

Increasing Exit Multiples: IP and AI Asset Management in M&A Transactions

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The protection and management of intellectual property (IP) assets and artificial intelligence (AI) resources during company sale processes have evolved from ancillary considerations to critical value drivers that can significantly influence EBITDA valuation multiples and overall transaction success. As we witness the completion of the market transition to an economy where intangible assets represent the dominant source of corporate value, the strategic management of IP and AI assets has become paramount in M&A transactions.

Strategic Importance of IP and AI Asset Management

Due Diligence Risk Mitigation

Comprehensive IP policies demonstrate operational maturity and reduce buyer risk perception. Companies with well-documented IP portfolios, clear ownership structures, and robust protection mechanisms typically command premium valuations because buyers can confidently assess what they are acquiring. Conversely, IP uncertainties can lead to significant valuation discounts or deal failures during due diligence.¹

Revenue Sustainability Assessment

Buyers evaluate IP assets as key drivers of future cash flows. Strong patent portfolios, proprietary data, technology platforms, and defensible AI models provide competitive moats that support revenue sustainability.² Companies with valuable, well-protected IP assets often receive higher EBITDA multiples because their earnings are viewed as more predictable and defensible against competition.³

AI-Specific Considerations

Data Rights and Model Ownership

AI companies must clearly establish ownership of training data, algorithms, and model weights.⁴ Ambiguous data licensing or potential copyright infringements can create substantial liabilities that reduce valuation multiples. Companies with clean data provenance and properly licensed datasets command higher valuations.

Regulatory Compliance Framework

As AI regulation evolves, companies with proactive compliance policies and ethical AI frameworks position themselves as lower-risk investments. This includes data privacy compliance, algorithmic transparency measures, and responsible AI deployment practices.⁵

Impact on EBITDA Multiples

Premium Multiples for Strong IP Positions

Companies with robust IP portfolios and clear AI asset ownership typically receive EBITDA multiples higher than industry averages. For example, software companies achieved a median value of 15.2x EBITDA for the period 2015 through 1H 2025, while hardware manufacturers and distributors achieved a median value of 11.0x EBITDA during the same period. Technology

companies with defensible IP moats often command multiples of 8-12x EBITDA compared to 5-9x for companies with weaker IP positions, such as healthcare and consumer staples.⁶

Valuation Discounts for IP Risks

Unresolved IP disputes, unclear ownership structures, or potential infringement issues can reduce EBITDA multiples. A risk discount can be applied when companies cannot demonstrate clear IP ownership or face litigation exposure. Buyers often apply significant risk discounts when IP assets cannot be clearly transferred or when litigation risks exist.⁷

AI-Specific Valuation Impacts

Companies with proprietary AI models and clean data rights often receive premium valuations, with AI companies commanding median multiples exceeding 25.0x revenue in larger transactions.⁸ Healthcare AI companies with proven solutions could see multiples rise to 6-8x revenue, above the sector average of 4.5-5x, reflecting buyers' willingness to pay premiums for innovation and future revenue potential.⁹ Companies relying heavily on third-party AI services or with unclear data ownership face valuation penalties.

Private market valuations benefit significantly from strategic AI IP management. AI IP portfolios increase venture capital and private equity interest, with protected AI assets commanding higher valuation multiples than unprotected technologies.¹⁰ Strategic acquirers consistently pay premiums of up to 20% for companies with strong AI IP positions, creating substantial exit optimization opportunities for stakeholders.¹¹

Public market recognition extends these benefits to publicly traded companies through improved analyst coverage, where AI IP strategies enhance analyst understanding and coverage quality. Systematic AI governance supports Environmental, Social, and Governance reporting and sustainability metrics for ESG compliance, while transparent AI asset management reduces perceived technology risks and builds investor confidence in management capabilities.

The New Economic Reality

The transformation from a tangible asset economy to one dominated by intangible assets represents a fundamental shift in how businesses create and capture value. The transition from a tangible asset economy to one in which 90% of value is represented by intangible assets is largely complete, marking a permanent structural change that spans more than two decades of market

evolution.¹²

This transformation has profound implications for M&A valuations. As of 2020, intangible assets, including IP, made up approximately 90% of the market value of the S&P 500, totaling over \$21 trillion.¹³

Management Best Practices

Pre-Sale IP Audit

Companies should conduct comprehensive IP audits 12 to 18 months before anticipated sale processes. This includes cataloging all IP assets, resolving ownership disputes, and ensuring proper documentation of AI model development and data acquisition.¹⁴ Organized AI IP portfolios accelerate M&A processes and maximize transaction values through due diligence readiness that demonstrates organizational sophistication to potential partners and acquirers.

Policy Documentation and Enforcement

Well-documented IP policies covering employee inventions, contractor agreements, and AI development processes demonstrate systematic asset protection. Regular policy updates reflecting evolving AI regulations and industry standards show management sophistication.¹⁵

Strategic IP Portfolio Development

Active patent filing strategies and trademark protection programs can significantly enhance valuation multiples. Protecting technology with patents is one of the most effective ways deep tech companies can boost their valuation.¹⁶ Companies that treat IP as strategic assets rather than administrative necessities typically achieve superior exit valuations.

The AI Governance Imperative

As artificial intelligence becomes increasingly embedded in business operations, AI governance has emerged as a critical factor in M&A valuations. “AI governance practices, including adherence to ethical AI guidelines, conducting regular AI impact assessments, and implementing documented human oversight processes for decision-making,” are becoming standard due diligence requirements.¹⁷

The complexity of AI systems presents unique challenges for traditional due diligence approaches. “Unlike static systems, AI often involves self-learning capabilities that can change its behavior over time, leading to novel risks or

manifesting risks in unpredictable ways.”¹⁸

EBITDA Multiple Dynamics in Context

While private companies are valued between 2x and 10x EBITDA, with the majority of transactions in the 4x to 6x range,¹⁹ companies with superior IP and AI asset management consistently achieve multiples at the upper end or beyond this range.

The technology sector exemplifies these premiums. The median software company was acquired at 15.2x EBITDA and 3.0x Revenue, with many top-performing SaaS companies exceeding 6x revenue multiples, and segments tied to AI, cybersecurity, and automation sustaining higher valuations than the broader market.²⁰ These premiums reflect buyers’ recognition of the defensive value and revenue sustainability that strong IP portfolios provide.

An example of a strong IP portfolio and AI system driving value in an acquisition is Hewlett Packard Enterprise Company’s (“HPE”) acquisition of Juniper Networks. HPE announced its agreement to acquire Juniper Networks in January 2024²¹ and closed the acquisition in July 2025.²² HPE acquired Juniper Networks for \$13.6 billion, representing 17.8x EBITDA based on EBITDA of \$762.8 million.²³ As part of the announcement in January 2024, HPE noted that the “explosion of AI and cloud-driven business is accelerating the demand for secure, unified technology solutions that connect, protect, and analyze a company’s data from edge to cloud,” and Juniper Networks is “a recognized leader in AI-native networks with tremendous innovation momentum.”²⁴ HPE recognized the “incredible portfolio of intellectual property” and the AI technology that Juniper Networks brings.²⁵ Antonio Fabio Neri, HPE’s CEO, President and Director, explained that the acquisition is a breakthrough for HPE because “for the first time in the history that I know since I’ve been in HP and HPE for 29 years, it’s the first time the company will have the entire intellectual property stack to cover every aspect of that segment of the market.”²⁶ Further, Mr. Neri said that HPE “will be able to complete the full, what I call modern stack networking portfolio of unique intellectual property featuring what we call the industry-leading secure AI network purpose built for AI with AI.”²⁷ With the acquisition, “HPE is now positioned to deliver an industry-leading cloud-native AI-driven portfolio of infrastructure software and services anchored by a modern end-to-end networking stack as the core foundation,” according to Mr. Neri.²⁸

Another recent transaction is the acquisition of Ansys by Synopsys, which was completed in July 2025, after first announcing the acquisition in January 2024.²⁹ The acquisition was estimated at a value of approximately \$35 billion, representing 48.8x EBITDA based on EBITDA of \$717.76 million.³⁰ According to Synopsys, with the acquisition of Ansys, Synopsys “can maximize the

capabilities of product R&D teams broadly enabling them to rapidly innovate AI-powered products.”³¹ Ansys is a leader in simulation and analysis. Ansys describes its use of AI as “revolutionizing engineering simulation with the power of Artificial Intelligence and Machine Learning. Our AI-augmented simulation is a game-changer, bringing unprecedented speed, innovation, and accessibility to the engineering world.”³²

Future Market Evolution

The intersection of IP management and AI governance will continue to gain prominence in M&A transactions as regulatory frameworks mature, and market participants develop more sophisticated evaluation criteria. The next decade will see further refinement and development of valuation standards through efforts like those of the Licensing Executives Society (USA and Canada) standards development organization.³³

Companies that recognize this trend and invest in building robust IP and AI asset management capabilities will be well-positioned to capture premium valuations in future transactions. Those that treat these considerations as compliance afterthoughts rather than strategic value drivers risk finding themselves at a significant competitive disadvantage in the M&A marketplace.

The strategic imperative is clear: in an economy dominated by intangible assets, the management of intellectual property and AI resources has become central to value creation and preservation in M&A transactions. Companies that excel in this domain will continue to realize superior transaction outcomes, while those that neglect these critical assets face the prospect of diminished valuations and limited buyer interest.

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