

# AI Company Evaluation Checklist

## Renaissance Capital LLC

There is no “one size fits all” investment framework for AI stock analysis, but the 10 items on this checklist will point you in the right direction as you evaluate which companies have a truly differentiated AI solution, and which companies are simply selling hype.

### 1. Data Assets & Moats

- Quality of proprietary data (accuracy, cleanliness, labeling)
- Volume and uniqueness of datasets compared to peers
- Access advantage (exclusive partnerships, vertical integration, first-party data)
- Barriers to replication by competitors (cost, regulation, privacy, contracts)

### 2. Technical Team & Talent Retention

- Depth of core research talent (PhDs, AI thought leaders, benchmark contributions)
- Stability: retention rate, culture, equity incentives
- Track record of shipping product vs. just publishing research
- Bench strength beyond founders (succession risk)

### 3. Model Development & IP

- In-house model development vs. reliance on open-source/foundational models
- Proprietary architectures, algorithms, or methods with patent protection
- Cost efficiency in training/inference (compute spend per unit revenue)
- Differentiation of models: general-purpose vs. vertical/industry-specific
- Product performance on industry-recognized tests

#### **4. Infrastructure & Compute**

- Partnerships with hyperscalers (AWS, GCP, Azure) and leverage terms
- Ability to manage inference cost curve as scale grows
- Access to GPUs/accelerators under supply constraints
- Long-term capex strategy for compute efficiency

#### **5. Productization & Customer Adoption**

- Integration of AI into end-user workflows (sticky vs. nice-to-have)
- API usage growth and enterprise adoption
- High switching costs for customers
- Evidence of real-world ROI from AI use cases

#### **6. Customer & Revenue Risks**

- **Customer Retention Rate (CRR):** % of customers retained over time
- **Net Dollar Retention (NDR/NRR):** revenue retention + expansion from existing customers
- Revenue is spread out among a large number of clients
- Diversity across industries and geographies
- Contract duration and churn risk
- Path to recurring revenue and upsell potential

#### **7. Regulatory & Compliance Readiness**

- Preparedness for AI-specific regulation (EU AI Act, US rules, sectoral laws)
- Data privacy safeguards (GDPR, HIPAA, CCPA)
- Security and governance frameworks for model safety
- Transparency in bias/fairness auditing

## **8. Financial Metrics (AI-Specific Tilt)**

- R&D intensity as % of revenue must be sustainable
- Customer acquisition costs and S&M spend as a % of revenue
- Gross margin impact of inference cost
- Growth and Net Dollar Retention (reinforced here as key financial KPI)
- Burn vs. runway if pre-profit

## **9. Ecosystem & Partnerships**

- Developer ecosystem, SDKs, and integrations
- Strategic partners (clouds, data providers, vertical incumbents)
- Participation in standards and industry consortia
- Network effects from model adoption

## **10. Strategic Moats & Defensibility**

- Flywheels: more customers → more data → better models → stronger moat
- Differentiation vs. commoditized AI APIs
- Brand perception and thought leadership
- IP portfolio strength