cost/Risk Efficiencies: *Engine for Growth*


“We are already showing material productivity gains for functions that matter”

AI Engine for Growth (& Survival)

- AI is a core driver of business strategy, delivering significant returns
- Companies slow to adopt AI risk being left behind in a rapidly evolving market

“

When you see **10x growth in three months** and thousands of agentic workflows being completed daily, it confirms what we believed: this isn't about charging more for innovation; it's about making our 30 years of legal experience **exponentially more powerful through AI.**

AVANEESH MARWAHA, CEO -  LITERA

”

“


AI will not replace humans, but those who use AI will replace those who don't.

GINNI ROMETTY, FORMER CEO -  IBM

”

“

For the next couple of years, ads are going to be the most important driver of growth... driven by AI. Our investments in 'Lattice' and 'Andromeda' models drove a **3.5% lift in ad clicks** and a **14% increase in ads quality**. This isn't just efficiency; it's billions in incremental revenue fueled by deeper, AI-driven prediction.

MARK ZUCKERBERG, CEO -  Meta


”


9 Demonstrable Revenue Generation and Cost/Risk Efficiencies


Enterprise AI has shifted from theoretical experimentation to “self-driving” utility. By embedding AI into core workflows like finance and hiring, companies are replacing labor-intensive tasks with software automation to scale without increasing headcount

AI Decoupling Growth from Headcount: The Enterprise AI Revolution

ramp Automating the “Self Driving” Finance Office


- 


503% ROI
Over Three Years
A composite organization recovered 1,800 hours annually by automating receipt and expense collection
- 


2.4x
Faster Invoice Processing
AI agents achieve 99% data extraction accuracy while auto-coding 90% of all transactions
- 

Real-Time Fraud & Risk Mitigation
AI audits transactions for deepfakes and anomalies, saving in prevented fraud

greenhouse Re-Engineering the Talent Pipeline

- 

589% ROI
With \$121k Savings Per Recruiter
Automated scheduling and candidate matching reduce external agency spend by 50%
- 

47%
Faster Time-to-Hire
Structured AI workflows helped companies like Planet and the NFL drastically reduce vacancy costs
- 

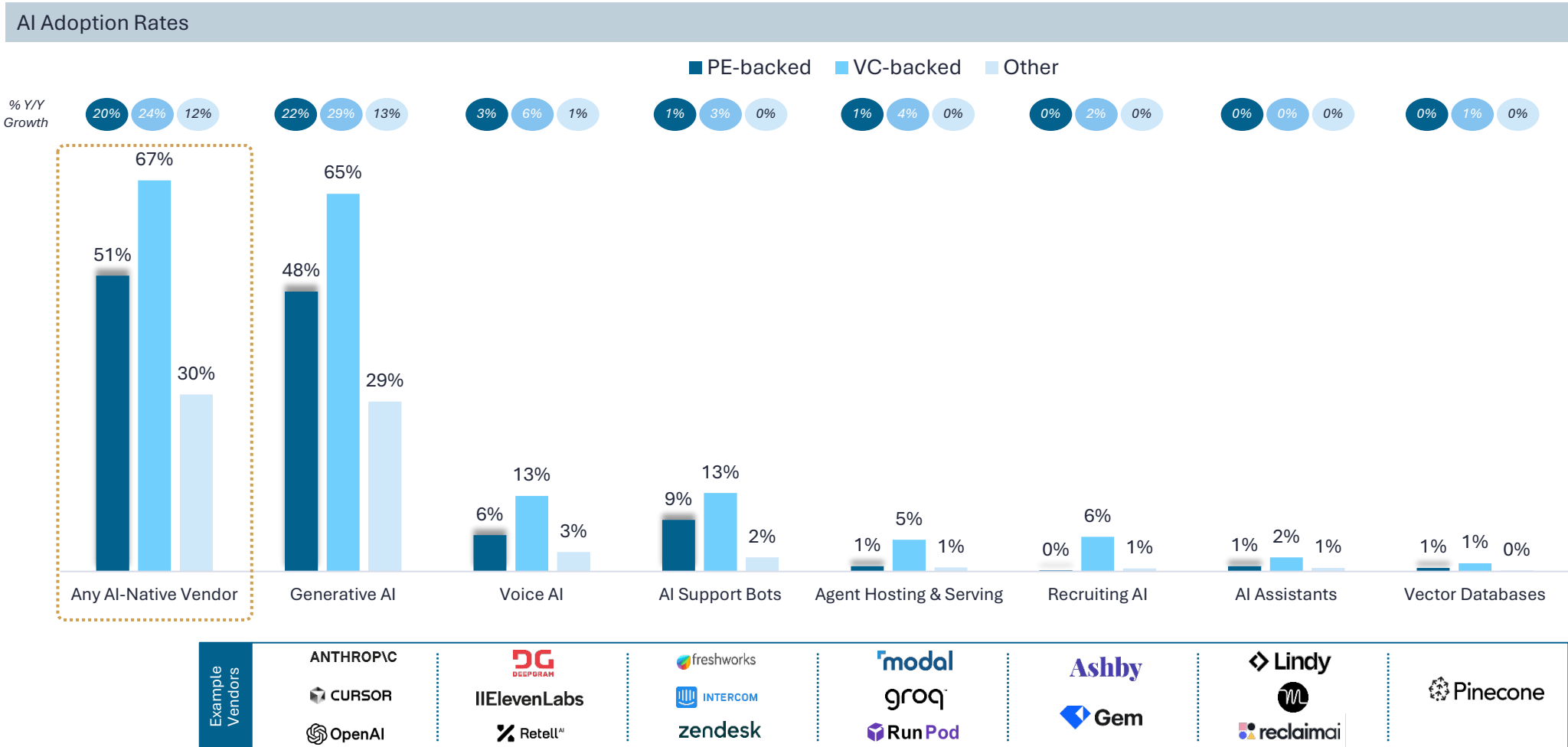
7 Month
Payback on investment

III AI Tool Adoption



AI Adoption Rates: PE Outpaces General Corporates, Trails Nimble VC Firms ramp ↗

Private Equity-backed firms are aggressively pursuing AI value creation, significantly outpacing general corporates ("Other") in broader adoption (51% vs. 30%) and specifically within Generative AI (48% vs. 29%)



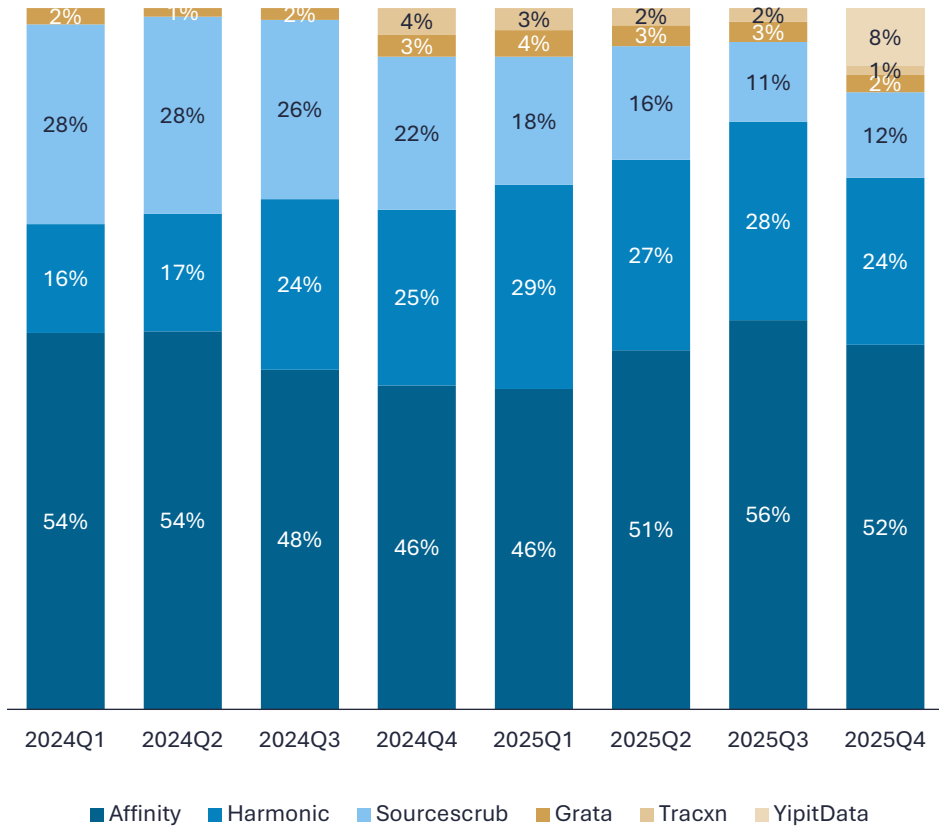
AI Adoption Rates: Deal Sourcing Software



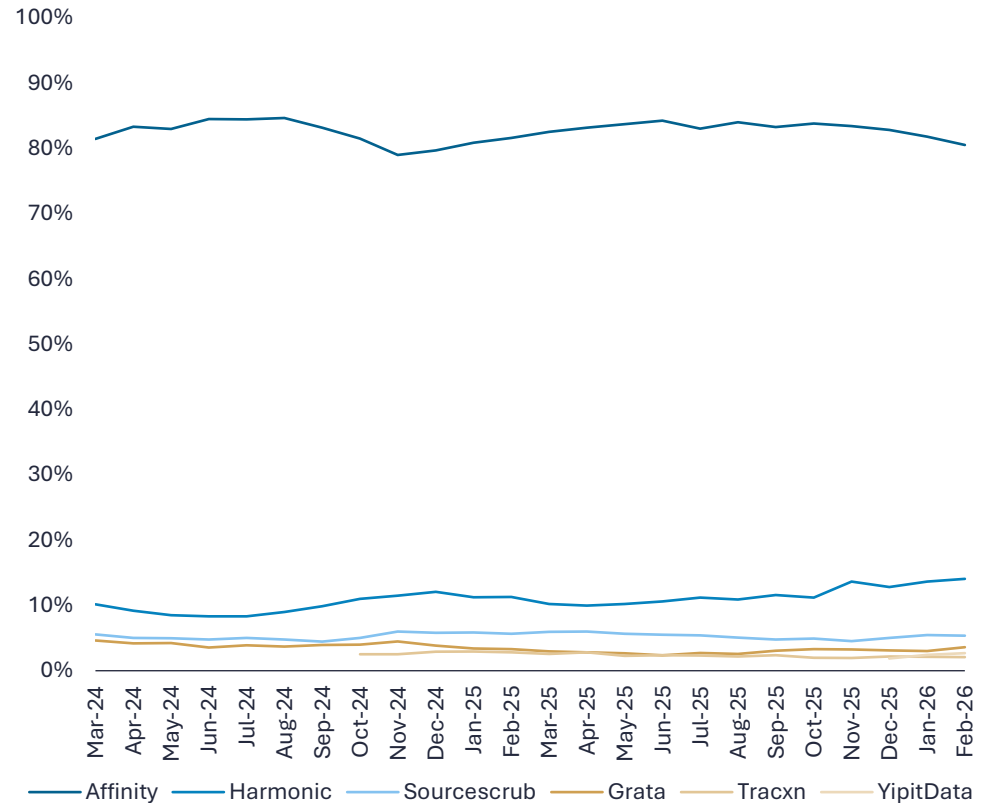
While top-level adoption rates remain relatively static across the board, budget allocation is actively shifting

What Is The Most Popular Deal Sourcing Software? *(Among buyers of similar Deal Sourcing & Market Intelligence software)*

Share of Spend



Adoption Rate



Appendix



The Lazard Tech Team

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