The AI Revolution:

Why It Matters to Valuators

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AGENDA

- What is the AI Revolution?
- Why should valuators care?
- Implementation Framework
- Use Cases
- The Future

THE AI REVOLUTION

What is AI?

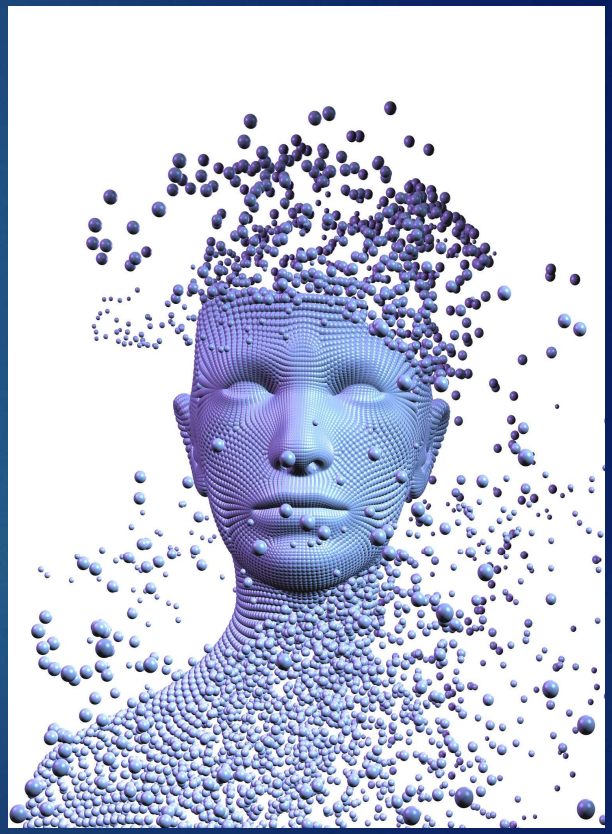
Artificial Intelligence

Artificial Intelligence (AI) refers to technology that enables computers and machines to simulate human intelligence in order to perform tasks such as recognizing speech, making decisions, and identifying patterns. It is an umbrella term encompassing various technologies, including machine learning, deep learning, and natural language processing (NLP). AI systems are designed to interpret data, adapt to new inputs, and perform cognitive functions that traditionally required human expertise.

Generative Artificial Intelligence

Generative Artificial Intelligence (Generative AI) refers to a class of models and algorithms designed to create new content—such as text, images, code, or data—by learning patterns and structures from extensive training datasets. Unlike traditional AI systems that primarily classify or analyze existing information, generative AI produces original outputs by extrapolating from its training data. These models simulate aspects of human creativity, enabling the generation of content that is coherent, contextually relevant, and often indistinguishable from that created by humans.

Source: Chat GPT_4.0



What is AI? – Tools and Models

AI MODELS

AI models are computational architectures that learn from training data to perform defined tasks such as prediction, classification, or content generation.

Source: ChatGPT_4.0

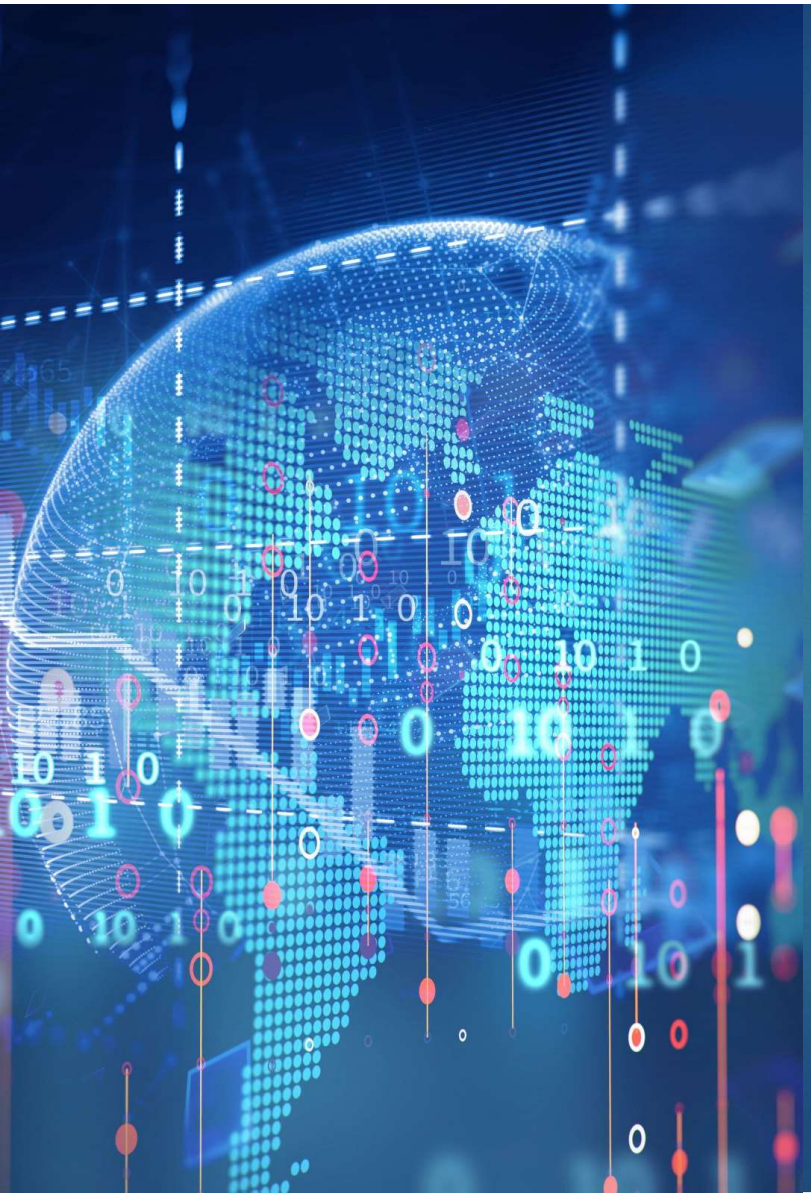
AI TOOLS

AI tools are software applications or platforms that apply AI models to deliver specific user functions. They provide the interface (UI) through which users access and interact with AI capabilities

What is AI? - Agents

An AI agent is an autonomous system capable of perceiving its environment, making decisions, and executing actions in pursuit of defined goals. Unlike traditional models that respond only to direct prompts, AI agents can operate over multiple steps, process dynamic information, and adapt their behavior accordingly—often completing complex tasks with minimal human intervention.

Source: Chat GTP_4.0



Impact of AI

- "AI Development Trending = Unprecedented"[1]
- "Our systems are progressing way faster than Moore's Law"[2]
- "AI Could eliminate up to 50% of entry-level white-collar jobs within five years"[3]
- "If you're not using this technology, you're not going to be relevant"[4]
- "Within 10 years, AI will replace many doctors and teachers – humans won't be needed for "most things"[5]

[1] Trends – Artificial Intelligence, BOND, May, 2025

[2] Nvidia CEO Jensen Huang, 2025 CES

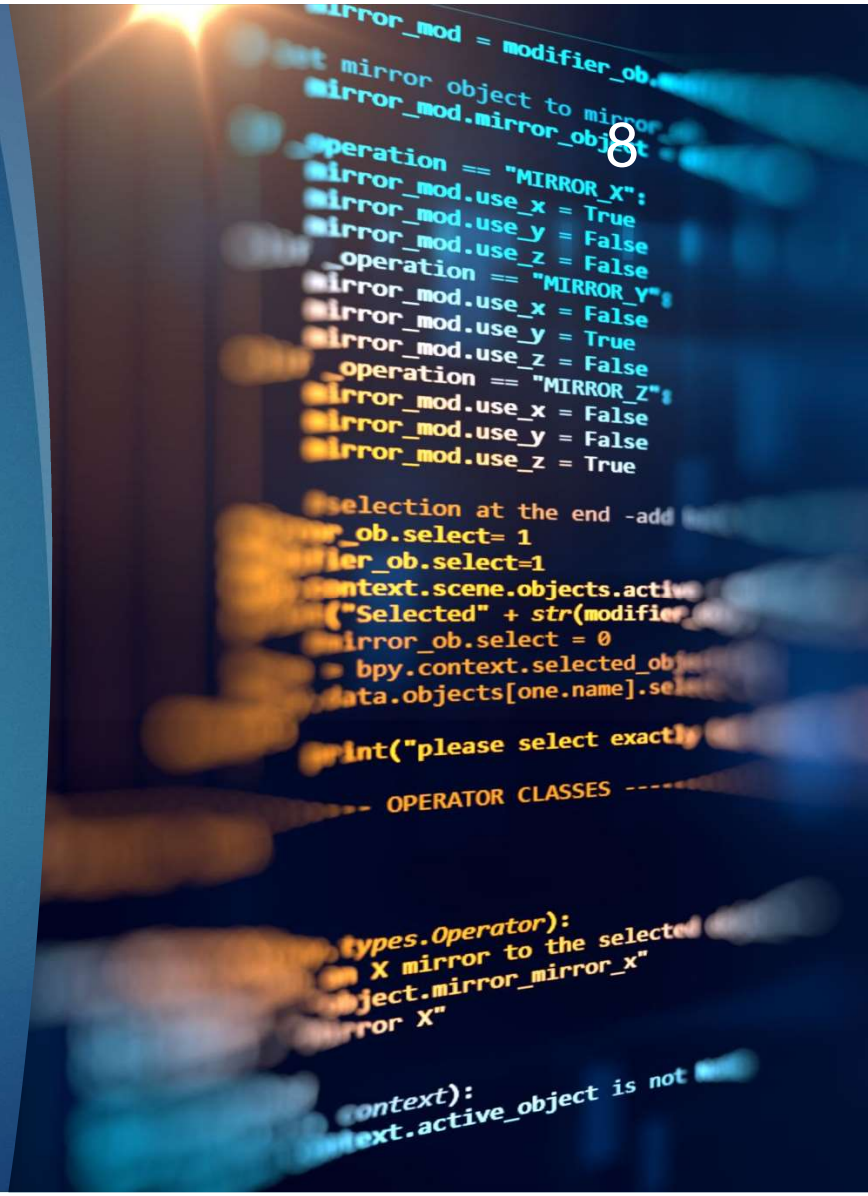
[3] Dario Amodei – CEO, Anthropic, Interview, February 28, 2025

4 Eric Schmidt, Former CEO Google, 2025 TED Interview

5 Bill Gates, Former CEO Microsoft, February 4, 2025, Tonight Show Interview

Market Leaders

- Open AI (GPT)
- Microsoft (Copilot)
- Google (Gemini)
- AWS (Titan)
- Meta (Llama)
- Anthropic (Claude)
- Salesforce (EinsteinGPT)
- Perplexity (PPLX)
- xAI (Grok)
- IBM (Watsonx)
- Oracle
- Others



Governmental Regulations

- March 29, 2023: UK AI Regulation Policy Paper

  AI regulation: a pro-innovation approach - GOV.UK (www.gov.uk)

- October 2023: Presidential Executive Order (Revoked on January 20, 2025)

  Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence | The White House

- April 2024: EU AI Act

  TA-9-2024-0138-FNL-COR01_EN.pdf (europa.eu)

- September 5, 2024: Council of Europe Framework Convention on Artificial Intelligence and Human Rights, Democracy and the Rule of Law

  Framework Convention on Artificial Intelligence – Wikipedia

WHY SHOULD VALUATORS CARE?

Why AI Matters

- Knowledge Acquisition Capabilities
- Processing Power
- Ability to automate or disintermediate existing processes/ procedures
- Continuous Evolution
- Impacts most all areas of practice
- Risks
- Last but not least….it impacts your valuations

Valuator Roles

- Researcher
- Financial Analyst
- Asset Analyst
- Industry Analyst
- Economic Analyst
- Legal Analyst
- Writer
- Communicator
- Teacher/Trainer
- Critical Thinker
- Administrator/Manager
- Sales

Concerns

- Accuracy/Reliability
- Security/Privacy/Confidentiality
- Transparency/Auditability
- Consistency
- Bias
- Ethics
- Data Recency
- Security

VPO Activity

- CBV - June 2024: CBV Institute: AI-Primer-June-2024-Final-EN.pdf
- IVSC - *Use of Technology in Valuation Working Group*
- BVIUK - AI Council Overview | BVIUK
- The Appraisal Foundation - *Concept Paper – Generative AI and Appraisal Standards*
- NACVA
  - October 29, 2024 NACVA_AI_Advisory_Brief_2024.pdf
  - NACVA Announces New Artificial Intelligence Commission
  - *AI Data University*
- RICS
  - Feb 2025 Draft of RESPONSIBLE USE OF AI – a new RICS Professional Standard. RICS Conduct Standards Programmes

IMPACT ON COMPANY VALUATIONS

AI VALUATION ASSESSMENT FRAMEWORK

MACRO LEVEL

- Regulatory Environment
- AI Exposure by Industry Sector
- Competitive Landscape
- Strategic Advantage?

COMPANY LEVEL

- AI Strategy
- Milestones
- Human Capital Impact
- Underutilized Assets

AI's IMPACT ON VALUATION METHODOLOGIES

Income Approach

- Revenue
- Operating Margins
- CAPEX/R&D
- Discount Rate

Market Approach

- Screening Attributes (AI Milestones)
- Multiple Comparability
- News/Sentiment

Cost Approach

- Internally generated AI capabilities may not be on the balance sheet
- Potential impairment of non-AI compatible assets
- Revaluation of intangible assets resulting from changed relevance due to AI.

IMPLEMENTATION FRAMEWORK

Implementation Framework

- Define existing workflow and identify areas of opportunity (80/20 Rule)
- Develop a basic understanding of AI Tool/Model capabilities
- Develop a basic understanding of Prompt Engineering
- Identify appropriate use cases
- Select appropriate AI Tool(s)
- Test: Inputs, Process, Outputs
- Recalibrate

AI Tool Attributes

Attribute	Description
Use Case Fit	Degree to which the tool addresses specific domain or business needs (e.g., valuation, legal).
Output Quality	Reliability and accuracy of generated results in context-specific workflows.
Latency	Speed of generating results from user interaction to output.
Multi-Model Access	Ability to interface with and select between different underlying models.
Tool Extensibility	Capacity for prompt engineering, logic modification, or user-defined configurations.
Interface Design	Clarity, ease of use, and accessibility of the user interface.
Explainability for Users	Whether users can understand and trust the tool's reasoning and outputs.
Prompt Management	Support for storing, versioning, and reusing prompt templates.
APIs and Embeddability	Capability for integration into external systems or workflows.
Data Connectivity	Support for document ingestion, database access, or external search integration.
Security and Compliance	Conformance to industry standards for data privacy, access control, and governance.
Audit Logging	Tracking and recording of all user interactions and outputs.
Role-Based Access Control (RBAC)	Permissions and access managed by user role or group.
Content Moderation Controls	Tools for reviewing, filtering, or restricting output.
Version Transparency	Ability to identify the specific model or tool version used for each task.

AI Model Attributes

Attribute	Description
Model Size	Parameter Count and Architecture Complexity
Efficiency	Computational Cost and Speed
Responsiveness vs. Output Quality	Tradeoff between speed and output fidelity
Context Length	Maximum input the model can process at once
Capability	Reasoning, Comprehension, Generalization
Adaptability	Few-shot Learning, Fine-tuning, Domain Specialization
Tool Use and Extendability	Supports API calls, RAG, external tools
Multimodality	Processes text, images, audio, code
Alignment and Safety	Controls for ethical and safe use
Transparency and Interpretability	Ability to audit model reasoning
Training Data Recency	Recency and provenance of training sources

Deep Research vs. Agentic AI

FEATURE	DEEP RESEARCH	AGENTIC AI
AUTONOMY	Retrieves and Processes Information	Plans, Decides, and Acts on Tasks
SCOPE	Web Research, Document Analysis	Task Execution, Workflow Automation
DECISION-MAKING	No Independent Decision-Making	Can Make and Adapt Decisions
EXAMPLES	AI Summarizing Financial Trends	AI Managing Investments Automatically

Copilot

- Copilot for 365
- Copilot for Dynamics 365
- Copilot in Windows
- Copilot for the Web
- Copilot in Edge
- Copilot for Finance
- Copilot for Github
- Copilot for Marketing
- Copilot for Power Platform
- Copilot for Service
- Copilot for Sales
- Copilot for Security
- Copilot for Supply Chain

Copilot for 365

- Copilot for Word
- Copilot for Excel
- Copilot for PowerPoint
- Copilot for Outlook
- Copilot for Teams
- Copilot for One Note
- Copilot for SharePoint
- Copilot for Loop
- Copilot for Stream
- Copilot for Planner
- Copilot for To Do
- Copilot for One Drive
- Copilot for Whiteboard
- Copilot in Project
- Copilot in Visio
- Copilot for Forms

OpenAI Product Tiers Matrix

Feature	ChatGPT Free	ChatGPT Plus	ChatGPT Pro	ChatGPT Enterprise	OpenAI API
Model Access	GPT-4o mini	GPT-4o, o4-mini	GPT-4.1, o4-mini-high	GPT-4.1, o4-mini-high	All models
Multimodal Capabilities	✅ Text, Image	✅ Text, Image, Audio	✅ Text, Image, Audio	✅ Text, Image, Audio	✅ Varies by model
Context Window	128K tokens	1M tokens	1M tokens	1M tokens	Varies by model
Deep Research Access	5 lightweight queries/month	25 queries/month	250 queries/month	Custom allocation	❌ Not available
Operator Agent	❌	❌	✅ Available	✅ Available	❌ Not available
Custom GPTs	✅ Limited	✅ Enhanced	✅ Enhanced	✅ Enhanced	❌ Not applicable
Image Generation	✅ GPT Image 1	✅ GPT Image 1	✅ GPT Image 1	✅ GPT Image 1	✅ GPT Image 1
Voice Mode	❌	✅ Available	✅ Advanced	✅ Advanced	❌ Not applicable
Shopping Features	✅ Limited	✅ Enhanced	✅ Enhanced	✅ Enhanced	❌ Not applicable
Pricing	Free	$20/month	$200/month	Custom pricing	Pay-as-you-go

OpenAI Model Feature Matrix

Model	Deep Research	Tool Use	Multimodal (Text, Image, Audio)	Max Context Window	Ideal Use Cases
GPT-4.1	❌	✅	✅	1 million	Advanced coding, instruction, long-context
GPT-4.1 Mini	❌	✅	✅	1 million	Cost-effective advanced coding
GPT-4.1 Nano	❌	✅	✅	1 million	Low-latency apps
GPT-4o	❌	✅	✅	128,000	General-purpose multimodal tasks
GPT-4o Mini	❌	✅	✅	128,000	Lightweight multimodal tasks
o3	✅	✅	✅	200,000	Complex reasoning, deep research
o4-mini	✅	✅	✅	200,000	Efficient reasoning, math, coding

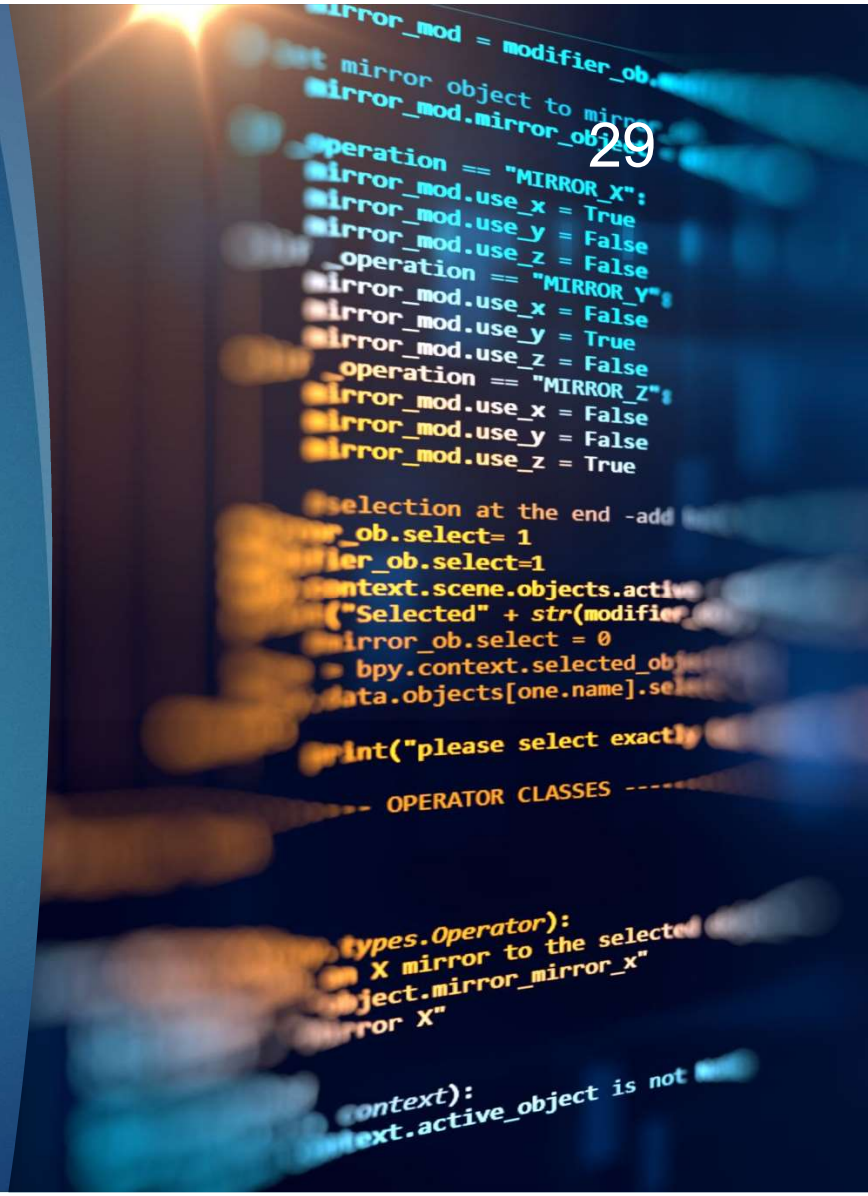
Evaluating AI's Impact on Existing Valuation Software

- AI integration can result in the obsolescence of existing tools to transformative enhancements in analytical capabilities.
- The organization, structure, and accessibility of underlying data significantly affect AI deployment feasibility and success, particularly for more quantitative use cases.
- Impacted by the capacity to embed advanced AI functions (e.g., natural language processing, predictive analytics, scenario modeling) within the current architecture.
- Emerging AI use cases may bypass traditional software workflows or interfaces, reducing the relevance of legacy platforms.

USE CASES

Use Cases

- Meeting Documentation
- Research (Industry, Regulatory, Economic, etc.)
- Document Summarization
- Extraction from Documents
- Engagement letters/Report Writing
- Financial Analysis
- Market Analysis
- Math Checks
- Scheduled Tasks
- Marketing
- Others



Good Documentation is Good….. Bad Documentation is Bad…..

The quality of documentation impacts whether outputs are explainable, reproducible, and trustworthy.

Good documentation supports auditability and quality of output, while bad documentation may lead to errors, loss of reliability and utility

Where It Matters Most:
1. RAG Systems
2. General AI Use
3. Analytics & Decision Support

TOOL CUSTOMIZATION

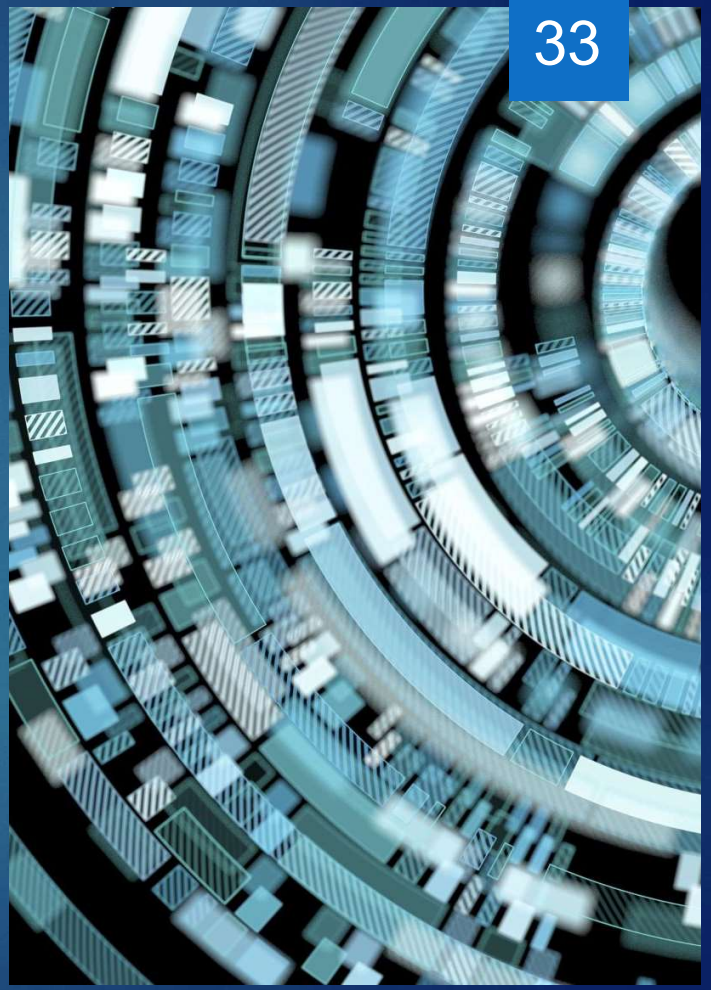
- Typically, the biggest challenge is the fragmented/siloed knowledge sources.
- Structured data is very important particular for the ability of AI to read spreadsheets
- Provide a persona (style, domain, tone)
- “reference in the body and provide endnotes”
- Make sure you tell it not to guess

Inputs

- Define Data Needed
- Understand where data resides
- Structured vs. Unstructured Data
- Clean Data
- Organize Data
- Consider a unified format
- Ensure Data Governance
- Ability for Data to be accessed/processed by AI

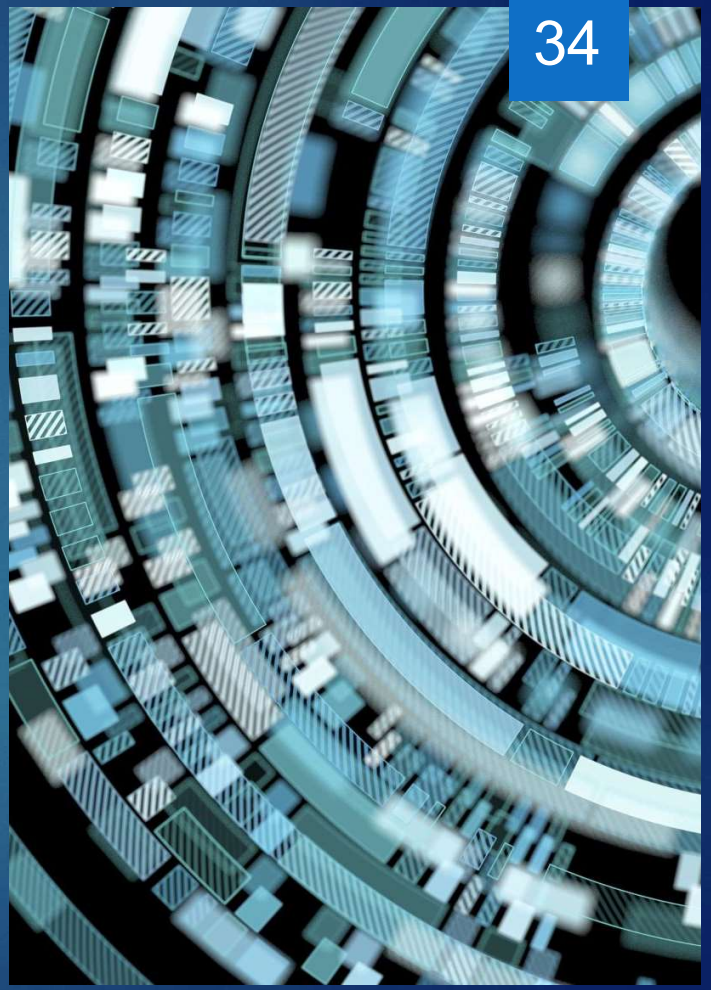
Processing

- Tool Selection
- Knowledge Connectors (RAG)
- Prompt Engineering
- Model Testing
- Fine-Tuning



Outputs

- Define Target Outputs
- Based upon test results - determine how integrate into practice:
  - Defer any use at the current time
  - Shadow/supplement existing processes/procedures
  - Use as primary but shadow with existing process/procedures
  - Replace existing processes/procedures
- Continuous Improvement/refinement/calibration



Tools – Technical Limitations

1. File Size Limits
2. Web Access Limitations
3. Modality Restrictions
4. Data Storage Limits
5. Access Permissions
6. Execution Time Limits
7. Token limits

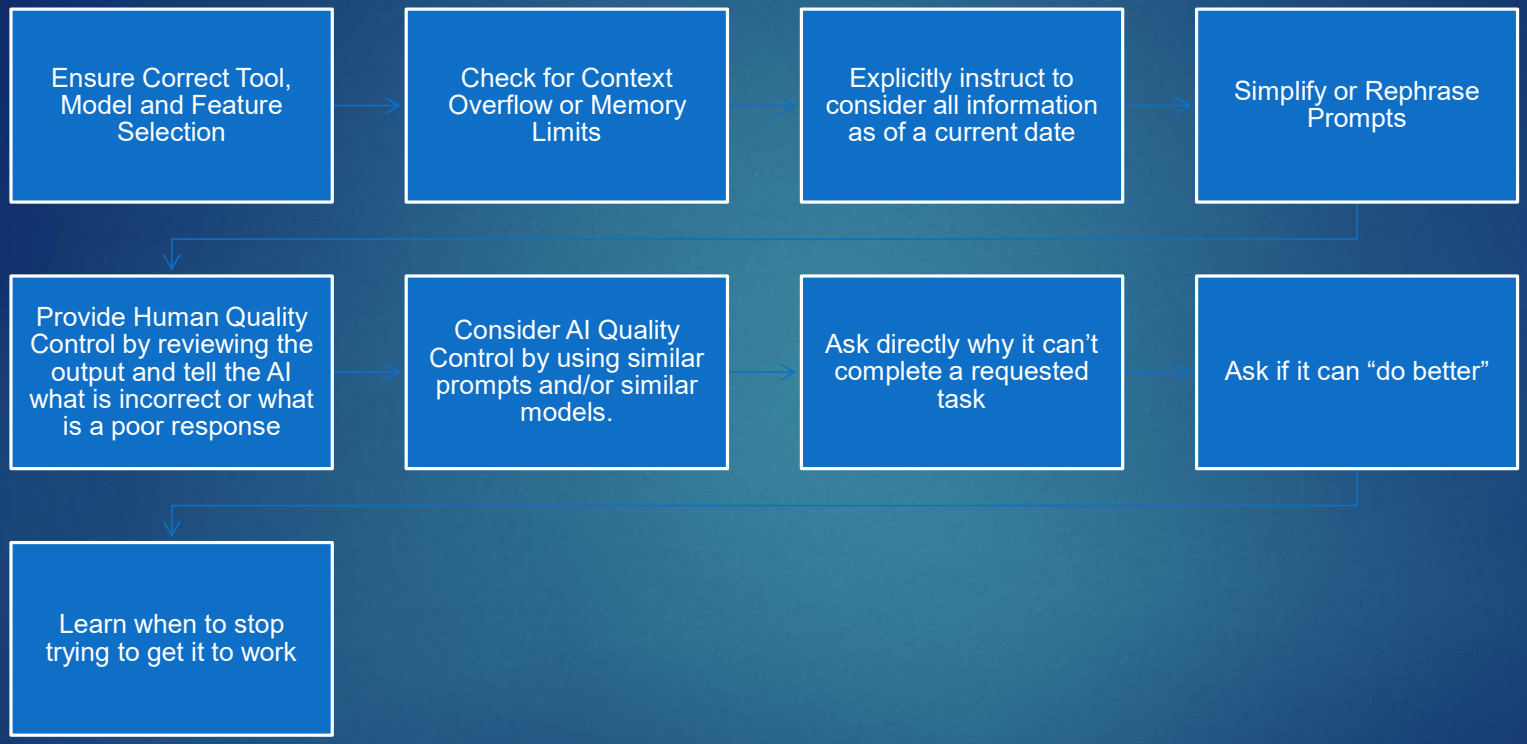
These limitations may be related to:

1. The model being accessed by the tool
2. Your subscription plan
3. The status of availability
4. Other

AI Tool Errors and Limitations

- Session Expired: Temporary environment closed due to inactivity.
- Environment Init Failure: Backend tools fail to start.
- Server Overload: AI unavailable due to high demand.
- Context Window Limit: Input/output exceeds model capacity.
- Output Truncation: Response cut off mid-generation.
- File Size Limits: Upload too large to process.
- Runtime Errors: Code fails due to logic/memory issues.
- Execution Timeout: Long tasks auto-aborted.
- Unsupported File Types: Incompatible formats not processed.
- Tool/API Failures: Disabled tools, plugin errors, or rate limits.
- Model Downgrade: Auto-switch to lower-tier model mid-session.
- Silent Hallucinations: AI invents info when tools silently fail.

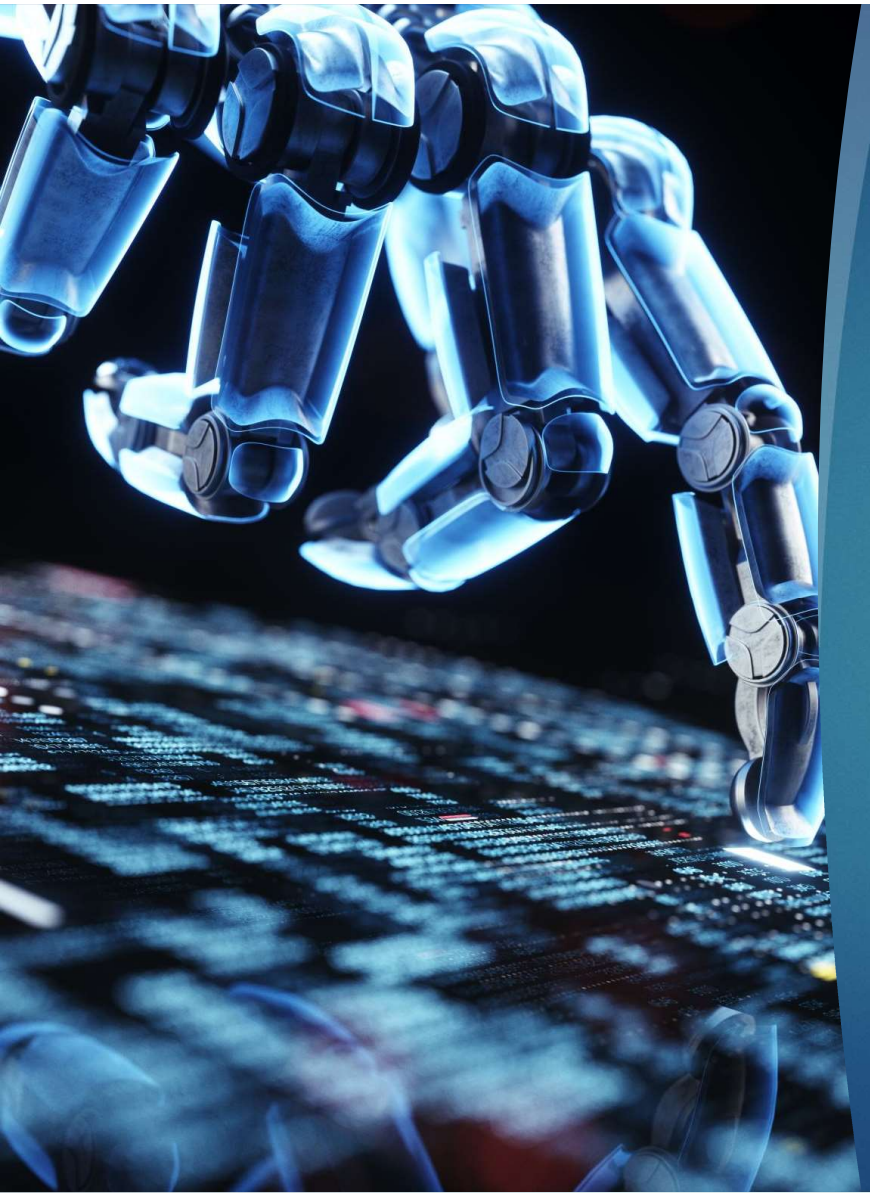
Troubleshooting…Lessons Learned



THE FUTURE…

Now What?

- It is just the beginning…but AI is here to stay
- The speed of development is unprecedented and presents both challenges and opportunities to the valuation ecosystem
- Some capabilities are already here and can be implemented while some capabilities will take further development
- Knowledge is becoming a commodity…but there is value in knowing how to access and apply it
- Recommendation is to adopt a sense of urgency in exploration and a strategic mindset



The Future…

- Code>Low Code> No Code
- Agentic workflows
- Dynamic Model Selection
- Potential Data Limitations
- Mainstreamed Agentic workflows
- New Modeling Paradigms

- And possibly…….
- AGI (Artificial General Intelligence)
- ASI (Artificial Superintelligence)

Will AI replace Appraisers?

- It is likely that AI will be able to perform much the work that is currently performed by Appraisers.
- Some capabilities are already here and can be implemented while some capabilities will take further development
- Not a significant risk of AI replacing appraisers in the near term but appraisers effectively utilizing AI will likely replace appraisers who do not.

- Perhaps the more relevant question is “What will Appraisers do to Replace AI”?

Where do we go from here?

- The utilization and acceptance of AI will be impacted by a variety factors:
  - Regulations, Professional Standards and Market Dynamics related to the purpose of the valuation
  - Acceptance by the valuation community
    - Practitioners
    - Users of Valuations
    - VPO Activity
  - Market Dynamics and Economics
  - Availability of Qualified Staff
  - Technology Disruptors

Q&A

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