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GUIDE

AI Impact Due Diligence

A Guide for Investment and Deal Teams

How artificial intelligence can change business-model durability, competitive advantage, value-creation potential and the investment thesis.

For private equity, M&A, corporate development and transaction teams.

Developed by Plausity

AI-powered due diligence for leading investment and deal teams.

AI has become a transaction issue

Artificial intelligence is no longer relevant only when acquiring a software company or an AI-native business.

It can affect how customers solve problems, what they are willing to pay for, how quickly competitors can replicate an offering and how much investment a company will require to remain relevant.

For deal teams, this creates a forward-looking underwriting challenge.

Historical performance may show that a target has grown consistently, retained customers and expanded margins. It may not reveal whether an important part of its proposition is becoming easier to automate, whether its differentiation can be reproduced more cheaply or whether future earnings depend on AI capabilities the company does not yet possess.

At the same time, AI should not automatically be treated as either a threat or an opportunity.

High exposure does not necessarily mean that the target will be disrupted. Strong customer relationships, workflow integration, proprietary rights, trusted domain expertise and regulatory barriers may continue to protect the business.

Similarly, adopting AI does not automatically create investment value. A pilot, product announcement or management roadmap is not evidence of customer demand, commercial impact or execution readiness.

Three facts illustrate the gap

~80% [1]

of US workers could have at least 10% of their tasks affected by large language models. This reflects potential exposure—not realised job displacement.

88% [2]

of organisations report regular AI use in at least one business function.

39% [3]

report any enterprise-level EBIT impact from AI, with most estimating that the impact remains below 5%.

The implication is clear: ***AI exposure is widespread, adoption is increasingly common, but proven economic value remains uneven.***

The purpose of AI Impact Due Diligence

AI Impact Due Diligence should help a deal team determine:

- whether AI could weaken the target's existing business
- whether AI could create credible value
- whether the target can respond effectively
- what additional investment may be required
- whether the original investment thesis remains resilient

Every deal should receive an initial AI-impact screen. Not every deal requires a full AI-impact workstream.

1 Research estimate of potential task exposure among US workers. 2, 3 Survey-based figures on organisational AI adoption and reported enterprise EBIT impact.

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Historical performance may not show where the business is heading

Traditional due diligence is highly effective at explaining how a company has performed, why its customers buy and what has historically supported its competitive position.

AI introduces a different question:

Could the economic basis of that performance change during the investment period?

Several forms of change may not yet be visible in historical financials.

Product differentiation can weaken before revenue declines

A target may continue to grow while competitors begin offering comparable functionality through AI-enabled products.

The financial impact may emerge only when customers renew, pricing is challenged or an incumbent platform incorporates the capability into a broader offering.

Customer expectations can shift faster than company roadmaps

Once customers experience faster, more personalised or lower-cost AI-enabled workflows elsewhere, they may expect similar capabilities from the target.

A business can therefore face rising development requirements even when its current offering remains commercially successful.

New competitors may develop more quickly

AI can reduce the cost and time required to build certain products, automate services or enter knowledge-intensive markets.

This does not remove every barrier to entry. Distribution, customer trust, regulation, data access and workflow integration may remain highly defensible.

It does change which barriers matter.

Current margins may not reflect future investment

Management may describe AI as a source of productivity or growth while underestimating the costs required to implement it. These may include:

- technology modernisation
- product development
- data preparation
- specialist hiring
- external vendors
- model and infrastructure usage
- governance and compliance
- organisational change

Management narratives can move ahead of evidence

AI has become a standard part of corporate strategy discussions. This creates a risk that ambition, experimentation and genuine commercial progress are treated as equivalent.

They are not. AI Impact Due Diligence provides a structured way to distinguish between them.

A forward-looking assessment of how AI may change the investment case

AI Impact Due Diligence assesses whether artificial intelligence could weaken or strengthen a target's business during the investment period, whether management is capable of responding and whether the resulting risks and opportunities are reflected in the deal thesis.

It complements—not replaces—commercial, technology, operational, financial and legal diligence.

It is designed to assess four areas

1 Business-model impact

Could AI change:

- what customers need
- what they are willing to pay for
- how the target differentiates itself
- who controls the customer relationship
- where value sits within the industry?

2 Value-creation potential

Could AI:

- improve the product
- create new offerings
- expand capacity
- improve customer outcomes
- reduce costs
- strengthen competitive positioning?

3 Execution readiness

Does the company have the:

- technology
- data rights
- product capabilities
- leadership
- talent
- investment capacity
- governance

required to implement its plans?

4 Investment implications

Does the assessment affect:

- the original investment thesis
- revenue durability
- margin expectations
- growth assumptions
- investment requirements
- the value-creation plan
- the target's positioning at exit?

What AI Impact Due Diligence is not

It is not:

- a general review of AI trends
- a list of possible use cases
- a standalone technical architecture audit
- a cybersecurity assessment
- a prediction of which jobs will disappear
- an assumption that every target will be disrupted
- a substitute for specialist legal, commercial or technical advice

The objective is not to determine whether AI is "good" or "bad" for the company. **The objective is to determine whether it changes the assumptions on which the deal is being underwritten.**

Every target deserves a screen—but the depth should follow the risk

A short initial review should determine whether AI is likely to have a material effect on the target. For many businesses, the conclusion may be that AI improves certain internal processes but does not materially change the investment thesis. For others, AI may influence the durability of the core offering, future pricing, required investment or competitive position.

Indicators that typically warrant closer attention

The target performs language- or information-intensive work

Businesses that depend heavily on producing, reviewing, summarising, processing or interpreting information may face more immediate changes in delivery models and customer expectations.

This may apply to parts of:

- professional services
- business-process outsourcing
- software
- research and information services
- customer support
- marketing and content
- education
- legal services
- financial services
- healthcare administration

Exposure does not mean that the full service will disappear. It may change the amount, type and value of human input required.

A material part of the proposition is feature-based

Where customers pay for a defined software feature or narrow functionality, AI may make that capability easier to replicate or incorporate into a larger platform.

Labour is a major component of the cost base

AI may improve productivity, but it may also affect pricing and customer expectations. A company may not retain the full benefit if customers expect lower prices or competitors pass savings through more aggressively.

The investment thesis includes significant AI upside

Where the acquisition case assumes AI-related growth, margin improvement or multiple expansion, that assumption should receive the same scrutiny as any other material value driver.

The target owns valuable information or workflow access

This may create an advantage, but the economic value depends on:

- whether the data is differentiated
- whether the company has the right to use it
- whether it is sufficiently reliable and current
- whether it improves with continued use
- whether the target can convert it into customer value

Competitors are changing their products rapidly

Fast-moving competitor activity may indicate that customer expectations, category economics or required capabilities are changing before the impact appears in the target's financials.

When a lighter review may be sufficient

A lighter assessment may be appropriate where:

- AI does not materially change the customer need
- the offering depends heavily on physical assets or local execution
- customer relationships are highly relationship-led
- regulation or certification meaningfully slows substitution
- AI use is operational rather than strategically significant
- the investment case does not rely on AI-related upside

This should be a conclusion reached through screening—not an assumption based on sector labels.

Begin with the reason customers pay the target

AI becomes an investment risk when it changes the economic value the target provides. The analysis should therefore begin with the customer need and the target's role in delivering it.

Six forms of disruption deserve attention

1 Automation of the underlying customer need

AI may reduce the amount of work a customer needs to purchase. For example, a customer may still require expert review but no longer need the same volume of manual drafting, processing or analysis. This can affect service volumes even where the target retains the customer relationship.

2 Commoditisation of an existing capability

A feature or capability that previously supported differentiation may become widely available through general-purpose tools, established platforms or lower-cost competitors. The target may continue to offer the feature but lose the ability to charge separately for it.

3 Faster competitive replication

AI can shorten the time required to develop certain product capabilities. This may narrow the target's functional lead and shift differentiation toward:

- distribution
- workflow position
- customer relationships
- proprietary rights
- regulatory credibility
- quality of execution

4 Lower barriers to entry

AI can reduce the technical or capital requirements for entering parts of a market. This is particularly relevant where the target's historical advantage was based primarily on producing or processing information.

5 Migration of value within the industry

AI may shift bargaining power toward:

- model providers
- infrastructure providers
- large software platforms
- data owners
- distributors
- companies controlling the customer interface

The target can continue growing while capturing a smaller share of the underlying economics.

6 Changing customer expectations

Customers may begin expecting faster delivery, greater personalisation, lower prices or AI-enabled functionality as standard. A business that does not respond may face deterioration in retention or competitive positioning even if its core product remains functional.

What may protect the target

Potential sources of resilience include:

- deep workflow integration
- high switching costs
- control of a system of record
- proprietary or contractually protected information
- strong customer distribution
- trusted domain expertise
- regulatory approvals
- human judgement in high-consequence decisions
- physical or operational capabilities
- the ability to combine technology with differentiated service

These protections should be demonstrated rather than described in general terms.

The core conclusion should be: ***which part of the business is exposed, how quickly could the exposure develop and what specifically protects the target?***

Separate operational efficiency from strategic advantage

AI can create value in different ways. The type of opportunity affects how it should be assessed.

Operational value

AI may improve how the company performs existing activities. Potential benefits include:

- faster processing
- increased employee capacity
- improved customer-service response
- lower administrative effort
- reduced error rates
- more effective sales prioritisation
- faster product development
- more consistent decision support

Operational benefits may strengthen margins and scalability. However, they may not create lasting competitive advantage if similar tools are available to the entire market. They may also require meaningful investment before savings are realised.

Product and strategic value

AI may change what the target offers customers. Potential benefits include:

- new product functionality
- premium modules
- higher-value services
- personalised customer experiences
- stronger retention
- expanded customer segments
- new revenue streams
- improved use of the target's information or distribution

Strategic opportunities may have greater long-term value because they affect the customer proposition rather than only internal efficiency. They are also more difficult to deliver and should receive greater scrutiny.

Credible AI upside should have six characteristics

It addresses a defined problem

The opportunity should solve a clear customer or operating need.

It is commercially relevant

The benefit should connect to revenue, retention, pricing, cost, capacity or risk.

It is supported by evidence

Evidence may include product delivery, customer use, willingness to pay, measurable operating improvement or a validated implementation plan.

It fits the target's position

The company should have a credible reason to win based on customer access, data rights, domain expertise, distribution or workflow ownership.

It is executable

The required technology, people, investment and organisational changes should be achievable within the investment period.

It is economically attractive

The value should remain meaningful after implementation, vendor, infrastructure, governance and ongoing operating costs.

What should remain outside the base investment case

- theoretical use cases
- early pilots without normal operating adoption
- unpriced product concepts
- productivity assumptions without an implementation plan
- revenue forecasts without defined customers
- opportunities dependent on uncertain data rights
- capabilities that competitors can immediately replicate
- benefits that require significant unbudgeted investment

AI upside may still be strategically important. But until it is sufficiently evidenced, it should be treated as potential—not as realised value.

Opportunity only matters when the company can deliver it

A target may face attractive AI opportunities and still be poorly positioned to capture them. Execution readiness determines whether strategic potential can become investment value.

Technology environment

The relevant question is not whether the company uses modern terminology. It is whether the technology environment can support the intended use. Important considerations may include:

- integration with existing systems
- technical debt
- cloud and on-premise dependencies
- reliability and performance requirements
- cybersecurity
- vendor dependence
- model flexibility
- the ability to scale beyond a pilot

Data and rights

Data can be a significant advantage only where the company has appropriate:

- access
- quality
- relevance
- continued availability
- contractual rights
- customer permissions
- governance

A large historical dataset may have limited value if it is poorly structured, outdated, legally restricted or disconnected from customer outcomes.

Product and technical capability

The company may require a combination of:

- product leadership
- software engineering
- data engineering
- AI expertise
- domain specialists
- user-experience design
- implementation capability

The requirement is not necessarily to build proprietary models. For many companies, the strategic capability lies in integrating available technology into a differentiated product or workflow.

Management ownership

AI initiatives are more credible when:

- responsibility is clearly assigned
- priorities are linked to the business strategy
- budgets and timelines exist
- the operating model supports implementation
- management understands the trade-offs
- progress is reviewed through normal governance

An initiative that exists only within an innovation team or technology department may struggle to change commercial outcomes.

Economics and investment

The full investment requirement may include:

- product development
- systems integration
- data preparation
- specialist recruitment
- external software and model costs
- infrastructure usage
- testing and monitoring
- employee training
- customer migration
- governance
- continued human review

These costs may not appear in historical financials.

Governance and regulatory readiness

The required level of governance depends on the use case. Higher-consequence applications may require stronger controls around:

- data protection
- transparency
- documentation
- human oversight
- bias
- model performance
- third-party risk
- regulatory compliance

The transaction team does not need to resolve every specialist issue itself. **It does need to understand whether the exposure is recognised, appropriately owned and adequately resourced.**

Where deal teams should remain sceptical

AI narratives often become more ambitious than the underlying evidence. The following patterns should prompt closer examination.

1 AI is treated as a general market tailwind

A growing AI market does not automatically benefit the target. The relevant issue is whether the company is positioned to capture value—and whether AI simultaneously weakens another part of the business.

2 The strategy is a collection of use cases

A long list of ideas is not a prioritised business plan. A credible strategy should identify where the company has a specific advantage, what it will deliver and why that opportunity deserves capital.

3 Product announcements are treated as proof of value

Launching a feature does not establish:

- customer adoption
- willingness to pay
- retention impact
- competitive differentiation
- attractive unit economics

4 Productivity assumptions ignore implementation

AI can improve capacity, but benefits rarely appear without changes to processes, systems, roles and incentives. Savings should not be assumed before the required operating changes are understood.

5 Data is described as a moat without evidence

Data may be valuable, but only where the target has the right to use it and where it creates an outcome competitors cannot easily reproduce. Volume alone does not establish defensibility.

6 AI-related revenue appears in the forecast before commercial proof

Forecasts may include new products, premium pricing or customer adoption before these have been validated. This moves a strategic possibility into the financial base case prematurely.

7 The cost of AI is understated

Management may highlight revenue and productivity benefits while excluding:

- model usage
- vendors
- infrastructure
- data work
- product development
- governance
- implementation
- organisational change

8 Third-party dependency is overlooked

A product may depend heavily on an external provider for performance, pricing or access. This can introduce concentration risk, margin exposure and reduced control over the customer proposition.

9 The company confuses experimentation with readiness

Pilots and tool adoption show interest. They do not necessarily demonstrate the ability to scale, govern and monetise AI across the business.

10 The narrative is disconnected from the investment thesis

The most important warning sign is when AI is prominent in management's story but absent from the financial model, investment requirements and key risks.

The output should be an investment view—not an AI score.

The purpose of AI Impact Due Diligence is not to label a company as "AI-ready" or "AI-exposed." It is to determine whether the investment case remains credible under plausible AI-driven change. A robust assessment should allow the deal team to establish the following.

Where the business is most exposed

The conclusion should identify the product, service, customer need, revenue stream or cost base most likely to be affected. General statements about the industry are insufficient.

What protects the target

The assessment should determine whether the target has durable advantages through:

- customer relationships
- workflow integration
- contractual position
- regulatory credibility
- data rights
- domain expertise
- distribution
- product quality
- operational capabilities

Where credible value may be created

The analysis should separate:

- operational improvements
- product enhancements
- new revenue opportunities
- broader strategic positioning

The strongest opportunities are typically those that build on capabilities or customer access the target already possesses.

What investment is required

The conclusion should reflect the full resource requirement, including:

- technology
- data
- talent
- integration
- governance
- implementation
- organisational change

What remains uncertain

A useful diligence conclusion makes uncertainty visible. It should distinguish between:

- what is currently demonstrated
- what management expects
- what remains to be validated
- what could materially change the view

Whether the investment thesis remains resilient

The assessment should ultimately clarify whether AI:

- leaves the original thesis largely unchanged
- creates additional value-creation potential
- requires further investment
- increases execution risk
- weakens a material assumption
- changes the attractiveness of the opportunity

The purpose is not to predict the future of artificial intelligence. It is to determine whether the target can remain competitive and create value as that future develops.

AI impact is inherently cross-functional

AI-related risks and opportunities rarely sit within a single diligence workstream. They may appear across:

Commercial diligence

- changing customer needs
- willingness to pay
- category growth
- competitive positioning
- product differentiation
- customer retention

Technology diligence

- system architecture
- technical debt
- integration capability
- external dependencies
- scalability
- security

Operational diligence

- workflow redesign
- productivity
- delivery capacity
- organisational change
- implementation requirements

Financial diligence

- revenue quality
- margin assumptions
- capital requirements
- implementation expenditure
- cost classification
- forecast credibility

Legal and regulatory diligence

- data rights
- intellectual property
- customer permissions
- provider contracts
- regulatory classification
- liability

Value-creation planning

- prioritisation of AI initiatives
- product roadmap
- capability building
- recruitment
- partnerships
- post-close governance

The investment conclusion depends on connecting these perspectives. A commercial opportunity may be technically difficult to deliver. A valuable dataset may not be available for the intended use. A productivity initiative may require investment that materially reduces the near-term benefit.

This is why AI Impact Due Diligence cannot be reduced to a single technology review or a list of AI use cases.

PLAUSITY

From fragmented information to an investment view

Plausity is an AI-powered due diligence platform built for leading investment and deal teams.

Plausity helps professionals analyse company information across multiple due diligence workstreams and convert complex findings into investment-ready insights.

AI Impact Due Diligence is one of the areas in which Plausity supports deal teams in understanding how emerging technologies may affect:

- a target's business model
- competitive position
- operational requirements
- value-creation potential
- investment case

Plausity is designed to support professional judgement—not replace it.

Its role is to help teams work through large volumes of company information more efficiently, connect findings across workstreams and focus their attention on the risks and opportunities most relevant to the transaction.

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