

Point of View

Building Resilience:

Valuation in Volatile Times

A Framework for Navigating Valuation Risk Across Market Disruptions

March 2026

Executive Summary

Geopolitical and structural disruption, from financial market collapses to pandemics, armed conflicts, and policy-driven trade barriers driven by increasing movements by global economies towards deglobalization, are no longer tail risks. They are recurring, structural features of the global economic landscape. Yet sometimes, valuation frameworks continue to treat such events as temporary deviations from a mean-reverting norm, embedding single-point forecasts of recovery into models that are not fully equipped to reflect genuine uncertainty.

This paper attempts to emphasize how valuation analysis requires a more rigorous, structured, and epistemically honest response to geopolitical risk and structural disruption. Drawing on five landmark disruptions: the 2008 Global Financial Crisis, the COVID-19 pandemic, the Geopolitical developments in West Asia and elsewhere, the evolving U.S. tariff and trade policy volatility, and the AI revolution in IT/ITES, we examine how each event stress-tests conventional valuation assumptions and what adaptations are required.

We will also discuss a framework: a five-dimensional practitioner model that provides a systematic approach to identifying, quantifying, and disclosing geopolitical risk and structural disruption in business valuations. The framework addresses risk classification, scenario architecture, discount rate construction, cash flow normalization, and the triangulation of market evidence — the five domains in which geopolitical risk and structural disruption most consistently distort standard valuation outputs.

Central thesis: Geopolitical risk and structural disruption are not plug-ins in a valuation model. It is a structural condition that reshapes discount rates, cash flow predictability, terminal value assumptions, and the very comparability of market evidence.

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When Standard Valuation Frameworks Break Down

The proposed Framework: A Five-Dimension Model

The proposed Framework in a Snapshot

Cross-Cutting Themes: What the Five Disruptions Share

Conclusion: Toward a Geopolitically and Structurally Aware Valuation Analysis



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When Standard Valuation Frameworks Break Down

Classical valuation theory rests on three foundational pillars: that cash flows can be projected with reasonable confidence, that discount rates reflect the true cost of risk, and that market evidence provides reliable signals of value. Geopolitical risk and structural disruption challenge each pillar simultaneously and with a speed and force that most valuation models are not structured to accommodate.

The Three Pillars and How They Break

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Pillar 1 — Predictable Cash Flows



Revenue and earnings projections rest on assumptions about demand continuity, supply chain reliability, input cost stability, and regulatory predictability. Each of these can be upended by geopolitical events: tariff escalation, sanctions, conflict-driven commodity shocks, or pandemic-induced demand collapse. The challenge for the practitioner is not merely that the forecast changes. It is that the range of plausible outcomes widens so dramatically that a single-point forecast becomes intellectually indefensible.

The problem is compounded by normalization. Standard DCF practice normalizes earnings by averaging over a business cycle. But geopolitical risk and structural disruption can alter the cycle itself, permanently shifting the structural growth rate, the cost base, or the competitive landscape in ways that historical averages do not capture. Normalizing earnings through a pandemic or a sanction shock as though it were a routine cyclical trough produces materially misleading results.

Pillar 2 — Stable Discount Rates



The cost of equity and debt is calibrated using equity risk premiums, country risk premiums, beta estimates, and credit spreads, all of which are highly sensitive to geopolitical sentiment. Rapid widening of spreads, spikes in volatility indices, or sharp sovereign CDS movements can render a discount rate that was appropriate at the early stage in an engagement materially wrong by its conclusion.

Mechanically derived discount rates, those anchored to historical trailing averages of equity risk premiums or peer-group betas, are particularly vulnerable. They embed the risk environment of the past rather than the risk environment being priced by markets in real time. During the Global Financial Crisis, the implied equity risk premium more than doubled within 12 months. Any WACC built on trailing historical data was systematically understating the cost of capital throughout that period.

Pillar 3 — Reliable Market Evidence



Transaction multiples and public company comparables assume a degree of market normalcy: willing buyers, available financing, and prices that reflect considered long-run views of value. During crises, these conditions are routinely absent. Deal volumes collapse significantly, and those transactions that do occur are often distressed, price-adjusted for exceptional risk, or structured with contingent consideration that makes headline multiples misleading.

Public market comparables present a different but equally serious problem. During acute stress, market prices oscillate between two extremes: overshooting on the downside as panic selling overwhelms fundamental analysis, and overshooting on the upside during policy-driven liquidity surges. Neither extreme is a reliable anchor for a fair value estimate.

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The Three Questions a Valuation Analysis Cannot Avoid

When a geopolitical or structural disruption is active, every valuation engagement must grapple with three foundational questions that standard methodology does not resolve:

1

The value question

Are we valuing the business as it currently operates, as markets currently price it, or as it will operate once the disruption passes. Which of these is the appropriate standard for this engagement?

2

The evidence question

Which available market data reflects fair value under the relevant standard, and which is distorted by crisis conditions that should be excluded or adjusted?

3

The disclosure question

What are the limits of our analysis, what assumptions are most sensitive to geopolitical or structural uncertainty, and how should these be communicated to the user of the valuation?

These questions do not have algorithmic answers. They require professional judgment, but judgment that is structured, transparent, and replicable. The proposed solution framework is designed to provide that structure.

Why “Wait and See” Is Not a Valuation Strategy

Today, many valuation analyses respond to geopolitical risk and structural disruption by deferring — waiting for more information, anchoring on pre-crisis comparables, or applying a broad ‘geopolitical risk discount’ without systematic justification. Each of these approaches represents an incomplete understanding of the implications of risk on the valuation.

Deferral is not available in most valuation contexts. Financial reporting deadlines, M&A timelines, and litigation schedules do not accommodate geopolitical patience. Pre-crisis comparables, used uncritically, embed a risky environment that no longer exists. And unsupported global risk discounts, the valuation equivalent of throwing a number at the problem, lack the analytical rigor required of professional opinions.

Valuation analysis requires not a response to each crisis as it arrives, but a durable framework for engaging with uncertainty as a structural feature of the operating environment.

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The proposed Framework: A Five-Dimension Model

The proposed framework is a structured approach to incorporating geopolitical risk and structural disruption into business valuations. It is not a replacement for established valuation methodology. It is an overlay that directs practitioner judgment across the five domains in which geopolitical risk and structural disruption most consistently distort valuation outputs.

The Framework operates sequentially: risk must be identified and classified before scenarios can be built; scenario architecture must be established before discount rates and cash flows can be calibrated; and market evidence must be assessed in the context of the specific disruption before it is used as primary evidence. **The five dimensions are interconnected, not independent.**

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1 Dimension Risk Identification and Classification



The first discipline is to resist treating all geopolitical or structural disruptions as equivalent. A practitioner confronting a new disruption must classify the risk across two axes before selecting any methodological response.

The first axis is proximity:

how directly is the subject business affected? Direct exposure encompasses businesses operating in affected geographies, producing or consuming directly affected commodities, or that are subject to sanctions and regulatory restrictions. Indirect exposure encompasses second-order effects such as supply chain disruption, FX transmission, investor sentiment contagion, and competitor cost structure shifts. The distinction matters because direct exposure typically requires adjustment to the core financial model, while indirect exposure may be better reflected through scenario weighting or risk premium adjustment.

The second axis is duration:

is this disruption transient or structural? A transient shock, one that is expected to resolve within 12 to 24 months with no permanent alteration of the business's competitive position or cost structure. It may warrant scenario adjustments to near-term cash flows while leaving the terminal value largely intact. On the other hand, a structural shift, one that permanently alters market structure, trade routes, regulatory regimes, or cost economics, requires a fundamental reassessment of the long-run assumptions that drive terminal value.

Direct Exposure Classification Matrix

Transient Shock

Near-term cash flow adjustment + scenario probability weighting

Structural Shift

Full models rebuild, terminal value, normalized margins, structural cost base

Indirect Exposure Classification Matrix

Transient Shock

Risk premium overlay + sensitivity analysis on affected inputs

Structural Shift

Scenario-weighted assumptions for affected cost/revenue lines + market evidence review

Geopolitical Risk

Geopolitical Development in West Asia and Elsewhere

~130%

European Gas Price Spike in 2022

~18,000

Sanctions on certain Countries by 2023

~20%

Oil Price Spike Episodes

Recent geopolitical developments in West Asia and Europe have had far-reaching economic repercussions across energy market volatility, corporate de-linking, and disenfranchisement of multi-national corporate arrangements and ownership. It introduced a new category of challenge: assets that could not be sold, valued through standard methods, or written off with confidence under an unprecedented sanctions architecture. More recently, the closing of a critical global energy chokepoint and simultaneous disruption across energy distribution have most acutely tested the risk identification and classification dimension, requiring practitioners to distinguish direct from indirect exposure and determine whether each shock represents a transient disruption or a structural realignment of global trade and energy architecture.

Key Practitioner Challenges

01

Stranded Asset Valuation

When sanctions, nationalization, or conflict render an asset unrecoverable, standard income and market approaches are inapplicable. Real options pricing, treating residual value as a call option on political normalization, provides the most defensible framework.

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02 FX and Repatriation Risk

Even where sanctioned operations continued to generate local currency, the practical impossibility of repatriating cash to parent companies meant consolidated projections materially overstated available funds, requiring valuers to explicitly separate local-currency cash generation from repatriable cash.

03 Unprecedented Tail Materialization

The recent closure of a critical global energy chokepoint removed all directly applicable historical comparables for disruptions of this magnitude. Energy price assumptions can no longer be anchored to prior episodes; they must be built entirely from first principles, with commodity market specialists as required inputs rather than optional ones.

Enduring Lessons

01

Geographic supply chain and revenue concentration are valuation risks requiring explicit assessment, not assumed away in a 'diversified business' narrative.

02

Country risk premiums for regional neighbors of geopolitically impacted zones require active recalibration, even for businesses without direct in-country operations.

03

Oil price tail risk must be reflected through scenario-weighted commodity assumptions, not single-point forecasts, especially for energy-intensive businesses.

04

FX and capital repatriation risks must be modelled explicitly in cross-border valuations involving sanctioned or geopolitically impacted adjacent markets.

2 Dimension Scenario Architecture



Geopolitically exposed valuations must be structured around a disciplined scenario matrix rather than a single base case. The discipline lies not in producing multiple numbers, that is straightforward, but in grounding each scenario in coherent, internally consistent assumptions and assigning probability weights through a defensible methodology.

The framework recommends four canonical scenarios, which should be adapted to the specific disruption:

- **Base Case**

The most likely outcome- current disruption conditions with the specific risk embedded in assumptions, neither optimistic nor pessimistic

- **Stress Case**

Escalation- supply severance, broadening sanctions, conflict expansion, or policy tightening beyond current levels

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- **Recovery Case**

De-escalation- ceasefire, policy normalization, sanctions relief, or demand recovery

- **Structural Break Case**

Permanent shift- in market structure, trade architecture, regulatory regime, or competitive dynamics that makes the pre-disruption baseline irrelevant

Probability weights should be derived from geopolitical intelligence, macroeconomic forecasts, and sector-specific research, and explicitly disclosed in the valuation report.

Scenario Weighting Discipline

- Weights must be reviewed at each reporting date. Geopolitical conditions change, and stale weights undermine the credibility of the analysis.
- Use external reference points to anchor weights, such as prediction markets, analyst consensus, sovereign bond spreads, and scenario analyses published by central banks and international organisations.
- Document the weight derivation process. In litigation or regulatory contexts, scenario weights are a frequent area of challenge.
- Present the value range across scenarios alongside the probability-weighted central estimate.

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Policy Risk

U.S. Tariff and Trade Policy Uncertainty

~\$360B+

Worth Chinese goods hit with U.S. Tariffs

~25%

Auto Sector Tariff Rate 2025

~10%

Drop in S&P

~3x

Policy Uncertainty Index Rise after Tariff Imposition

U.S. tariff policy has unfolded across two distinct phases: Section 301 tariffs on China from 2018, and the significantly escalated program announced in 2025, with headline rates on specific sectors reaching levels not seen in any post-war era. before the Supreme Court finally stepped in. Unlike the other disruptions in this paper, tariff risk carries no discernible endpoint. It is an instrument of ongoing negotiation that can be escalated, suspended, or redirected with limited notice. For valuers, this makes it uniquely resistant to standard scenario analysis, which typically anchors on a return to a stable baseline. The challenge for the Scenario Architecture dimension is not to model a temporary tariff shock, but to construct a durable, probability-weighted framework that treats permanent policy uncertainty as a structural feature of the operating environment.

Key Practitioner Challenges

01

The Ongoing Uncertainty Problem

Trade policy uncertainty may persist indefinitely. Defining a long-run DCF steady state requires a political judgement most valuers cannot make independently. A

probability-weighted scenario model with explicitly sourced policy assumptions is the most defensible response.

02 Supply Chain Optionality

Businesses investing in supply chain diversification are creating real options that reduce long-run tariff exposure. Standard DCF treats this capex as a pure cost; a more sophisticated approach recognizes and values the strategic optionality created.

03 Currency Interaction Effects

Trade tensions trigger currency responses that partially offset direct tariff impacts. Using gross tariff impacts without currency adjustment overstates net margin compression and can produce materially misleading valuation conclusions.

Enduring Lessons

01

Policy risk is a permanent feature of the valuation landscape. Build a repeatable framework for policy scenario analysis into standard engagement protocols.

02

Single-country sourcing concentration belongs in the company-specific risk premium analysis — not merely in narrative risk factor disclosures.

03

EPU index data should be considered as one objective factor when calibrating ERP during periods of elevated policy uncertainty.

04

Cross-border deal structures should include tariff risk-sharing mechanisms, valued using scenario analysis rather than point estimates.

05

Supply chain re-configuration investment should be modelled as a real option, capturing its strategic value rather than treating it as a pure cost drag.

3 Dimension Discount Rate Construction



Standard CAPM-based discount rate models have limitations in high-uncertainty environments. Built on historical inputs, beta estimates, and equity risk premiums, they tend to reflect the risk environment of the past rather than conditions being priced in real time. The framework recommends a layered approach to discount rate construction during periods of geopolitical and structural disruption.

The base layer comprises a forward-looking risk-free rate and an implied equity risk premium drawn from real-time market data. During periods of stress, implied ERPs, derived from dividend discount models applied to broad market indices, can diverge meaningfully from historical averages, making them a more current indicator of the prevailing cost of capital.

The second layer is a country risk premium for businesses with cross-border exposure, calibrated using sovereign CDS spreads, Moody's ratings-based CRP estimates,

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or Damodaran's published country risk premium database, but updated to reflect current conditions rather than used uncritically from prior-period publications.

The third layer is a geopolitical risk and structural disruption overlay: an incremental premium reflecting conflict intensity, sanctions exposure, or policy unpredictability. This overlay is idiosyncratic to the specific disruption and requires judgment. Reference points include: the spread between affected and unaffected country CDS, sector-specific volatility relative to broad market volatility, and the Economic Policy Uncertainty (EPU) index for policy-driven disruptions.

The fourth layer, where applicable, is a liquidity premium reflecting the freeze in deal markets or the illiquidity of specific assets. This premium should be quantified using observable evidence, such as bid-ask spreads on comparable assets, the discount between private and public market valuations within a sector, or published liquidity discount studies. Of course, sufficient professional judgment must be exercised to capture the impact of transaction thinning at the acute stage of the disruption.

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Systemic Risk

The 2008 Global Financial Crisis

~50%

S&P 500 Peak-to-Trough

~\$2T+

Global Bank Write-Downs

~600bps+

IG Credit Spread Widening

~55%

Drop in Global M&A Transaction Value

The 2008 Global Financial Crisis was not a sector downturn or a geographic shock. It was a simultaneous repricing of risk across virtually every asset class, triggered by the collapse of the confidence infrastructure underpinning global banking. Models, benchmarks, and discount rate inputs had all been calibrated in an era of compressed spreads, abundant liquidity, and rising asset prices; none of those conditions held after Lehman. The implied equity risk premium more than doubled within twelve months, making mechanically derived WACCs anchored to trailing historical data systematically misleading throughout the crisis. The GFC remains the defining test of the Discount Rate Construction dimension, illustrating why real-time, forward-looking inputs such as implied ERPs, live CDS spreads, and explicit liquidity premia are essential when historical data no longer reflects the risk environment being priced by markets.

Key Practitioner Challenges

01

The Circularity Problem

Asset values depended on credit markets, which depended on the solvency of institutions holding those assets. Standard DCF could not resolve this circularity; liquidation-based or regulatory capital frameworks became necessary cross-checks, demanding expertise well outside traditional valuation practice.

02

Date-of-Valuation Risk

Valuations straddling the Lehman collapse could differ by 20–30% for leveraged financial sector businesses. Courts adjudicated on what was 'knowable' at specific dates, requiring contemporaneous market data to be part of working paper documentation.



Collapsed Control Premium Evidence

Pre-crisis data overstated control premiums; crisis-period data embedded conditions not expected to persist. Neither was defensible without explicit adjustment and a clear rationale for how the applicable standard of value interacted with crisis conditions.

Enduring Lessons

01

Liquidity risk is an input to the discount rate. Build the liquidity premium into WACC explicitly during periods of market dislocation.

02

The income approach must be available as a primary method — not merely a cross-check — when the transaction evidence base collapses.

03

ERP should be estimated using forward-looking implied methods during crises; historical trailing averages systematically understate the cost of capital.

04

Normalization requires identifying leverage-adjusted, structurally maintainable earnings — not a trailing average that embeds peak-cycle distortion.

05

Valuation reports must explicitly state which market evidence was excluded and why, particularly when crisis conditions distort the comparable universe.

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4

Dimension

Cash Flow Normalization and Survivability



Crisis periods frequently produce distorted financial results. Earnings that are artificially depressed (by demand collapse, supply disruption, or one-off costs) or artificially elevated (by government support, demand pull-forward, or one-time commodity gains). The valuation analysis should strip away these distortions to identify the maintainable, sustainable earnings of the business under normalized conditions.

The framework distinguishes three normalization tasks. The first is crisis distortion removal: identifying and excluding one-off crisis costs (restructuring, impairment, insurance claims), government support receipts (wage subsidies, grants, loan guarantees), and accounting effects (accelerated depreciation, lease deferrals) that distort the reported P&L.

The second is structural adjustment: assessing whether any aspect of the pre-crisis cost base or revenue profile has permanently changed. A business that has rebuilt its supply chain to eliminate a now-sanctioned supplier has a permanently different cost structure. A business that has permanently lost a revenue stream, a retail concept with no viable digital channel, for example, has a permanently impaired earnings base.

The third is survivability analysis: particularly important for leveraged entities in an acute crisis. Can the business service its debt, maintain headroom against covenants, and fund its operations through the disruption horizon? Survivability is a precondition for value. A business that cannot survive does not have a going-concern value.

Exogenous Shock

COVID-19 and the Pandemic Economy

~3.0%

Global GDP
Contraction 2020

~34%

S&P 500 Decline
Feb–Mar 2020

~65%

Aviation Revenue
Decline

COVID-19 arrived as a purely exogenous shock, not rooted in financial imbalances or policy challenges. It struck the global economy simultaneously, compressing years of structural change into months. Unlike 2008, when virtually all assets repriced downward, the pandemic produced a sharp bifurcation: airlines, hospitality, and retail faced an existential revenue collapse, while technology, logistics, pharma, and digital services experienced demand acceleration. The central challenge was not simply that earnings were depressed, but that the sustainable 'normal' had become genuinely unclear, with government support masking underlying economics and terminal value assumptions becoming the most contested element of every engagement. COVID-19 is the definitive case study for the Cash Flow Normalization dimension, illustrating the criticality of distinguishing transient crisis distortions from permanent structural shifts before forming any view on maintainable earnings.

Key Practitioner Challenges

01

The Real Options Problem

Resilient, well-capitalized businesses could wait out the crisis and capture disproportionate recovery upside. Leveraged distressed competitors could not. Standard DCF treated these as equivalent risk profiles. Real options frameworks provide a more honest representation of the value of financial resilience

02

Going Concern Uncertainty

For aviation, hospitality, and retail, the pandemic raised genuine going-concern questions, requiring explicit survivability assessments over 12-month horizons, covenant headroom analysis, and scenario-based liquidity assessments well outside traditional practice.

03

The Terminal Value Trap

A 0.5% change in long-run growth rate or discount rate could shift total enterprise value by 15–25% for asset-light businesses. Terminal value became the single most material and least defensible element, the one most exposed to challenge in subsequent litigation or regulatory review.

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Enduring Lessons

01

Never embed crisis-era earnings directly into terminal value without explicit normalization and structural adjustment.

02

Government support receipts are not earnings. Strip them out and assess the underlying business in its own economics before forming a view on maintainable profitability.

03

For bifurcated shocks, sector classification is a prerequisite for method selection. Impaired and accelerated sectors require fundamentally different frameworks.

04

Optionality has value. Businesses with liquidity buffers and operational flexibility in a downturn are worth more than static DCF models capture.

05

Terminal value sensitivity tables ($\pm 0.5\%$ on long-run growth rate and WACC) should be a standard exhibit in all high-uncertainty valuation engagements

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5

Dimension

Market Evidence Triangulation



When transaction and trading comparables are distorted by crisis conditions, the practitioner must approach market evidence with structured skepticism rather than uncritical application. The framework recommends a four-step process.

First, screen the comparable universe for crisis distortion: identify which transactions occurred during the acute phase of a disruption, assess whether they were distressed or forced (which typically produces artificially low multiples) or liquidity-driven (which in a quantitative easing environment can produce artificially high multiples), and consider whether they should be excluded from the primary evidence set or applied with explicit haircuts.

Second, expand the comparable universe temporally and geographically: where crisis-period local data is insufficient, look to pre-crisis evidence (with adjustment for changed conditions), comparable businesses in unaffected geographies (with geographic risk premium adjustments), or adjacent sectors with similar risk profiles.

Third, triangulate across methods: in high-uncertainty environments, no single method is likely to produce a reliable standalone conclusion. The income approach, the market approach, and, where appropriate, the asset approach should all be applied, with explicit consideration of which method is most likely to be reliable given the specific disruption context.

Fourth, disclose the limitations of the evidence base explicitly: the user of the valuation is entitled to understand the quality of the evidence underlying the conclusion. A valuation supported by thin, distorted, or geographically distant comparables should say so, and the concluded range should reflect that evidential uncertainty.

Structural Disruption

The AI Revolution and the IT/ITES Sector

~\$200B+

Global AI
Investment in 2024

~30%

STEM tasks AI-
Automatable

~40–50%

Multiple
Compression:
Legacy IT

~5–10x

Revenue Multiple
Advantage AI-
Native vs. Legacy IT

The AI revolution is the only disruption in this paper that originates inside the sector it disrupts, and unlike a conflict or pandemic, it does not resolve. It compounds. For IT/ITES specifically, generative AI simultaneously threatens the labor-intensive offshore delivery model that underpins most large IT services businesses, while offering extraordinary opportunity for firms that reposition AI-augmented delivery, proprietary model development, and advisory-led engagements. A comparable peer group that appeared homogeneous three years ago is now deeply heterogeneous: AI-native companies command revenue multiples of 5–10x or more, while legacy IT services firms face significant multiple compression. This bifurcation makes the Market Evidence Triangulation dimension uniquely challenging. Blended sector multiples are analytically misleading, and a structured approach to evidence segmentation by AI adoption maturity is essential.

Key Practitioner Challenges

01

Winner Takes More Dynamics

Firms that train proprietary models on client data and accumulate AI talent create compounding competitive advantages that are difficult for slower peers to close. Competitive positioning becomes quantitatively material to terminal value. A structured AI maturity assessment is a required input.

02

IP and Data Moat Valuation

Firms with proprietary AI models trained on domain-specific data possess an intangible asset not reflected in standard financial statements. Assessing defensibility, revenue-generating capacity, and longevity before supersession requires additional assessment to be incorporated appropriately into the analysis.

03

Bifurcated Comparable Universe

Blended IT/ITES multiples are analytically misleading. Separate peer groups segmented by AI adoption maturity are required, with acquirers now explicitly pricing AI transition risk, re-enabling costs, client attrition risk, and workforce retraining uncertainty.

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Enduring Lessons

01

Headcount-linked revenue projections are no longer a reliable DCF basis for IT/ITES. Decompose revenues by AI-resilience and project each stream independently.

02

The IT/ITES comparable universe has bifurcated. AI-native and legacy IT businesses require separate peer groups.

03

AI transition capex is strategically necessary but near-term dilutive. Distinguish it explicitly from maintenance capex and assess the return on transition investment.

04

Workforce AI-readiness is a material valuation input. Model the restructuring liability embedded in high-vulnerability workforce compositions.

05

Winner-takes-more AI dynamics make competitive positioning assessment quantitatively material to terminal value assumptions, not merely a qualitative narrative.

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	Risk Identification & Classification	Scenario Architecture	Discount Rate Construction	Cash Flow Normalization	Market Evidence Triangulation
CORE QUESTION	How directly and how durably is this business affected?	What are the coherent, probability-weighted paths forward?	What rate reflects the risk environment priced today?	What are the maintainable economics once distortions are removed?	Which market data reflects fair value, and which is distorted?
KEY CONCEPT	Two classification axes: - Proximity — Direct vs. Indirect - Duration — Transient vs. Structural	Four canonical scenarios: - Base - Stress - Recovery - Structural Break	Four-layer WACC build: - Implied ERP - Country Risk - Geopolitical / Structural Overlay - Liquidity	Three normalization tasks: - Crisis distortion removal - Structural adjustment - Survivability analysis	Four-step evidence process: - Screen for distortion - Expanding universe - Triangulate methods - Disclose limitations
WHAT IT FIXES	Prevents applying a uniform response to risks with fundamentally different proximity and duration profiles	Replaces indefensible single-point forecasts with probability-weighted, internally consistent scenario outputs	Replaces mechanically derived WACCs anchored to historical data that embed the past risk environment	Strips crisis-period distortions: government support, one-off costs, deferred items from maintainable earnings	Prevents uncritical use of distressed or liquidity-inflated transaction evidence as primary fair value anchors
PRACTITIONER WATCH-OUT	Misclassifying an indirect, transient risk as structural leads to over-adjustment and vice versa	Stale scenario weights are as dangerous as no scenario analysis — review at every reporting date	Using historical trailing ERP during a crisis systematically understates the true cost of capital	Survivability is a precondition for value- a business that cannot survive has no going-concern value	Crisis period comparables embed distress or policy-driven inflation; neither is a fair value signal

Cross-Cutting Themes: What the Five Disruptions Share

Each disruption examined in this paper was distinct in its origin, mechanism, and sectoral impact. Yet across all five, a consistent set of valuation challenges recurred, and a consistent set of adaptations proved necessary. This section consolidates the cross-cutting themes, providing a set of principles that apply across types of geopolitical and structural disruption.

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The Illiquidity Premium Problem



The Challenge

Deal markets thinned dramatically during the acute phase of every disruption. The evidential base for market approach valuations deteriorated precisely when it was most needed — yet financial reporting, M&A, and litigation timelines could not wait for markets to normalize.

How It Manifests

- Private market transactions become rare
- The few deals that occur are often distressed
- Bid-ask spreads widen, making benchmarks unreliable
- Private-to-public valuation discount becomes unstable

Practitioner Response

Build the liquidity premium explicitly into the discount rate, reflecting specific market conditions at the valuation date. Do not assume the premium is zero because published benchmarks are unavailable; their absence is evidence of dislocation.



The evidential base collapses precisely when it is most needed.



Terminal Value Sensitivity



The Challenge

Terminal value represents 60–80% of total enterprise value for most operating businesses. Disruptions that alter long-run growth rates, normalized margins, or cost of capital assumptions therefore have an outsized impact on total value, disproportionate to their effect on near-term cash flows.

How It Manifests

- 1% reduction in long-run growth → 20–35% EV decline
- 1% increase in terminal discount rate → similar EV impact
- Structural disruptions permanently alter the ‘normalized state’
- Terminal year assumptions become the most contested input

Practitioner Response

Subject terminal value assumptions to the same geopolitical and structural stress-testing as near-term cash flows. Present terminal value sensitivity tables as a standard exhibit, not an appendix. The range across plausible long-run assumptions is a primary output, not a footnote.



Terminal value is where geopolitical risk hides — and where it does the most damage.”



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When Standard Valuation Frameworks Break Down

The proposed Framework: A Five-Dimension Model

The proposed Framework in a Snapshot

Cross-Cutting Themes: What the Five Disruptions Share

Conclusion: Toward a Geopolitically and Structurally Aware Valuation Analysis

The Date-of-Valuation Problem



The Challenge

Valuations are anchored to a specific date. When disruptions unfold rapidly, the choice of valuation date and what was knowable at that date becomes critically important in litigation, M&A disputes, and regulatory contexts.

How It Manifests

- Pre-event vs. post-event valuations can differ by 20–30%
- Information asymmetry distorts prices before public knowledge
- Courts require precision on what was ‘knowable’ on the date
- Stale working papers cannot reconstruct the contemporaneous view

Practitioner Response

Document contemporaneous market data and geopolitical intelligence at the valuation date as part of working papers, not merely in the narrative. In contentious contexts, the ability to demonstrate what was knowable and what was not at a specific date can be the difference between a defensible and an indefensible conclusion.



The valuation date is not an administrative detail. It is a substantive analytical boundary.”



The Emerging Market Amplification Effect



The Challenge

Businesses operating in or exposed to emerging markets face amplified disruption risk across every type examined. In each of the five case studies, the impact on emerging market businesses was disproportionate to the direct economic effect of the disruption.

How It Manifests

- Thinner capital markets
- Fewer reliable comparables
- Higher baseline sovereign risk
- CRPs move faster
- Greater currency volatility
- Repatriation risk elevated
- Policy unpredictability amplified

Practitioner Response

Apply a specific emerging-market calibration: estimate CRPs from current market data rather than lagging published estimates; model currency risk explicitly; and assess market evidence availability independently for EM-exposed businesses rather than assuming parity with the broader comparable universe



Emerging markets do not just face the same disruptions – they face amplified versions of them.



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Conclusion: Toward a Geopolitically and Structurally Aware Valuation Analysis

Geopolitical risk and structural disruption have become permanent, simultaneous features of the business environment, not periodic exceptions. The 2008 financial crisis, the COVID-19 pandemic, the Geopolitical development in West Asia and elsewhere, U.S. trade policy volatility, and the AI revolution in IT/ITES did not arrive without precedent, and they will not be the last disruptions to challenge the assumptions embedded in valuation models.

What has changed is the frequency, the simultaneity, and the structural depth of these disruptions. In prior decades, a practitioner might encounter a single major risk event in a career that required a fundamental methodological adaptation. Today, practitioners may be navigating two or three simultaneously, each requiring a different analytical response, each distorting a different set of valuation inputs.

The valuation profession must stop asking 'how do we adjust to this crisis' and start asking 'how do we build best practices that can navigate any crisis'. The answer is a framework — not a formula.

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About Uniquis Consultech:

Uniquis Consultech is a global tech-enabled consulting company that specializes in Accounting & Reporting, Governance, Risk & Compliance, Sustainability & Climate, Tech Consulting, and Valuations. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and UST.

Uniquis has a global team of 700+ professionals led by 85+ Partners & Directors across eleven offices in the USA, the Middle East, and India. The company serves more than 300 clients, including marquee names in each of the markets it operates in.

Uniquis is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services to its clients.

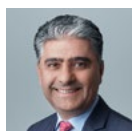
About Our Valuations:

Increasingly complex transaction structures, heightened regulatory & governance scrutiny, and the need for transparent financial reporting demand valuations that are both rigorous and reliable.

Our Valuations practice delivers a comprehensive suite of tech-enabled valuation solutions across the breadth of asset classes, supported by deep technical expertise, strong industry knowledge, and a nuanced understanding of accounting and regulatory requirements.

With an experienced team of valuation professionals, we partner with our clients to support them in all their valuation needs, including pre-deal support, dispute resolution, regulatory compliance, financial reporting, and post-acquisition support.

A Team You Can Trust to Deliver



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