

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.



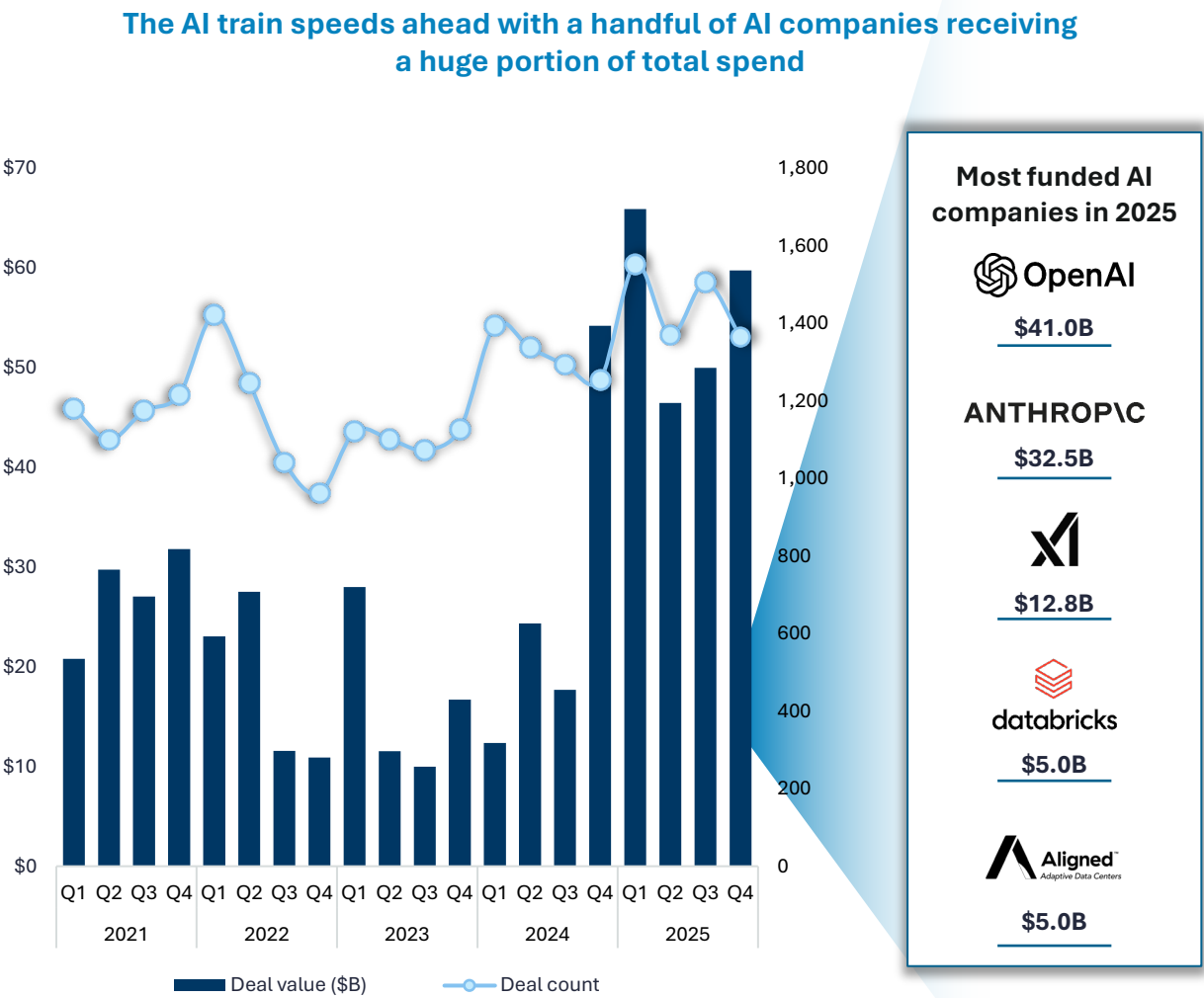
PRIVATE EQUITY'S DUAL MANDATE

- 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

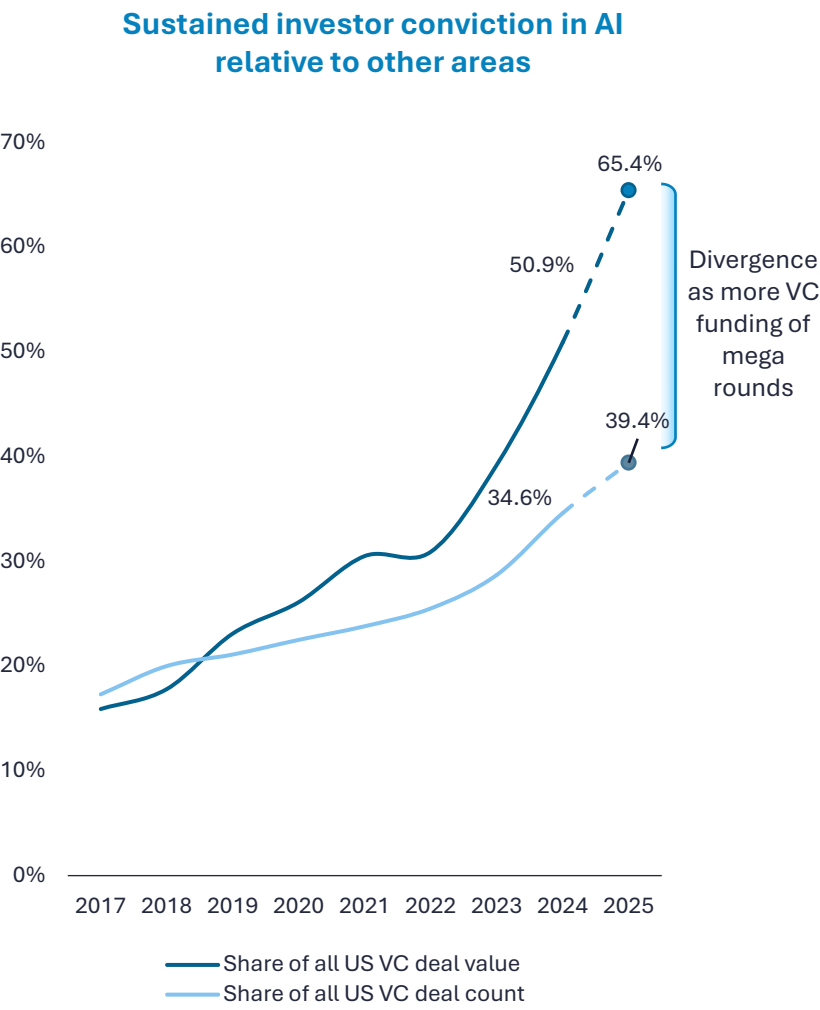
I The AI Reckoning in Software

AI Investment Surge: *Unprecedented Capital Supporting AI Potential*

US AI/ML VC Deal Activity

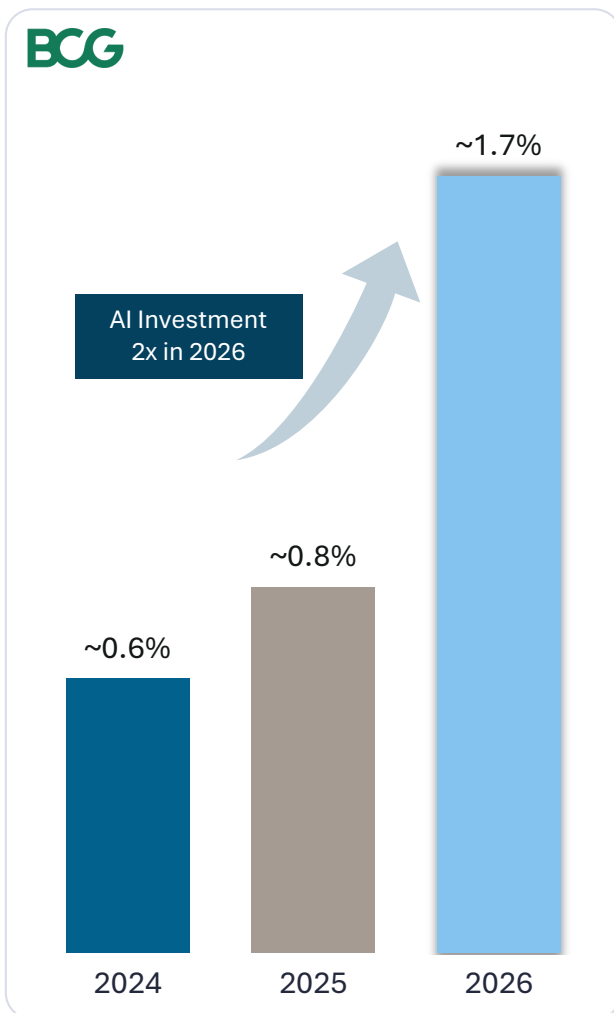


AI VC Deal Activity as a Share of All VC Deal Activity



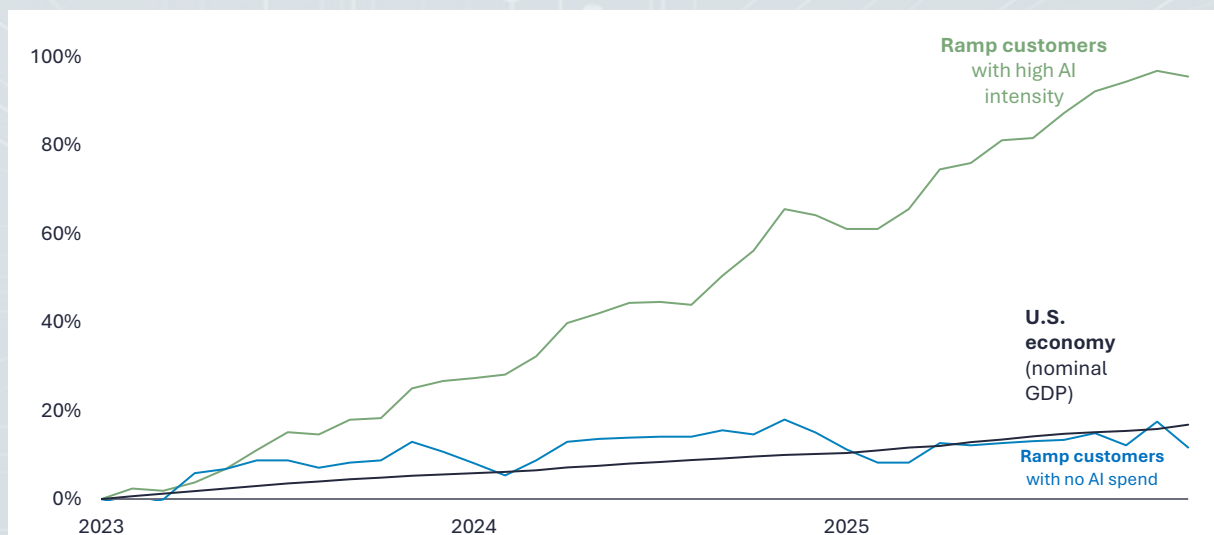
AI Investment Surge: *Corporates Chasing the Promise of ROI Through AI Investment*

AI Investment as % of Org. Revenue



The Compounding Gap

Median revenue growth of Ramp customers by AI spending intensity, indexed to January 2023



ramp 

Performance Gap

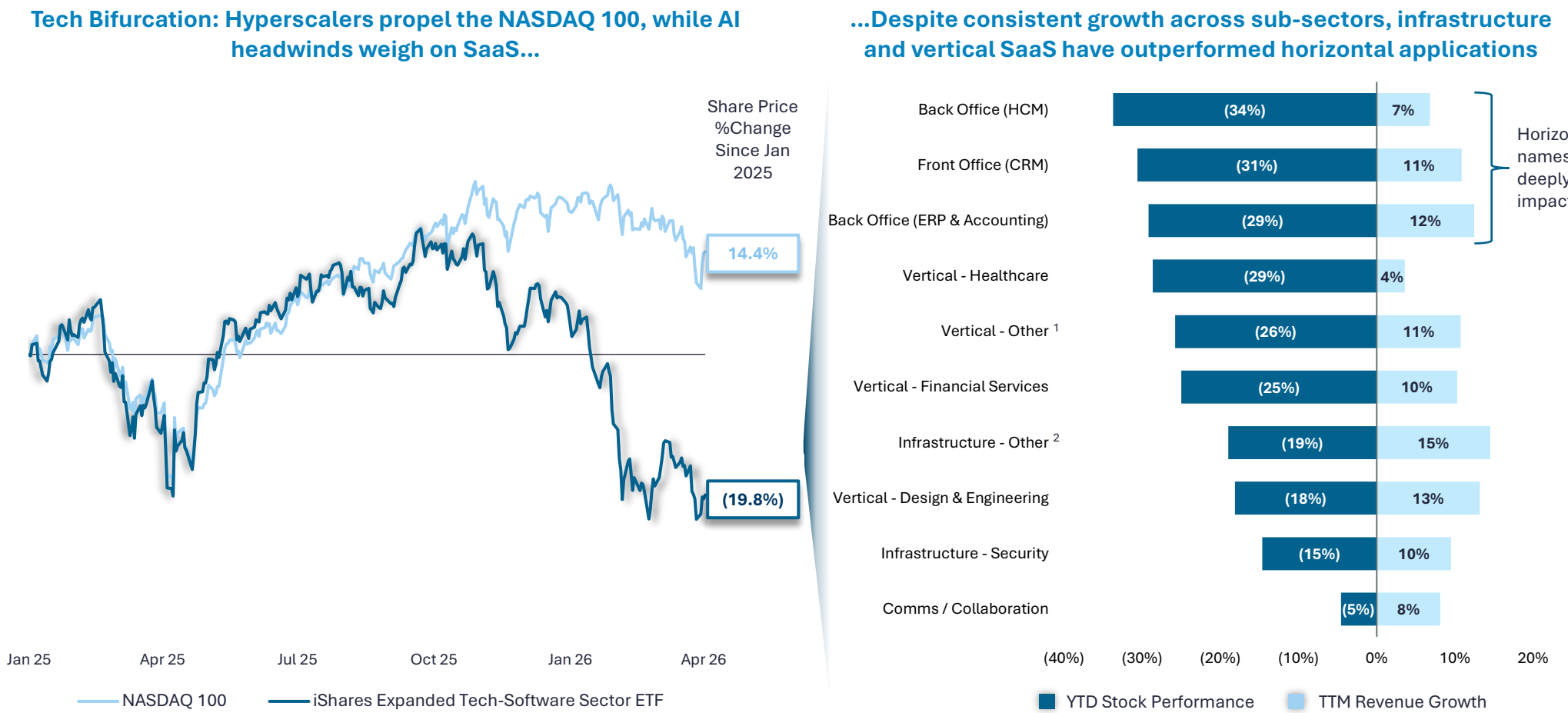
Performance gap between “AI leaders” and “laggards” grew from **2.7x** to **3.8x**

McKinsey
& Company

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

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

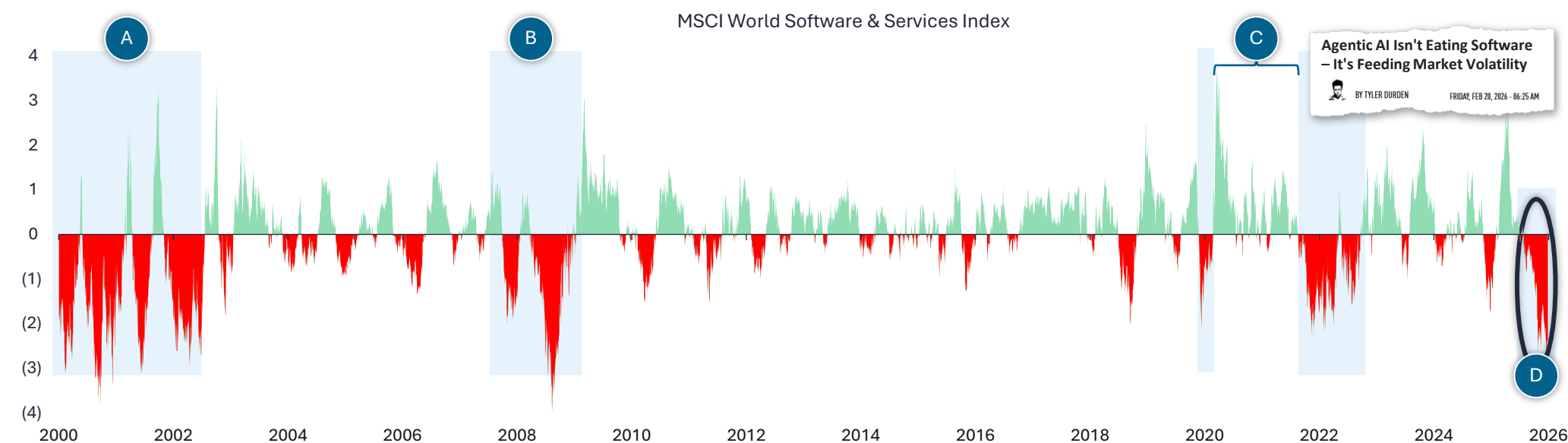
Software Stock Woes Deepen



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

WSJ

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

THE
NEW YORKER

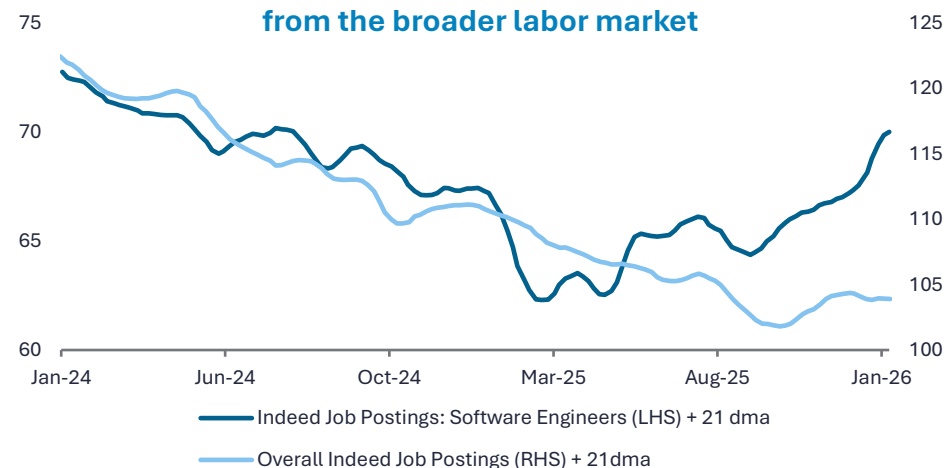
AI agents have clear mission, hazy business model

February 2025



The Data

Massive surge in software engineering demand, decoupling from the broader labor market



*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

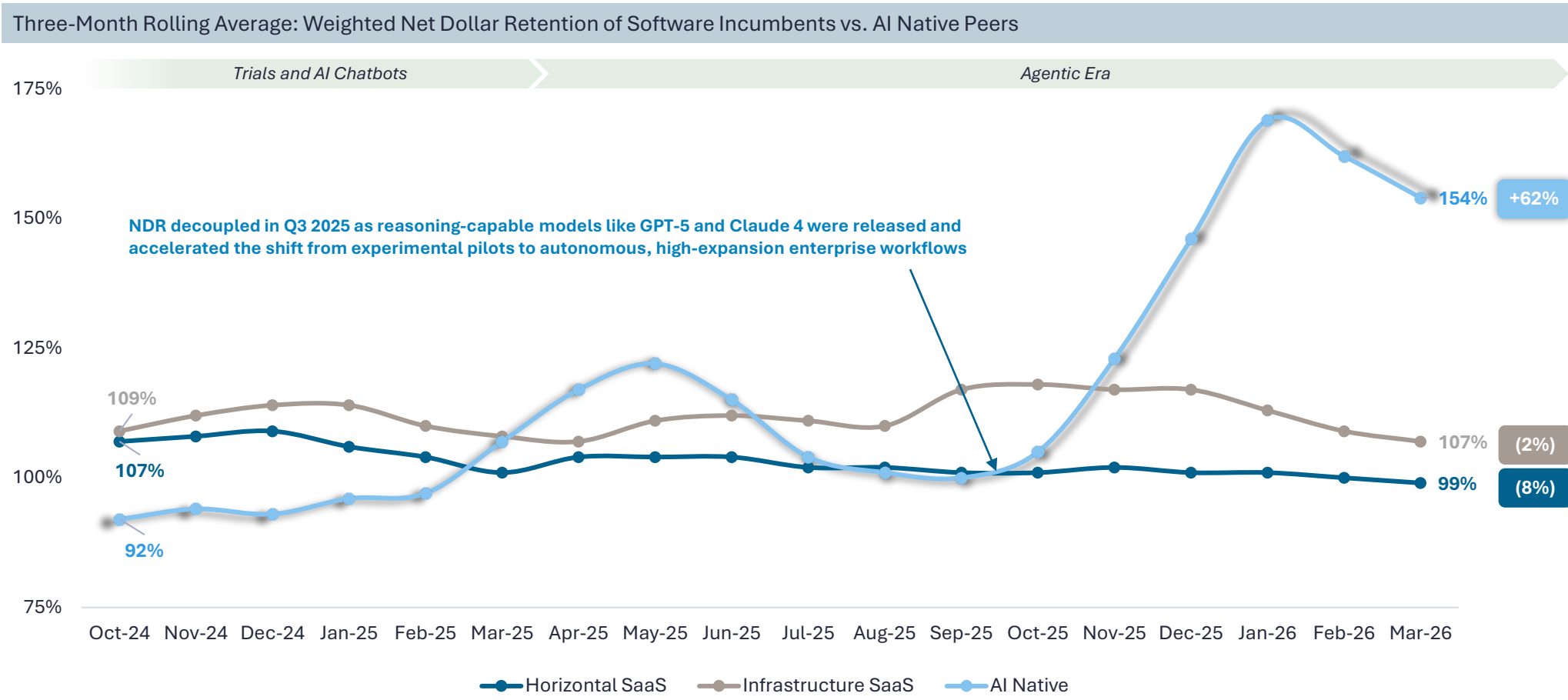
March 2026

The Information

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

(12.1%)

SaaS YTD Returns¹

+17.3%

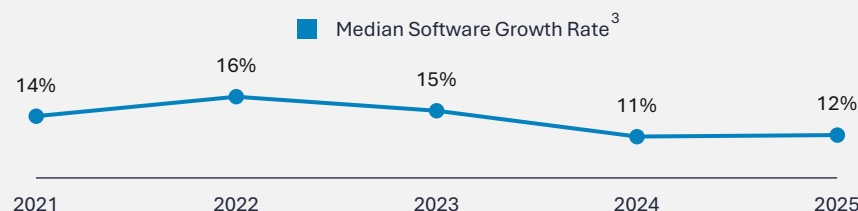
Nasdaq 100 YTD²

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

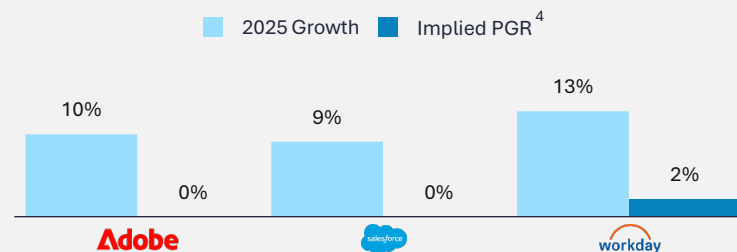


Erosion of Terminal Values

- 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



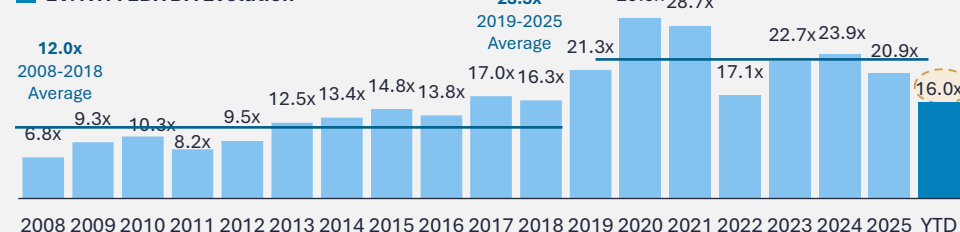
Full Valuation Reset

- 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

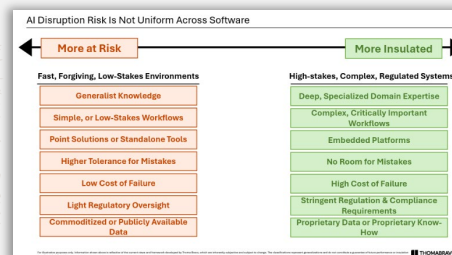


The Great Bifurcation: *Private Market Precision*

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...**"

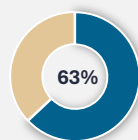
THOMABRAVO



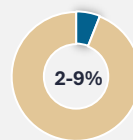
Valuing Incumbent System of Record/Context

"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

Strategies 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

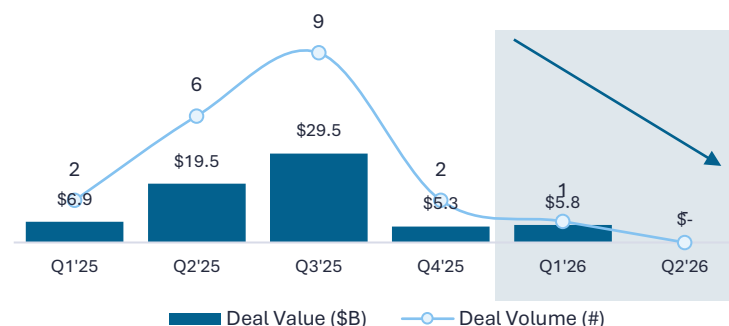
"**Large strategic acquirers have become far more selective.** The mega-checks into broad software categories have largely stopped... SaaS remains a fundamentally strong category for capital deployment... **But selectivity matters more than it has in a decade. The spread between the best and the rest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

eleven

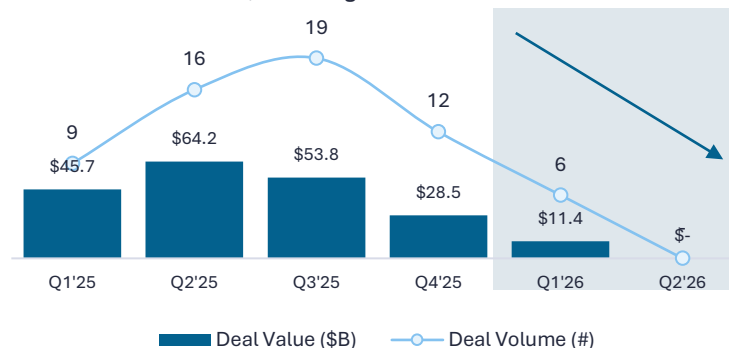
Recovery in 2025 Shortlived?

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

>\$1B Sponsor-to-Sponsor Deal Volume



>\$1B Strategic Deal Volume

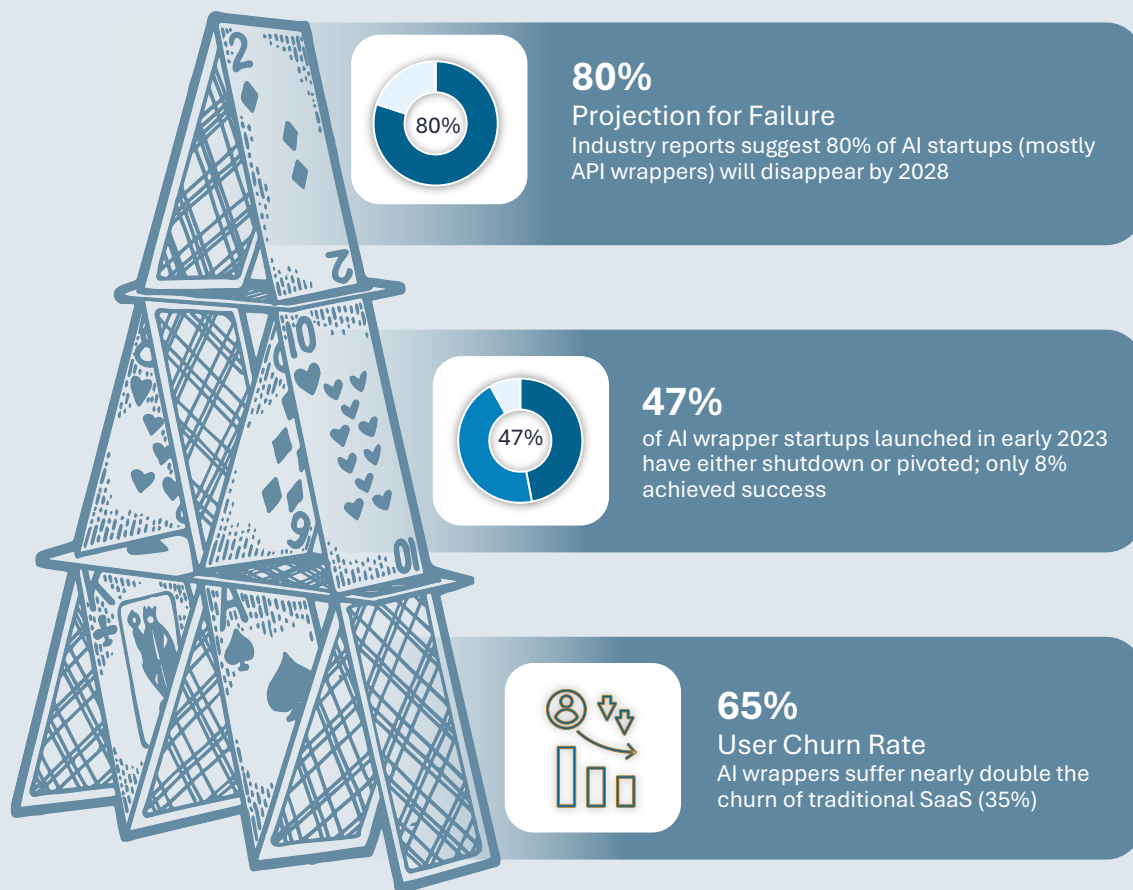


The Great Bifurcation: *The Losers – Thin Wrappers*

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

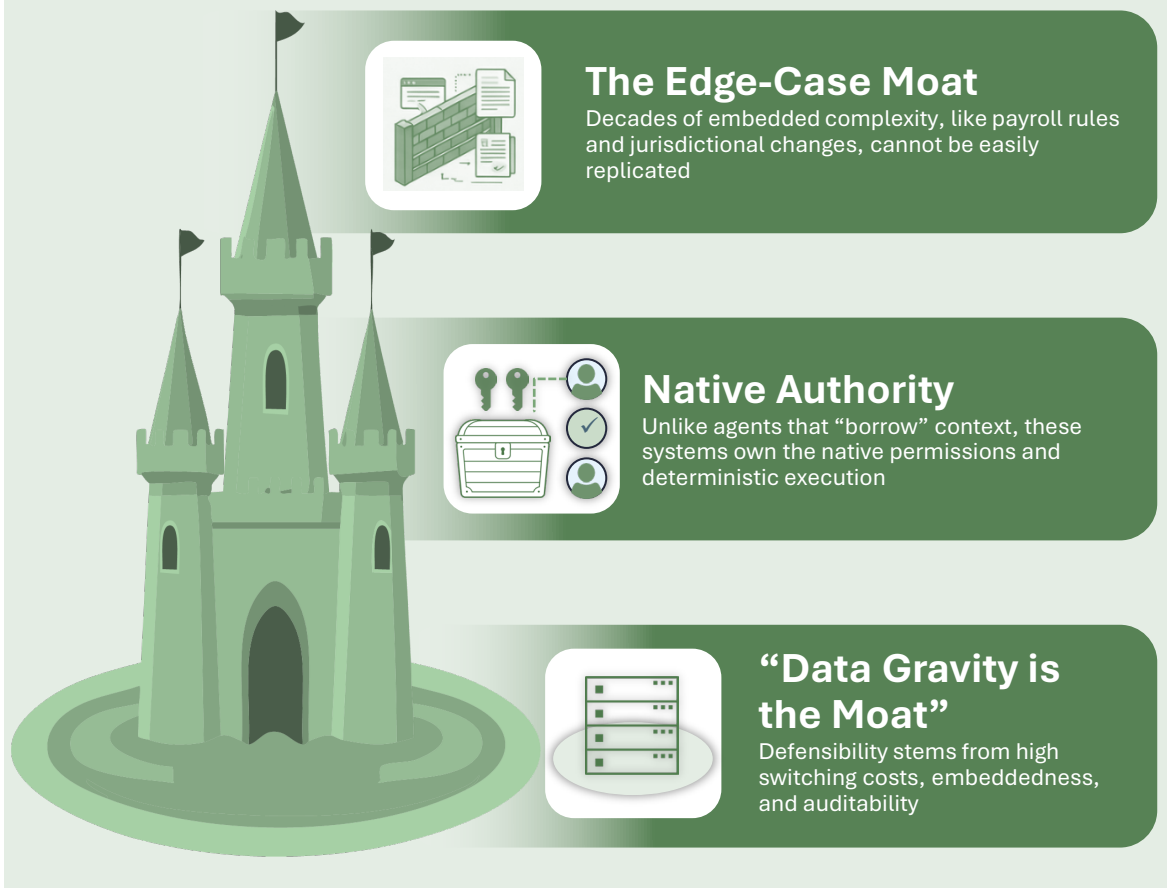
When a financial sponsor performed diligence on an AI native healthcare company it hoped to acquire, the diligence team built a prototype rivaling the functionality of the firm’s technology and tested it with clinicians. The prototype, which took only two weeks to develop, outperformed the target’s product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



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.”



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

FT 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

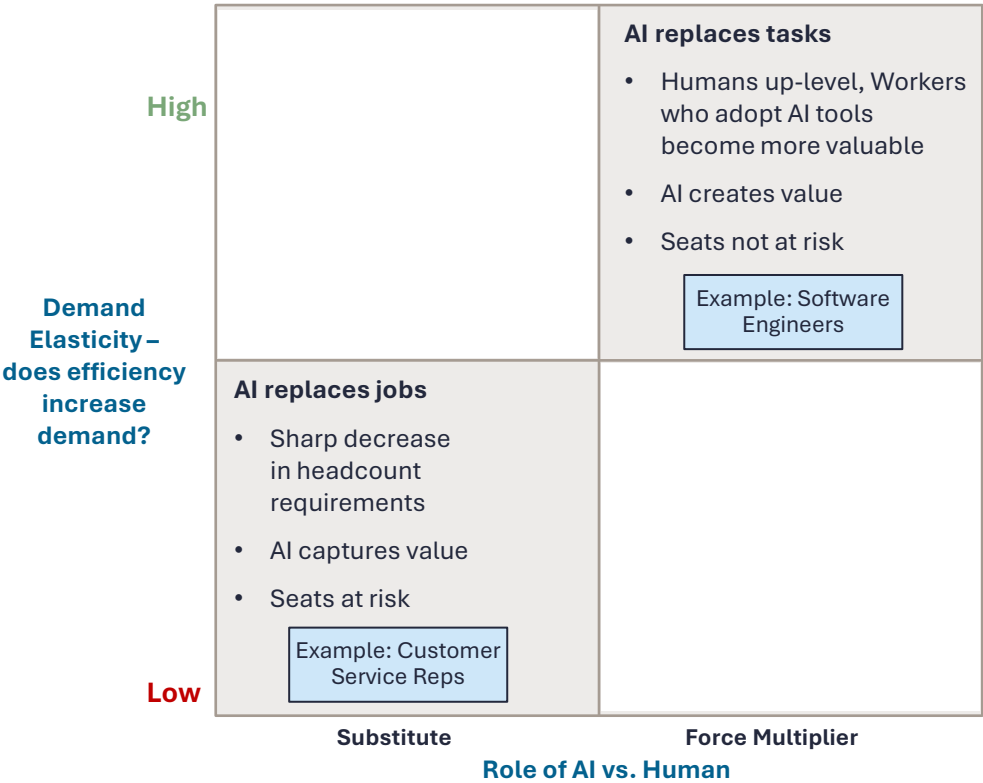
...



Jevons Paradox for Knowledge Work

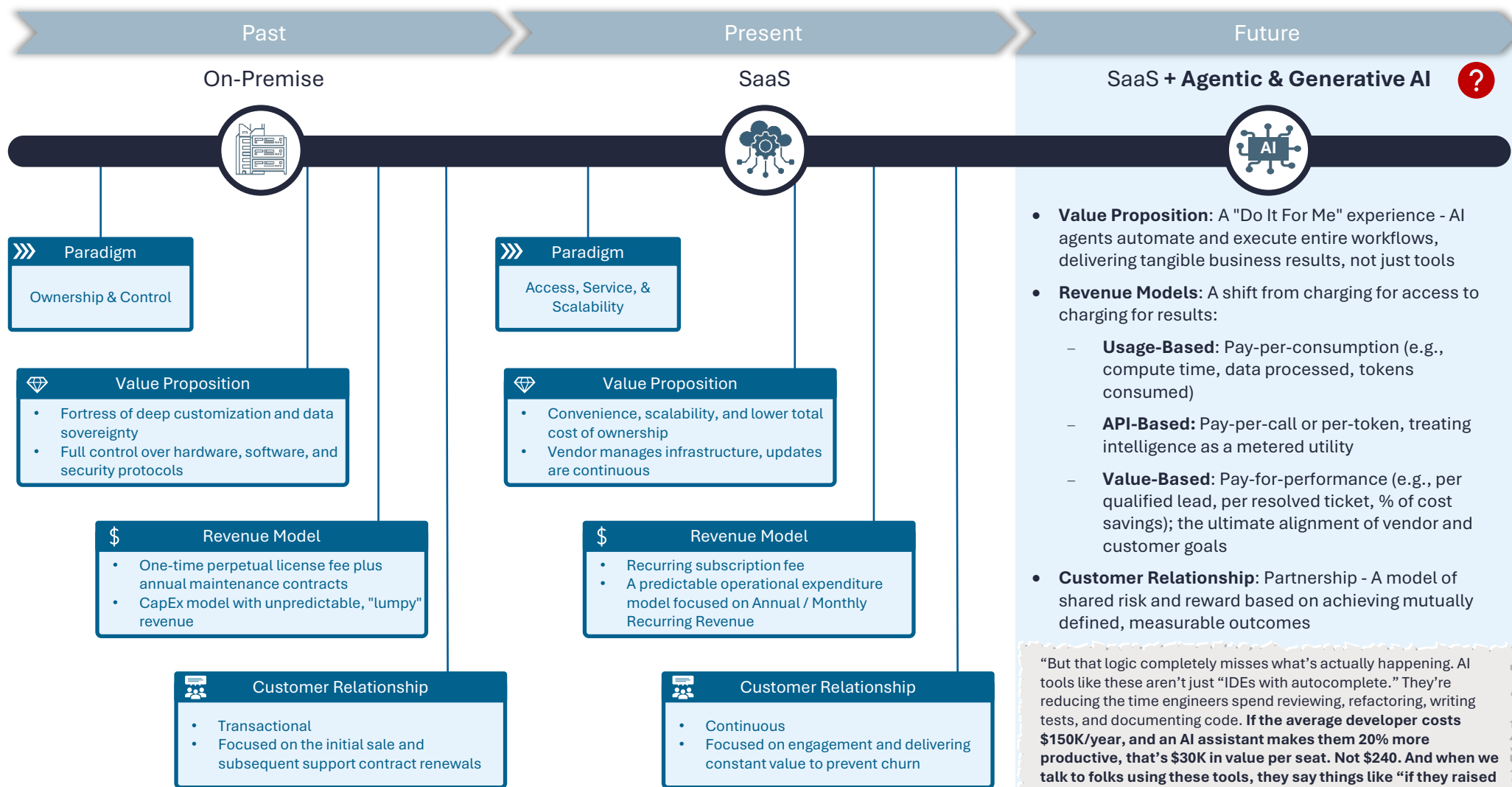
“[M]aking [a resource] more efficient leads to massive growth, because there are more use-cases for the resources than previously contemplated. [Jevons] paradox has proven itself repeatedly as we've made various aspects of the industrial world more productive or cheaper, and especially in technology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



"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



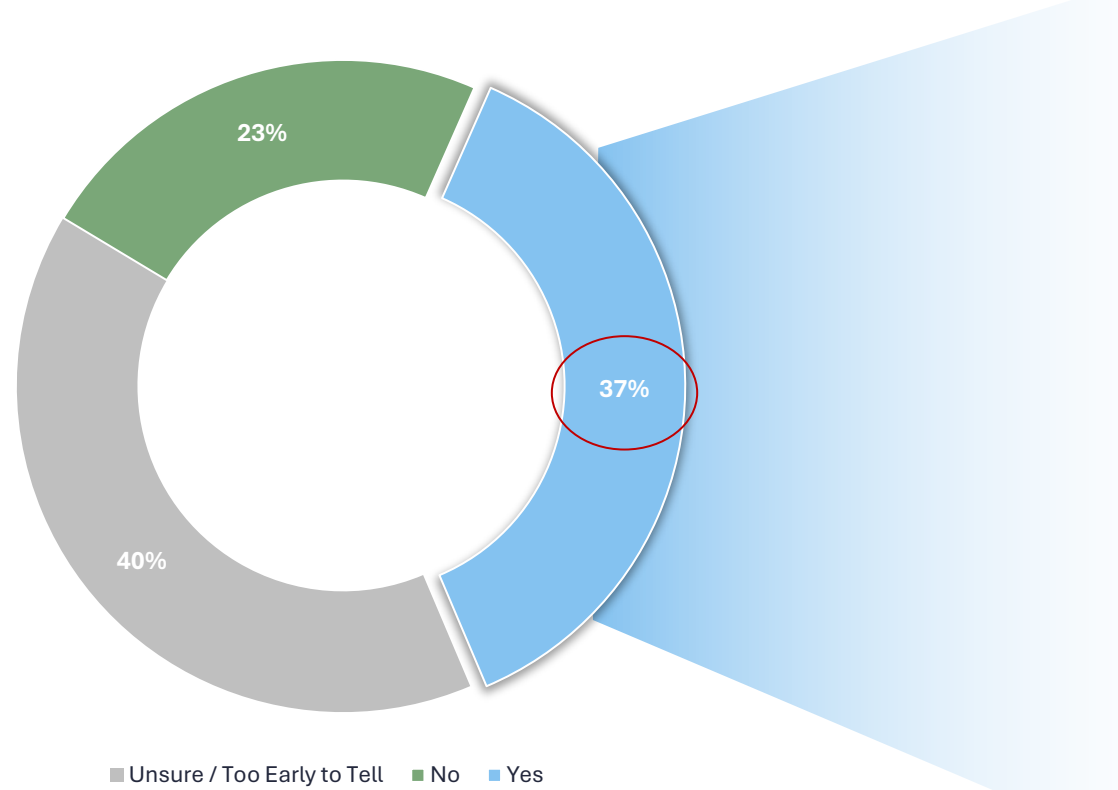
Evolving Business Models: *AI Leaders Experimenting with New Pricing Models*

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

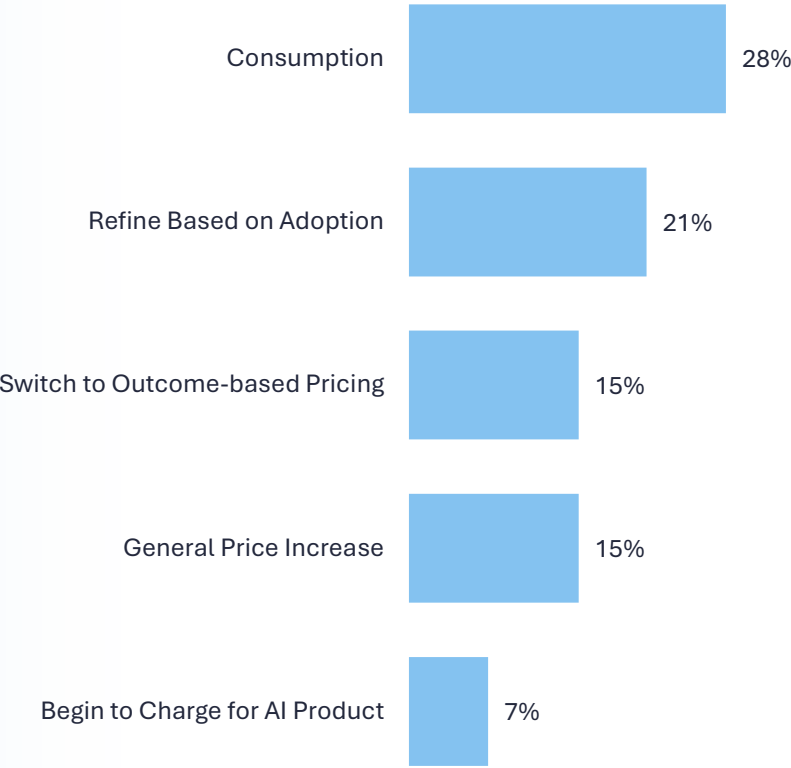
% of Respondents, Single-Select, N = 298



...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

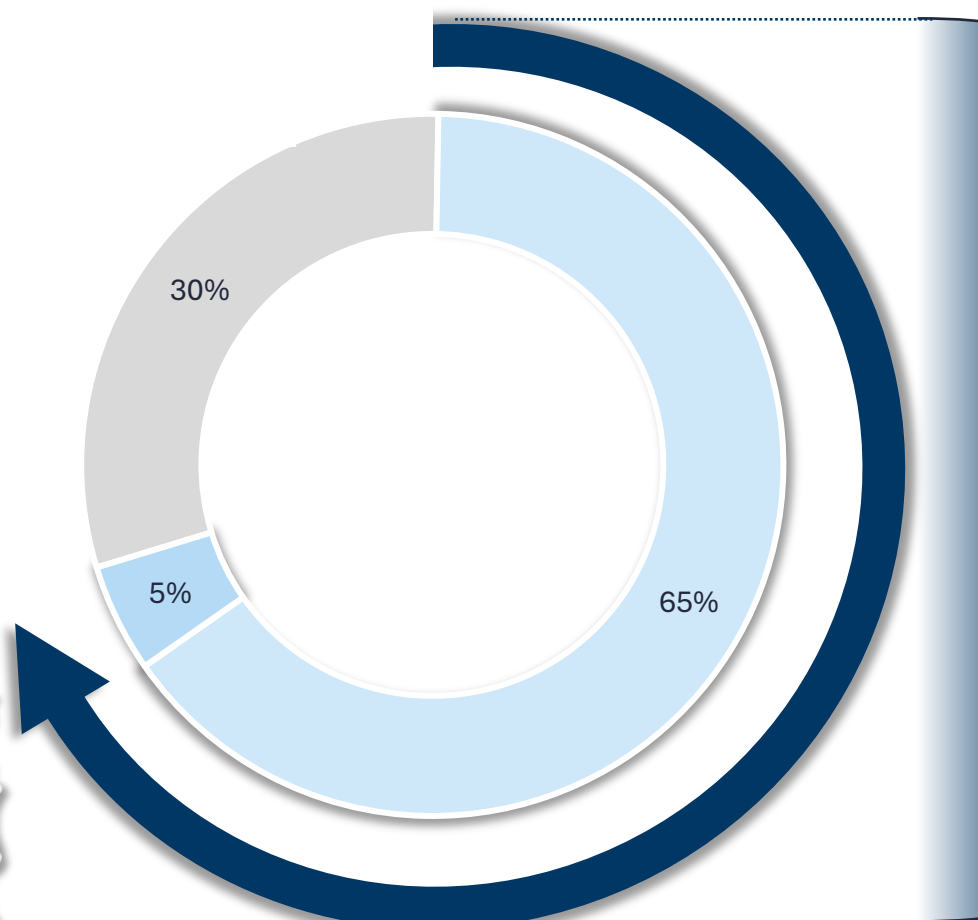
AI disruption risk is “top of the page” for Blackstone

“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*

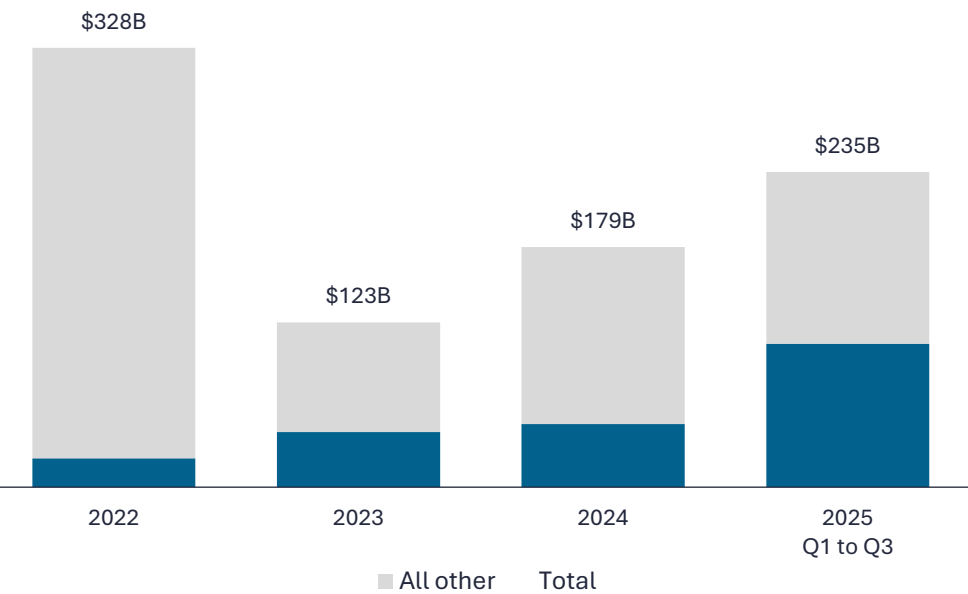
AI is increasingly an important theme and driving factor for M&A

“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

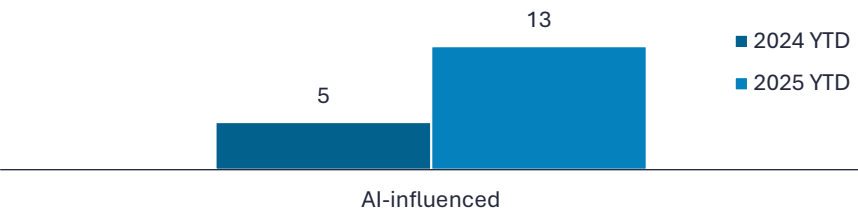
Nearly Half of Strategic Tech Deals Involve an AI Component...

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

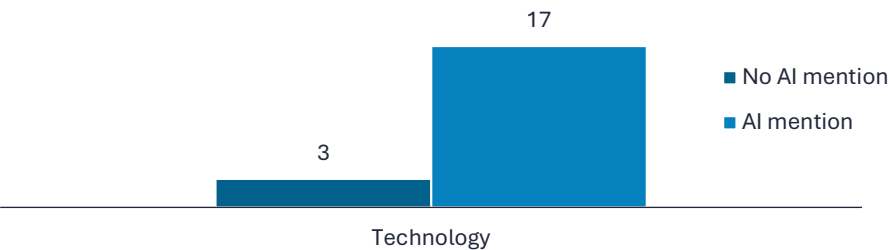


...With Most Mega Deals AI-Influenced

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



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



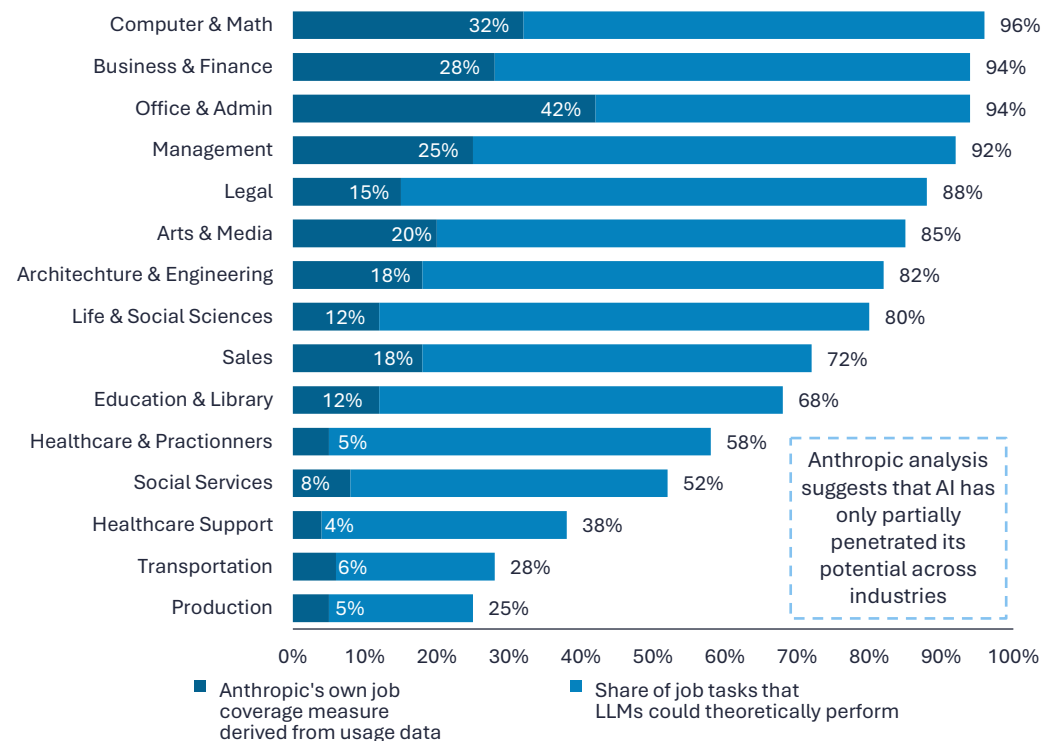
The Bull Case: *Ultimately, AI Unlocks Massive TAM Expansion*

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.”

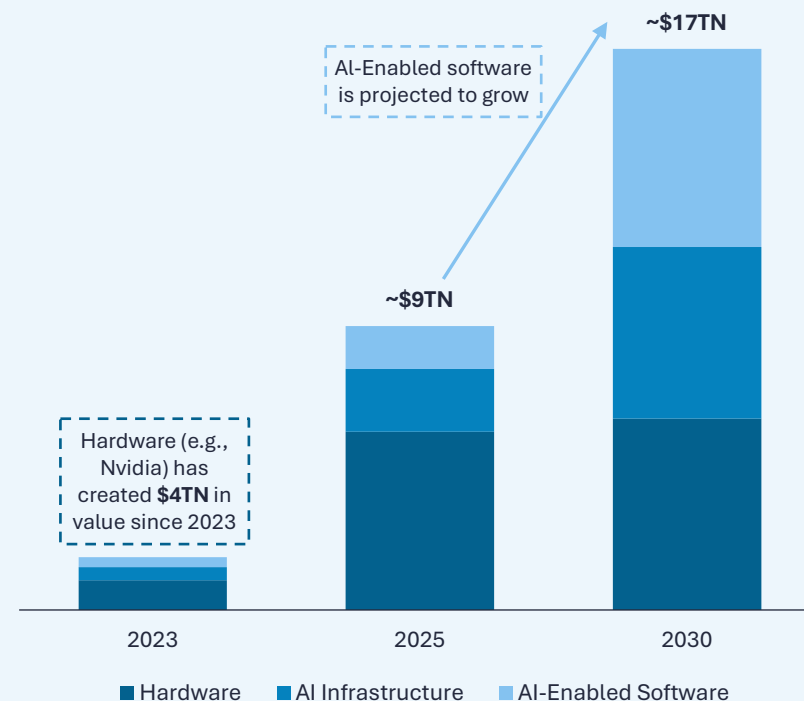
JULIEN BEK SEQUOIA



Inflection in the SaaS market as the profit pool shifts towards agents, resulting in a larger combined profit pool

Cumulative projected AI-driven value creation

VISTA / BAIN & COMPANY





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

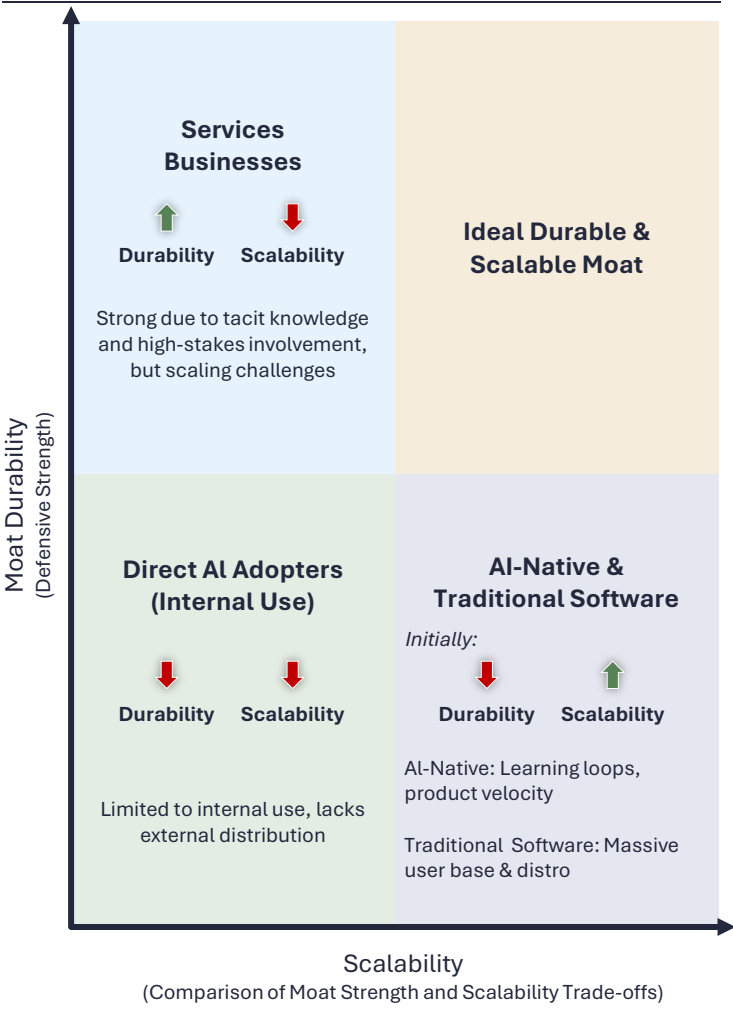
Relative Moat Strength Matrix

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 = Weakest5 = 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

Proprietary Data Assets	Data	1  Stored Proprietary Data	<i>“We have unique, hard-to-replicate data that gives us a training and inference advantage”</i>	“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.” ANDY JASSY, 
		2  Tacit Knowledge	<i>“We have underlying, unwritten knowledge that is unable to be replicated and transformational to our solutions”</i>	“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.” 
	Feedback Loops	3  Human-in-the-Loop	<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>	“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.” AVANEESH MARWAHA, 
		4  Outcome Data	<i>“We leverage closed-loop systems to link inputs directly to results, creating a self-improving advantage that generic models cannot replicate”</i>	“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.” ALEXANDRA GELLER, 
Embedded / Entrenched Position	5  Workflow Visibility & Complexity	<i>“We have spent decades encoding complex interrelated business rules that present a massive 'cold start problem' for AI-native upstarts”</i>	“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.” MIKE ROSENBAUM, 	
	6  Distribution, Ecosystem Position & Points of Integration	<i>“We have unique distribution scale, sit at a systems integration point and are deeply embedded”</i>	“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.” HENRY SCHUCK, 	
	7  Customer Relationships and Trust	<i>“We have strong relationships or are the trusted intermediary giving us permission to automate or utilize AI where others can’t”</i>	“Handling highly sensitive data requires a zero-trust architecture. Our AI solutions are built on the premise that client confidentiality is the ultimate priority.” DERMOT HALPIN, 	
	8  Mission Critical, High-Stakes Industry	<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>	“By integrating AI into our energy market simulations, we enable utilities to navigate complex, highly regulated transitions with unparalleled precision.” DAVE WILSON, 	
	9  Demonstrable Revenue Generation and Cost / Risk Efficiencies	<i>“We are already showing material productivity gains for functions that matter”</i>	“AI is already driving billions of dollars in incremental revenue for us through ads optimization and recommendations.” MARK ZUCKERBERG, 	

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”

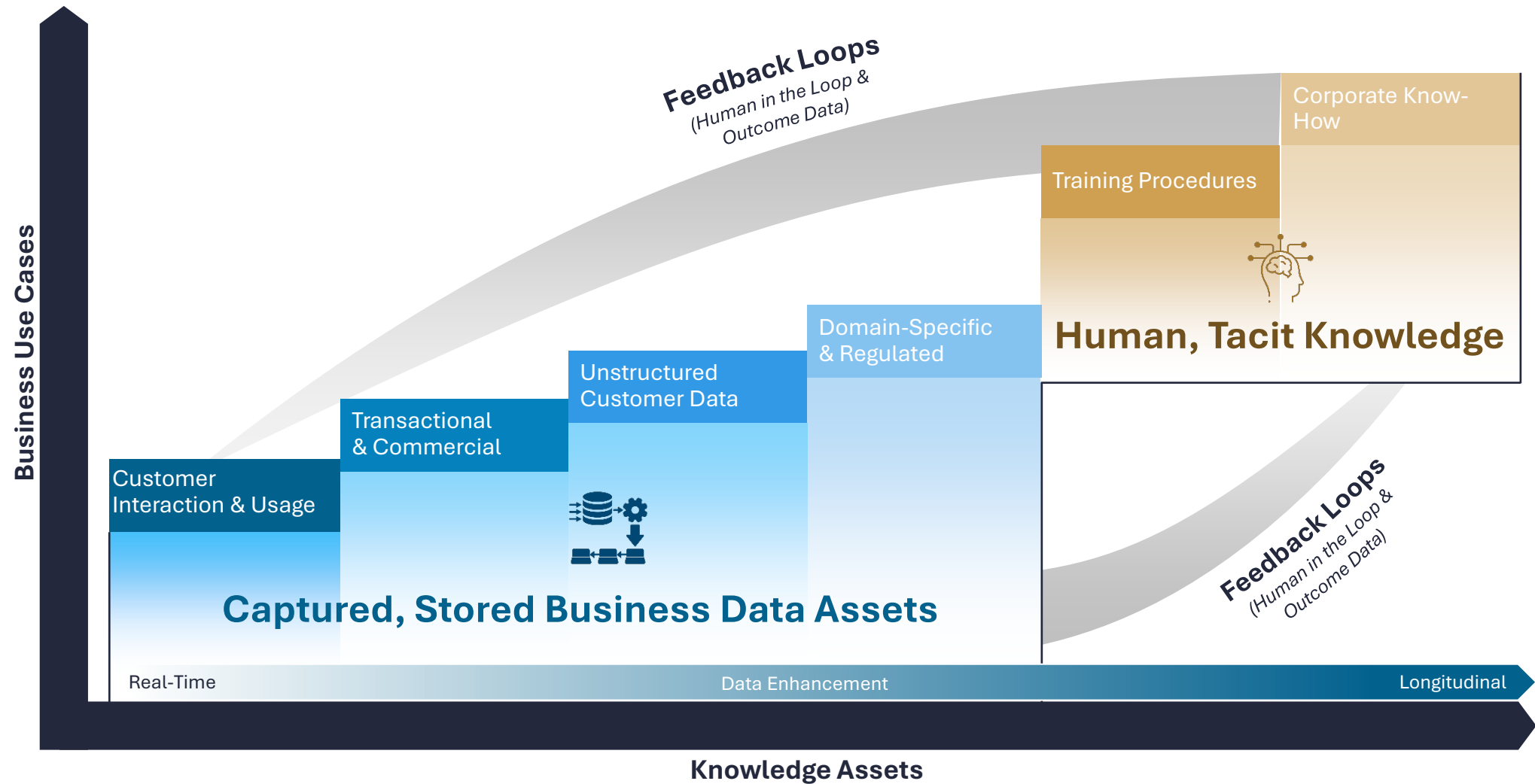
“AI is the highest-value technology we have ever seen... but **most AI models today are trained on public data. Private enterprise data**—often sitting in Oracle databases—**is where true differentiation happens**. We are enabling AI to securely process this private data to solve problems public models 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**

1 2 3 4 Proprietary Assets: *Data Spans Stored & Structured Data to Tacit Knowledge and Is Reinforced by Proprietary Feedback Loops*

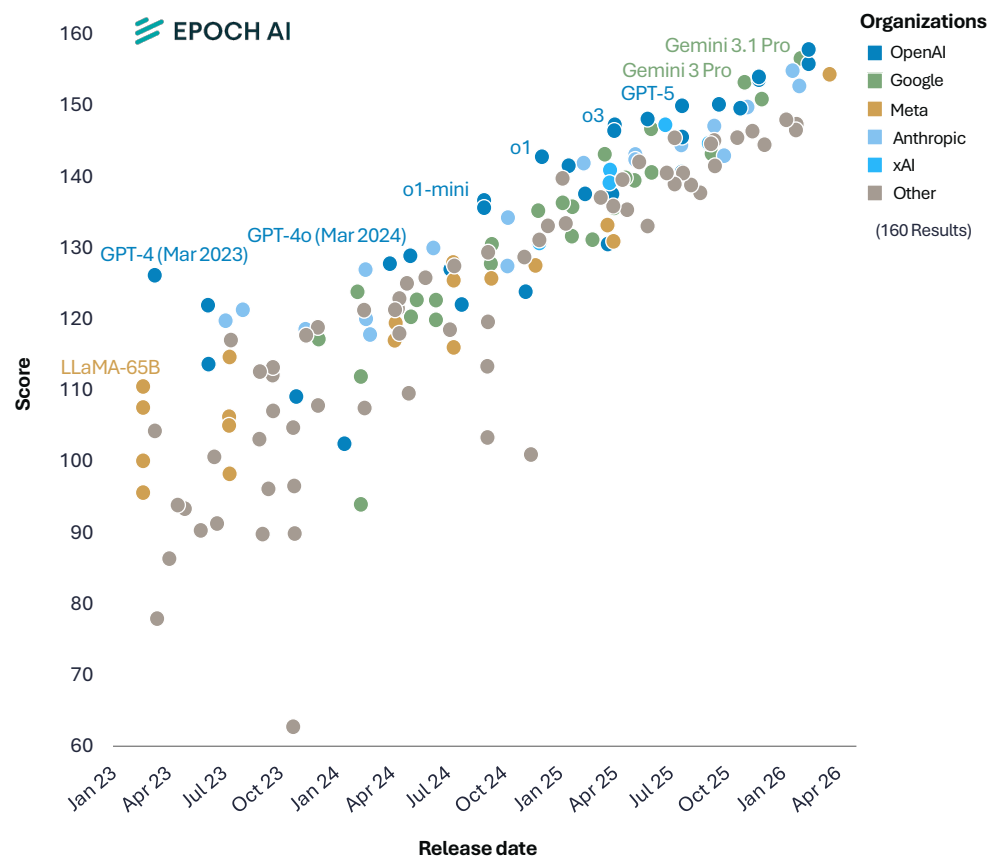


1 Proprietary Stored Data Assets: *AI Models and Non-Proprietary Data Are Not Enough*

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

Frontier Model Performance Is Converging

Frontier models train on overlapping, non-exclusive public data, driving a compression in benchmark performance



...Access to Data is Disappearing

Salesforce blocks AI rivals from using Slack data

Updated June 10, 2025



The Data That Powers A.I. Is Disappearing Fast

New research from the Data Provenance Initiative has found a dramatic drop in content made available to the collections used to build artificial intelligence

The New York Times

The AI Scraping Fight That Could Change the Future of the Web

THE WALL STREET JOURNAL

Proprietary Data / Context Is Necessary

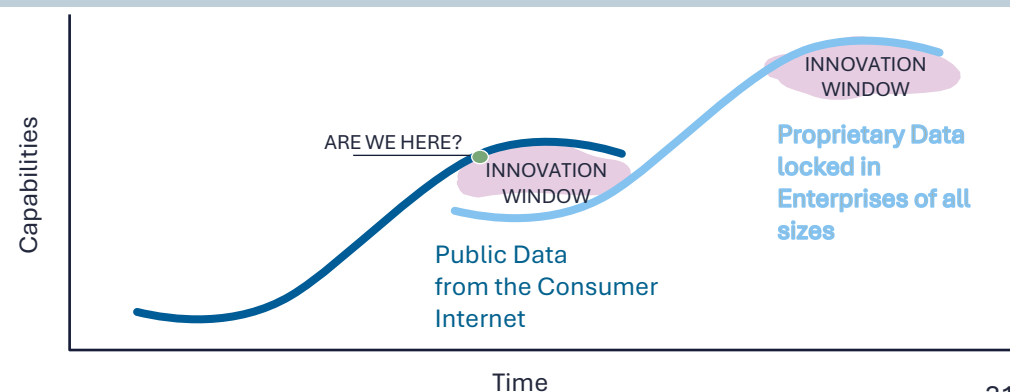
"While foundational models are trained on the internet, **the true differentiation for enterprises will come from fine-tuning these models securely on their own proprietary, institutional data.**"

Alphabet

"You can't learn workplace safety from the public internet. **The differentiation in our AI comes from the millions of proprietary safety observations our platform captures daily.**"

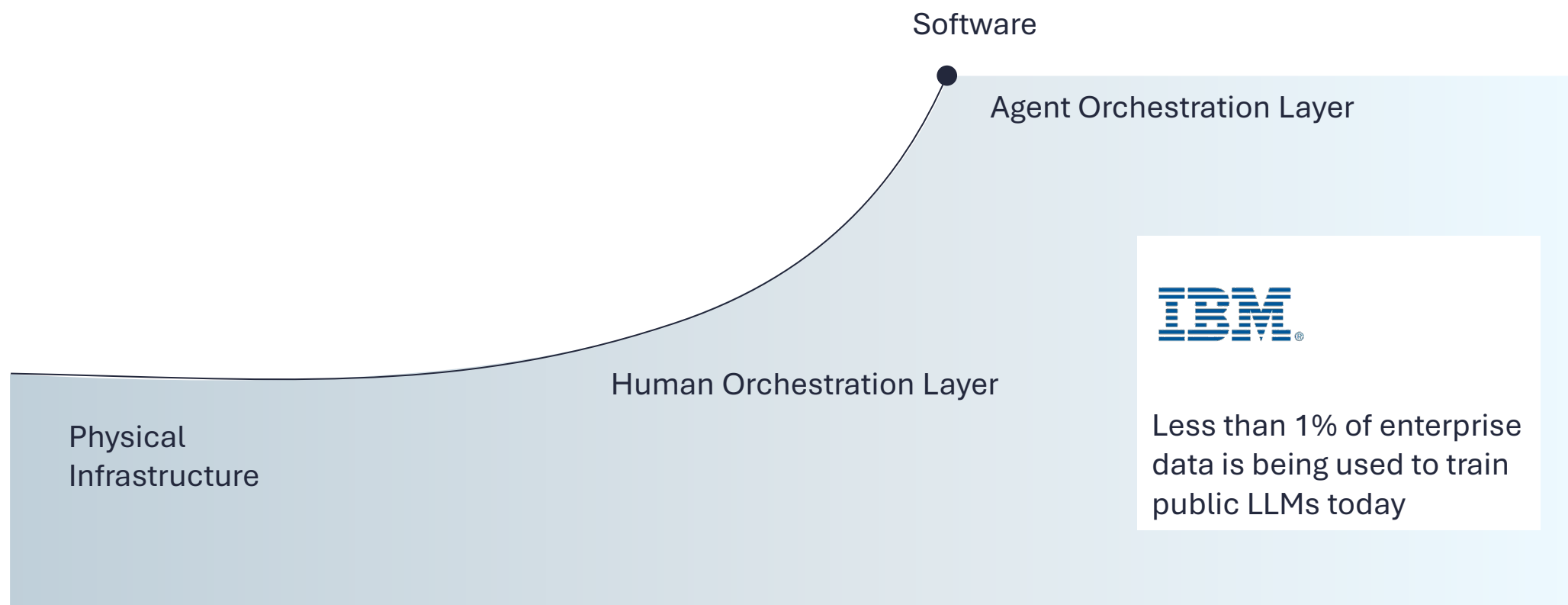
velocityEHS

Custom / Private Model Performance Continues to Ascend



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



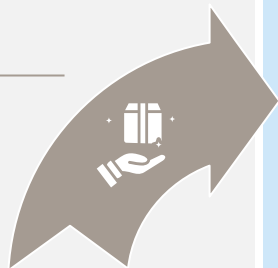
1 Proprietary Stored Data Assets: *The Network Effect of Data*

Driving Value of Proprietary Data

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

Improved Product

This data is fed back into the AI models, making the product smarter, more personalized, and more effective



Better Product

A product, enhanced by an initial data advantage, is launched



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

More (Proprietary) Data

Customers generate a wealth of unique interaction and behavioral data



More Customers

The superior product attracts a large, engaged customer base

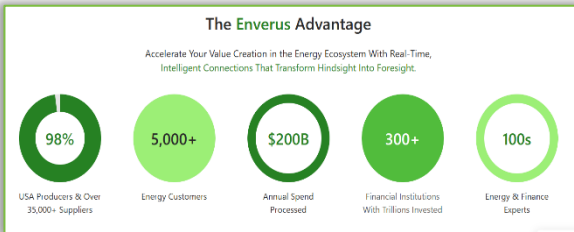
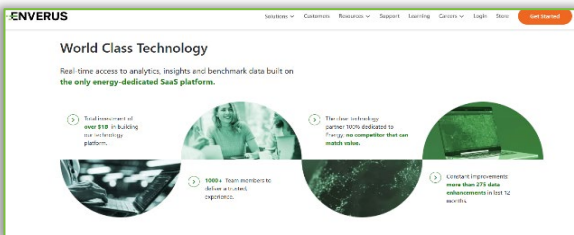


"...moats that emerge from **continuous learning loops, where customer data, user feedback, and network effects improve output performance over time**. Each interaction, correction, or decision feeds the inference layer, creating a compounding advantage..."

INSIGHT
PARTNERS

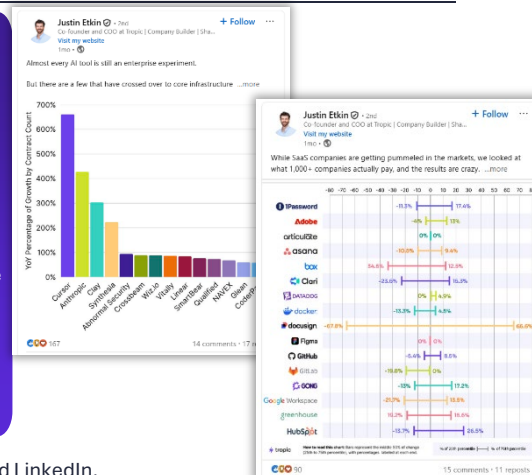
1 Proprietary Stored Data Assets: *Effective Messaging*



	Energy Data & Analytics	Financial Information & Ratings	Board & Freight Management
	 	“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” MARTINA CHEUNG, S&P GLOBAL INC. – CEO	“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.” TRUCKSTOP INSIGHTS “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.” TRUCKSTOP INSIGHTS
Core Data Asset	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	- 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	Proprietary centralized spot market data, encompassing 12 million economic data points of granular, transaction-level load and rate visibility
Value Creation Mechanism	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	Data is embedded as an industry standard ("currency") in contracts, regulations, and investment workflows, creating high switching costs and pricing power	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

 tropic

The Evolution: From Services to AI Engine



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.”

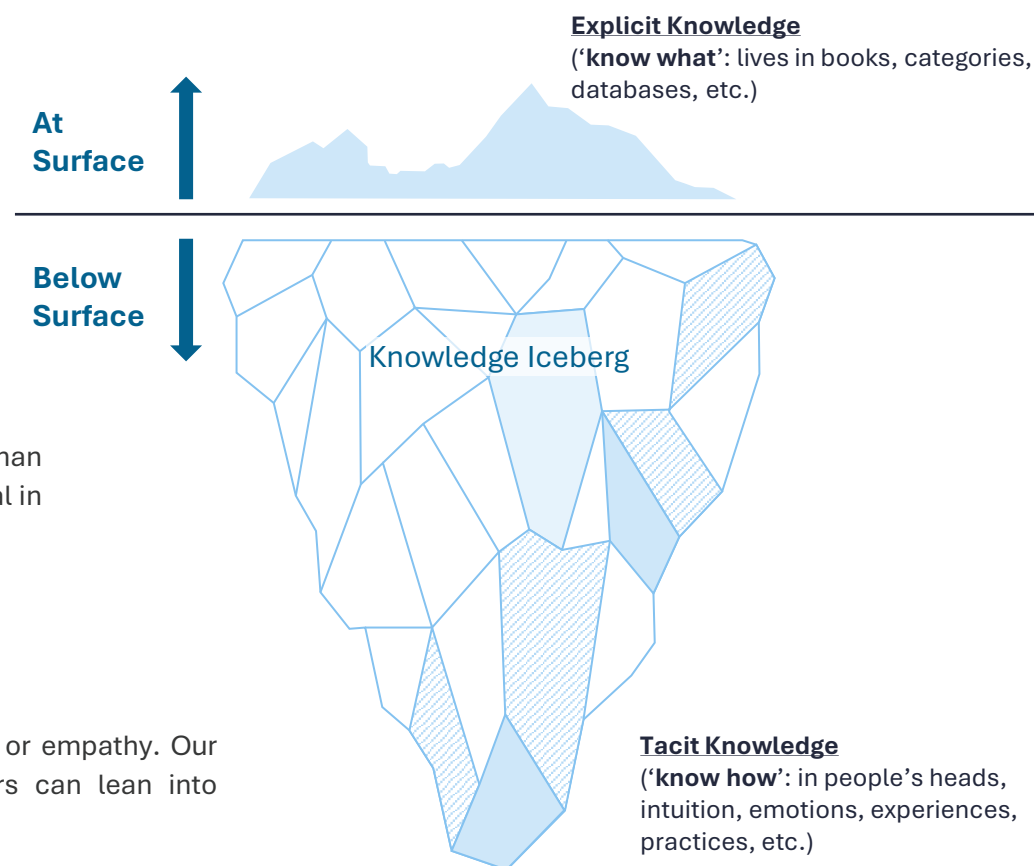
MAHATHIDULIPALA, *MEDIUM*

“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

1 Million+
Annotated Contracts

Raw legal knowledge is structured into machine-learnable formats via expert lawyer interpretations

30+ Years
of Deep Legal IP

A foundational dataset built on three decades of rules-based engines and advanced LLMs



Capturing the “Gut Feel”

Transitions unwritten precedents and legal drafting nuances from implicit thoughts to explicit data

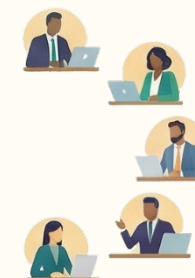


Lito Agent

Scaling the “Senior Partner Mind”

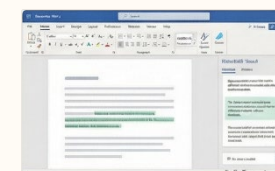
Democratized Firm Intelligence

Decades of expert intuition are embedded into the Lit agent for firm-wide use



Wisdom Inside Microsoft Word

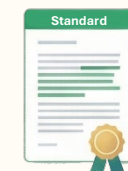
Lawyers draft using the accumulated history of the firm's expertise within their native workflow



Hybrid Clause Analysis



AI identifies risky vs. standard clauses based on firm-specific styles and past expert annotations



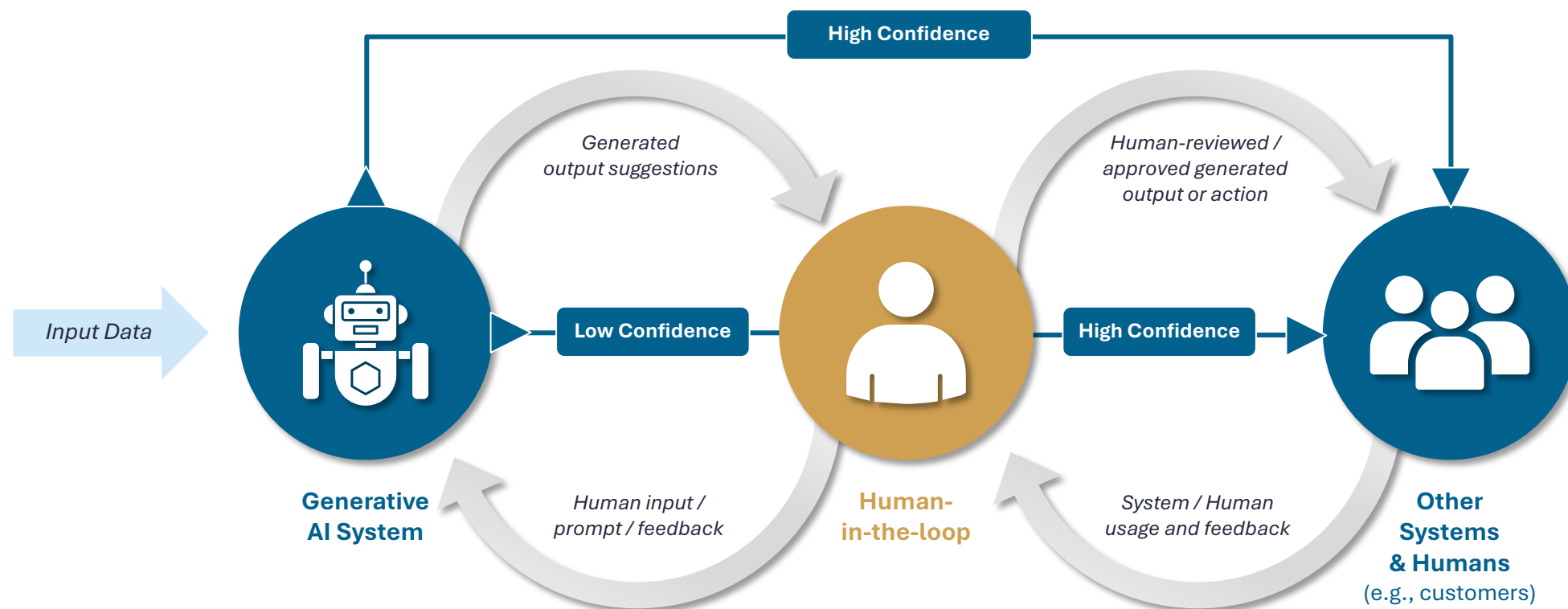
3 Human-in-the-Loop: *Human Impact on AI and Data Unlock*

“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. ”

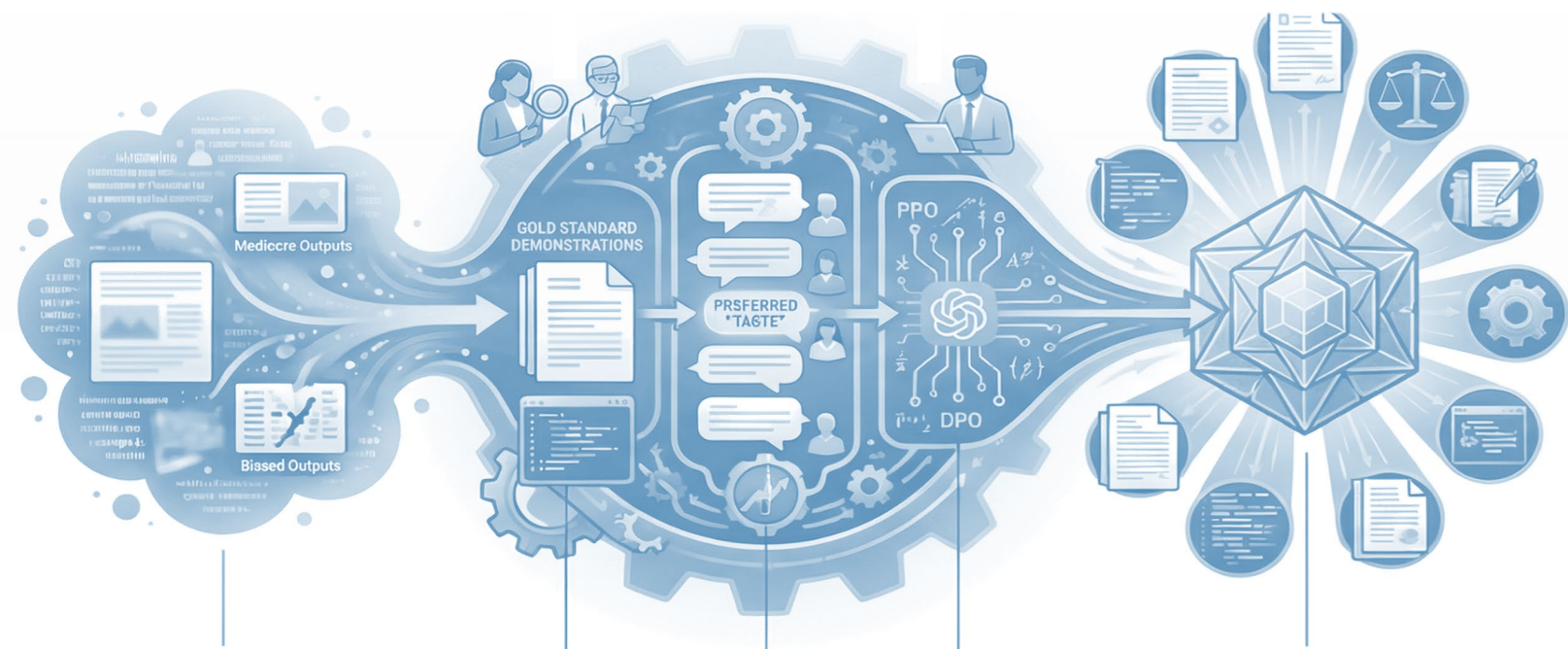
Jamin Ball



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:

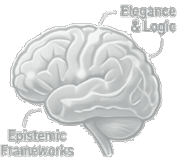
Algorithms like PPD or DPO adjust the model’s internal weights to prioritize outputs that experts prefer

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



Same-Day Resolution Rate

Sofia AI autonomously resolves up to ~88% of chats while maintaining an 83 NPS



The “No Auto-Denial” Safety Net

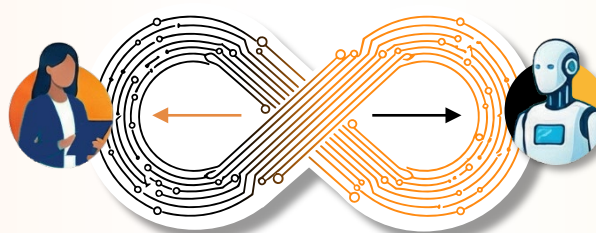
AI may flag documents, but humans must review every claim before a denial occurs



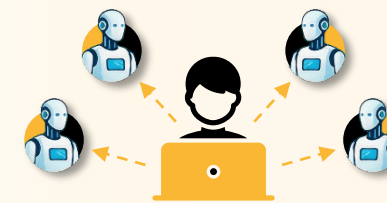
Emotional Escalation Guardrails

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

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



Auditable AI & Supervision



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...”

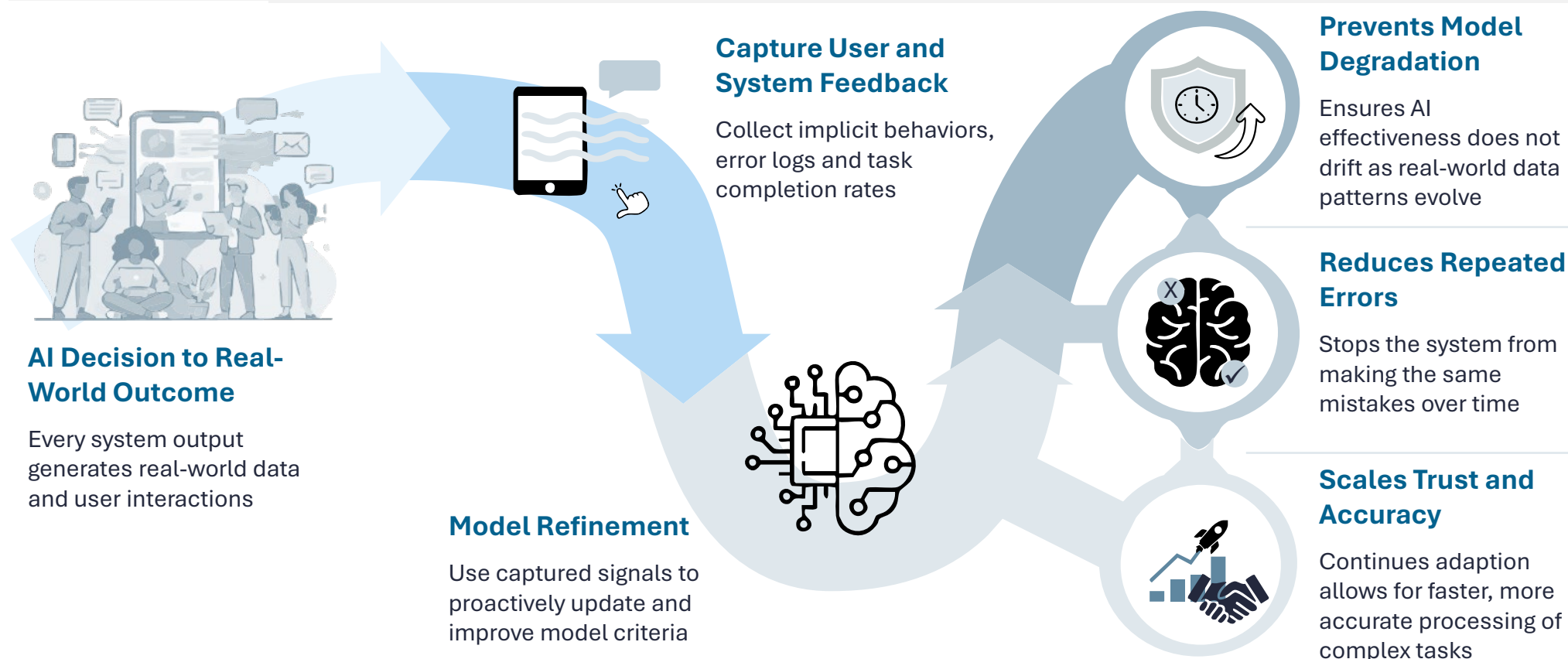


4 Outcome Data: *The Compounding Intelligence Engine*

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

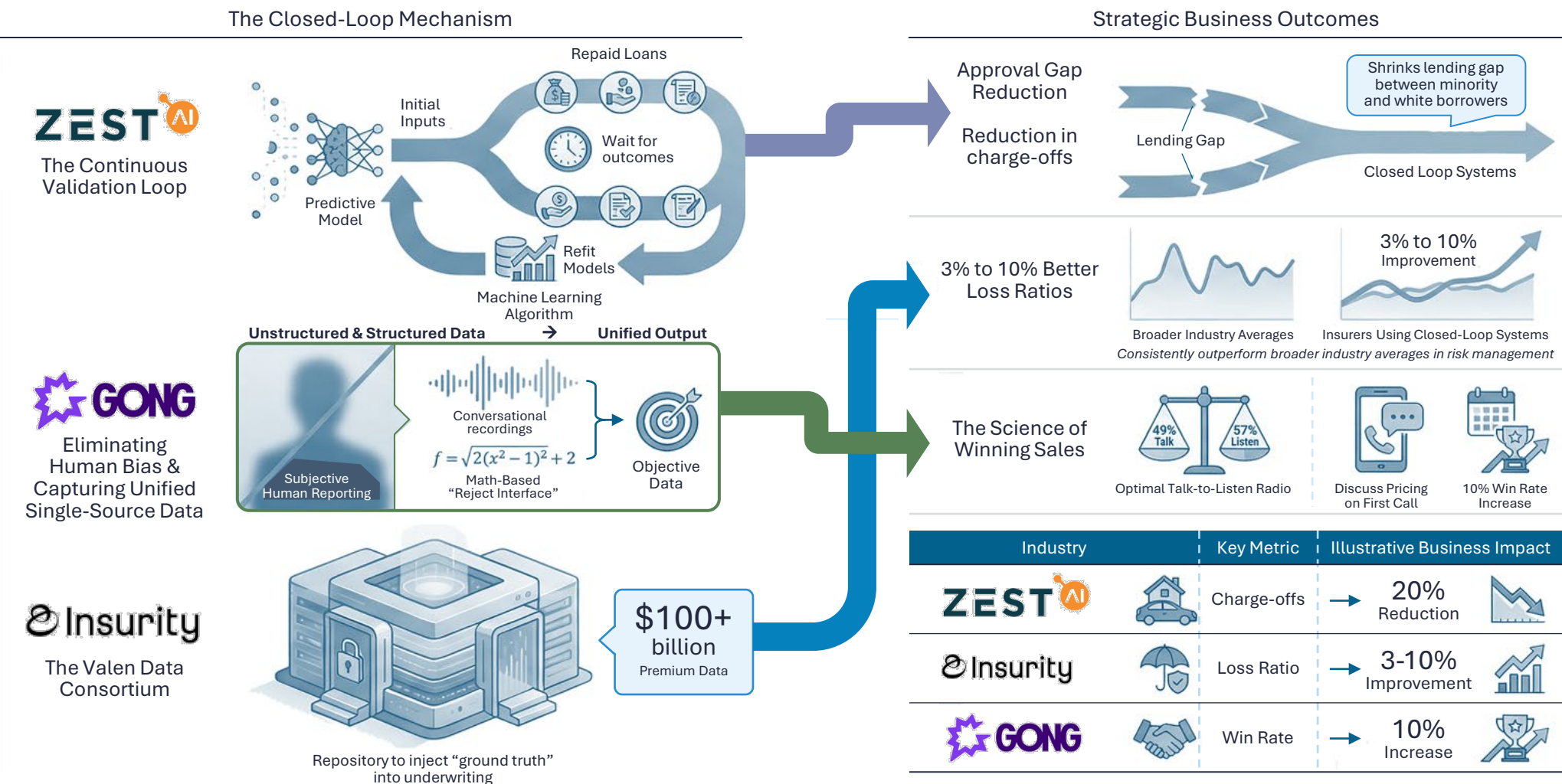
Architecting the Ultimate AI Flywheel

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



B

Embedded / Entrenched Position



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

“ 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. ”



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

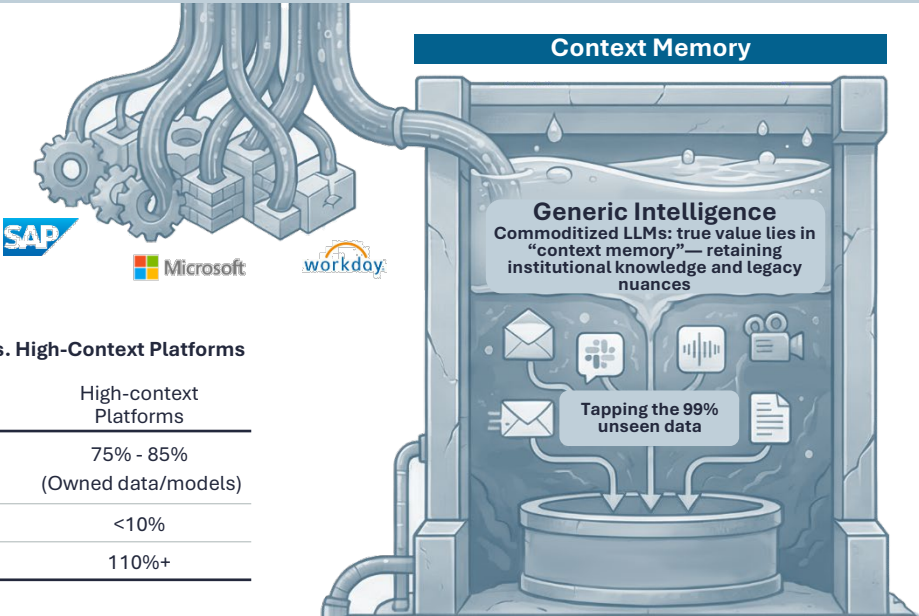
(Directional)	AI Wrappers (Point Solutions)	High-context Platforms
Gross Margins	25% - 50% (High API costs)	75% - 85% (Owned data/models)
90-Day Churn	65%	<10%
NRR	Low / Declining	110%+

Context Memory

Generic Intelligence

Commoditized LLMs: true value lies in "context memory"—retaining institutional knowledge and legacy nuances

Tapping the 99% unseen data



"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."

SEQUOIA 

"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

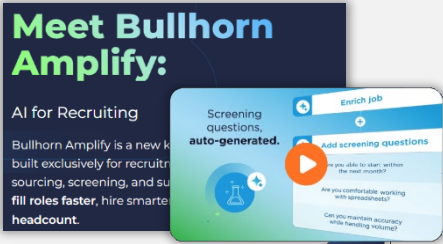
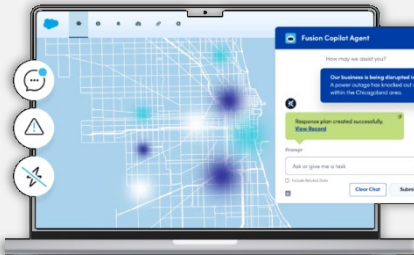
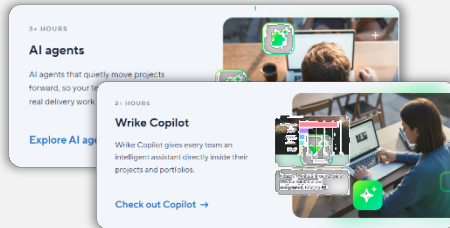
LAZARD

Source: Medium, “Most ‘AI Startups’ Are Just Expensive Wrappers (And Users Are Starting to Notice),” 9/2025, A16Z, Sequoia and various public sources.

48

5 Workflow Visibility & Complexity: *Effective Messaging*



Embedded Workflow	The Recruiter's Co-Pilot: 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	Automating the Resilience Workflow Embeds AI directly into the risk management workflow, automating the heavy lifting of compliance and continuity	The Work Graph: A centralized platform connecting tasks, people, and assets holding the complete workflow state and context directly where work happens
AI Acceleration / Strategy	Meet Bullhorn Amplify: AI for Recruiting Bullhorn Amplify is a new k built exclusively for recruit sourcing, screening, and su fill roles faster, hire smarte headcount.  - 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	 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	 - 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
Leadership Commentary	"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." ART PAPAS, CEO	"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" ERIC JACKSON, CPO	"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." THOMAS SCOTT, CEO

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



Software stocks rebound as Anthropic announces new partnerships

PUBLISHED TUE, FEB 24

CNBC

“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”

WEDBUSH

“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.**”

PR Newswire

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

Download as PDF

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

Hacker News

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

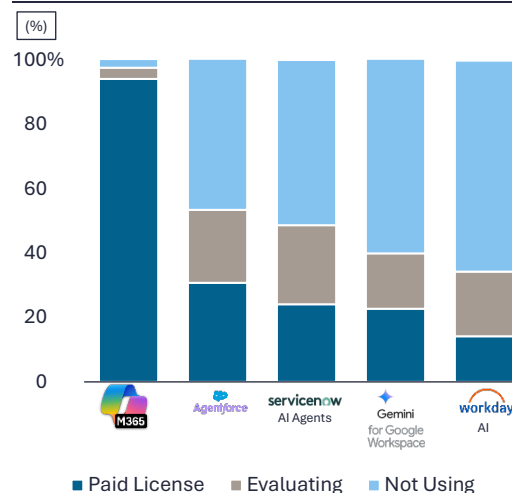
Most enterprises explicitly prefer using AI solutions from established providers due to existing trust, procurement simplicity, and integration



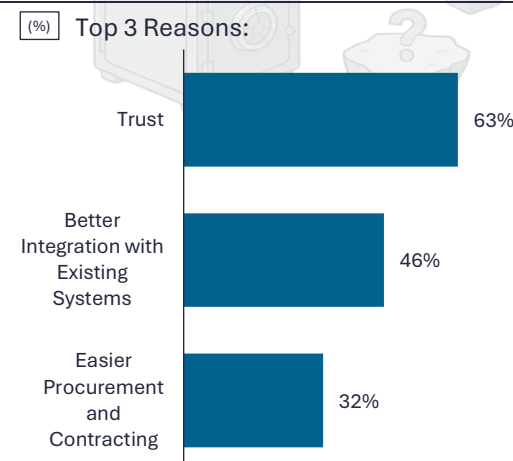
Shipping AI as a "Toggle"

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 contextualized, indispensable feature rather than a standalone tool

The Distribution Moat: Why Ecosystems Win the AI Race

UKG



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



Monthly Visits

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



Scale-Driven AI Relevance

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

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”

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

1,500+
Users

400+
Organizations

60+
Countries



"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 **serving 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



2X

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

7.9%	16.4%
Relativity aiR	Manual



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



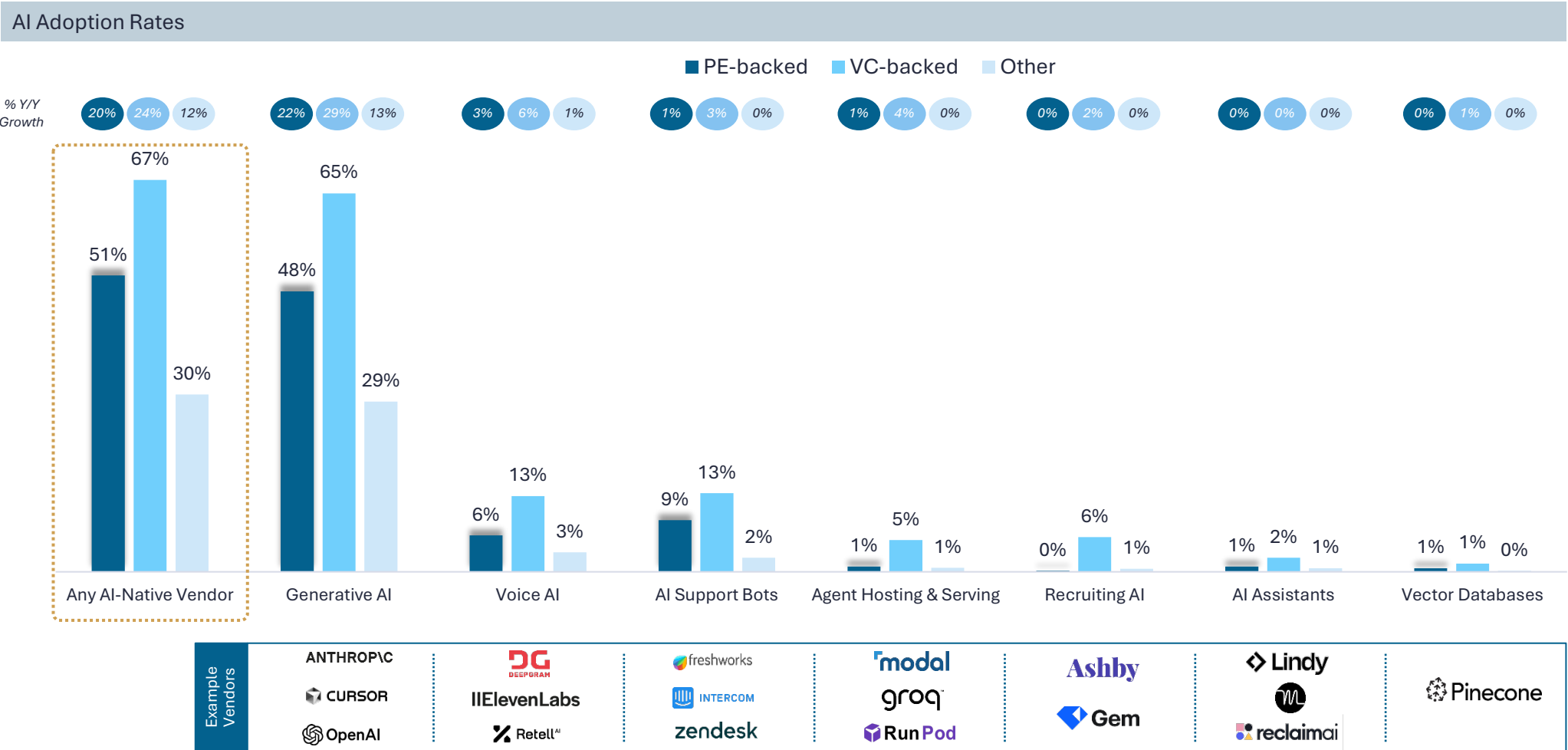
7 Month

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%)

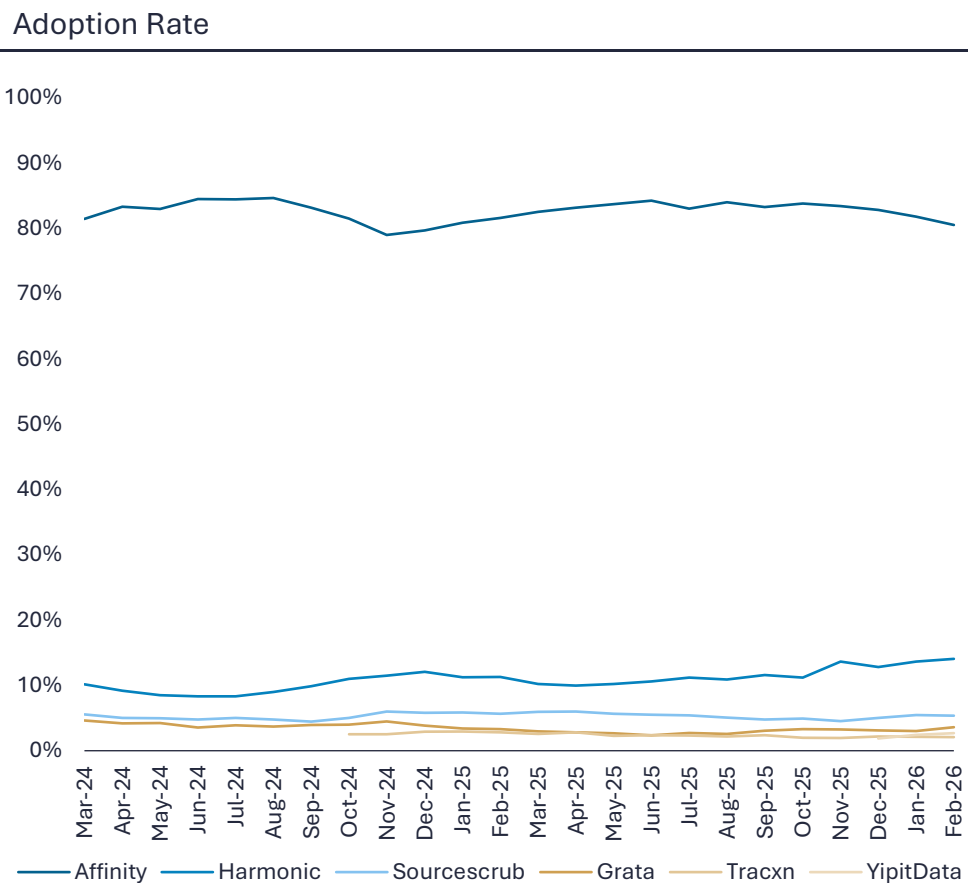
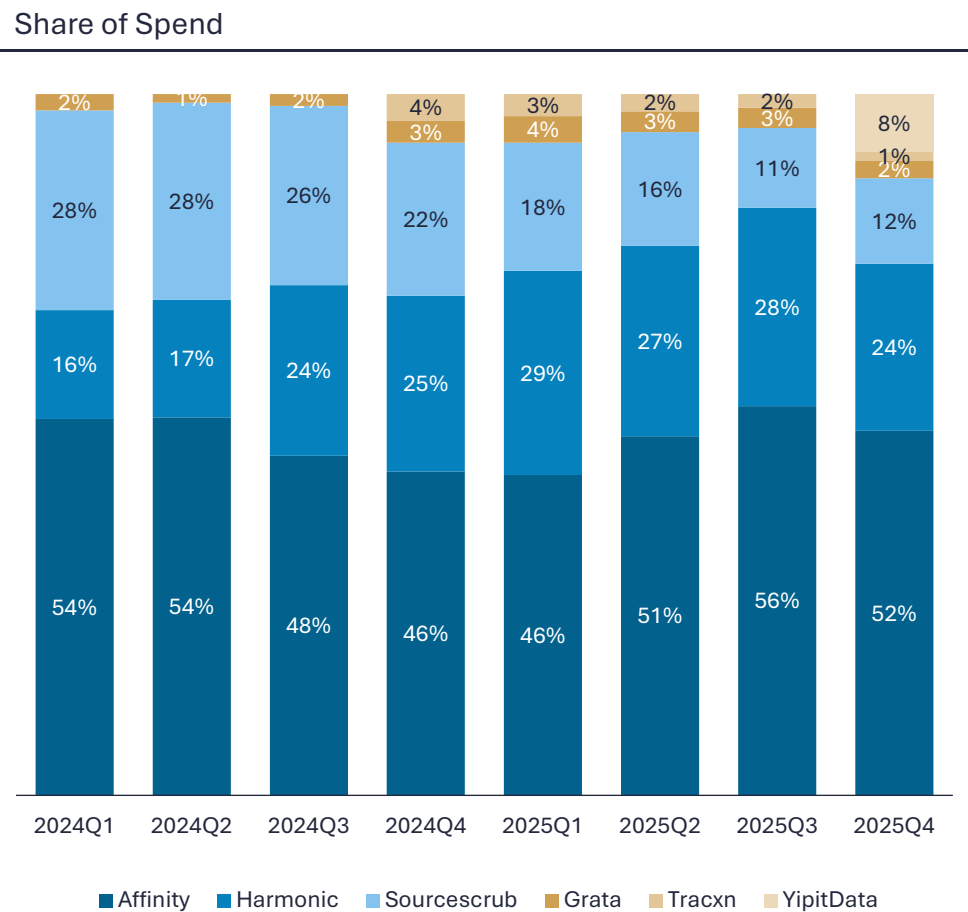


AI Adoption Rates: Deal Sourcing Software



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)



Appendix

The Lazard Tech Team

Technology Leadership

Global Head of Technology



Mark Dolins
Managing Director
mark.dolins@lazard.com
+1 (617) 342-8020

Head of Large Cap Coverage, Technology



Jason Tavano
Managing Director
jason.tavano@lazard.com
+1 (415) 623-5055

Head of Strategy, Technology



John Gnuse
Managing Director
john.gnuse@lazard.com
+1 (415) 623-5016

Horizontal Software Coverage

Front Office Applications



Adrian Duchini¹
Managing Director
adrian.duchini@lazard.com
+1 (212) 632-8220



Eric Peters
Director
eric.peters@lazard.com
+1 (617) 342-8024

Infrastructure



Joseph Ayers
Managing Director
joseph.ayers@lazard.com
+1 (415) 623-5003



Alexander Verdonck
Director
alexander.verdonck@lazard.com
+1 (415) 623-5056

HCM



Chris Morse
Director
chris.morse@lazard.com
+1 (617) 342-8034

OCFO



Stephen Kliefoth
Director
stephen.kliefoth@lazard.com
+1 (415) 623-5022

Supply Chain / ERP



Edward Parslow
Managing Director
edward.parslow@lazard.com
+1 (415) 623-5081

Vertical Software Coverage

EdTech



Ed King
Senior Advisor
ed.king@lazard.com
+1 (312) 928-7079



Konstantine Bourlas
Managing Director
konstantine.bourlas@lazard.com
+1 (312) 928-7153

FinTech



Matthew Danzig¹
Managing Director
matthew.danzig@lazard.com
+1 (415) 623-5028

Industrial Software



Bennett Monson
Managing Director
bennett.monson@lazard.com
+1 (704) 719-5853



Craig Berich
Managing Director
craig.berich@lazard.com
+1 (704) 719-5842

Broader Technology Coverage

IT/Tech-Enabled Services



John Lonnquist
Managing Director
john.lonnquist@lazard.com
+1 (612) 371-6560



Jeff Baker
Managing Director
jeff.baker@lazard.com
+1 (646) 949-4119



Mark Noel
Managing Director
mark.noel@lazard.com
+1 (612) 371-6542



Michael Short
Director
michael.short@lazard.com
+1 (612) 371-6588

Internet & Digital Platforms



Antal Runneboom
Managing Director
antal.runneboom@lazard.com
+1 (415) 281-4505

Semis/Systems



Bryce Dakin
Managing Director
bryce.dakin@lazard.com
+1 (415) 623-5020

Data & Analytics



Simon Auerbach
Managing Director
simon.auerbach@lazard.com
+1 (646) 345-4918

The Lazard Product Teams

Financial Sponsors Group

 Adam Cady Global Co-Head of Financial Sponsors Adam.Cady@lazard.com +1 (347) 403-4771	 Klaus Hessberger Global Co-Head of Financial Sponsors Klaus.H.Hessberger@lazard.com +44 7748 333962	 Bill Hart Managing Director Bill.Hart@lazard.com +1 (415) 885-9913	 Courtney Haydon Managing Director Courtney.Haydon@lazard.com +1 (917) 517-9945	 Dan Gajewski Managing Director Daniel.Gajewski@lazard.com +1 (646) 357-0066
 Derek Abdelmaseh Director Derek.Abelmaseh@lazard.com +1 (617) 997-5211	 Taylor Auman Director Taylor.Auman@lazard.com +1 (484) 941-3666	 Austin Bogestad Director Austin.Bogestad@lazard.com +1 (612) 840-3125	 Teddy Henderson Vice President Teddy.Henderson@Lazard.com +1 (516) 721-4454	 Ali Syed Head of Sovereign Wealth & Pension Fund Coverage Ali.Syed@lazard.com +1 (917) 696-7070

Capital Solutions Group

 Tim Donahue¹ Global Head of Strategic Capital Solutions Tim.Donahue@lazard.com +1 (914) 860-5572	 Conor Hartnett Managing Director Conor.Hartnett@lazard.com +1 (914) 584-1449	 Jamie Elder Managing Director Jamie.Elder@lazard.com +1 (917) 856-0403	 David Lynch Managing Director David.Lynch@lazard.com +1 (914) 343-4386
---	--	--	--

Private Capital Advisory

 Holcombe Green Global Head of Private Capital Advisory Holcombe.Green@lazard.com +1 (646) 441-0420	 Kevan Comstock Co-Head of Private Capital Advisory, North America Kevan.Comstock@lazard.com +1 (847) 334-2141	 Spencer Gyory Managing Director Spencer.Gyory@lazard.com +1 (518) 859-1478	 Will Osborn Managing Director William.Osborn@lazard.com +1 (973) 714-8548
--	---	--	---

Restructuring

 Tyler Cowan Global Head of Restructuring & Liability Management Tyler.Cowan@lazard.com +1 (312) 560-6936	 Kevin Glodowski Managing Director Kevin.Glodowski@lazard.com +1 (203) 904-7893	 Scott Myerson Managing Director Scott.Meyerson@lazard.com +1 (929) 316-9699	 Christian Tempke Managing Director Christian.Tempke@lazard.com +1 (917) 605-0131
--	--	---	--

Disclaimer

These materials have been prepared by Lazard for general informational purposes only on a non-reliance basis and they are not intended to be, and should not be construed as, financial, legal or other advice. This document is confidential and may not be disclosed to any third parties. In preparing these materials, Lazard has assumed and relied upon the accuracy and completeness of any publicly available information and of any other information made available to Lazard by any third parties, and Lazard has not assumed any responsibility for any independent verification of any of such information. These materials are based upon economic, monetary, market and other conditions as in effect on, and the information available to Lazard as of, the date hereof, unless indicated otherwise. Subsequent developments may affect the information set out in this document and Lazard assumes no responsibility for updating or revising these materials.

These materials may include certain statements regarding future conditions and events. These statements and the conditions and events they describe are inherently subject to uncertainty, and there can be no assurance that any of the future conditions or events described in these materials will be realized. In fact, actual future conditions and events may differ materially from what is described in these materials. Lazard assumes no responsibility for the realization (or lack of realization) of any future conditions or events described in these materials.

No liability whatsoever is accepted and no representation, warranty or undertaking, express or implied, is or will be made by Lazard or any of its affiliates for any information contained herein or for any errors, omissions or misstatements herein. Neither Lazard nor any of its affiliates makes or has authorized to be made any representations or warranties (express or implied) in relation to the matters contained herein or as to the truth, accuracy or completeness of this document.

Nothing herein shall constitute a commitment or undertaking on the part of Lazard to provide any service. Lazard shall have no duties or obligations to you in respect of these materials or other advice provided to you, except to the extent specifically set forth in an engagement or other written agreement, if any, that is entered into by Lazard and you.

By accepting this document each recipient agrees to be expressly bound by the foregoing limitations.