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How AI Is Changing IT Services Valuation, Diligence & Deal Terms

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Winston & Strawn and Houlihan Lokey co-hosted an AI and IT Services program, convening private equity sponsors with relevant portfolio companies, as well as founders, owners, strategic buyers, and operating executives, for a timely discussion on the impact of artificial intelligence across IT services and digital infrastructure.

The program featured insights from industry professionals on how AI is influencing transaction activity, including diligence priorities, valuation considerations, risk allocation, and deal structuring for AI-enabled businesses.

The discussion concluded with a reception, providing attendees the opportunity to continue the conversation and connect with peers. The program underscored both firms' focus on delivering practical, deal-relevant insights and fostering thoughtful dialogue around emerging issues shaping the market.

KEY TAKEAWAYS

- Buyers are already underwriting AI in IT services deals, but only where it is clearly embedded in day-to-day service delivery and supported by data, not just positioned as future upside.
- As AI compresses delivery time and labor, traditional hourly pricing is breaking down, with more deals shifting toward outcome-based or value-driven models that place greater execution risk on service providers.
- What matters most in diligence is no longer whether a company "has AI," but what data it actually owns, what rights it has to use that data, and whether those rights will hold up post-closing.
- AI governance has become a baseline diligence expectation, with buyers using governance maturity as a signal of operational discipline, scalability, and how seriously management understands AI-related risk.
- Sellers that address AI, data, privacy, and cybersecurity issues early—before launching a sale process—are far better positioned as diligence scope expands and buyer scrutiny continues to increase.

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