

# The Impact of Technology & AI on the Future of Valuations

CBV Webinar – 12 Feb 2025



# Introduction

73  
STRINGS

## About us:



### Backed by Tier 1 Institutions



### Investment in our Platform

**\$9 Tn**

USD in AUM managed by signed clients showcases unprecedented growth

**99%**

Data collection accuracy

**200+**

Full-time engineers

**SOC 1 & SOC 2**

Secure and pre-Audited technology

**100k+**

Valuations overseen

**300+**

Years of combined private capital expertise



### Recognized by the industry



Abhishek Pandey is the Deputy CEO & Co-founder of **73 Strings**, launched in 2019 to revolutionize financial analysis through AI and alternative data. Under his leadership, the company has secured Series A funding from global investors like **Blackstone** and **Fidelity**, driving rapid growth and innovation in the private capital sector.

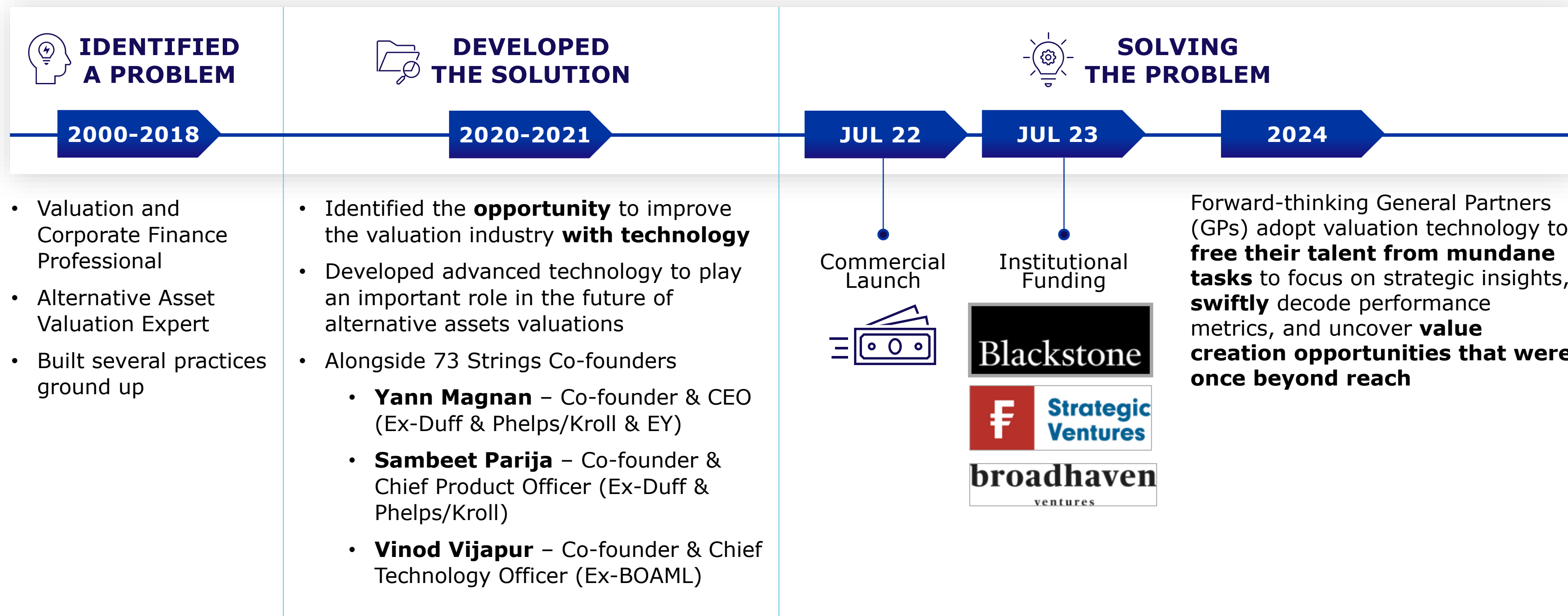
Previously, Abhishek played a key role in establishing **Duff & Phelps** in Asia and has overseen different practices from valuation to M&A to restructuring. With extensive experience in **valuation**, **M&A advisory**, and **restructuring**, he has also worked with **Deloitte Corporate Finance** and **Grant Thornton**.

**Abhishek Pandey**

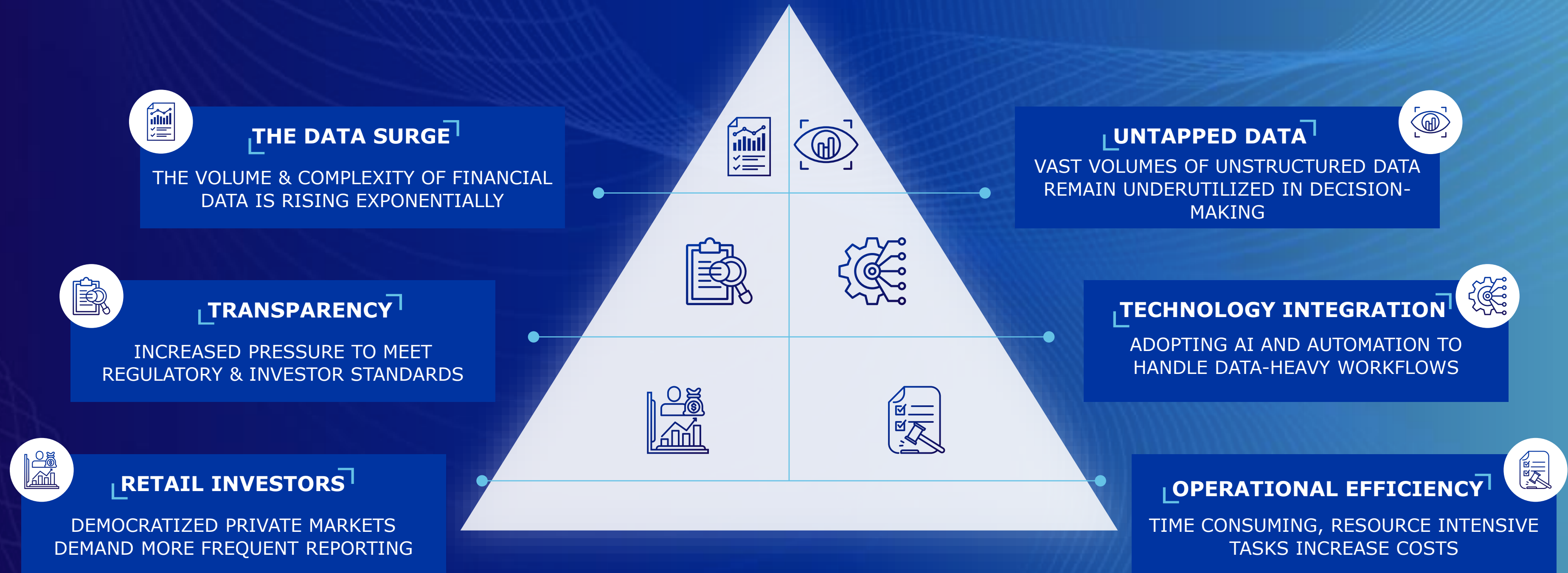
Deputy CEO & Co-founder 73 Strings

# 73 Strings Journey...

How will traditional valuation processes cope with more available data than ever before, an increasing demand for faster and more frequent valuations, while maintaining data transparency, accuracy and consistency?



# Trends in Valuation



**More Data, More Analysis, More Scrutiny, More Frequency**

# Valuations: Importance and Hurdles

## Is Valuation becoming more of a strategic tool?

KEY PERFORMANCE INDICATOR

INTEGRAL TO STRATEGIC PLANNING

BEYOND TRADITIONAL REPORTING

REAL-TIME DATA AND ANALYTICS

INVESTMENT AND RISK MANAGEMENT

## What are the hurdles in achieving more frequent valuations?

COMPLEXITY OF DATA AGGREGATION

OPERATIONAL EFFICIENCY

HIGH VOLUMES OF DATA

COLLECTING AND PROCESSING DATA

ERROR-PRONE DATA AND MANUAL PROCESSES

The **FCA's review** of private markets emphasizes the importance of consistent, frequent valuations to boost **investor confidence**.<sup>1</sup>

Most firms, 67%, said they prepare valuations on a quarterly basis, while 28% prepare valuations monthly. Investors continue to seek **more transparency and more frequent data reports** on their investments.<sup>2</sup>

1. Source Financial Times: <https://www.ft.com/content/ee008ac7-2f0f-4b65-a016-0e2ec00e8c26>

2. Source: <https://www.pwc.com/us/en/industries/asset-wealth-management/assets/pwc-awm-benchmarking-insights-alternatives-valuation-metrics-methods.pdf>



# What's the Role of AI in Valuations?

**73 Strings recently hosted a CTO roundtable in New York on the topic of ...**

**"Strategic Considerations: Using AI and Applications for Monitoring and Valuations."**



## Key Survey Findings

- AI's Value: Supports human judgment (40%) and provides insights into market data (35%)
- Efficiency Gains: AI handles labour-intensive tasks, allowing humans to focus on higher-level decision-making



## Industry Shift

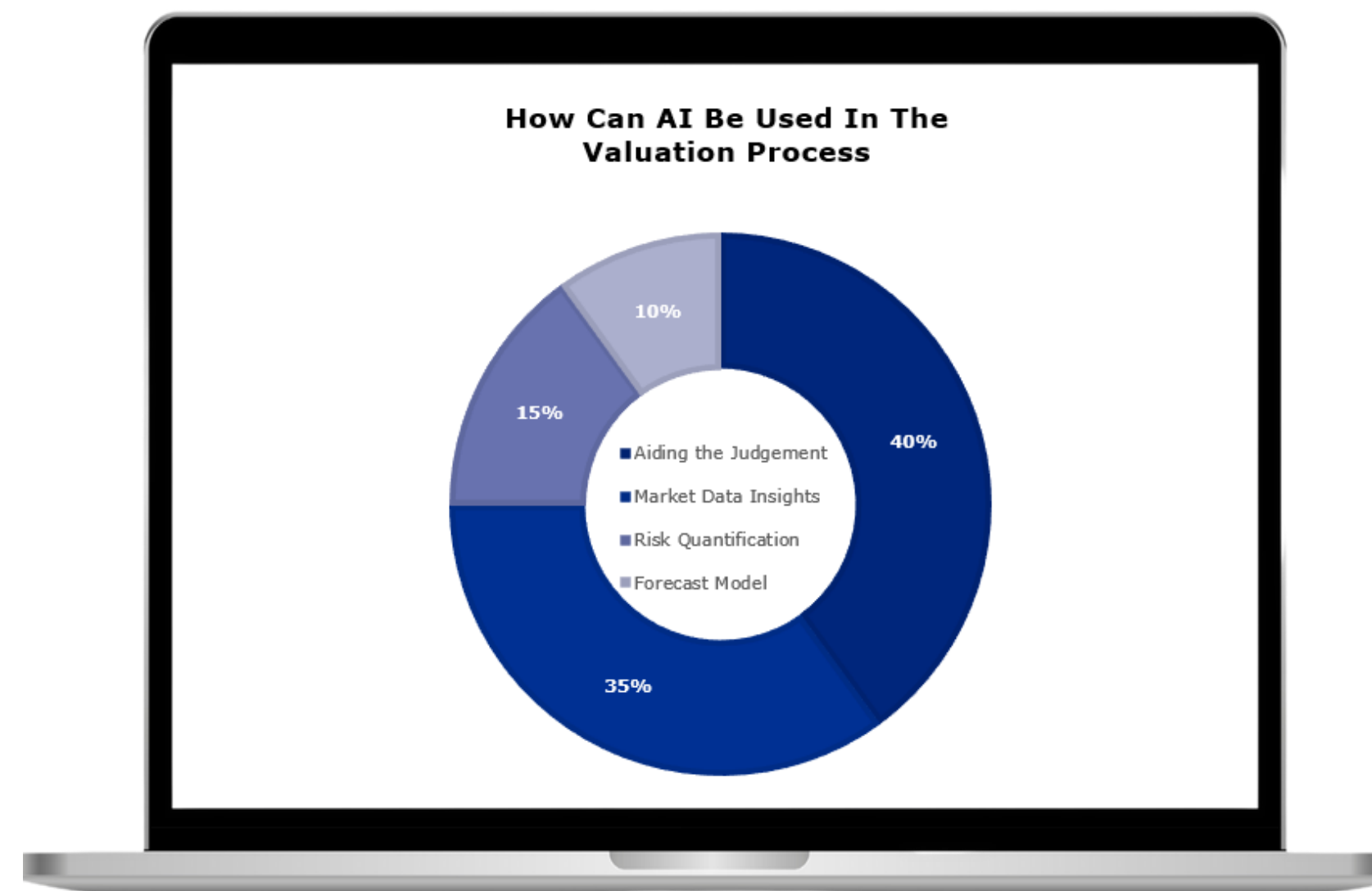
- Increasing demand for transparency and frequent valuations by investors and regulators
- The private capital sector is evolving to mirror the tech-driven transformation seen in the public sector



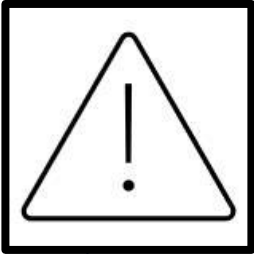
## Additional Insights

- Risk quantification and forecast modelling remain secondary to judgment and data-driven insights

The full survey results will be published soon.  
**Follow 73 Strings on LinkedIn for exclusive access.**



Source: 73 Strings CTO Survey: Research from an event which brought together leading private capital CTOs to explore the transformative potential of AI in our industry. To further build on these invaluable insights, 73 Strings conducted a market survey to gather perspectives from industry professionals.



## Hypothetical AI Failure Scenarios in Finance could include:

### AUM Misreporting:

**Scenario:** An AI risk model mistakenly reports a fund's AUM as \$5B instead of \$500M due to a parsing error.

**Impact:** This 10x error would mislead risk assessments, leading to improper leverage, compliance breaches, and severe capital misallocation.

### Cascading LBO Errors:

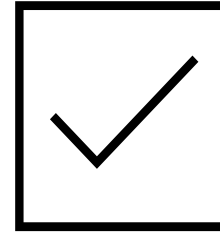
**Scenario:** An AI-driven valuation model overestimates EBITDA by 25% because it misinterprets temporary trends as permanent improvements.

**Impact:** Over-leveraged acquisitions occur based on inflated earnings forecasts, potentially leading to defaults and widespread portfolio write-downs.

### DCF Model Discount Rate Error:

**Scenario:** A minor bug causes the AI to use a discount rate 0.5% lower than intended, inflating valuations by 10–15% for long-term cash flows.

**Impact:** Deals executed on these inflated valuations risk immediate impairments, litigation, or market corrections.



## Risk Mitigation and Safeguards

### Robust Governance & Transparency:

**Adopt frameworks** like the NIST AI Risk Management Framework to map, measure, and manage AI risks.

**Ensure human-in-the-loop oversight** to review and validate AI outputs before critical decisions are made.

### Technical Fail-Safes:

**Implement "kill switches"** that automatically suspend AI trading/valuation if outputs deviate from expected ranges

**Use redundancy and independent verification** to cross-check AI-generated metrics (e.g., validate DCF outputs against manual calculations).

### Regular Auditing and Stress Testing:

**Conduct periodic stress tests** simulating extreme scenarios (e.g., misreported AUM or inflated EBITDA) to ensure model resilience.

**Establish real-time monitoring** and alert systems to detect anomalous behavior early.

### Regulatory Collaboration:

Engage with regulators (e.g., SEC) to help shape policies that require detailed audit trails and transparency for AI-driven models, minimizing the risk of "AI washing."

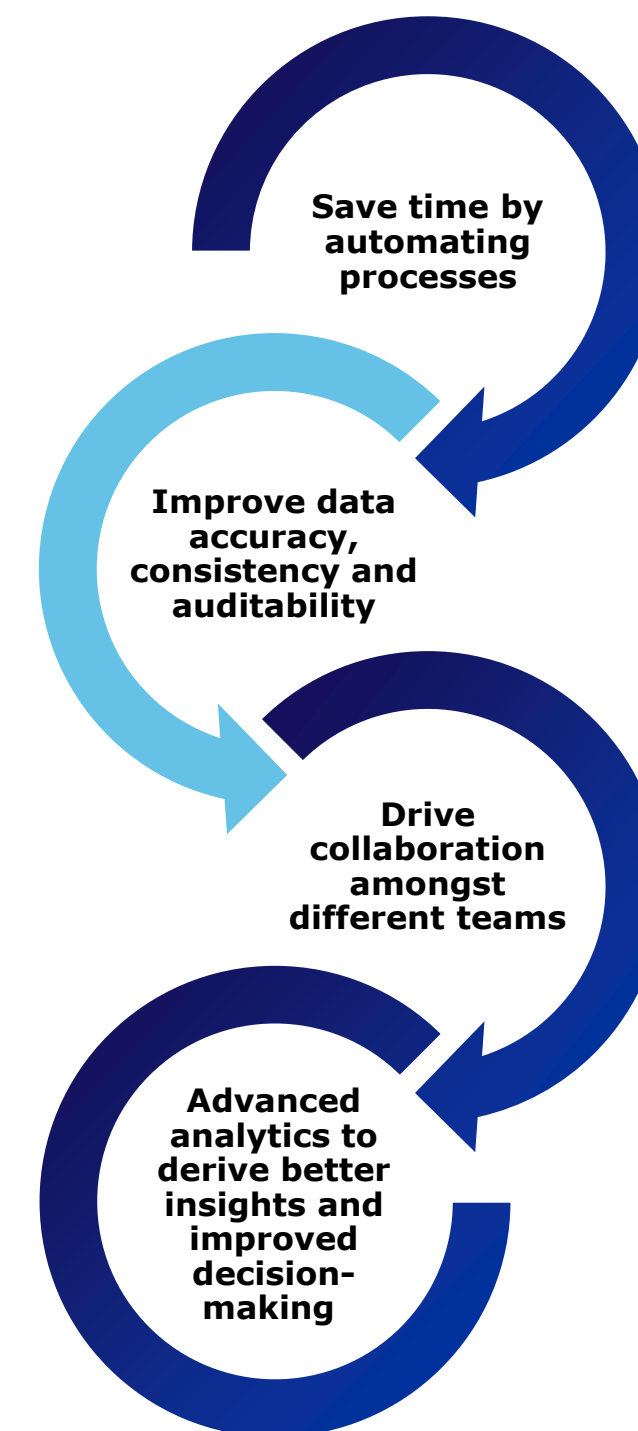
# Collaborative & Augmented Valuation Process

Human Expertise ← → Technology



"While technology plays a pivotal role in streamlining the valuation process, the **human element remains irreplaceable**. It's the expertise, judgment, and intuition of professionals that give depth to data. When both humans and technology **work together**, analysing the same data, we unlock **insights** and **accuracy** that neither could achieve alone."

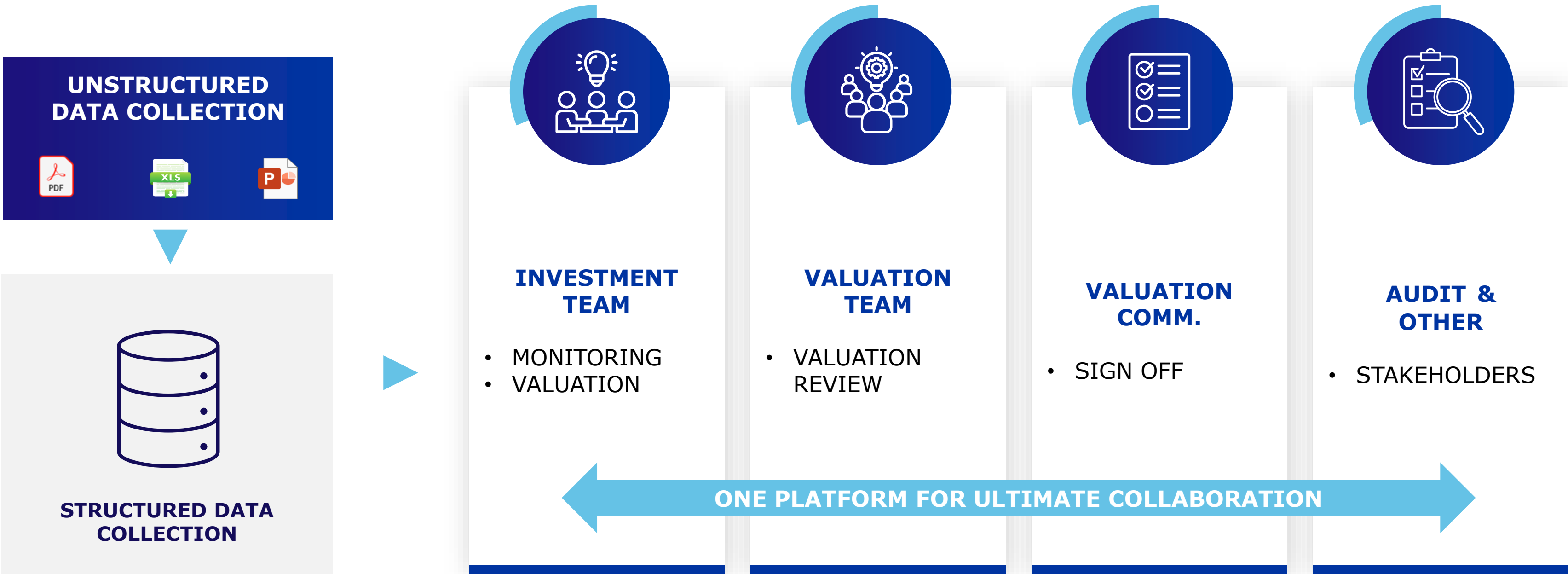
Abhishek Pandey  
Deputy CEO & Co-founder  
73 Strings



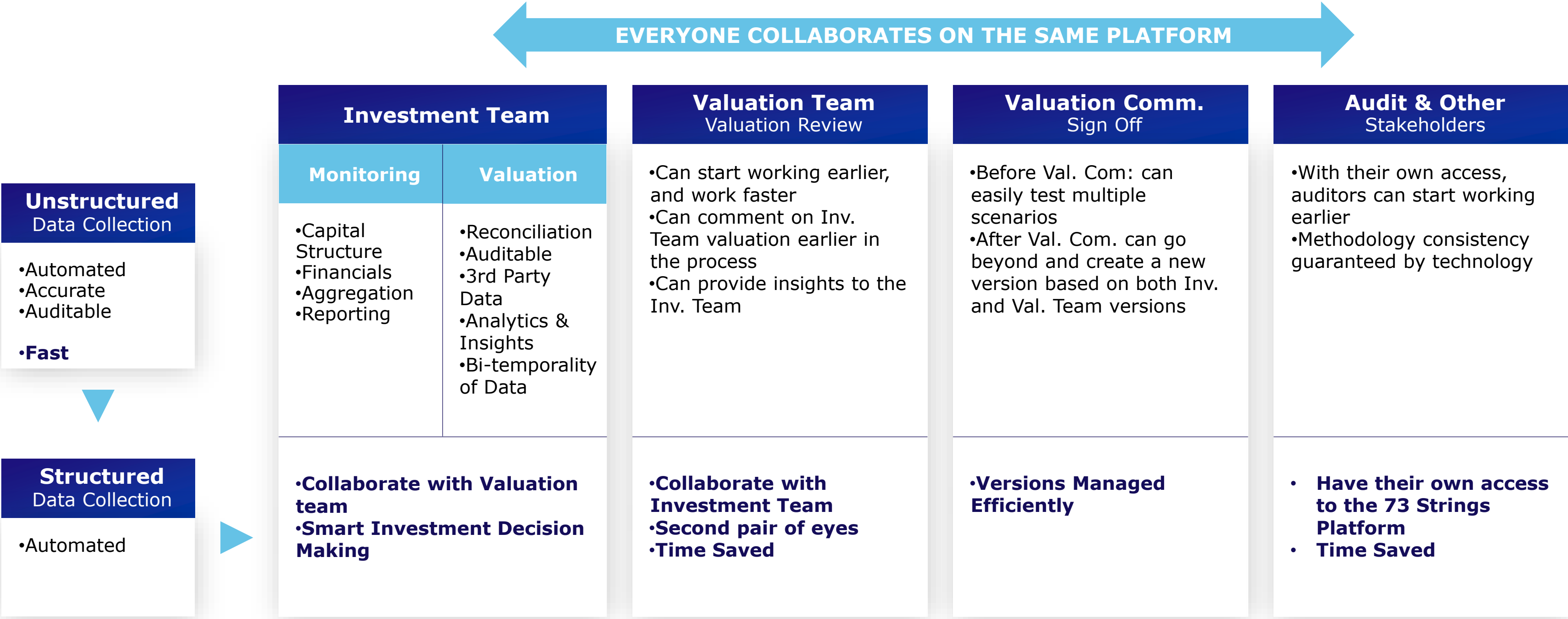


# The Efficient Operating Model

- Save time by automating processes (e.g. data collection and rollover)
- Improve data accuracy, consistency and auditability
- Use platform to facilitate information flow and collaboration amongst different teams
- Apply advanced analytics (e.g. scenario analysis) to derive better insights for more informed decision-making



# Valuation Tech Operating Model



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← **EVERYONE COLLABORATES ON THE SAME PLATFORM** →

**Unstructured**  
Data Collection

- Automated
- Accurate
- Auditable

▼

**Structured**  
Data Collection

- Automated

Investment Team		Valuation Team Valuation Review	Valuation Comm. Sign Off	Audit & Other Stakeholders
Monitoring	Valuation	<ul style="list-style-type: none"><li>•Can start working earlier, and work faster</li><li>•Can comment on Inv. Team valuation earlier in the process</li><li>•Can provide insights to the Inv. Team</li></ul> <ul style="list-style-type: none"><li>•Collaborate with Investment Team</li><li>•Second pair of eyes</li><li>•Time Saved</li></ul>	<ul style="list-style-type: none"><li>•Before Val. Com: can easily test multiple scenarios</li><li>•After Val. Com. can go beyond and create a new version based on both Inv. and Val. Team versions</li></ul> <ul style="list-style-type: none"><li>•Versions Managed Efficiently</li></ul>	<ul style="list-style-type: none"><li>•With their own access, auditors can start working earlier</li><li>•Methodology consistency guaranteed by technology</li></ul> <ul style="list-style-type: none"><li>• Have their own access to the 73 Strings Platform</li><li>• Time Saved</li></ul>
<ul style="list-style-type: none"><li>•Capital Structure</li><li>•Financials</li><li>•Aggregation</li><li>•Reporting</li></ul>	<ul style="list-style-type: none"><li>•Reconciliation</li><li>•Auditable</li><li>•3rd Party Data</li><li>•Analytics &amp; Insights</li><li>•Bi-temporality of Data</li></ul>			



# Survey Questions

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# Q1: How often does your organization review or update its valuations?

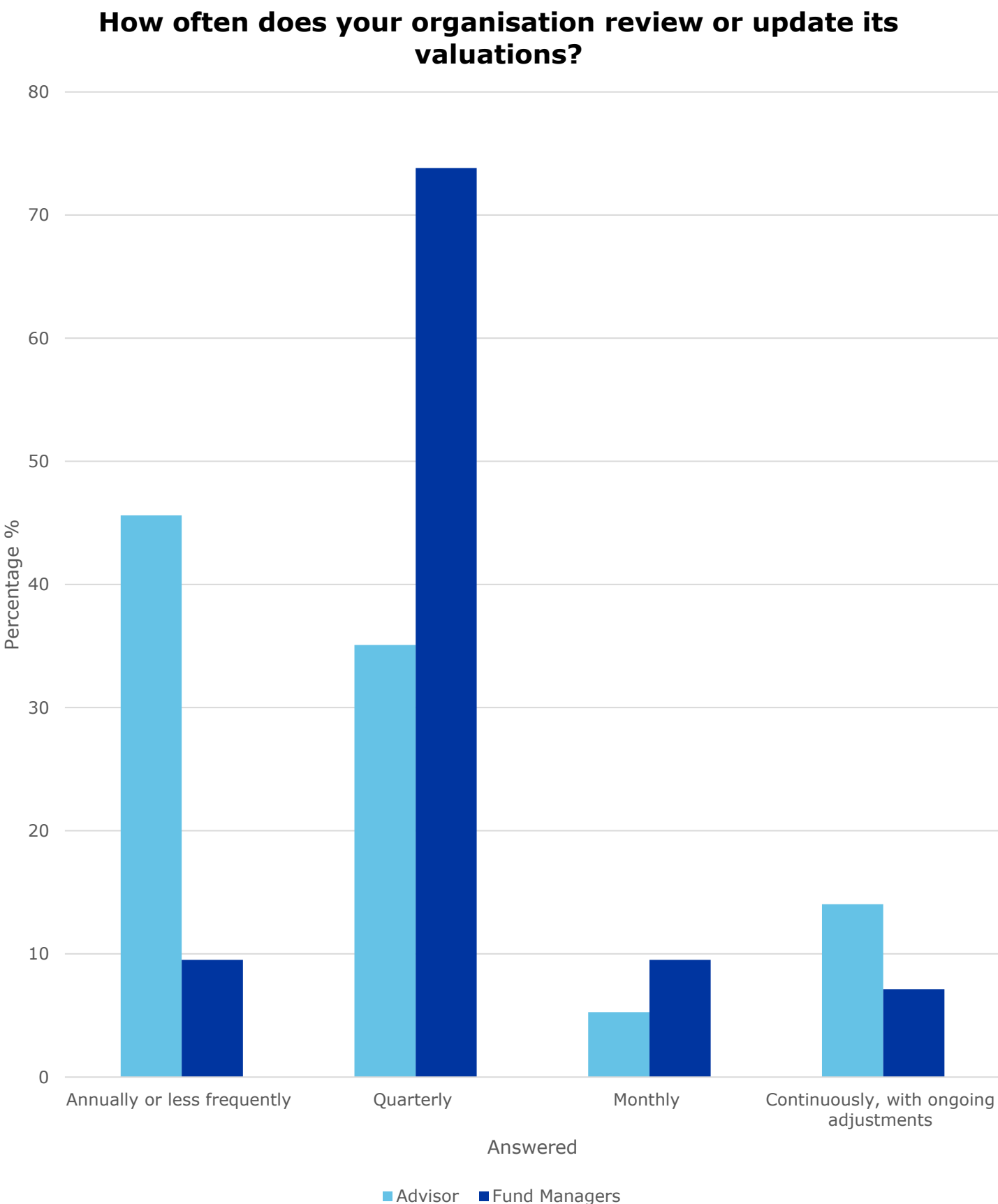
## Observations:

Fund Managers primarily favor quarterly reviews (73.8%), while Consultants show a more varied approach with a significant portion reviewing annually or less (45.6%).

This highlights that Fund Managers tend to operate in fast-paced environments where more frequent valuations are becoming critical for decision-making, whereas Consultants might work with longer-term views and less frequent updates.

**Conclusion:** The discrepancy suggests that Fund Managers are more driven by the need for timely, actionable data, while Consultants may prioritize thoroughness.

Technology solutions that enable frequent, automated updates could help bridge this gap.

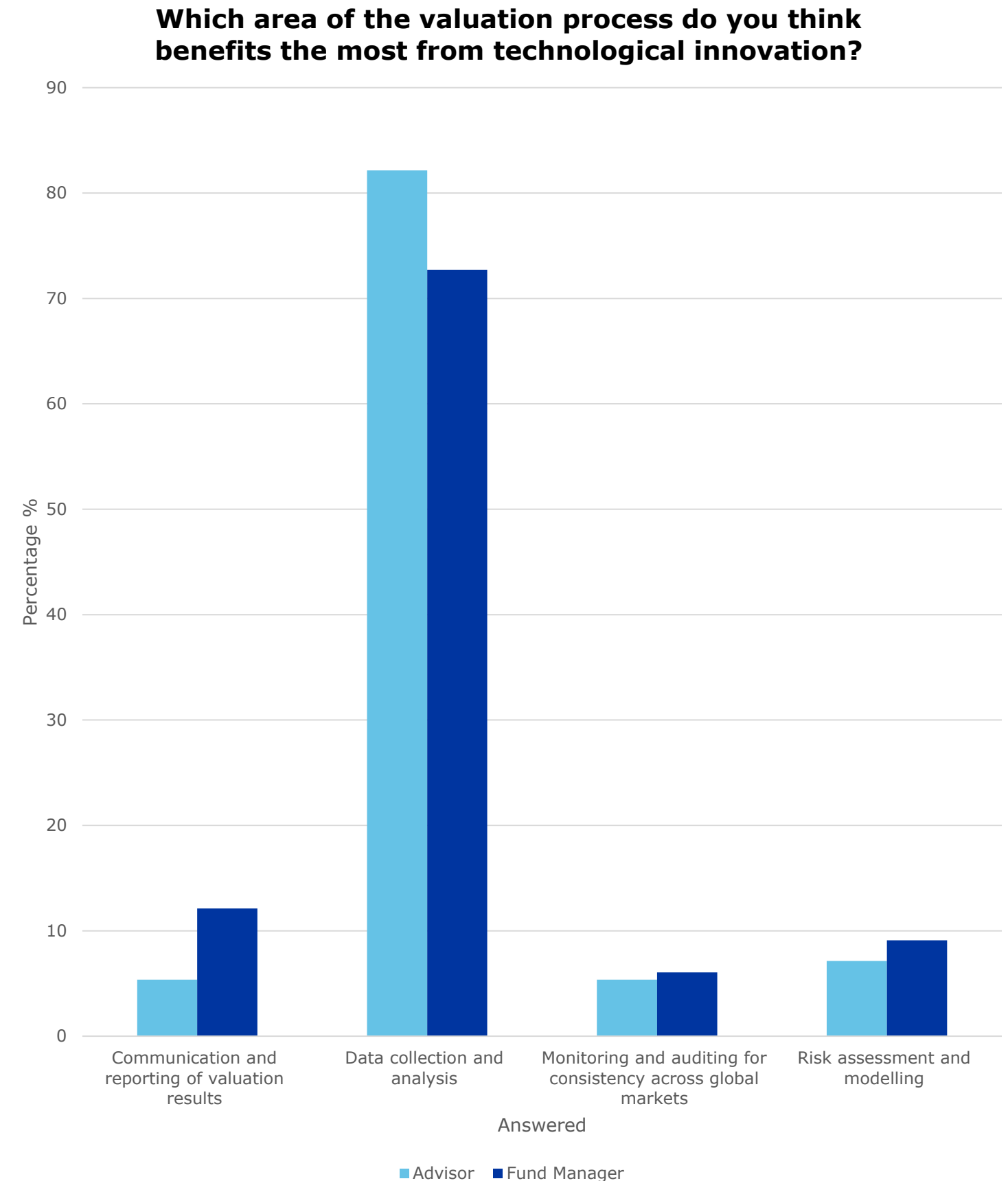




## Q2: Which area of the valuation process benefits most from technological innovation?

**Commentary:** Both groups heavily emphasize **data collection and analysis** (82.1% for Consultants and 72.7% for Fund Managers) as the area where technology delivers the greatest benefit. This suggests a shared recognition of the growing complexity in valuations and the necessity for better tools to handle large volumes of data.

**Conclusion:** There is a clear consensus that improving data handling capabilities is paramount. Implementing advanced analytics and automated data systems could streamline valuation processes and improve overall accuracy for both Consultants and Fund Managers.

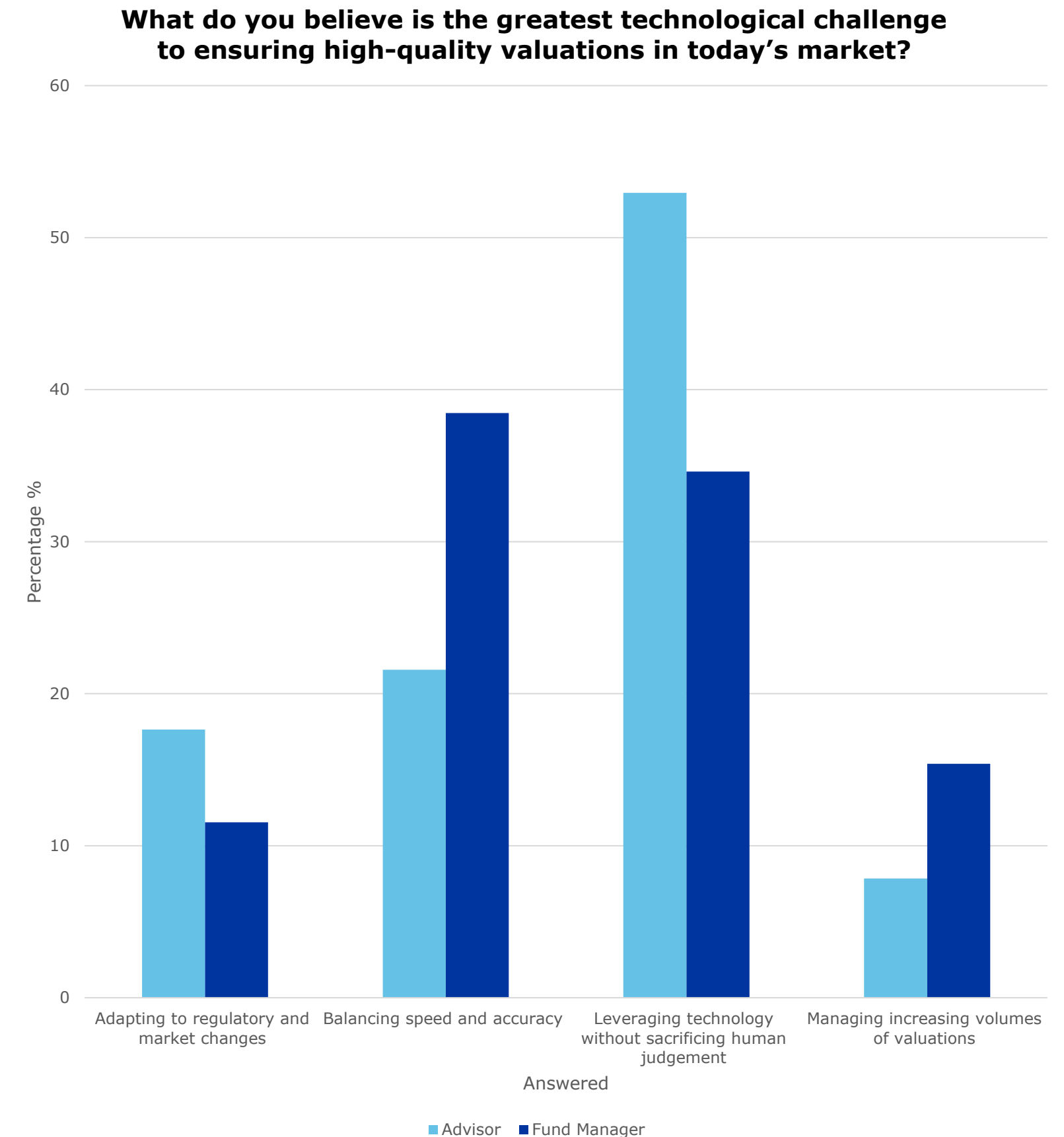




### Q3: What do you believe is the greatest technological challenge to ensuring high-quality valuations in today's market?

**Commentary:** Fund Managers cite **balancing speed and accuracy** (38.5%) as the key challenge, whereas Consultants focus more on the risk of **sacrificing human judgment** (52.9%) when leveraging technology. This indicates that while both groups value efficiency, Consultants are more cautious about relying too heavily on automated systems.

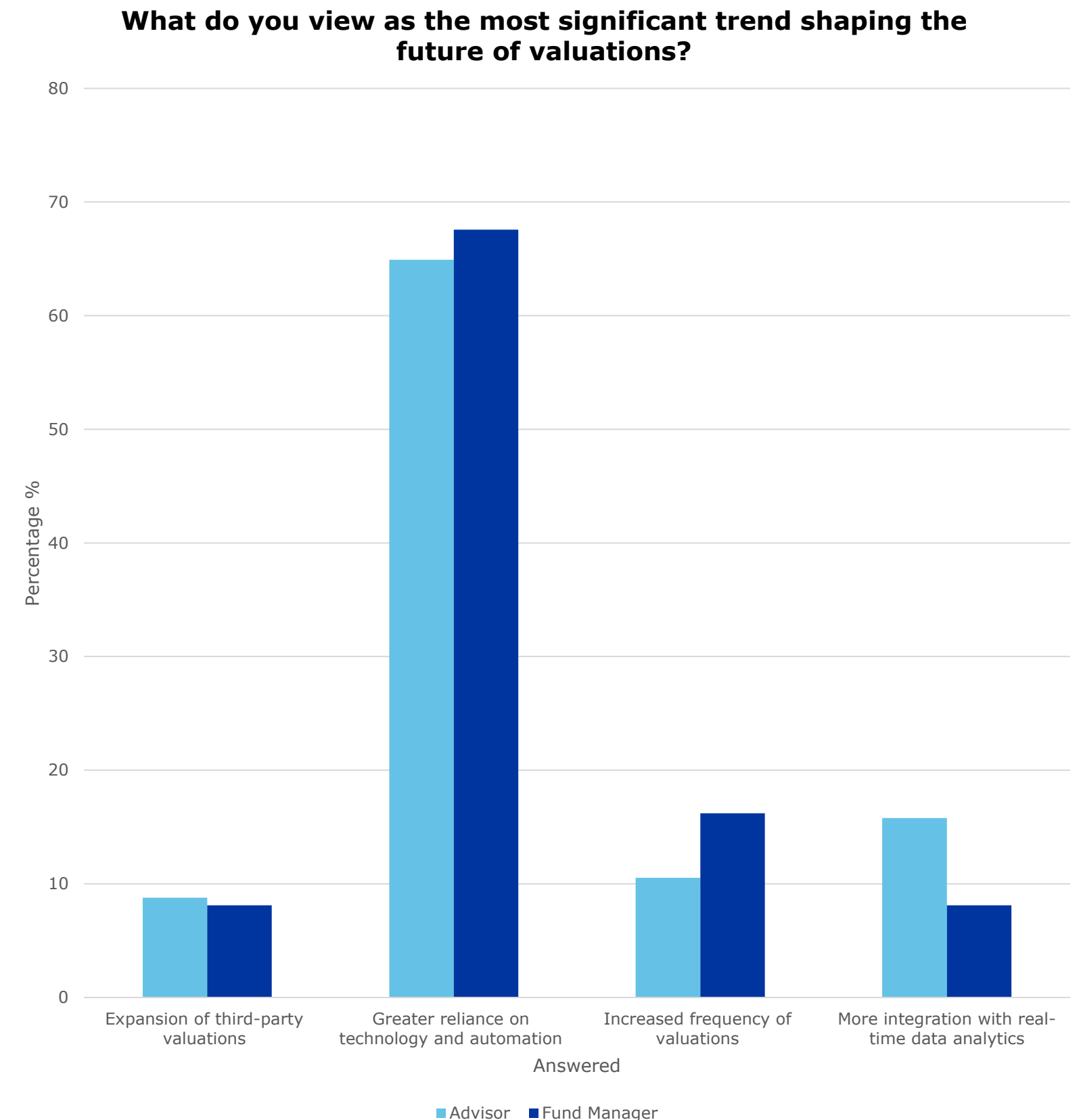
**Conclusion:** The challenge lies in developing systems that enhance valuation speed and accuracy without undermining expert judgment. A hybrid model that integrates human oversight with technological efficiency could be the ideal solution.



## Q4: What is the most significant trend shaping the future of valuations?

**Commentary:** Both groups highlight **greater reliance on technology and automation** (67.6% of Fund Managers and 64.9% of Consultants). However, Fund Managers also show a stronger inclination toward **increased frequency of valuations** (16.2%) compared to Consultants (10.5%).

**Conclusion:** The increasing role of automation is seen as essential by both groups, with Fund Managers emphasizing the need for more frequent valuations. This points to the importance of building scalable, tech-driven valuation processes that can handle real-time data and deliver continuous updates.

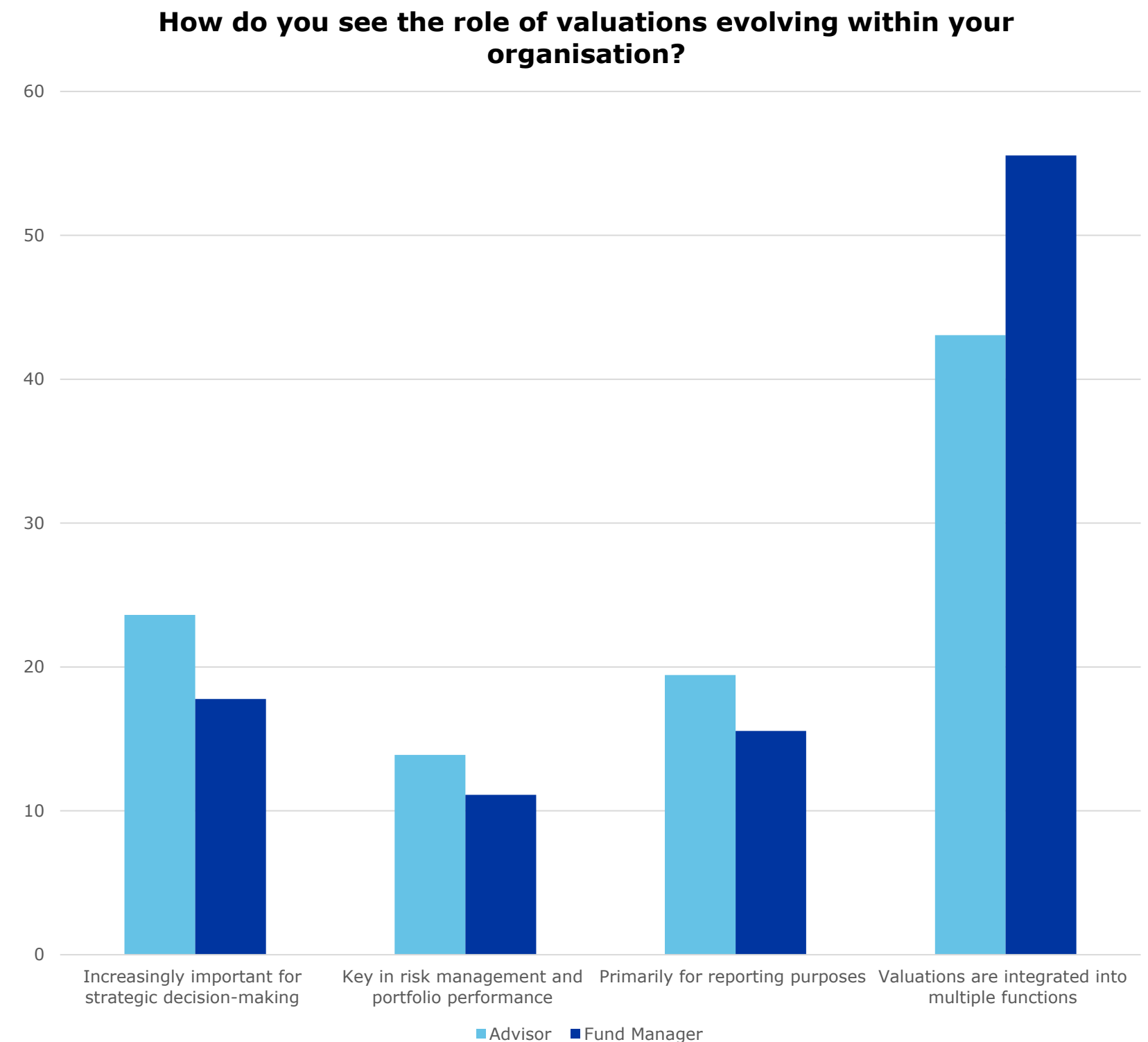


## Q5: How do you see the role of valuations evolving within your organization?

**Commentary:** Fund Managers and Consultants both see **valuations as becoming more integrated** across multiple functions (55.5% for Fund Managers and 43% for Consultants), reflecting the growing **importance of valuations** not only for reporting but also for strategic decision-making and risk management.

**Conclusion:** The increasing importance of valuations in strategic decision-making signals a shift toward a more data-driven, holistic approach. Organizations should aim to embed valuation processes across their operations, leveraging technology to deliver insights that can influence broader business decisions.

These insights suggest that while both Fund Managers and Consultants see the value of technology in enhancing valuations, there are differing levels of comfort with its adoption and varying priorities in terms of speed, accuracy, and human oversight.





## *Future Trends:*

**Increased Frequency of Valuations:** Fund Managers' demand for more frequent valuations is likely to drive the development of tools that can provide **real-time or continuous updates**. This trend signals a shift towards valuation processes that are **ongoing**, rather than periodic.

**Greater Reliance on Technology and Automation:** Both Fund Managers and Consultants expect **technology and automation** to dominate the future of valuations. The focus will be on enhancing **data transparency, accuracy, and efficiency**, likely through AI-driven tools that can process large volumes of data while incorporating human oversight when needed.

**Integration of Valuations Across Functions:** As both groups view valuations as increasingly important for **strategic decision-making**, the role of valuations will expand beyond financial reporting. Organizations will likely embed valuation insights across various functions, using them as tools for **portfolio performance assessment, risk management, and opportunity identification**.

## *Guidance for the Future:*

To align both Fund Manager and Consultant expectations, a hybrid approach that combines **technology** and **human expertise** is essential. Future valuation models should emphasize **automation** for efficiency but include mechanisms for **expert review** to balance the need for speed with the retention of human insight. Additionally, building solutions that cater to the growing demand for **real-time valuation updates** will be key to staying ahead in a data-driven environment.

**Bobby Brooks @ Blackstone** "73 Strings has become a crucial part of our workflow. We've moved into a world where monthly valuations are now the norm, which means most of our assets are valued 12 times a year. We're applying the same rigor and process to these monthly marks as we do for quarterly valuations. This shift has required us to significantly accelerate our processes."

**Doug McPhee @ PIF** "If you look at the impact AI is having, it's not necessarily going to determine the 'right' discount rate, multiple, or concept. Those are more mechanical aspects of the process. But where AI really shines is in understanding and assessing execution risks in business plans. When you consider the massive amounts of data that large funds have across sectors and geographies, AI enables powerful 'what-if' analyses, helping us make more informed decisions. It's invaluable for scenario analysis and for gauging execution risk within business timelines."

**Jazmin Hogan @ 73 Strings:** "Technology is helping us work faster and gain deeper insights. It's preparing us for important meetings and, in many cases, providing an audit trail that alerts us to key changes. Instead of manually combing through multiple Excel files, the technology notifies us, for instance, when a valuation multiple has shifted significantly. This prompts us to review the asset with third-party valuation experts or auditors for quality assurance."

**Drazen Primorac @ Permira** "I think what we're seeing—though it's not entirely new to the market—is the need to be more proactive. We have to anticipate where we're headed and understand potential future outcomes. This approach helps us manage our overall portfolio and individual portfolio companies more effectively. Valuations play a critical role here, as they provide insights into those future outcomes, enabling us to conduct strategic analysis and make well-informed decisions."



# Thank you

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