

Multi-Model Decision Review

INITIAL INPUT

We're acquiring a mid-market European industrial SaaS company at 14x EBITDA (€140m enterprise value, €10m EBITDA, €35m ARR). The thesis is sticky revenue (95% gross retention, 110% net retention), margin expansion from converting €8m of professional services revenue into productised modules, and cross-sell into 400 existing customers. Concerns: the multiple is full, services-to-product conversion has historically been hard, and the customer base is concentrated in German manufacturing (60% of ARR) which is in a multi-year industrial slowdown. Red-team this before the IC meeting.

Models: Claude Opus 4.7 (thinking), GPT-5.4 (thinking), Gemini 3.1 Pro (thinking), Grok 4.20 (thinking)
Duration: 8m 19s · Date: 2026-04-27 · Framing: Direct — analytical tone guidance disabled by user · Web Search: Enabled — models had access to live web results · Live Market Data · Data Jurisdiction: US

MARKET DATA · 2026-04-27 17:59 UTC

S&P 500: 7,172.24 +0.10%	NASDAQ: 24,873.49 +0.15%
Dow Jones: 49,143.87 -0.18%	VIX: 18.53 -0.96% [normal range]
US 10Y Yield: 4.338%	US 30Y Yield: 4.942%
(DXY): 98.46	EUR/USD: 1.17 +0.37%
GBP/USD: 1.35 +0.55%	USD/JPY: 159.37 -0.23%
WTI: 96.67	Brent: 101.92
Gold: 4,696.70	Euro Stoxx 50: 5,860.32 -0.39%
FTSE 100: 10,321.09 -0.56%	DAX: 24,083.53 -0.19%

PANEL VERDICT

The deal fails to meet standard PE return thresholds at the bid price, with probability-weighted equity IRR of only 12-16% versus required 20-25% hurdle rates.

Scenario Analysis

Bear (38%)

PMI reverts to 48-50, PS conversion stalls at 25%, GRR slips to 90%. EBITDA remains flat at €10-11m with 11x hybrid discount. Post-leverage equity impaired 30-45% after fees.

Key Conditions: German economic recovery falters and PS productization proves largely bespoke

Base (47%)

PMI holds 50-53 with 40% PS conversion delivering €1-2m net EBITDA after R&D drag. Cross-sell adds €3-4m ARR, reaching €13-14m EBITDA at 13-14x as business mix modestly improves.

Key Conditions: Moderate German recovery with partial but meaningful PS conversion success

Bull (15%)

PMI sustained above 54 with German capex normalizing. 60%+ PS converts cleanly, ARR scales to €52-55m with NRR 113-115%. EBITDA reaches €15-16m with re-rating to 16-17x on credible pure-play trajectory.

Key Conditions: Strong German industrial recovery with successful PS-to-SaaS transformation and sustainable repeatability

DECISION FRAMEWORK

Deal fails PE return hurdles at bid price, requiring significant restructuring or price reduction to clear investment thresholds.

Condition	Required	Current	Status
PS conversion economics	Net EBITDA uplift >€3m after R&D and transition costs	€0-2m net uplift after €3-5m investment	✗ FAIL
German macro recovery	PMI sustained >50 for industrial client stability	PMI 51.2 in Apr-2026 vs 43.2 in Nov-2024	✓ PASS
Equity IRR threshold	20-25% levered returns for PE approval	12-16% probability-weighted IRR	✗ FAIL
Retention premium sustainability	95% GRR maintenance for SaaS multiple justification	95% GRR but conversion-dependent	? UNCLEAR

Disagreement Map

Exit multiple assumptions (3:1)

- **Gemini 3.1 Pro** Assumes 18x bull case exit multiple based on pure-play SaaS re-rating potential
- **Grok 4.20** Supports 16-17x range as more realistic given hybrid business model constraints
- **Claude Opus 4.7** Views 16-17x as appropriate ceiling given conversion execution risk
- **GPT-5.4** Aligns with 16-17x based on comparable vertical SaaS transactions

PS productization viability (2:2)

- **GPT-5.4** Most skeptical on PS economics and cross-sell saturation potential
- **Claude Opus 4.7** Questions bull case EBITDA math and probability-weighted IRR adequacy
- **Grok 4.20** Accepts conversion potential but emphasizes transition cost quantification
- **Gemini 3.1 Pro** Most optimistic on PS-to-SaaS conversion driving multiple expansion

What to Watch

German PMI falls below 50 for two consecutive months

Timeframe: Next 6 months

→ Bear case becomes base case

PS pilot conversion rate <40% in months 6-12 post-close

Timeframe: 6-12 months post-acquisition

→ Bear case probability increases to >50%

GRR drops below 93% in any quarterly measurement

Timeframe: Ongoing quarterly monitoring

→ SaaS multiple premium erodes, exit multiples compress to 11-13x

Top-5 client concentration exceeds 40% of total ARR

Timeframe: Due diligence completion

→ Risk premium increases, required IRR threshold rises

EUR/USD falls below 1.10

Timeframe: Next 12 months

→ USD LP returns further impaired, hedge implementation critical

Risk Flags

Panel agreement: 79%

● **CRITICAL** Bull case EBITDA math inconsistent with PS skepticism (1/4 models)

● **CRITICAL** PS productization economics (1/4 models)

● **HIGH** Transition Cost Quantification (1/4 models)

Correctly flags missing R&D capex and FCF drag from productization, yet provides no explicit € or timeline estimate (e.g. €3-5m over 2yrs), leaving the effective entry multiple and bear-case downside imprecise.

● **HIGH** Misaligned Exit Multiples (1/4 models)

The Base (13x) and Bull (14.5x) exit multiples fail to reflect the provided 17-22x SaaS comps. Successful PS productization structurally shifts the revenue mix, demanding a higher valuation multiple, not multiple compression.

● **HIGH** Probability-weighted IRR likely fails PE hurdle (1/4 models)

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